

## **DUNDEE PRECIOUS METALS INC.**

### **Management's Discussion and Analysis**

We are pleased to present the interim report of Dundee Precious Metals Inc. for the three and six-month periods ended July 31, 2001.

The net asset value per share of the Company at July 31, 2001 was \$13.02 per share compared to \$12.84 at April 30, 2001 and \$11.69 at January 31, 2001. This represents a 1.4% and 11.4% increase in the net asset value per share for the three and six-month periods ended July 31, 2001, respectively. During the same periods, the Australian gold index increased by 16.4% and 13.5%, while the gold index in Toronto declined by 3.1% and increased by 10.2% for the three and six-month periods ended July 31, 2001. The price of gold bullion is unchanged year-to-date from US\$266 at January 31, 2001. The market value of the Company's shares on July 31, 2001 was \$9.30, compared to \$8.12 at April 30, 2001 and \$6.75 at January 31, 2001.

#### ***Net Asset Value***

The total net assets of the Company were \$91.7 million at July 31, 2001, an increase of \$1.2 million during the quarter and \$9.0 million year-to-date. The increase in total net assets during the quarter was the result of unrealized market appreciation of \$2.0 million (net of future income taxes) and a net loss of \$0.8 million. The net loss was comprised of expenses of \$1.3 million and income tax recovery of \$0.5 million.

The year-to-date increase in total net assets was the result of unrealized appreciation of \$15.4 million (net of future income taxes), a net loss of \$6.2 million and the expenditure of \$0.2 million to purchase and cancel 30,200 Class A shares. The net loss was comprised of realized losses on the sale of investments of \$4.7 million, expenses of \$2.3 million, an income tax recovery of \$0.4 million and interest and dividend income of \$0.4 million.

### ***Investment Income***

During the three and six month periods ended July 31, 2001, the combined interest and dividend income was \$0.1 and \$0.4 million, respectively, compared to \$0.2 and \$0.5 million for same periods in the previous year.

The Company realized losses on the sale of investments during the current quarter and year-to-date of \$0.1 million and \$4.7 million, respectively. This compares to realized losses of \$1.3 million and \$3.5 million for the three and six-month periods ended July 31, 2000. The most significant portion of the current year-to-date losses was the result of the sale of Etruscan Enterprises Ltd. at a loss of \$4.4 million.

### ***Expenses***

Total expenses before income taxes for the second quarter of 2001 was \$1.3 million compared to \$0.6 million for the same period in the previous year. On a year-to-date basis, total expenses are up by \$0.9 million over that of last year. The increase during both the three and six month periods ended July 31, 2001 is related to a performance fee that the Manager is entitled to receive in addition to the normal management fees. The Manager is entitled to a performance fee of up to 2% of the Company's average total assets for the year depending upon the Company outperforming gold bullion. During the three and six month periods ended July 31, 2001, the Company exceeded the benchmark resulting in a year-to-date performance fee accrual of \$1.0 million. There was no performance fee earned in the previous year.

### ***Investment Portfolio***

During the first half of the year, the investment portfolio had unrealized gains of \$3.1 million, net of future income taxes, compared to unrealized losses of \$12.2 million in the same period in the previous year. Unrealized gains are not recognized in the statement of operations but in shareholders' equity.

At July 31, 2001, the Company's investment in Hope Bay Gold Corporation Inc. represented 11.0% of the investment portfolio of the Company and an approximate 26.3% interest in Hope Bay Gold Corporation Inc. on an undiluted basis.

At July 31, 2001, the Company's portfolio mix was 75.6% Canadian, 8.2% Australian, 10.7% Latin American and 5.5% 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.

*Dundee Precious Metals Inc., is a closed-end investment company, managed by Dynamic Mutual Funds Ltd., 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 the provision of a hedge against inflation, while providing a portfolio diversified among issuers and among the countries in which the issuers operate.*

**DUNDEE PRECIOUS METALS INC.**  
**STATEMENT OF INVESTMENT PORTFOLIO**

As at July 31, 2001 (expressed in thousands of Canadian dollars except par value/share or unit amounts) (Unaudited)

Par value/ shares or units		Cost	Market Value	% of Portfolio
<b>CANADIAN EQUITIES AND CONVERTIBLES</b>				
235,500	Aber Diamond Corporation	\$ 3,506	\$ 3,744	
884,795	Agnico-Eagle Mines Limited	7,103	11,246	
479,040	Argosy Minerals Inc.	2,002	153	
833,333	Atikwa Minerals Limited, Special Warrants	100	100	
180,529	Banro Resource Corporation	2,502	84	
5,143,000	Cambior Inc.	2,383	3,446	
266,100	Corner Bay Silver Inc.	165	373	
4,447,306	Dayton Mining Corporation	7,859	2,090	
2,727,273	Eldorado Gold Corporation	1,500	655	
1,363,636	Eldorado Gold Corporation, Warrants, Feb.21 03	-	14	
5,000,000	Emerging Africa Gold (EAG) Inc.	325	500	
1,000,000	Emerging Africa Gold (EAG) Inc., Warrants, Aug.13 02	-	10	
400,000	Emerging Africa Gold (EAG) Inc., 12.00%, Convertible, Feb.09 04	400	400	
283,030	European Goldfields Ltd.	62	1,118	
2,425,000	Fort Knox Gold Resources Inc., Special Warrants	970	2,073	
2,830,300	Gabriel Resources Ltd.	2,424	10,048	
793,560	Goldcorp Inc., Class "A", Subordinated Voting	6,226	11,983	
5,306,200	Golden Queen Mining Co. Ltd.	3,694	822	
39,085,725	Hope Bay Gold Corporation Inc. *	17,390	11,726	
15,703,000	Hope Bay Gold Corporation Inc., Warrants **	-	158	
625,690	Kinross Gold Corporation	3,872	751	
1,000,000	Major Drilling Group International Inc.	6,000	3,760	
640,200	Meridian Gold Inc.	3,203	8,643	
10,686,729	Tahera Corporation	1,380	1,763	
3,800,000	Tahera Corporation, Warrants, Aug.29 04	-	190	
2,817,000	Tahera Corporation, 8.00%, Convertible, Aug.04 04	2,817	3,718	
3,319,329	Twin Mining Corporation	1,786	1,660	
1,058,133	Ventures Resource Corporation	1,087	74	
1,663,333	Verena Minerals Corporation *	1,220	333	
400,000	Verena Minerals Corporation, Warrants, Jan.31 03	-	4	
		79,976	81,639	75.6%
<b>AUSTRALIAN EQUITIES</b>				
6,438,460	East African Gold Mines Limited	6,979	7,098	
2,517,854	Ranger Minerals NL	5,138	1,528	
2,560,143	Red Back Mining NL	866	234	
		12,983	8,860	8.2%
<b>LATIN AMERICAN EQUITIES</b>				
432,530	Buenaventura Ciap de Minas S.A., Sponsored ADR, Series "B"	2,460	11,497	
		2,460	11,497	10.7%
<b>US EQUITIES</b>				
501,800	Homestake Mining Company	8,204	5,993	
		8,204	5,993	5.5%
		\$ 103,623	\$ 107,989	100.0%

\* 29,000,000 and 800,000 shares of Hope Bay Gold Corporation and Verena Minerals Corporation, respectively, are not freely tradeable.

\*\* These warrants are exercisable during the period from March 2002 to August 2003 at prices ranging from \$0.43 to \$0.65.

**DUNDEE PRECIOUS METALS INC.**  
**STATEMENTS OF FINANCIAL POSITION**

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

	July 31, 2001	January 31, 2001
<b>ASSETS</b>		
Investments at market value (cost July 2001 - \$103,623; January 2001 - \$107,167)	\$ 107,989	\$ 90,112
Cash and short-term deposits	327	1,701
Interest, dividends and other receivables	85	89
Income taxes recoverable	8,792	13,639
	<b>\$ 117,193</b>	<b>\$ 105,541</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 271	\$ 275
Performance fees payable	1,036	-
Bank loan	14,100	15,600
Future income taxes	10,076	6,989
	<b>25,483</b>	<b>22,864</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock, warrants and contributed surplus	84,888	85,086
Retained earnings	3,683	9,857
Unrealized appreciation/(depreciation) in market value of investments, net of future income taxes (July 2001 - \$1,227; January 2001 - \$4,789)	3,139	<b>(12,266)</b>
<b>NET ASSETS REPRESENTED BY SHAREHOLDERS' EQUITY</b>	<b>91,710</b>	<b>82,677</b>
	<b>\$ 117,193</b>	<b>\$ 105,541</b>
<b>NET ASSET VALUE PER SHARE</b>	<b>\$ 13.02</b>	<b>\$ 11.69</b>

*See accompanying notes to the unaudited interim period financial statements*

**DUNDEE PRECIOUS METALS INC.**  
**STATEMENTS OF CHANGES IN INVESTMENTS**

*(expressed in thousands of Canadian dollars) (unaudited)*

	July 31, 2001	January 31, 2001
Investments at market value, beginning of period	\$ 90,112	\$ 100,143
Unrealized depreciation in the market value of investments, beginning of period	17,055	18,322
Investments at cost, beginning of period	107,167	118,465
Cost of investments purchased during the period	8,867	22,723
Cost of investments sold during the period		
Proceeds from sales	(7,742)	(16,865)
Net realized losses on sales	(4,669)	(17,156)
	(12,411)	(34,021)
Investments at cost, end of period	103,623	107,167
Unrealized appreciation (depreciation) in the market value of investments, end of period	4,366	(17,055)
Investments at market value, end of period	\$ 107,989	\$ 90,112

*See accompanying notes to the unaudited interim period financial statements*

**DUNDEE PRECIOUS METALS INC.**  
**STATEMENTS OF OPERATIONS AND RETAINED EARNINGS**

*For the three and six months ended July 31 (expressed in thousands of Canadian dollars except per share amount)*

	Three Months		Six Months	
	2001	2000	2001	2000
<b>INVESTMENT INCOME</b>				
Dividends	\$ -	\$ -	\$ 195	\$ 238
Interest	88	220	174	295
	88	220	369	533
Net realized losses on sales of investments	(148)	(1,320)	(4,669)	(3,517)
	(60)	(1,100)	(4,300)	(2,984)
<b>EXPENSES</b>				
Management fees	291	253	533	497
Performance fees	573	-	968	-
Interest on bank loan	210	182	446	469
Administrative and other expenses	167	124	303	292
Goods and services and other taxes	15	56	88	100
	1,256	615	2,338	1,358
<b>OTHER INCOME</b>				
Interest income received on income tax reassessments	-	-	-	1,386
<b>LOSS BEFORE TAXES</b>	<b>(1,316)</b>	<b>(1,715)</b>	<b>(6,638)</b>	<b>(2,956)</b>
<b>RECOVERY FOR INCOME TAXES</b>	<b>(484)</b>	<b>(546)</b>	<b>(464)</b>	<b>(92)</b>
<b>NET LOSS</b>	<b>\$ (832)</b>	<b>\$ (1,169)</b>	<b>\$ (6,174)</b>	<b>\$ (2,864)</b>
<b>NET LOSS PER SHARE</b>	<b>\$ (0.12)</b>	<b>\$ (0.17)</b>	<b>\$ (0.88)</b>	<b>\$ (0.40)</b>
<b>RETAINED EARNINGS</b>				
Balance, beginning of period	\$ 4,515	\$ 20,121	\$ 9,857	\$ 21,816
Net loss	(832)	(1,169)	(6,174)	(2,864)
Balance, end of period	\$ 3,683	\$ 18,952	\$ 3,683	\$ 18,952

*See accompanying notes to the unaudited interim period financial statements*

**DUNDEE PRECIOUS METALS INC.**  
**STATEMENTS OF CHANGES IN NET ASSETS**

*For the three and six months ended July 31 (expressed in thousands of Canadian dollars except per share amount)*

	Three Months		Six Months	
	2001	2000	2001	2000
Net loss	\$ (832)	\$ (1,169)	\$ (6,174)	\$ (2,864)
Change in unrealized appreciation (depreciation) in market value of investments, net of future income taxes	2,089	645	15,406	(2,946)
Purchase of Class A shares	-	(82)	(199)	(82)
Changes in net assets during the period	1,257	(606)	9,033	(5,892)
Net assets, beginning of period	90,453	91,202	82,677	96,488
Net assets, end of period	\$ 91,710	\$ 90,596	\$ 91,710	\$ 90,596
Net asset value per share	\$ 13.02	\$ 12.63	\$ 13.02	\$ 12.63

*See accompanying notes to the unaudited interim period financial statements*

**DUNDEE PRECIOUS METALS INC.**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**

(tabular amounts in thousands of Canadian dollars) (unaudited)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION**

The financial statements of Dundee Precious Metals Inc. (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting principles and methods of application as those disclosed in note 2 to the Company's financial statements for the year ended January 31, 2001. These interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended January 31, 2001.

**2. CAPITAL STOCK, WARRANTS AND CONTRIBUTED SURPLUS**

Total capital stock, warrants and contributed surplus outstanding at July 31, 2001 was:

	Number	Amount
<b>Class A shares</b>		
Balance, January 31, 2001	7,070,972	\$81,672
Shares purchased and cancelled	(30,200)	(349)
Balance, July 31, 2001	<u>7,040,772</u>	<u>81,323</u>
<b>Class A share purchase warrants</b>	<u>2,520,000</u>	<u>2,520</u>
<b>Common shares</b>	<u>3,000</u>	<u>1</u>
<b>Contributed surplus</b>		<u>1,044</u>
		<u><b>\$84,888</b></u>

**a) 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.

**b) Shares Purchased**

During the six month period ended July 31, 2001, the Company purchased and cancelled 30,200 Class A shares under its normal course issuer bid. The difference between the stated capital of \$348,810 of these shares and the cash consideration paid of \$198,254 (\$6.56 per share) was allocated to contributed surplus.

**c) Per Share Information**

Net loss per share for the six months is based on the weighted average number of common shares outstanding during the six months (7,046,422; July 2000 – 7,175,672).

**3. INCOME TAXES**

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 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.