



## STRONG FIRST QUARTER 2005 ADA TEPE ENVIRONMENTAL IMPACT ASSESSMENT FILED CHELOPECH REDEVELOPMENT AHEAD OF SCHEDULE

(All amounts have been expressed in Canadian dollars except where indicated).

Toronto, May 5, 2005 – Dundee Precious Metals Inc. (DPM – TSX) (“Dundee Precious”, “DPM” or “the Company”) is on track to become a mid cap gold producer by 2007 as it reports the results of its operational, exploration and financial activities during the first quarter 2005.

### HIGHLIGHTS:

- Environmental Impact Assessment for Ada Tepe filed in April 2005;
- Ada Tepe Definitive Feasibility Study to be presented to Board of Directors for approval in May 2005;
- Bulgarian Investment Agency issues Class 1 Investment Certificates for Chelopech Mine expansion and Ada Tepe construction projects;
- Chelopech unit cost per tonne mined continues to decline as production increases. The mine redevelopment is ahead of schedule as ore production reaches an annualized rate of 900,000 tonnes in March 2005;
- A copper cathode produced during pilot plant testing of the pressure oxidization process on Chelopech concentrate is expected to meet London Metals Exchange purity standards;
- Obligations of approximately US\$16.5 million plus future royalty obligations arising from the acquisition of the Bulgarian mining assets settled for US\$10.5 million;
- Chelopech completed a US\$10 million loan facility with the European Bank for Reconstruction and Development;
- DPM purchased an option to earn a 60% interest in the Back River Project located in Nunavut, Canada.

“At DPM we are committed to deliver on the promise of becoming a mid cap gold producer by 2007 and our First Quarter 2005 results certainly indicate that with our mining activities, exploration and corporate strategy we are well on our way to meeting this goal. We appreciate the support of our shareholders during the initial transition period and I want to reassure them that we will continue to focus on increasing shareholder value as we consider further growth opportunities”, said Jonathan Goodman, President and CEO. “We look forward to announcing results of our Feasibility Studies for Ada Tepe later this month and for the conversion of Chelopech from concentrate to metal production in the near future and our financial position remains strong as we continue to transition to active mining operations,” he added.

## MINING AND EXPLORATION ACTIVITIES

### *Bulgaria*

During the current quarter, the Company was awarded preferential investment status in Bulgaria with Class 1 Investment Certificates for its Chelopech expansion and Ada Tepe construction projects by the Bulgarian Investment Agency ("BIA"). The investment certificates allow the Company to acquire the lands required for the implementation of the investment projects without tender or competition and to receive individual administrative service from the BIA, thereby reducing administrative time frames.

### *Chelopech, Bulgaria*

As of March 31, 2005, the development of the underground workings was ahead of target for the year as a result of the increased availability and reliability of underground equipment.

The construction of a 2,300 metre decline from surface to the underground mine workings continued to encounter problems due to poor ground conditions. The Company has ordered specialized equipment to advance the decline through the variable ground conditions and to complete the decline as planned by the end of 2005.

The Company's feasibility study to evaluate direct metal production using autoclave technology is continuing with encouraging results. Copper cathode was produced at the pilot plant facility during the quarter and appears to meet the benchmark London Metals Exchange purity grade of 99.99% copper. These results provide evidence of technological proof of concept.

Cost per unit of ore mined significantly decreased from US\$51 per tonne in the prior quarter to US\$33 per tonne in the current period and is in line with expectations resulting from maintenance work carried out in the fourth quarter of 2004.

Ore mined over the three month period ended March 31, 2005 averaged over 70,000 tonnes per month compared to an average of approximately 50,000 tonnes per month mined in the prior three month period ended December 31, 2004. A large proportion of Chelopech's operating costs are fixed and it is expected that unit costs will continue to decrease as production increases.

Ore production at the end of March 2005 is ahead of plan and it is expected that the mine will meet or exceed the current year's target.

Cash cost per pound of copper and per ounce of gold in concentrate was higher compared to the last quarter and higher than plan due to lower grades of mined ore and lower metal recovery rates from ore to concentrate. The lower ore grades were the result of being unable to access the planned areas of the ore body as well as from the continuing dilution effects of the current mining method (sub-level caving). It is expected that significant increases in grades will not be achieved until the mining method is changed to long-hole open stoping. The change in mining method is expected to start towards the end of the second quarter of 2005. Lower than planned metal recovery rates from ore to concentrate were due to higher sulphur content of the ore in the area being mined.

### *Ada Tepe, Bulgaria*

An Environmental Impact Assessment ("EIA") of the proposed project was completed and submitted to the Bulgarian Government in April of 2005 for review and approval. Following review by the Government the EIA will be submitted to the municipal and regional authorities for review.

A Definitive Feasibility Study on the construction and operation of this proposed gold mine is nearing completion and will be presented to the Board of Directors for approval in May 2005.

On February 25, 2005, the Company announced its updated resource determination for the project which now stands at 835,000 ounces of gold and 440,000 ounces of silver in the measured and indicated category.

Delineation drilling of nearby 'satellite' prospects has been completed (Kuklita, Surnak, Skalak, Kupel). Resource estimation is underway and is expected to be complete by early June, following which pit optimization and mining studies will be completed.

### ***Back River Project, Canada***

In February of 2005, the Company purchased an option to acquire up to a 60% interest in the Back River Project located in Nunavut, Northern Canada. The Back River project hosts gold mineralization in banded iron formation and greywacke. The area is considered to have excellent potential to host significant gold mineralization suitable for exploitation by both open pit and underground methods. The Company has a \$15 million exploration budget for this property to be expended before August 31, 2006 to conduct further drilling to increase resources and focus on high impact targets, prioritize additional targets and upgrade the quality of the resource controls. Approximately \$11 million of exploration expenses have been incurred to date.

## **FINANCIAL RESULTS**

Since DPM converted to an operating mining company on April 1, 2004, the percentage of its reported assets invested in active mining properties has increased from 14% to over 46%. The Company had cash and working capital of \$63.1 million, and investments in marketable securities with a value of \$179 million (an aggregate of \$4.43 per share as at March 31, 2005) which is more than sufficient to fund current development plans, if required.

### **Operations Summary**

Cdn\$ million

	Three Months March 31, 2005	Two Months March 31, 2004
Revenue from mining operations		
Gold/copper concentrate	\$ 11.7	\$ -
Cost of sales	11.8	-
Gross (loss)	(0.1)	-
Net investment revenue	0.8	25.2
Net revenue	0.7	25.2
Expenses	(2.3)	(0.8)
Income taxes	(0.1)	(4.4)
Net Income (loss)	\$ (1.5)	\$ 20.0
Net income (loss) per share		
Basic	\$ (0.06)	\$ 0.46
Fully diluted	\$ (0.06)	\$ 0.45

### *Quarterly Results*

The Company reported a net loss of \$1.5 million or \$0.06 per share for the first quarter of 2005. The Chelopech mine broke even as it continued to expand its production capacity. The 2005 results include investment income of \$0.8 million, after recording a provision of \$1.6 million for a decline in the value of certain investments. Administrative, exploration and other expenses aggregated \$2.3 million in the current quarter.

In the comparative two month period ended March 31, 2004, DPM reported as a closed-end investment company. Net income of \$20 million or \$0.46 per share was entirely derived from investment activities in the precious metals sector.

### **Cash Flow Summary**

Cdn\$ million

	Three Months March 31, 2005	Two Months March 31, 2004
Cash provided (used) in		
Operating activities	\$ (2.1)	\$ (28.5)
Property, plant and equipment	(24.6)	-
Investment transactions, net	0.3	15.3
Financing activities	(4.7)	43.7
	<u>\$(31.1)</u>	<u>\$ 30.5</u>

### *Operating Activities*

For the three months ended March 31, 2005, the Company's operating cash requirement of \$2.1 million was comprised of:

- \$0.5 million cash requirement for the mining, exploration and development segment as a result of supplies inventory acquired as part of the Back River option acquisition;
- \$1.6 million cash requirement related to corporate administration costs incurred.

During the two month period ended March 31, 2004, the period in which the Company operated as an investment company only, the Company generated net cash of \$30.5 million primarily from investing and financing activities.

### **Capital & Other Expenditures**

During the three month period ended March 31, 2005, the Company invested \$24.6 million in property plant and equipment. \$9.6 million in relation to the acquisition and exploration activities on the Back River exploration project located in Nunavut; \$7.8 million related to the settlement of a contingent liability related to the prior purchase of the Bulgarian mining assets which was capitalized to the Ada Tepe Gold property; \$6.9 million in capital and development on the Bulgarian mining assets and \$0.3 million for corporate activities.

The Company invested \$6.9 million (US\$5.6 million) in capital and development in relation to the Bulgarian mining projects in the three month period ended March 31, 2005 and US\$35.6 million from the date the Company acquired the Bulgarian mining operations.

Of the amount invested in capital development, US\$4.0 million was spent during the period and US\$25.2 million has been spent from the date of acquisition of the Bulgarian mining assets on the Chelopech Mine as follows:

US\$ millions		
	Current Period	Project from date of acquisition
Establishing reserves	\$ 0.2	\$ 2.3
Decline	0.5	4.7
Mine development	1.0	12.4
Mill development	0.1	0.9
Autoclave Definitive Feasibility Study	2.0	2.9
Other	0.2	2.0
<b>Total</b>	<b>\$ 4.0</b>	<b>\$25.2</b>

US\$1.6 million was spent on the Ada Tepe development project over the same period as follows:

US\$ millions		
	Current Period	Project from date of acquisition
Reserve definition drilling	\$ 0.2	\$ 4.3
Definitive feasibility study	0.7	2.6
Other	0.7	3.5
<b>Total</b>	<b>\$ 1.6</b>	<b>\$ 10.4</b>

### Financing Activities

During the first quarter of 2005, the Company repaid the US\$4.0 million note payable which was assumed as part of the acquisition of the Bulgarian mining assets.

Subsequent to quarter end, the Company completed a US\$10.0 million financing with the European Bank for Reconstruction and Development. Of the US\$10.0 million loan proceeds, US\$3.0 million will be used for environmental purposes and the remainder is to be used towards the Chelopech mine redevelopment. The loan bears interest at Libor plus 1.9% and is repayable in eight semi-annual installments commencing in June 2007.

### FORWARD LOOKING STATEMENTS

This news release may contain certain information that constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan," "expect," "project," "intend," "believe," "anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices and other factors described above and in the Company's most recent annual information form under the heading "*Risks Factors*" which has been filed electronically by means of the Canadian Securities Administrators' website located at [www.sedar.com](http://www.sedar.com). The Company disclaims any obligation to update or revise any forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

Dundee Precious is a Canadian operating mining company engaged in the acquisition, exploration, development and mining of precious metals. It currently owns the Chelopech Mine, a producing gold/copper mine and Ada Tepe, an advanced stage exploration property, both located in Bulgaria and is engaged in mineral exploration activities in the region. In addition, Dundee Precious has the option to earn a 60% interest in the Back River gold project in Nunavut, Canada. The Company also holds a significant and strategic portfolio of investments in the precious metals and mineral related sector.

A complete set of DPM's consolidated financial statements and Management's Discussion and Analysis are posted on our website at [www.dundeeprecious.com](http://www.dundeeprecious.com). An analyst conference call will be webcast live at <http://phx.corporate-ir.net/phoenix.zhtml?p=irol-eventDetails&c=69218&eventID=1058205> on Friday, May 6 at 8:00 a.m.

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