

## **DUNDEE PRECIOUS METALS INC.**

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

**June 5, 2002**

We are pleased to present the interim report of Dundee Precious Metals Inc. for the three months ended April 30, 2002.

The net asset value per share of the Company at April 30, 2002 was \$21.96 per share compared to \$16.62 at January 31, 2002. This represents a 32.1% increase in the net asset value per share during the three month period ended April 30, 2002. During the same period, the gold indices in Toronto, Australia and South Africa increased by 14.8%, 16.3% and 53.6%, respectively. The price of gold bullion increased 9.6% from US\$282 at January 31, 2002 to US\$309 at April 30, 2002. The market value of the Company's shares on April 30, 2002 was \$16.30, compared to \$11.03 at January 31, 2002, an increase of 47.8% during the first quarter.

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

The total net assets of the Company were \$153.6 million at April 30, 2002, up from \$116.3 million at January 31, 2002. The increase in total net assets of \$37.3 million, during the three month period, was the result of unrealized market appreciation of \$20.9 million (net of future income taxes) and a net income of \$16.4 million. The net income was comprised of net realized gains on the sale of investments of \$20.7 million, interest and dividend income of \$0.5 million, reduced by expenses of \$1.4 million, and an income tax provision of \$3.4 million.

#### ***Results of Operations***

The Company's reported earnings reflect only interest, dividend income and realized gains and losses on disposition of investments. As they do not include unrealized gains and losses in 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 net income after taxes was \$16.4 million during the first quarter ended April 30, 2002 compared to a net loss of \$5.3 million during the same period in the prior year.

Interest income and dividend income from investments for the three month period ended April 30, 2002 was \$0.5 million compared to \$0.3 million in the previous year.

In taking advantage of recent opportunities in short term gold price rallies, the Company has realized net gains of \$20.7 million during the three month period ended April 30, 2002. Realized gains on the sale of Goldcorp Inc. (\$9.8 million), Agnico-Eagle Mines Limited (\$6.9 million) and Meridian Gold Inc. (\$5.0 million) accounted for this gain.

Total expenses before income taxes for the first quarter of 2002 was \$1.4 million compared to \$1.1 million for the same period during the previous year. Management fees for the period, which are calculated monthly based on net assets, increased \$0.4 million as the average monthly net assets increased. The Company also reported a performance fee expense accrual of \$0.7 million compared to \$0.4 million during the previous three months ended April 30, 2001. The Manager is entitled to a performance fee of up to 2.0% of the Company's average total assets for the year depending upon the Company outperforming its gold bullion benchmark. The performance fee is payable at the end of the Company's fiscal year.

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

As at April 30, 2002 (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>				
500,000	Anatolia Minerals, Restricted	\$ 281	\$ 878	
500,000	Anatolia Minerals, Purchase Warrants, Feb.27 03	-	525	
479,040	Argosy Minerals Inc.	2,002	157	
1,033,333	Atikwa Minerals Limited, Special Warrants	140	207	
180,529	Banro Resource Corporation	2,502	848	
9,000,000	Cambior Inc.	6,999	19,889	
2,416,667	Case Resources Inc.	725	1,523	
2,875,000	Diagem International Resource Corp., Restricted	575	547	
2,125,000	Diagem International Resource Corp., Purchase Warrants Mar.20 04	-	106	
750,000	Diagem International Resource Corp., Warrants, Aug.22 03	-	38	
2,727,273	Eldorado Gold Corporation	1,500	2,809	
1,363,636	Eldorado Gold Corporation, Warrants, Feb.21 03	-	314	
6,476,200	Eldorado Gold Corporation, Special Warrants	2,720	6,670	
5,280,212	Emerging Africa Gold (EAG) Inc.*	361	1,108	
1,000,000	Emerging Africa Gold (EAG) Inc., Warrants, Aug.13 02	-	50	
400,000	Emerging Africa Gold (EAG) Inc., 12.00%, Convertible, Feb.09 04	400	420	
533,030	European Goldfields Ltd.	837	2,332	
2,425,000	Fort Knox Gold Resources Inc., Special Warrants	970	6,257	
2,830,300	Gabriel Resources Ltd.	2,424	11,463	
1,000,000	Gabriel Resources Ltd., Special Warrants, Jul.27 02	3,500	4,050	
5,306,200	Golden Queen Mining Co. Ltd.	3,695	2,281	
39,085,725	Hope Bay Gold Corporation Inc.	17,390	14,853	
4,453,000	Hope Bay Gold Corporation Inc., Warrants**	-	75	
2,000,000	International Pursuit Corporation, Convertible, Jul.31 02	3,168	3,136	
625,690	Kinross Gold Corporation	3,872	1,652	
1,100,000	Manhattan Minerals	990	1,298	
550,000	Manhattan Minerals, Warrants, Sep.18 03	-	28	
2,400,000	Major Drilling Group International Inc.*	8,441	8,400	
320,100	Meridian Gold Inc.	1,601	7,583	
700,000	Metallica Resources Inc., Restricted	1,260	875	
350,000	Metallica Resources Inc., Purchase Warrants, Aug.16 02	-	4	
198,413	Northgate Exploration Ltd.	250	355	
99,206	Northgate Exploration Ltd., Warrants	-	62	
7,827,258	Pacific Rim Mining Corporation	7,859	5,792	
3,000,000	Quest Ventures Ltd., participating secured loan agreement due June 15, 2002	3,000	4,350	
4,000,000	Rio Narcea Gold Mines Ltd., Special Warrants, Mar.22 03	3,200	4,120	
11,480,550	Tahera Corporation	1,493	4,477	
3,800,000	Tahera Corporation, Warrants, Aug.29 04	-	912	
2,817,000	Tahera Corporation, 8.00%, Convertible, Aug.04 04	2,817	8,789	
1,000,000	Titanium Corporation Inc., Special Warrants, Mar. 22 03	2,000	2,000	
869,329	Twin Mining Corporation	468	356	
1,222,033	Verena Minerals Corporation	896	244	
400,000	Verena Minerals Corporation, Warrants, Jan.30 03	-	4	
		88,336	131,837	82.9%

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**STATEMENT OF INVESTMENT PORTFOLIO**

As at April 30, 2002 (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>AUSTRALIAN EQUITIES</b>				
6,438,460	East African Gold Mines Limited	6,979	7,268	
2,517,854	Ranger Minerals NL	3,494	1,252	
2,560,143	Red Back Mining NL	866	550	
		11,339	9,070	5.7%
<b>LATIN AMERICAN EQUITIES</b>				
432,530	Buenaventura Ciap de Minas S.A., Sponsored ADR, Series "B"	2,460	18,080	
		2,460	18,080	11.4%
		\$ 102,135	\$ 158,987	100.0%

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

\* 164,499 and 1,980,000 shares of Emerging Africa Gold (EAG) Inc., and Major Drilling Group, respectively, are not freely tradeable.

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

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

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

	<b>April 30,</b>	<b>January 31,</b>
	<b>2002</b>	<b>2002</b>
<b>Assets</b>		
Investments at market value		
(cost - \$102,135; January 31, 2002 - \$92,513)	\$ 158,987	\$ 122,869
Cash and short-term deposits	15,099	5,087
Receivable for investment securities sold	-	1,548
Interest, dividends and other receivables	208	66
Income taxes recoverable	621	7,361
	<b>174,915</b>	<b>136,931</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	461	565
Performance fee payable	740	2,278
Future income taxes	20,128	17,832
	<b>21,329</b>	<b>20,675</b>
<b>Shareholders' Equity</b>		
Capital stock, warrants and contributed surplus (Note 2)	84,444	84,444
Retained earnings	25,542	9,073
Unrealized appreciation in market value		
of investments, net of future income taxes of \$13,251;		
January 31, 2002 - \$7,617	43,600	22,739
<b>Net Assets Represented By Shareholders' Equity</b>	<b>153,586</b>	<b>116,256</b>
	<b>\$ 174,915</b>	<b>\$ 136,931</b>
<b>Net Asset Value Per Share</b>	<b>\$ 21.96</b>	<b>\$ 16.62</b>

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

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

**For the three months ended April 30**  
**(expressed in thousands of Canadian dollars except per share amounts)**  
**(unaudited)**

	<b>2002</b>	<b>2001</b>
<b>Investment Income</b>		
Dividends	\$ 347	\$ 195
Interest	198	86
	545	281
Net realized gain (loss) on sale of investments	20,670	(4,521)
	21,215	(4,240)
<b>Expenses</b>		
Management fee	417	242
Performance fee	740	395
Interest on bank loan	3	236
Administrative and other expenses	98	136
Goods and services and other taxes	88	73
	1,346	1,082
<b>Income (Loss) Before Taxes</b>	19,869	(5,322)
<b>Provision for (Recovery of) Income Taxes</b>		
Current	6,739	3,381
Future	(3,339)	(3,361)
	3,400	20
<b>Net Income (Loss)</b>	\$ 16,469	\$ (5,342)
<b>Net Income (Loss) Per Share</b>	\$ 2.35	\$ (0.76)
<b>Retained Earnings</b>		
Balance, beginning of period	\$ 9,073	\$ 9,857
Net income (loss)	16,469	(5,342)
Balance, end of period	\$ 25,542	\$ 4,515

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

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

**For the three months ended April 30**  
**(expressed in thousands of Canadian dollars except per share amounts)**  
**(unaudited)**

	<b>2002</b>	<b>2001</b>
Net income (loss)	\$ 16,469	\$ (5,342)
Change in unrealized appreciation in market value of investments, net of future income taxes	20,861	13,317
Purchase of Class A shares	-	(199)
Changes in net assets during the period	37,330	7,776
Net assets, beginning of period	116,256	82,677
Net assets, end of period	\$ 153,586	\$ 90,453
Net asset value per share	\$ 21.96	\$ 12.84

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

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

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

	<b>April 30,</b>	<b>January 31,</b>
	<b>2002</b>	<b>2002</b>
Investments at market value, beginning of period	\$ 122,869	\$ 90,112
Unrealized appreciation (depreciation) in the market value of investments, beginning of period	(30,356)	17,055
Investments at cost, beginning of period	92,513	107,167
Cost of investments purchased during the period	30,824	16,052
Cost of investments sold during the period		
Proceeds from sales	(41,872)	(32,510)
Net realized gain on sale of investments	20,670	1,804
	(21,202)	(30,706)
Investments at cost, end of period	102,135	92,513
Unrealized appreciation in the market value of investments, end of period	56,852	30,356
Investments at market value, end of period	\$ 158,987	\$ 122,869

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

**DUNDEE PRECIOUS METALS INC.**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
For the three months ended April 30, 2002

(tabular amounts in \$000's 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, 2002. These interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended January 31, 2002.

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

Total capital stock, warrants and contributed surplus outstanding at April 30, 2002 was:

	Number	Amount
<b>Class A shares</b>		
Balance, January 31, 2002	6,991,972	\$80,760
Shares purchased and cancelled	-	-
Balance, April 30, 2002	6,991,972	80,760
<b>Class A share purchase warrants</b>	2,520,000	2,520
<b>Common shares</b>	3,000	1
<b>Contributed surplus</b>		1,163
		<b>\$84,444</b>

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**

The Company made no Class A share purchases under its normal course issuer bid during the three month period ended April 30, 2002.

c) **Per Share Information**

The weighted average number of common shares outstanding during the three month periods ended April 30, 2002 and 2001 was 6,994,972 and 7,045,097, respectively.

**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.