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EXECUTIVE SUMMARY

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General

Dundee Precious (Krumovgrad) BV ("Dundee") is evaluating the development of a new gold mine located on its Krumovgrad exploration concession in Bulgaria. In June 2004, Dundee commissioned the preparation of a Definitive Feasibility Study (DFS) to demonstrate its technical and commercial viability.

The preparation of the DFS has been coordinated by Ausenco Limited (Ausenco) of Perth, Western Australia, in conjunction with various specialist consultants required to complete all aspects of the study. Those retained directly for the project were RSG Global Pty. Ltd. (RSG) – for resource and mining, Coffey Geosciences Pty. Ltd. (Coffey's) - for the tailings facility, George Orr Associates Pty. Ltd. – pit and waste dump geotechnical, (each of Perth, Western Australia); Engineering Geology Limited – tailings dam geotechnical (Auckland, New Zealand); Scott Wilson Mining – water management services and environmental impact assessment (Ashford, England); and Planning Alliance – land acquisition and resettlement (Toronto, Canada).

The mine site is located at Ada Tepe, approximately 3 km south of the town of Krumovgrad in south-eastern Bulgaria. The project will extract ore from an open pit mine at a nominal rate of 850,000 tonnes per year, and treat the ore in a conventional crushing, grinding, and carbon-in-leach (CIL) process plant to produce gold/silver doré bullion. The operational life of the project will be six years, including processing stockpiled low grade ore at the end of the project.

Geology and Resource Estimate

Exploration

Since discovery in 2000, exploration activities of the Ada Tepe deposit have included some 53 km of reverse circulation and diamond drilling (612 drill holes), and 425 surface trenches, to produce in excess of 66,000 samples for analysis. From 2002, the exploration programme was significantly enhanced by incorporating accurate survey control, and quality control procedures including the routine weighing of RC samples for recovery determination, bulk density measurements, collection of field duplicates, and careful monitoring of sample protocols during data collection. QA/QC procedures were further enhanced with the inclusion of blanks and internationally accredited gold and silver standards, the inclusion of duplicate sample splits and the regular use of accredited umpire laboratories to monitor assay quality. The results of this program have ensured that the subsequent resource estimations are based on the highest possible levels of confidence in the original data.

Resource Estimation

Two distinct major types of ore have been identified. The "Wall Zone", a highly silicified zone of harder material, and the more oxidised "Upper Zone", which is generally softer. Resource estimation for the Ada Tepe Deposit has been undertaken using Multiple Indicator Kriging ("MIK") and Ordinary Kriging ("OK") as the principal estimation methods for gold. The principal method used to estimate resource gold grades for the Wall Zone was OK. MIK was used to produce a selective mining unit ("SMU") resource estimate for gold in the Upper Zone domain.

Based on the resource estimate, Measured, Indicated, and Inferred Resources have been defined in accordance with the criteria set out in the Canadian National

Instrument 43-101. The Measured, Indicated and Inferred gold and silver resources defined for the Ada Tepe deposit at a 1.0 g/t cut-off are summarised as follows:

CNI43-101 Resource Category	Tonnes	Gold		Silver	
		Grade	Ounces	Grade	Ounces
	(Mtonnes)	(g/t)	(x 1000)	(g/t)	(x 1000)
Measured	2.65	5.9	500	3	259
Indicated	2.57	4.1	335	2	181
Measured + Indicated	5.22	5.0	835	3	440
Inferred	0.21	1.6	11	1	8

Additional resources in the surrounding area to Ada Tepe have been delineated, which are expected to increase the life of the project once the appropriate level of study definition has been completed.

Mining

Mineable Reserves

The resource block model has been converted into a mine plan, optimised using Whittle Four-X pit optimisation software. The software calculates a series of incremental pit shells for various assumed inputs, in which each shell is an optimum for a range of commodity factors. The sequence of the pit shell increments is then sorted from the best (the inner smallest viable for the lowest price) to the worst (the outer largest viable for the highest price).

A three stage pit design has been selected for the project to minimise stripping requirements early in the mine life, and to ensure a relatively consistent material movement rate over the life of the project for the owner mining fleet operation. The pit staging, and therefore mine schedule, minimises large swings in production requirements and fully utilises the relatively fixed mining fleet. All pit stages share a common final south wall, with all other pit walls remaining temporary until the final pit stage is developed. The pit wall slopes have been based on geotechnical investigation.

The breakdown of the ore and waste expected from the three pit stages will be as follows:

Pit / Cutback	Total Material	Waste	Inferred >0.9 g/t	Strip Ratio	Ore	
	(Mt)	(Mt)	(Mt)	(w : o)	(Mt)	(g/t Au)
Stage 1 Pit	1.84	0.92	0.00	1.00	0.92	6.43
Stage 2 Pit	6.86	5.36	0.01	3.57	1.50	6.87
Final Stage	11.39	9.65	0.12	5.57	1.73	4.46
Total	**20.09**	**15.93**	**0.13**	**3.84**	**4.15**	**5.77**

Mineable reserve tonnages that will be produced from the optimized pit design and processed over the life of the operation are shown below. The Probable portion of the ore reserve includes 0.71 Mt of low grade ore which will be produced and stockpiled during the operating mine life and processed in Year 6:

Category	Tonnes (million)	Gold		Silver	
		Grade (g/t Au)	Ounces ('000)	Grade (g/t Ag)	Ounces ('000)
Proven	2.22	6.62	472	3.36	240
Probable	2.65	3.78	322	2.08	177
Total	**4.86**	**5.08**	**794**	**2.66**	**416**

This reserve estimate has been determined and reported in accordance with Canadian National Instrument 43-101, 'Standards of Disclosure for Mineral Projects' of February 2001 (the Instrument) and the classifications adopted by CIM Council in August 2000. Furthermore, the reserve classifications are also consistent with the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves' of December 2004 (the Code) as prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mineral Council of Australia (JORC).

Mining Method

The method selected is a conventional open cut, drill, blast, load and haul operation, using a hydraulic excavator to carry out selective flitch mining, similar to many small tonnage open pit gold mining operations throughout the world. The mining equipment will be owner operated and will be maintained under a contract with the equipment supplier. Mining operation will be carried out on two 8.5 hour shifts per day, 7 days per week.

The mine will produce a total of 4.8 million tonnes of ore (including the low grade stockpile) over the operating life, which will be processed at an average rate of 850,000 tonnes of ore per year for the upper zone material, reducing to 750,000 tonnes for the wall zone material.

Waste

15.8 million tonnes of waste will be produced over 5 years during the life of the mine. A portion of suitable mine waste will be used in construction of the water diversion embankments and the staged construction of the tailing management facility embankment. All remaining mine waste will be placed in a dump to the south-east of the pit. This location was selected after reviewing several alternatives, and has low visibility from the majority of inhabited areas. The stability of the waste dump design has been confirmed by geotechnical analysis.

Geotechnical

Geotechnical investigations and analysis have been carried out to establish:

- Tailing Management Facility embankment design criteria and to confirm the adequacy of foundation conditions along its alignment.
- Plant site facility foundation and access road design criteria.
- Allowable pit slope wall angles.
- Waste Dump design, operating and monitoring requirements.

Metallurgy

A comprehensive programme of metallurgical testwork was designed and undertaken on selected drill core samples in recognized laboratory facilities in Australia and Canada. The testwork determined the ores are free milling (i.e. non refractory), and high gold recoveries are achievable with conventional grinding and extraction by cyanidation. All appropriate design criteria, metal recoveries by ore type, and anticipated reagent consumption rates have been determined from the testwork results for the process plant design.

The results have confirmed that gold recovery will be in excess of 94% for each ore type. Silver recovery will range between 80 and 88%, depending on the ore type.

Process Plant

The optimal process selected as a result of the testwork program comprises conventional crushing of mined ore in a jaw crusher, followed by grinding in a SAG and ball mill circuit. The harder siliceous components of the ore that can build up as critical size material in the SAG mill will be removed by a recycle crusher circuit. Ground ore will then flow through a CIL circuit, consisting of seven, 700 cubic metre tanks. The gold and silver dissolved in leaching will be recovered from the carbon in an elution circuit and treated by electrowinning and smelting into doré bars.

Tailings from the CIL circuit will be thickened and treated in a cyanide destruction circuit prior to discharge to the tailings management facility. The cyanide content after destruction is targeted to be approximately 1 part per million (ppm), well below the EU regulatory requirement of 10 ppm for feed to tailings dams.

The process plant will operate 24 hours per day, 7 days per week and is designed to process 106 t/h at 91.3% operating availability. Throughput capacity will be 850,000 tonnes of Upper Zone ore per year, reducing slightly for the harder Wall Zone ore at 750,000 tonnes per year.

The process plant will be located in a valley adjacent to the open pit which also accommodates the tailings management facility. The grinding area and gold room will be in a building for weather protection which also incorporates maintenance facilities for the plant, mining fleet and light vehicles, as well as warehouse, plant offices and change rooms.

Tailings Management Facility

Tailings from the process plant will be pumped to the adjacent tailings management facility. The embankment to retain the tailings will be constructed in stages, and will have enough freeboard at all times to store rainfall from a 1 in 100 year event. The tailings storage will be fully lined with an HDPE liner to contain all the tailings. Underdrainage above the liner will assist consolidation of the tailings, with the water from these under-drains returned to the tailings storage. Water decanted from the surface of the tailings pond will be pumped to a tank for use as process water in the process plant.

It will be necessary to divert the run-off from higher levels of the catchment area from entering the lined area to maintain the water balance of the decant pond. Collection drains will divert water from these temporary diversions to downstream of the tailings storage embankment.

A further set of collection drains under the liner of the tailings storage area will collect groundwater and any leakage through the liner. This water will be returned to the tailings storage unless it meets criteria for discharge.

Water Management

The project water management plan has been developed to ensure minimum impact on the surrounding community users. This has been based on a water management model developed for the project area which incorporates 30 years of rainfall data. The plan has confirmed that the project will be self sufficient regarding water demand, and all process water accumulating in the TMF will be recycled to the plant. Under all normal conditions of operation there will be no discharge of process water to the environment.

To manage the water balance around the TMF area, two storage dams will be established at the heads of the catchment area to collect all precipitation, and provide the storage volumes required. Additional diversion systems will be required around the lined area of the dam in the early years of operation to prevent entry of excess water to the tailings area itself.

Operations and Administration

The project will employ approximately 230 people on site engaged in the administration, mining, and processing operations.

Environmental Impact and Assessment

Under Bulgarian environmental regulations, all mining projects are required to comply with an Environmental Impact Assessment (“EIA”) process as a key part of project permitting. This is conducted by a licensed independent expert, accredited for that purpose by the Government. As Bulgaria is in the process of being accepted for membership of the European Union (EU), the content and depth of the EIA have been upgraded to comply with those established for acceptance in EU Countries.

The EIA systematically assessed project impacts in relation to physical, biological and human environmental components taking account of construction, operation and closure phase. Due reference was also made to alternative options for technology (mining, processing and waste management) and location of facilities (process plant, waste rock dump and tailings management facility).

The EIA has been submitted to the Bulgarian authorities, and is currently in the approval process. Once granted, this will form the basis of permits required allowing the development of the project to proceed. The EIA also sets out the framework for the development of an environmental management plan for the project.

Resettlement and Land Acquisition

Development of the project will require the acquisition of land and buildings from a variety of impacted stakeholders. The size of the project footprint has been minimised as much as possible and the footprint and its anticipated buffer will be approximately 300 ha.

A resettlement action plan that meets international best practice has been prepared and will be the basis for the resettlement and/or relocation of the 21 households of current residents located within the project footprint. In addition, negotiations will take place with all impacted persons, including the current residents, absentee homeowners, and resident and absentee landowners to purchase required lands and residences and other buildings. In addition, consideration will be given to the economic dislocation caused by the transaction and include livelihood restoration strategies for these households within its human resources and procurement strategies, its community development efforts, and in other mitigation/benefit enhancement measures identified in the Project's Social Impact Assessment.

Legal and Permitting

Bulgaria's legal framework for conducting business has been rapidly changing for the better since enactment of the Commerce Act in 1991 and with their recent application to join the European Union further positive changes are taking place. While the legal and permitting requirements are both complicated and time consuming, the desire for change has created a collaborative environment for the government/regulatory agencies and the investor to work together to satisfy objectives of mutual benefit.

Due to the magnitude of the total investment required to implement the Krumovgrad Gold Project, on the 24th March, 2005 Dundee was awarded the status of a 1st Class investor. Under Bulgarian legislation, this entitles the investor to a reduction in the regulatory time frames to obtain project permits and approvals.

A cornerstone of the permitting process is the submission and approval of a project Environmental Impact Assessment (EIA) which was submitted to the Ministry of Environment and Waters on the 29th April, 2005. As a first class investor, it is expected that the EIA will be approved by the end of the third quarter, 2005.

Once completed, application for a number of key approvals are required before construction can proceed, including:

- Registration of the Commercial Discovery.

- Granting of a Mining Concession.
- An Approved Detailed Development Plan.
- Obtaining a Complex Permit.

On the basis of the 1st Class Investor Designation it is expected a Concession will be granted by year end 2005. Construction Permit approval will follow by January 31, 2006, to allow construction to commence by February 27, 2006.

Implementation

The timeframe for implementing the project through to practical completion of the process plant in readiness for ore commissioning extends from the present through to February 2007. This schedule allows for land acquisition, permitting and approvals, engineering design, procurement of materials and equipment, and construction of all facilities on site, including pre-production activity at the open pit mine.

A workforce of approximately 300 people at its peak will be engaged on site during the construction period.

Capital Costs

Initial capital costs, including pre-production, are summarized as follows (in US $):

Cost Element	Capital Estimate (US$ million)
Directs	
Mine	12.4
Process Plant (Including spares, first fills & mobile equipment)	21.8
Tailings Management & Water Storage Facilities	7.8
On site infrastructure (Inside process plant fence)	0.9
Off site infrastructure (Outside process plant fence)	2.0
Subtotal Directs	***44.8***
Indirects	
Engineering, Procurement, and Construction Management	9.6
Temporary Construction Facilities and Services	1.4
Start-Up Commissioning	0.4
Subtotal Indirects	***11.3***
Owner's Costs	18.8
Project Initial Capital Cost Estimate	**75.0**

Total sustaining capital over the life of mine and closure costs are estimated to be US$12.6 million.

Operating Costs[1]

Over the life of mine, on-site cash operating costs (not including royalty) are projected to be US$81.8 million, at an average of US$16.82 per tonne processed. Total inclusive costs are projected to be US$17.88 per tonne, or US$116 per ounce of gold equivalent[2].

Financial Analysis

On an after tax basis, based on US$430 per ounce price for gold and US$6.50 per ounce for silver, the Project produces an internal rate of return of 39.0% on a 100% equity funded basis, and an after tax net present value of US$66.2 million at a discount rate of 9%. For a gold price of US$350 per ounce, the sensitivity analysis shows the equivalent internal rate of return will be 25.5% with a net present value of US$32.9 million.

Dundee will pay a royalty to the Bulgarian government, which is expected to be 1.5% of the gross value of ore produced from the mine.

Financial Summary

Item	Unit	Life of Mine
Throughput	Mt/a	0.850
Project Life	Years	6.0
Gold Price	$/oz	$430
Silver Price	$/oz	$6.5
Project Economics		
Pretax		
NPV at a discount rate of 9%	$ M	$83.6
Internal Rate of Return	%	45.6%
Payback Period	years	1.7
After Tax		
NPV at a discount rate of 9%	$ M	$66.2
Internal Rate of Return	%	39.0%
Payback Period	years	1.9

[1] Cash Operating Costs and Total Cash Costs have been prepared in accordance with standards adopted by the Gold Institute.

[2] This includes silver credits

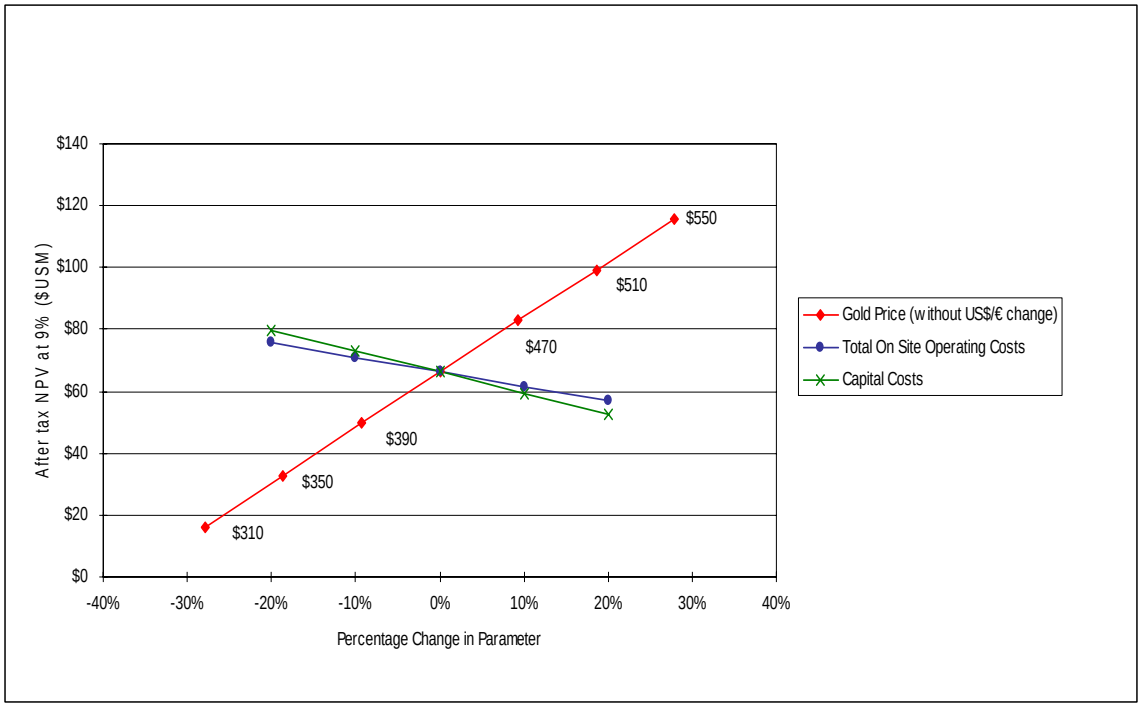
Production and Revenue

Item	Unit	Life of Mine
Production		
Ore Mined/Processed		
Total Mill Feed	Mt	4.9
Gold Grade	g/t Au	5.08
Silver Grade	g/t Ag	2.66
Overall Metallurgical Recoveries		
Gold	%	94.0%
Silver	%	83.6%
Total Production (in doré)		
Gold	ozs	746,117
Silver	ozs	348,237
Total Equivalent Gold Ounces	ozs	751,381
Revenue		
Gold revenue	$ M	$320.3
Silver revenue	$ M	$2.2
Net Revenue (after treatment/refining/transport charges)	$ M	$320.5

Operating and Capital Costs

Item	Unit	Life of Mine
Operating Cost Statistics		
Cash Operating Costs / tonne ore treated	$/t ore	$16.82
Total Cash Costs / tonne ore treated	$/t ore	$17.88
Cash Operating Costs / oz gold equivalent	$/oz Au	$109
Total Cash Costs / oz gold equivalent	$/oz Au	$116
Capital Costs		
Initial Capital	$M	$75.0
Working Capital - Initial (to end Quarter 1 Year 1)	$ M	$1.3
Sustaining/Deferred Capital		
Closure & Rehabilitation Costs	$ M	$8.7
Sustaining Capital	$ M	$5.7

Sensitivity Analysis (After-Tax Net Present Value)



Krumovgrad Gold Project: Production Summary

		Years							Life of
		-1	1	2	3	4	5	6	Mine
MINING									
Ore Mined	000 t	98	979	726	762	841	746	0	**4,153**
Low Grade	000 t	26	169	196	154	76	89	0	**710**
Waste	000 t	402	1,664	4,163	4,203	4,198	1,303	0	**15,933**
Strip Ratio		4.10	1.70	5.73	5.52	4.99	1.75		**3.84**
TREATMENT									
Mill Feed Quantity	000 t		823	848	811	769	772	839	**4,862**
Head Grades									
Gold	g/t Au		6.34	4.99	6.11	7.21	4.56	1.45	**5.08**
Silver	g/t Ag		3.16	2.54	3.12	3.65	2.49	1.11	**2.66**
Metallurgical Recoveries									
Gold	%		94.0%	94.0%	94.0%	94.0%	94.0%	94.0%	**94.0%**
Silver	%		84.6%	86.8%	83.4%	80.9%	81.4%	87.0%	**83.6%**
METAL PRODUCTION									
Gold	ozs		157,773	127,884	149,860	167,523	106,394	36,683	**746,117**
Silver	ozs		70,802	60,126	67,963	73,043	50,285	26,018	**348,237**
OPERATING COST STATISTICS									
Cash Operating Costs / oz Gold Equiv	$/oz Au Equiv		90	112	98	95	130	221	**109**
Total Cash Costs / oz Gold Equiv	$/oz Au Equiv		97	119	105	102	137	228	**116**