



DUNDEE PRECIOUS METALS INC.

Management's Discussion and Analysis

December 16, 2003

The following chart provides a summary of the total net assets, basic net asset value per share, diluted net asset value per share and the share price for Dundee Precious Metals Inc. (the "Company") compared to the London Gold AM Fix benchmark, for the periods listed below:

	October 31, 2003	July 31, 2003	January 31, 2003
Total Net Assets (\$ millions)	\$268.9	\$196.7	\$188.2
Basic Net Asset Value Per Share	\$38.36	\$28.62	\$27.30
Diluted Net Asset Value Per Share	\$34.97	NA	NA
Share Price (DPM.A)	\$30.19	\$23.45	\$21.40
London Gold AM Fix (US \$)	\$384.60	\$335.75	\$370.35

The total net assets of the Company at October 31, 2003 increased by 36.7% from July 31, 2003 to \$268.9 million, and have increased by 42.9% from January 31, 2003. The increase in total net assets of \$72.2 million, during the third quarter, was the result of unrealized appreciation in the carrying value of investments of \$59.6 million (net of future income taxes), proceeds from warrant holders purchasing Class A shares of \$3.5 million, and net income of \$9.1 million.

The year-to-date increase in total net assets, of \$80.7 million, was the result of unrealized appreciation in the carrying value of investments of \$41.2 million (net of future income taxes), proceeds from warrant holders purchasing Class A shares of \$3.5 million, net income of \$36.4 million and the expenditure of \$0.4 million to purchase and cancel 22,400 Class A shares.

A diluted net asset value per share occurs when the market price of the Class A shares exceeds the \$25.00 per share exercise price of the outstanding Class A Share Purchase Warrants, which was the case as at October 31, 2003. The diluted net asset value per share was calculated by adding to the net asset value an amount equal to the gross proceeds which would have been received by the Company assuming the exercise of all outstanding warrants, and by adding to the Class A shares outstanding the number of shares which would have been issued upon the exercise of such warrants.

Results of Operations

The Company's reported earnings reflect only interest, dividend and other income, and realized gains and losses on disposition of investments. As they do not include unrealized gains and losses in the investment 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.

Income Before Taxes

Income before taxes for the nine months ended October 31, 2003 was \$46.6 million compared to \$28.4 million for the same period in 2002. During the three months ended October 31, 2003 income before taxes was \$11.5 million, an increase of \$13.1 million for the comparative period in 2002, and a decrease of \$13.1 million over the second quarter ended July 31, 2003.

During the three months ended October 31, 2003 the Company had realized net gains on the sale of investments of \$14.7 million. Year-to-date realized gains on the sale of investments are \$52.2 million compared to \$31.4 million in the same period of 2002. The Company continues to take advantage of opportunities that become available in the current gold market. During the nine months ended October 31, 2003 the Company disposed of an investment in East African Gold Mines Ltd., which it had held for the last five years, realizing a gain of \$21.0 million. Other significant realized gains on the sale of investments year-to-date include Eldorado Gold Corporation (\$17.0 million), Rio Narcea Gold Mines Ltd. (\$8.0 million) and Compania de Minas Buenaventura SA (\$4.6 million).

Year-to-date the combined dividend, interest and other income was \$0.6 million compared to \$1.1 million for the same period in the previous year. The decrease of \$0.5 million was primarily due to the disposal of certain dividend and interest paying investments.

Expenses

Expenses to October 31, 2003 were \$6.2 million compared with \$4.1 million in the same period of 2002.

Management fees expense during the nine months ended October 31, 2003 was \$1.7 million, compared to \$1.3 million for the same period in 2002. Management fees are calculated based on the average net assets of the Company. The increase in management fees is consistent with the increase in these assets.

During the nine month period, the Company has accrued a performance fee expense of \$3.3 million compared to \$2.1 million for the same period in the previous year. The Manager is entitled to a performance fee of up to 2.0% of the Company's average total assets for the year subject to the Company outperforming its gold bullion benchmark. The performance fee is payable at the end of the Company's fiscal year.

Interest, administrative and other expenses increased by \$0.5 million year-to-date over those of 2002. Increases in director fees of \$0.2 million and interest charges of \$0.2 million primarily accounted for most of this change. During the nine month period ended October 31, 2003, the Company had utilized the line of credit available to it, resulting in interest charges, whereas these charges were nominal during the same period in the prior year.

Investment Portfolio

At October 31, 2003, the investment portfolio had unrealized appreciation (net of future income taxes) of \$115.6 million compared to \$74.4 million at January 31, 2003. The Company's portfolio mix was 85.2% Canadian, 0.9% Australian, 3.9% Latin American, 0.5% United States of America, and 9.5% Other Investments, with approximately 87.7% of the portfolio invested in gold and precious metals related companies and 12.3% in other mineral related companies.

On September 30, 2003, through a wholly-owned single purpose subsidiary, Dundee Precious Acquisition Inc. ("DPAI"), the Company acquired certain Bulgarian companies holding mining assets from Navan Mining plc, an entity in administrative receivership. The assets consist of the following:

- A pre-feasibility stage development project called Ada Tepe, located near Krumovgrad, Bulgaria;
- a series of exploration licences covering Central and Eastern Rhodope in southern Bulgaria;
- the Chelopech mine, a producing gold/copper mine, located 75 km east of Sofia, the capital city of Bulgaria;
- and approximately U.S. \$25.0 million in intercompany advances, which were assigned a nominal value.

DPAI purchased the Bulgarian companies for U.S. \$26.5 million payable as follows; U.S. \$10.0 million paid on completion of the transaction on September 30, 2003, U.S. \$4.0 million payable between December 31, 2004 and December 31, 2005 and U.S. \$12.5 million payable when certain governmental approvals for the Ada Tepe gold project are obtained. A 1% royalty will be payable on certain grass-roots exploration properties based on any future gross revenues received from mineral production from these properties. DPAI intends to spend U.S. \$5.0 million to complete the drilling program and the production feasibility study at the Ada Tepe deposit. In addition, it is estimated that approximately U.S. \$45.0 million will be required to construct a production facility at Ada Tepe within the next four years. With respect to the Chelopech mine, it is estimated that U.S. \$36.0 million will be spent over the next 2.5 years to expand the mine and related facilities in order to increase mine output to 1.5 million tonnes per annum.

As at October 31, 2003, the Company had advanced Cdn \$28.1 million to DPAI to finance its investment in the Bulgarian assets. The following table summarizes management's preliminary estimates of the fair values of the assets acquired and liabilities assumed as at the date of acquisition. Currently, the Company and DPAI are in the process of obtaining third party valuations for certain assets and liabilities, which may result in further adjustments to the purchase price. These adjustments will be recorded once these valuations are complete.

	(US\$ millions)
Current assets	\$ 6.3
Resources assets (1)	<u>33.6</u>
	<u>\$39.9</u>
Current liabilities	\$ 6.0
Other liabilities (2)	<u>15.4</u>
	21.4
Investment and advances from the Company (3)	<u>18.5</u>
	<u>\$39.9</u>

- (1) The recoverability of these costs is dependent upon the future successful development and operation of these assets, or upon their disposition at an amount in excess of costs incurred.
- (2) Other liabilities include the U.S. \$4.0 million in notes payable between December 2004 and December 2005 plus an estimate of U.S. \$10.0 million for environmental and future mine closure, site reclamation and other costs relating to the Chelopech Gold / Copper Mine. Excluded from these figures is the U.S. \$12.5 million payment which is contingent on the receipt of the necessary mining permits for Ada Tepe.
- (3) The investment and advances reflects the investment of the Company in DPAI as at September 30, 2003.
- (4) Since acquisition, the Bulgarian operations have incurred losses of approximately U.S. \$700,000 to October 31, 2003 and certain third party debts aggregating U.S. \$2.1 million were settled for U.S. \$700,000.

Liquidity and Capital Resources

The Company's cash position of \$11.6 million at October 31, 2003 was primarily the result of proceeds received on the sale of investments, and Class A Share Purchase Warrant holders exercising their right to purchase Class A Shares.

In addition to raising cash through the sale of securities, the Company has a credit facility with a Canadian chartered bank of up to \$25.0 million that provides the Company with the benefit of leverage, opportunities to increase returns, and the ability to better manage cash flows. This facility matures on March 12, 2005, but may be extended for a further year with the approval of the bank. Draws on the credit facility are secured by the Company's assets and bear interest at prime lending rate plus ¼ of 1%. As at October 31, 2003 the Company does not have any balance outstanding under this facility.

As described above, the Company's wholly-owned subsidiary, DPAl, has entered into various commitments relating to the outstanding balance of the purchase price of the Bulgarian gold-copper properties. In addition, the Company has committed to provide funding for the commencement of the development activities related to these assets, which is currently estimated to cost US\$20 million to April 2004. The Company has sufficient cash and lines of credit available to support this activity. The Company is in the process of reviewing alternative methods of financing DPAl's costs and commitments. Any decision made in this regard will be made with the view to optimizing the benefits to the Company.

Share Capital

A brief analysis of capital stock, warrants and contributed surplus as at October 31, 2003 is included in the table below.

	Number of Shares	Amount (\$000's)
Class A shares	7,007,046	\$82,949
Class A share purchase warrants	2,380,526	2,381
Common shares	3,000	1
		85,331
Contributed surplus		456
		\$ 85,787

During the nine month period ended October 31, 2003, the Company has purchased and cancelled 22,400 Class A shares under its normal course issuer bid at a cost of \$437,248.

During the third quarter ended October 31, 2003, 139,474 Class A Share Purchase Warrants were exercised for an equivalent number of Class A Shares at \$25.00 per share plus the cost of the Share Purchase Warrant of \$1.00 per Warrant. Non-Canadian resident warrant holders are encouraged to consult with their legal or financial advisers as certain restrictions may apply.

Outlook

Management is pleased with the progress achieved in the nine months ended October 31, 2003. The Company was successful in increasing its net asset value and is currently determining the extent and nature of its future investment activities with respect to the Bulgaria acquisition.

This document contains certain forward-looking statements that reflect the current views and/or expectations of Dundee Precious Metals Inc. with respect to its performance, business and future events. By their nature, these statements involve a number of risks, uncertainties and assumptions. Actual results and events may vary materially from those expressed or implied in these statements. The inclusion of this information herein should not be regarded as a representation by the Company and investors are cautioned not to place undue reliance on such information.

Dundee Precious Metals Inc., is a TSX listed closed-end investment company, managed by Dynamic Mutual Funds Ltd., which provides investors with an opportunity to invest in a portfolio of precious metals related and mineral investments. The principal objectives of the Company are to provide investors with capital appreciation and the provision of a hedge against inflation, while providing a portfolio diversified among issuers and geography.

DUNDEE PRECIOUS METALS INC.
STATEMENT OF INVESTMENT PORTFOLIO

As at October 31, 2003

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

Par value/ shares or units		Cost	Carrying Value	% of Portfolio
CANADIAN EQUITIES AND CONVERTIBLES				
150,000	Altius Minerals Corporation	\$ 168	\$ 412	
3,666,667	American Bonanza Gold Mining Corp.	550	1,577	
3,666,667	American Bonanza Gold Mining Corp., Purchase Warrants, Oct. 18 04	-	953	
88,064	American Natural Energy Corporation	42	81	
1,000,000	Anatolia Minerals	618	1,543	
2,500,000	Apollo Gold Corp.	3,168	5,525	
625,000	Apollo Gold Corp., Purchase Warrants, Mar. 21 04	-	62	
479,040	Argosy Minerals Inc.	2,002	101	
3,327,945	Ariane Gold Corp.	2,324	4,626	
1,033,333	Atikwa Minerals Limited, Special Warrants	140	196	
2,937,500	Bolivar Gold Corporation	1,650	6,169	
1,000,000	Bolivar Gold Corporation, Warrants, Mar. 17 08	-	1,450	
468,750	Bolivar Gold Corporation, Purchase Warrants, Apr. 09 04	-	872	
7,264,700	Cambior Inc.	5,649	29,349	
1,600,000	Campbell Resources Inc.	960	1,488	
200,000	Canadian Royalties Inc.	455	448	
500,000	Cumberland Resources Ltd.	1,405	2,450	
1,250,000	Dia Bras Exploration Inc.	150	1,800	
1,250,000	Dia Bras Exploration Inc., Purchase Warrants, Sept. 12 05	-	1,588	
13,355,617	Diagem International Resource Corp.	2,111	4,007	
4,843,750	Dumont Nickel Inc.	775	1,986	
2,421,875	Dumont Nickel Inc., Purchase Warrants, Oct. 05 05	-	412	
2,500,000	Eastmain Resource Inc.	750	1,400	
2,067,109	Eldorado Gold Corporation	1,048	9,157	
533,030	European Goldfields Ltd.	837	1,141	
2,425,000	FNX Mining Company Inc.	970	21,219	
3,000,000	Full Riches Investment Ltd., Special Warrants	300	300	
3,830,300	Gabriel Resources Ltd.	5,924	15,398	
2,000,000	GlobeStar Mining Corporation	1,150	1,710	
5,306,200	Golden Queen Mining Co. Ltd.	3,694	3,131	
1,200,000	Greystar Resources Ltd.	1,600	3,300	
1,562,500	Hedman Resources Ltd., Restricted	500	312	
1,562,500	Hedman Resources Ltd., Purchase Warrants, June 13 04	-	16	
2,099,286	Manhattan Minerals Corp.	1,810	2,477	
107,143	Manhattan Minerals Corp.	-	46	
1,529,000	Manhattan Minerals Corp., Purchase Warrants, Oct. 22 05	-	1,024	
\$900	Manhattan Minerals Corp. Convertible Note	900	1,123	
2,200,000	Major Drilling Group International Inc.	7,737	22,000	
12,625,000	McWatters Mining Inc., Restricted	2,020	568	
6,312,500	McWatters Mining Inc., Purchase Warrants, June 27 04	-	63	
850,000	Metallic Ventures Inc.	1,669	6,103	
700,000	Metallica Resources Inc.	1,260	1,701	
14,381,145	Miramar Mining Corporation	23,271	39,548	
14,650	Nichromet Extractions Inc., Class A Common Shares (a)	205	205	
1,540,000	Northern Orion Resources Inc.	1,848	4,312	

DUNDEE PRECIOUS METALS INC.
STATEMENT OF INVESTMENT PORTFOLIO

As at October 31, 2003

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

Par value/ shares or units		Cost	Carrying Value	% of Portfolio
CANADIAN EQUITIES AND CONVERTIBLES (Cont'd.)				
770,000	Northern Orion Resources Inc., Purchase Warrants, May 29 08	\$ 154	\$ 1,070	
2,698,413	Northgate Exploration Ltd.	4,838	7,475	
99,207	Northgate Exploration Ltd., Purchase Warrants, Dec. 28 06	-	79	
833,333	Northgate Exploration Ltd., Special Warrants	538	708	
130,000	Opti Canada, Class C Common Shares, Restricted (a)	1,885	1,885	
7,827,258	Pacific Rim Mining Corporation	7,859	7,984	
1,250,000	Pele Mountain Resources Inc.	250	625	
625,000	Pele Mountain Resources Inc., Purchase Warrants, Jun. 18 04	-	125	
368,421	Ranchgate Energy Inc.	350	401	
600,000	South Atlantic Ventures Ltd.	1,200	3,240	
300,000	South Atlantic Ventures Ltd., Purchase Warrants, Dec. 16 04	-	945	
852,273	Stratic Energy Corporation, Special Warrants	-	9	
31,138,806	Tahera Corporation	4,056	5,916	
3,800,000	Tahera Corporation, Purchase Warrants, Aug. 29 04	-	190	
7,250,000	Tahera Corporation, Purchase Options, Jun. 15 04	-	290	
\$2,817	Tahera Corporation, 8.00%, Convertible, Aug. 04 04	2,817	4,282	
1,600,000	Titanium Corporation Inc.	2,738	3,360	
400,000	Titanium Corporation Inc., Escrow Shares	492	714	
869,329	Twin Mining Corporation	468	296	
1,222,033	Verena Minerals Corporation	896	318	
1,000,000	Western Canadian Coal Corp.	549	520	
500,000	Western Canadian Coal Corp., Purchase Warrants, Nov. 22 04	1	25	
1,825,000	Wolfden Resources Inc.	2,573	9,089	
		111,324	252,895	85.2%
AUSTRALIAN EQUITIES				
3,957,016	Revesco Group	316	554	
3,957,016	Revesco Group, Purchase Options, Nov. 11 11	117	443	
3,129,063	Red Back Mining NL	963	1,754	
		1,396	2,751	0.9%
LATIN AMERICAN EQUITIES				
182,530	Compañía de Minas Buenaventura SA, Sponsored ADR, Series "B"	1,037	11,465	
		1,037	11,465	3.9%
US EQUITIES				
625,000	Western Goldfield Inc., Units	657	1,649	
		657	1,649	0.5%
OTHER INVESTMENTS				
1	Investment in Bulgarian Project (Note 2 to the Financial Statements)	28,112	28,112	
		28,112	28,112	9.5%
		\$ 142,526	\$ 296,872	100.0%

See accompanying notes to the unaudited interim financial statements.

(a) Shares of a private company which are not freely tradeable.

DUNDEE PRECIOUS METALS INC.
STATEMENTS OF FINANCIAL POSITION

As at October 31, 2003 and January 31, 2003

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

	October 31, 2003	January 31, 2003
Assets		
Investments at carrying value (cost - \$142,526; January 31, 2003 - \$127,903)	\$ 296,872	\$ 227,482
Cash	11,620	910
Interest, dividends and other receivables	93	372
Income taxes recoverable	3,605	-
	\$ 312,190	\$ 228,764
Liabilities		
Accounts payable and accrued liabilities	\$ 654	\$ 675
Performance fee payable	3,325	3,744
Bank loan	-	3,800
Income taxes payable	-	6,101
Future income taxes	39,337	26,253
	43,316	40,573
Shareholders' Equity		
Capital stock, warrants and contributed surplus (Note 3)	85,787	82,738
Retained earnings	67,463	31,033
Unrealized appreciation in carrying value of investments, net of future income taxes of \$38,722; January 31, 2003 - \$25,159	115,624	74,420
Net Assets Represented By Shareholders' Equity	268,874	188,191
	\$ 312,190	\$ 228,764
Basic Net Asset Value Per Share	\$ 38.36	\$ 27.30
Diluted Net Asset Value Per Share	\$ 34.97	N/A

See accompanying notes to the unaudited interim financial statements.

DUNDEE PRECIOUS METALS INC.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

For the three and nine month periods ended October 31
(expressed in thousands of Canadian dollars except per share amounts) (unaudited)

	Three Months		Nine Months	
	2003	2002	2003	2002
Investment Income				
Dividends	\$ 74	\$ 39	\$ 162	\$ 386
Interest and other income	192	289	442	725
	266	328	604	1,111
Net realized gain (loss) on sale of investments	14,729	(812)	52,226	31,390
	14,995	(484)	52,830	32,501
Expenses				
Management fee	686	430	1,708	1,322
Performance fee	2,402	475	3,325	2,099
Interest on bank loan	12	58	218	65
Administrative and other expenses	191	130	565	364
Goods and services and other taxes	226	71	394	264
	3,517	1,164	6,210	4,114
Income (Loss) Before Taxes	11,478	(1,648)	46,620	28,387
Provision for (Recovery of) Income Taxes				
Current	4,569	(843)	10,670	6,691
Future	(2,203)	63	(480)	(1,687)
	2,366	(780)	10,190	5,004
Net Income (Loss)	\$ 9,112	\$ (868)	\$ 36,430	\$ 23,383
Net Income (Loss) Per Share	\$ 1.32	\$ (0.09)	\$ 5.29	\$ 3.39
Retained Earnings				
Balance, beginning of period	\$ 58,351	\$ 33,324	\$ 31,033	\$ 9,073
Net income (loss)	9,112	(868)	36,430	23,383
Balance, end of period	\$ 67,463	\$ 32,456	\$ 67,463	\$ 32,456

See accompanying notes to the unaudited interim financial statements.

DUNDEE PRECIOUS METALS INC.
STATEMENTS OF CHANGES IN NET ASSETS

For the three and nine month periods ended October 31
(expressed in thousands of Canadian dollars except per share amounts) (unaudited)

	Three Months		Nine Months	
	2003	2002	2003	2002
Net income (loss)	\$ 9,112	\$ (868)	\$ 36,430	\$ 23,383
Change in unrealized appreciation in carrying value of investments, net of future income taxes	59,606	1,533	41,204	2,155
Purchase of Class A shares	-	(1,093)	(438)	(1,706)
Exercise of Class A Share Purchase Warrants	3,487	-	3,487	-
Changes in net assets during the period	72,205	(428)	80,683	23,832
Net assets, beginning of period	196,669	140,516	188,191	116,256
Net assets, end of period	\$ 268,874	\$ 140,088	\$ 268,874	\$ 140,088
Basic Net Asset Value Per Share	\$ 38.36	\$ 20.32	\$ 38.36	\$ 20.32
Diluted Net Asset Value Per Share	\$ 34.97	N/A	\$ 34.97	N/A

See accompanying notes to the unaudited interim financial statements.

DUNDEE PRECIOUS METALS INC.
STATEMENTS OF CHANGES IN INVESTMENTS

For the three and nine month periods ended October 31
(expressed in thousands of Canadian dollars) (unaudited)

	Three Months		Nine Months	
	2003	2002	2003	2002
Investments at carrying value, beginning of period	\$ 197,607	\$ 160,251	\$ 227,482	\$ 122,869
Unrealized appreciation in the carrying value of investments, beginning of period	(74,779)	(30,462)	(99,579)	(30,356)
Investments at cost, beginning of period	122,828	129,789	127,903	92,513
Cost of investments purchased during the period	24,291	15,544	45,334	82,881
Cost of investments sold during the period				
Proceeds from sales	(19,322)	(11,097)	(82,937)	(73,360)
Net realized gain (loss) on sale of investments	14,729	(812)	52,226	31,390
	(4,593)	(11,909)	(30,711)	(41,970)
Investments at cost, end of period	142,526	133,424	142,526	133,424
Unrealized appreciation in the carrying value of investments, end of period	154,346	33,309	154,346	33,309
Investments at carrying value, end of period	\$ 296,872	\$ 166,733	\$ 296,872	\$ 166,733

See accompanying notes to the unaudited interim financial statements.

DUNDEE PRECIOUS METALS INC.
CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the three and nine month periods ended October 31, 2003 and 2002

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The interim 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 audited financial statements for the year ended January 31, 2003. These interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended January 31, 2003.

The Company created a single purpose wholly-owned subsidiary, Dundee Precious Acquisition Inc. ("DPAI"), to facilitate the investment in Bulgaria. Dundee Precious Metals Inc. is an investment company and accounts for this subsidiary at fair value.

2. INVESTMENT

On September 30, 2003, the Company through DPAI acquired certain Bulgarian companies holding mining assets from Navan Mining plc, an entity in administrative receivership. The assets consist of the following:

- A pre-feasibility stage development project called Ada Tepe, located near Krumovgrad;
- a series of exploration licences covering Central and Eastern Rhodope in southern Bulgaria;
- the Chelopech mine, a producing gold/copper mine, located 75 km east of Sofia, the capital city of Bulgaria; and
- approximately U.S. \$25.0 million in intercompany advances, which were assigned a nominal value.

DPAI purchased the Bulgarian companies for U.S. \$26.5 million payable as follows; U.S. \$10.0 million paid on completion of the transaction, U.S. \$4.0 million payable between December 31, 2004 and December 31, 2005 and U.S. \$12.5 million when certain governmental approvals for the Ada Tepe gold project are obtained. A 1% royalty will be payable on certain grass-roots exploration properties based on any future gross revenues received from mineral production from these properties.

As at October 31, 2003, the Company had advanced \$28.1 million to DPAI to finance its investment in the Bulgarian assets.

DPAI has entered into various commitments relating to the outstanding balance of the purchase price of the Bulgarian gold-copper properties. In addition, the Company has committed to provide funding for the commencement of the development activities related to these assets, which is currently estimated to cost US \$20.0 million to April 2004.

3. CAPITAL STOCK, WARRANTS AND CONTRIBUTED SURPLUS

Total capital stock, warrants and contributed surplus outstanding at October 31, 2003 and January 31, 2003 was:

	October 31, 2003		January 31, 2003	
	Number	Amount	Number	Amount
Class A Shares				
Balance, January 31	6,889,972	\$79,582	6,991,972	\$80,760
Shares purchased and cancelled	(22,400)	(259)	(102,000)	(1,178)
Shares issued on exercise of warrants	139,474	3,626	-	-
Balance, end of period	<u>7,007,046</u>	<u>82,949</u>	<u>6,889,972</u>	<u>79,582</u>
Class A Share Purchase Warrants	2,520,000	2,520	2,520,000	2,520
Warrants exercised	(139,474)	(139)	-	-
Balance, end of period	<u>2,380,526</u>	<u>2,381</u>	<u>2,520,000</u>	<u>2,520</u>
Common shares	3,000	1	3,000	1
Contributed surplus		456		635
		<u>\$85,787</u>		<u>\$82,738</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. At October 31, 2003, a total of 139,474 warrants were exercised for \$3,486,850 cash to purchase Class A shares. The total of \$3,626,324 that was allocated to cost of Class A Shares includes the cash consideration received on the exercise of these warrants, and \$139,474 for the cost of warrants.

b) Shares Purchased

During the period from February 1, 2003 to October 31, 2003, the Company purchased and cancelled 22,400 Class A shares under its normal course issuer bid. The difference between the stated capital of \$258,720 of these shares and the cash consideration paid of \$437,248 (\$19.52 per share) was allocated to contributed surplus.

c) Net Asset Value Per Share Calculation

Basic net asset value per share was calculated by dividing total net assets over total shares outstanding at the end of the period.

Diluted net asset value per share was calculated by adding to the total net asset value an amount equal to the gross proceeds which would have been received by the Company assuming the exercise of all outstanding warrants, and by adding to the Class A shares outstanding the number of shares which would have been issued upon the exercise of such warrants. The adjusted total net asset value is then divided by adjusted total shares outstanding to calculate diluted net asset value per share.

4. INCOME TAXES

In 1999 the Company reached a settlement with the Canada Customs and Revenue Agency ("CCRA") and in 2001 with the Ontario Ministry of Finance for the taxation years up to and including January 31, 1995, relating to the tax treatment of investment gains. Since then the Company has accounted for income taxes based on the same criteria used in the settlement. In 2000, the CCRA audited the taxation years January 31, 1996 to January 31, 2000 and has proposed modifying the previously agreed upon criteria for this period. The Company is in discussions with the CCRA.

FOR FURTHER INFORMATION PLEASE CONTACT:

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