

## **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 months ended April 30, 2001.

The net asset value per share of the Company at April 30, 2001 was \$12.84 per share compared to \$11.69 at January 31, 2001. This represents a 9.8% increase in the net asset value per share for the three months. During this period, the gold indices in Toronto and South Africa increased by 13.7% and 23.3%, respectively, however the Australian gold index declined by 2.5%. The price of gold bullion continued its decline from US\$266 at January 31, 2001 to US\$263 at April 30, 2001. The market value of the Company's shares on April 30, 2001 was \$8.12, compared to \$6.75 at January 31, 2001.

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.

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

The total net assets of the Company were \$90.5 million at April 30, 2001, up from \$82.7 million at January 31, 2001. The increase in total net assets of \$7.8 million during the three month period was the result of unrealized market appreciation of \$13.3 million (net of future income taxes), a net loss of \$5.3 million and the expenditure of \$0.2 million to purchase and cancel 30,200 Class A shares. The net loss was comprised of net realized losses on the sale of investments of \$4.5 million, expenses of \$1.1 million, and interest and dividend income of \$0.3 million.

#### ***Investment Income***

During the first three months ended April 30, 2001, the Company earned \$0.2 million from dividend income and \$0.1 million from interest income. This is consistent with the same time period last year. During the first quarter, the Company realized losses of \$4.5 million compared to \$2.2 million in the same period of the prior year. The sale of Etruscan Enterprises Ltd. resulted in a loss of \$4.4 million and accounted for a significant portion of the total realized loss.

#### ***Expenses***

Total expenses before income taxes for the first quarter of 2001 was \$1.1 million compared to \$0.7 million for the quarter ended April 30, 2000. The expenses include \$0.2 million relating to management fees. 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 depending upon the Company outperforming gold bullion. During the first quarter ended April 30, 2001, the adjusted total assets of the Company increased by 16.4% and the price of gold bullion dropped by 1%, resulting in a performance fee accrual of \$0.4 million. This accrual has been pro-rated based on the number of days in the fiscal year. There was no performance fee earned in the previous year.

## ***Income Taxes***

The Company received no other income related to interest on income tax payments during the quarter ended April 30, 2001. During the same period last year, the Company received \$3.1 million from the Ontario Ministry of Finance representing interest related to the settlement of previous years' tax reassessments. This amount was in excess of the \$1.7 million recorded as interest receivable in previous years. The difference of \$1.4 million was recorded as income during that period.

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.

## ***Investment Portfolio***

The Company had an unrealized market appreciation of \$13.3 million (net of future income taxes) during the current three month period compared to an unrealized loss of \$3.6 million during the same period of the prior year. Unrealized gains are not recognized in the statement of operations but in shareholders' equity.

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 provide 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 April 30, 2001, the Company's investment in Hope Bay Gold Corporation represented 16.0% of the total assets of the Company and an approximate 30% interest in Hope Bay Gold Corporation Inc. on an undiluted basis.

At April 30, 2001, the Company's portfolio mix was 77.1% Canadian, 8.6% Australian, 9.7% Latin American and 4.6% 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.*

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

As at April 30, 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	\$ 3,686	
884,795	Agnico-Eagle Mines Limited	7,103	9,954	
479,040	Argosy Minerals Inc.	2,002	72	
833,333	Atikwa Minerals Limited, Special Warrants	100	100	
180,529	Banro Resource Corporation	2,502	81	
284,000	Caldera Resources Inc.	169	20	
4,282,500	Cambior Inc.	1,961	2,184	
266,100	Corner Bay Silver Inc.	165	452	
4,447,306	Dayton Mining Corporation	7,859	1,912	
2,727,273	Eldorado Gold Corporation	1,500	955	
1,363,636	Eldorado Gold Corporation, Warrants, Feb.21 03	-	14	
5,000,000	Emerging Africa Gold (EAG) Inc.	325	1,000	
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	400	
283,030	European Goldfields Ltd.	62	897	
2,830,300	Gabriel Resources Ltd.	2,424	10,331	
793,560	Goldcorp Inc., Class "A", Subordinated Voting	6,226	10,316	
5,306,200	Golden Queen Mining Co. Ltd.	3,694	1,128	
39,085,725	Hope Bay Gold Corporation Inc. *	17,390	16,025	
17,845,862	Hope Bay Gold Corporation Inc., Warrants **	-	199	
625,690	Kinross Gold Corporation	3,872	526	
1,000,000	Major Drilling Group International Inc.	6,000	4,150	
640,200	Meridian Gold Inc.	3,203	8,099	
10,042,614	Tahera Corporation	1,268	1,758	
3,800,000	Tahera Corporation, Warrants, Aug.29 04	-	190	
2,817,000	Tahera Corporation, 8.00%, Convertible, Aug.04 04	2,817	3,944	
3,319,329	Twin Mining Corporation	1,786	1,162	
1,058,133	Ventures Resource Corporation	1,087	74	
1,663,333	Verena Minerals Corporation *	1,219	299	
400,000	Verena Minerals Corporation, Warrants, Jan.31 03	-	4	
		78,640	79,982	77.1%
<b>AUSTRALIAN EQUITIES</b>				
6,438,460	East African Gold Mines Limited	6,979	7,120	
2,517,854	Ranger Minerals NL	5,138	1,578	
2,560,143	Red Back Mining NL	866	261	
		12,983	8,959	8.6%
<b>LATIN AMERICAN EQUITIES</b>				
432,530	Buenaventura Ciap de Minas S.A., Sponsored ADR, Series "B"	2,460	10,005	
		2,460	10,005	9.7%
<b>US EQUITIES</b>				
501,800	Homestake Mining Company	8,204	4,802	
		8,204	4,802	4.6%
		\$ 102,287	\$ 103,748	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 May 2001 to August 2003 at prices ranging from \$0.43 to \$0.65.

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

As at April 30 (expressed in thousands of Canadian dollars except per share amounts) (Unaudited)

	2001	2000
<b>ASSETS</b>		
Investments at market value		
(cost 2001 - \$102,287; 2000 - \$114,716)	\$ 103,748	\$ 91,219
Cash and short-term deposits	1,232	12,561
Interest, dividends and other receivables	399	176
Income taxes recoverable	10,257	15,515
	<u>\$ 115,636</u>	<u>\$ 119,471</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 334	\$ 394
Performance fees payable	423	-
Bank loan	15,600	17,300
Future income taxes	8,826	10,575
	<u>25,183</u>	<u>28,269</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock, warrants and contributed surplus	84,888	85,840
Retained earnings	4,515	20,121
Unrealized appreciation/(depreciation) in market value		
of investments, net of future income taxes (2001 - (\$411); 2000 - \$8,738)	1,050	(14,759)
<b>NET ASSETS REPRESENTED BY SHAREHOLDERS' EQUITY</b>	<u>90,453</u>	<u>91,202</u>
	<u>\$ 115,636</u>	<u>\$ 119,471</u>
<b>NET ASSET VALUE PER SHARE</b>	<u>\$ 12.84</u>	<u>\$ 12.69</u>

**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)

	2001	2000
<b>INVESTMENT INCOME</b>		
Dividends	\$ 195	\$ 238
Interest	86	75
	281	313
Net realized losses on sales of investments	(4,521)	(2,197)
	(4,240)	(1,884)
<b>EXPENSES</b>		
Management fees	242	244
Performance fees	395	-
Interest on bank loan	236	287
Administrative and other expenses	136	168
Goods and services and other taxes	73	44
	1,082	743
<b>OTHER INCOME</b>		
Interest income received on income tax reassessments	-	1,386
<b>LOSS BEFORE TAXES</b>	<b>(5,322)</b>	<b>(1,241)</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>20</b>	<b>454</b>
<b>NET LOSS</b>	<b>\$ (5,342)</b>	<b>\$ (1,695)</b>
<b>NET LOSS PER SHARE</b>	<b>\$ (0.76)</b>	<b>\$ (0.23)</b>
<b>RETAINED EARNINGS</b>		
Balance, beginning of period	\$ 9,857	\$ 21,816
Net loss	(5,342)	(1,695)
Balance, end of period	\$ 4,515	\$ 20,121

**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)

	<u>2001</u>	<u>2000</u>
Net loss	\$ (5,342)	\$ (1,695)
Change in unrealized appreciation (depreciation) in market value of investments, net of future income taxes	13,317	(3,591)
Purchase of Class A shares	(199)	-
Changes in net assets during the period	7,776	(5,286)
Net assets, beginning of period	82,677	96,488
Net assets, end of period	\$ 90,453	\$ 91,202
Net asset value per share	\$ 12.84	\$ 12.69

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

For the three months ended April 30 (expressed in thousands of Canadian dollars) (Unaudited)

	2001	2000
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	7,362	5,000
Cost of investments sold during the period		
Proceeds from sales	(7,721)	(6,552)
Net realized losses on sales	(4,521)	(2,197)
	(12,242)	(8,749)
Investments at cost, end of period	102,287	114,716
Unrealized appreciation (depreciation) in the market value of investments, end of period	1,461	(23,497)
Investments at market value, end of period	\$ 103,748	\$ 91,219

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

April 30, 2001 and 2000 (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**

	2001		2000	
	Number	Amount	Number	Amount
<b>Class A shares</b>				
Balance, beginning of period	7,070,972	\$81,672	7,183,972	\$82,977
Shares purchased and cancelled	(30,200)	(349)	-	-
Balance, end of period	<u>7,040,772</u>	<u>81,323</u>	<u>7,183,972</u>	<u>82,977</u>
<b>Class A share purchase warrants</b>	<u>2,520,000</u>	<u>2,520</u>	<u>2,520,000</u>	<u>2,520</u>
<b>Common shares</b>	<u>3,000</u>	<u>1</u>	<u>3,000</u>	<u>1</u>
<b>Contributed surplus</b>		<u>1,044</u>		<u>342</u>
		<b><u>\$84,888</u></b>		<b><u>\$85,840</u></b>

**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 April 2001 was 7,045,097 (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 the period from February to April 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.

During the same period in 2000, the Company did not purchase any Class A shares under its normal course issuer bid.