

FIRST QUARTER REPORT **2004**

TWO MONTHS ENDED MARCH 31, 2004



**DUNDEE PRECIOUS METALS INC.**  
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**D U N D E E P R E C I O U S M E T A L S I N C .**  
**M A N A G E M E N T ' S D I S C U S S I O N A N D A N A L Y S I S**

On April 15, 2004, the shareholders of Dundee Precious Metals Inc. (the "Company") approved a change in business of the Company from a closed-end precious metals investment company to an operating gold mining company (please refer to the Outlook section of this discussion as well as the Subsequent Event disclosure in the enclosed interim financial statements for more details). As a result, the Company has elected to change its year-end to December 31, effective this year, to be comparable with the year-ends of most other mining companies, and to be consistent with the statutory year-end of the Company's Bulgaria subsidiaries. Accordingly, this quarter is a two-month period ended March 31, 2004 in which the Company reports as an investment company. Thereafter, the Company's quarter-ends will be on a calendar basis, being June 30, September 30 and December 31, and the financial statements will reflect the accounts and activities of an operating mining company.

We are pleased to present the interim report of the Company, for the two-month period ended March 31, 2004, the final period in which the Company will be reporting as a closed-end precious metals investment company.

The following chart provides a summary of the net asset value per share and the share price for the Company, compared to the London Gold AM Fix benchmark, for the dates listed below after adjusting for the five-for-one stock split, which occurred subsequent to March 31, 2004 (see the Subsequent Event Note 7(a) to the financial statements):

	March 31, 2004	January 31, 2004
Total Net Assets (\$ millions)	\$ 327.3	\$ 286.1
Basic Net Asset Value Per Share	\$ 7.04	\$ 7.58
Diluted Net Asset Value Per Share	\$ 7.04	\$ 7.07
Share Price (DPM)	\$ 6.80	\$ 5.77
London Gold AM Fix (US \$)	\$423.00	\$401.30

There is no dilutive impact on the net asset value per share at March 31, 2004, as all warrants were exercised by or expired effective February 20, 2004.

### **TOTAL NET ASSETS**

The total net assets of the Company were \$327.3 million at March 31, 2004, up from \$286.1 million at January 31, 2004. The increase in total net assets of \$41.2 million during the two month period was the result of proceeds of \$43.7 million from warrant holders purchasing Class A Shares, and net income of \$20.0 million reduced by the change in unrealized market depreciation of \$22.5 million (net of future income taxes).

**DUNDEE PRECIOUS METALS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)****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, as an investment company, is best measured by the change in the net asset value per share.

The net income before taxes was \$24.4 million during the two-month period ended March 31, 2004 compared to \$10.6 million during the three months ended April 30, 2003. The Company's net income for the current period was comprised of net realized gains on sales of investments of \$25.0 million, less expenses of \$0.7 million and a provision for income taxes of \$4.4 million. During the three months ended April 30, 2003, the Company's net income was comprised of net realized gains on sales of investments of \$11.2 million, dividend, interest and other income of \$0.2 million reduced by expenses of \$0.8 million and by a provision for income taxes of \$2.2 million.

In taking advantage of opportunities in the gold price rallies, the Company has realized net gains of \$25.0 million during the two-month period ended March 31, 2004. Realized gains on the sale of FNX Mining Company (\$15.4 million), Buenaventura ciap de Minas (\$5.9 million), Eldorado Gold Corporation (\$1.7 million) and Red Back Mining (\$1.2 million) accounted for most of this gain.

**INVESTMENT PORTFOLIO**

At March 31, 2004, the investment portfolio had unrealized appreciation (net of future income taxes) of \$88.4 million compared to \$110.9 million at January 31, 2004. The Company's portfolio mix was 81.1% Canadian, 0.4% Australian, 0.5% American and 18.0% Other Investments, with over 80% of the portfolio invested in gold and precious metal-related companies and the balance in other mineral-related companies.

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

- (i) an operating gold/copper mine (Chelopech);
- (ii) an advanced exploration project (Ada Tepe); and
- (iii) a portfolio of early stage exploration concessions.

Details of the acquisition are provided in the Liquidity section of this report and in Note 4 to the interim financial statements.

**D U N D E E P R E C I O U S M E T A L S I N C .**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)**

## LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position of \$53.7 million at March 31, 2004 was primarily the result of proceeds received on the sale of investments and from Class A Share Purchase Warrant holders exercising their right to purchase Class A Shares. As at January 31, 2004, the Company had \$23.2 million in cash.

DPAI intends to spend U.S. \$5.0 million to complete a resource definition drilling program and a production feasibility study at the Ada Tepe deposit. In addition, it is estimated that a further U.S. \$45.0 million will be required to construct a production facility at Ada Tepe within the next four years assuming a positive feasibility study and the obtaining of all necessary government licenses and permits. With respect to Chelopech, it is estimated that U.S. \$40.0 million will be spent over the next two and a half years to expand the mine and related facilities in order to increase mine output from 0.6 million to 1.5 million tonnes per annum. Subject to a positive feasibility study, there may be further expenditures incurred to construct a metal processing plant. The Company has sufficient cash and lines of credit available to support these activities.

## SHARE CAPITAL

A brief analysis of capital stock and contributed surplus as at March 31, 2004 is included in the table below on a pre-split basis.

	Number of Shares	Amount (\$000s)
Class A Shares	9,299,895	\$ 142,563
Common Shares	3,000	1
		142,564
Contributed Surplus		544
		\$ 143,108

Between February 1, 2004 and February 20, 2004, a total of 1,749,414 outstanding warrants to purchase Class A Shares were exercised for gross proceeds to the Company of \$43.7 million. Following the exercise of these warrants, the Company had 9,299,895 Class A Shares outstanding. A total of 87,677 warrants expired unexercised on February 20, 2004, the cost of which was allocated to contributed surplus.

Following its conversion to an operating mining company in April 2004, the Company completed a five-for-one stock split and reclassification of its Class A Shares into New Common Shares. The split and reclassification has no tax effect on shareholders. As a result, the pro forma shares outstanding as at March 31, 2004 are 46,514,475 common shares. Shareholders are encouraged to deliver their Class A Shares to the Company's transfer agent in order to have a new certificate representing Common Shares issued and recorded in the Company's share register.

**DUNDEE PRECIOUS METALS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)****OUTLOOK**

On April 15, 2004, shareholders approved a plan to convert the Company from a closed-end precious metals investment company to an operating gold mining company in order to maximize the benefits to its shareholders resulting from the purchase on September 30, 2003 of certain under-developed Bulgarian mining properties.

The following actions have been taken to implement this plan:

- the investment management agreement was terminated for consideration of \$26,849,000. The Manager, in turn, agreed to reinvest the proceeds in return for 925,000 pre-split Class A Shares of the Company. The Manager was also granted a two-day option to acquire up to a further 500,000 pre-split Class A Shares at \$36.57 per pre-split Share, which was exercised on April 19, 2004;
- the 3,000 Common Shares held by the Manager were converted to Class A pre-split Shares;
- all then outstanding Class A Shares were subdivided on the basis of five new Class A Shares for each old Class A Share, all of the existing class of Common Shares were cancelled and all of the unissued and issued Class A Shares were reclassified as New Common Shares;
- the investment restrictions of the Company as set out in its charter were removed; and
- a stock option plan for key personnel was established.

As a result, effective April 30, 2004 there were 53,639,475 New Common Shares outstanding.

The conversion of the Company to an operating company from an investment company requires certain changes in accounting policies. Effective April 1, 2004, the significant changes in accounting policies are as follows:

- the investment portfolio will be carried at cost, determined as the carrying value of the portfolio in the financial statements of the Company as at March 31, 2004. Subsequent portfolio investments will be recorded at cost. Gains and losses will be recorded on dispositions of individual investments. Carrying values will be reduced in the event of an other than temporary decline in value; and
- the financial statements of the Company's wholly-owned subsidiary, DPAI, will be consolidated with the statements of the Company effective April 1, 2004.

Please refer to the unaudited pro forma consolidated balance sheet included in the note 7 (c) to the financial statements which reflects the effect of the above changes in accounting policies as if effective March 31, 2004.

The Company intends to continue to make strategic and portfolio investments in the mining sector, with a focus on gold and other precious metals. Although the Company is making significant financial commitments to developing the Bulgarian assets, the Company has significant liquid funds available and does not intend to prematurely dispose of its investment portfolio.

This document contains certain forward-looking statements that reflect the current views and/or expectations of the Company 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 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.**  
**STATEMENT OF INVESTMENT PORTFOLIO**

As at March 31, 2004

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

Par Value/ Shares or Units		Cost	Carrying Value	% of Portfolio
<b>Canadian Equities and Convertibles</b>				
3,666,667	American Bonanza Gold Mining Corp.	\$ 550	\$ 953	
3,666,667	American Bonanza Gold Mining Corp., Purchase Warrants, Oct. 18 04	–	330	
88,064	American Natural Energy Corporation	42	40	
1,500,000	Anatolia Minerals Development Limited	1,683	3,439	
3,125,000	Apollo Gold Corp.	4,498	8,750	
479,040	Argosy Minerals Inc.	2,002	79	
1,033,333	Atikwa Minerals Limited, Special Warrants	140	170	
2,937,500	Bolivar Gold Corporation	1,650	5,581	
1,000,000	Bolivar Gold Corporation, Warrants, Mar. 17 08	–	1,250	
468,750	Bolivar Gold Corporation, Purchase Warrants, Apr. 09 04	–	778	
8,408,182	Cambior Inc.	7,973	34,642	
1,350,000	Campbell Resources Inc.	810	1,094	
2,739,665	Canadian Royalties Inc.	5,890	5,096	
500,000	Cumberland Resources Ltd.	1,405	1,215	
1,527,778	Dia Bras Exploration Inc.	350	1,925	
1,250,000	Dia Bras Exploration Inc., Warrants, Sept. 12 05	–	1,362	
277,778	Dia Bras Exploration Inc., Purchase Warrants, Nov 14 05	–	100	
14,772,283	Diagem International Resource Corp.	2,437	3,988	
4,843,750	Dumont Nickel Inc., Restricted	775	1,937	
2,421,875	Dumont Nickel Inc., Purchase Warrants, Oct. 05 05	–	387	
2,500,000	Eastmain Resource Inc.	750	1,850	
1,567,109	Eldorado Gold Corporation	795	5,908	
1,176,000	Erdene Gold Inc.	500	953	
1,363,650	Eurasian Minerals Inc.	1,500	1,159	
1,363,650	Eurasian Minerals Inc., Purchase Warrants, Mar. 12 06	–	14	
4,230,300	Gabriel Resources Ltd.	7,626	15,441	
2,000,000	GlobeStar Mining Corporation	1,150	1,180	
2,506,200	Golden Queen Mining Co. Ltd.	2,574	2,005	
2,800,000	Golden Queen Mining Co. Ltd., Restricted	1,120	2,240	
1,200,000	Greystar Resources Ltd.	1,600	2,820	
1,562,500	Hedman Resources Limited	500	16	
2,099,286	Manhattan Minerals Corp.	1,810	588	
107,143	Manhattan Minerals Corp., Purchase Warrants, May 16 05	–	1	
1,529,000	Manhattan Minerals Corp., Purchase Warrants, Oct. 22 05	–	15	
\$900	Manhattan Minerals Corp. Convertible Note	900	900	
2,200,000	Major Drilling Group International Inc.	7,737	19,360	
12,625,000	McWatters Mining Inc.	2,020	189	
6,312,500	McWatters Mining Inc., Purchase Warrants, Jun. 27 04	–	63	
2,150,000	Medoro Resources Ltd.	755	1,118	
850,000	Metallic Ventures Gold Inc.	1,669	5,143	
14,381,145	Miramar Mining Corporation	23,271	33,940	

**DUNDÉE PRECIOUS METALS INC.**  
**STATEMENT OF INVESTMENT PORTFOLIO (cont'd)**

As at March 31, 2004

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

Par Value/ Shares or Units		Cost	Carrying Value	% of Portfolio
<b>Canadian Equities and Convertibles (cont'd)</b>				
2,000,000	New Sleeper Gold Corporation	\$ 2,000	\$ 1,900	
1,000,000	New Sleeper Gold Corporation, Purchase Warrants, Jan 07 09	–	10	
14,650	Nichromet Extractions Inc., Class A Common Shares	205	205	
99,207	Northgate Exploration Ltd., Purchase Warrants, Dec. 28 06	–	114	
833,333	Northgate Exploration Ltd., Special Warrants	538	992	
130,000	Opti Canada, Class C Common Shares	1,885	2,438	
7,827,258	Pacific Rim Mining Corporation	7,859	12,289	
1,250,000	Pele Mountain Resources Inc.	250	425	
625,000	Pele Mountain Resources Inc., Purchase Warrants, Jun. 18 04	–	31	
297,107	Ranchgate Energy Inc.	282	297	
600,000	South Atlantic Ventures Ltd.	1,200	5,775	
300,000	South Atlantic Ventures Ltd., Purchase Warrants, Dec. 16 04	–	2,213	
852,273	Stratic Energy Corporation, Purchase Warrants, Jun. 04 04	–	43	
54,102,642	Tahera Corporation	6,986	18,936	
4,500,000	Tahera Corporation, Purchase Warrants, Jun. 15 04	–	900	
3,800,000	Tahera Corporation, Purchase Warrants, Aug. 29 04	–	760	
3,250,000	Tahera Corporation, Purchase Warrants, Nov. 14 04	–	650	
11,268,000	Tahera Corporation, Purchase Warrants, Mar. 02 09	–	113	
1,049,722	Tandem Resources Ltd.	47	47	
1,728,200	Titanium Corporation Inc.	2,865	3,629	
200,000	Titanium Corporation Inc., Escrow Shares	246	357	
869,329	Twin Mining Corporation	468	296	
1,222,033	Verena Minerals Corporation	896	238	
500,000	Western Canadian Coal Corp., Purchase Warrants, Nov. 22 04	1	425	
1,225,000	Wolfden Resources Inc.	1,727	6,860	
		113,937	227,962	81.1%
<b>Australian Equities</b>				
3,207,016	Revesco Group	256	641	
3,957,016	Revesco Group, Purchase Options, Nov. 11 11	117	593	
		373	1,234	0.4%
<b>U.S. Equities</b>				
1,250,000	Western Goldfields Inc., Restricted Common	657	1,310	
625,000	Western Goldfields Inc., Purchase Warrants, Oct. 31 05	–	41	
		657	1,351	0.5%
<b>Other Investments</b>				
1	Investment in Bulgarian Mining Projects (Note 4)	50,503	50,503	
		50,503	50,503	18.0%
		\$ 165,470	\$ 281,050	100.0%

See accompanying notes to the unaudited interim financial statements.

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

**As at**

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

	March 31, 2004 (unaudited)	January 31, 2004
<b>Assets</b>		
Investments at carrying value (cost – \$165,470; January 31, 2004 – \$155,669)	\$ 281,050	\$ 300,622
Cash	53,652	23,176
Receivable for investment securities sold	18,019	–
Interest, dividends and other receivables	24	33
Income taxes recoverable	6,317	3,876
	\$ 359,062	\$ 327,707
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,596	\$ 1,496
Performance fees payable	–	5,401
Future income taxes	30,129	34,699
	31,725	41,596
<b>Shareholders' Equity</b>		
Capital stock, warrants and contributed surplus (Note 2)	143,108	99,373
Retained earnings	95,785	75,817
Unrealized appreciation in carrying value of investments, net of future income taxes of \$27,136; (2004 – \$34,032)	88,444	110,921
<b>Net Assets Represented By Shareholders' Equity</b>	<b>327,337</b>	<b>286,111</b>
	\$ 359,062	\$ 327,707
<b>Basic Net Asset Value Per Share</b>	<b>\$ 7.04</b>	<b>\$ 7.58</b>
<b>Diluted Net Asset Value Per Share</b>	<b>\$ 7.04</b>	<b>\$ 7.07</b>

Basic and Diluted Net Asset Value Per Share were calculated after adjusting for the five-for-one stock split, which occurred subsequent to March 31, 2004 (see Note 7(a)).

See accompanying notes to the unaudited interim period financial statements.

**D U N D E E P R E C I O U S M E T A L S I N C .**  
**STATEMENTS OF OPERATIONS AND RETAINED EARNINGS**

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

	For the Two Months Ended March 31, 2004	For the Three Months Ended April 30, 2003
<b>Investment Income</b>		
Dividends	\$ —	\$ 88
Interest and other income	64	149
	64	237
Net realized gains on sales of investments	25,049	11,171
	25,113	11,408
<b>Expenses</b>		
Management fees	562	543
Interest on bank loan	2	100
Administrative and other expenses	154	165
	718	808
<b>Income Before Income Taxes</b>	24,395	10,600
<b>Provision for (Recovery of) Income Taxes</b>		
Current	2,100	(470)
Future	2,327	2,667
	4,427	2,197
<b>Net Income</b>	\$ 19,968	\$ 8,403
<b>Net Income Per Share</b>	\$ 0.48	\$ 0.24
<b>Retained Earnings</b>		
Balance, beginning of period	\$ 75,817	\$ 31,033
Net Income	19,968	8,403
Balance, end of period	\$ 95,785	\$ 39,436

*Net Income Per Share were calculated after adjusting for the five-for-one stock split, which occurred subsequent to March 31, 2004 (see Note 7(a)).*

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

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

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

	For the Two Months Ended March 31, 2004	For the Three Months Ended April 30, 2003
Net income	\$ 19,968	\$ 8,403
Change in unrealized depreciation in carrying value of investments, net of future income taxes	(22,477)	(31,221)
Purchase of Class A Shares (Note 2)	–	(438)
Exercise of Class A Share Purchase Warrants (Note 2)	43,735	–
Changes in net assets during the period	41,226	(23,256)
Net assets, beginning of period	286,111	188,191
Net assets, end of period	\$ 327,337	\$ 164,935
Basic and Diluted Net Asset Value Per Share	\$ 7.04	\$ 4.80

Basic Net Asset Value Per Share were calculated after adjusting for the five-for-one stock split, which occurred subsequent to March 31, 2004 (see Note 7(a)).

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 except per share amounts) (unaudited)

	For the two Months Ended March 31, 2004	For the Three Months Ended April 30, 2003
Investments at carrying value, beginning of period	\$ 300,622	\$ 227,482
Unrealized appreciation in the carrying value of investments, beginning of period	(144,953)	(99,579)
Investments at cost, beginning of period	155,669	127,903
Cost of investments purchased during the period	14,302	8,366
Cost of investments sold during the period		
Proceeds from sales	(29,550)	(26,200)
Net realized gains on sales of investments	25,049	11,171
	(4,501)	(15,029)
Investments at cost, end of period	165,470	121,240
Unrealized appreciation in the carrying value of investments, end of period	115,580	58,319
Investments at carrying value, end of period	\$ 281,050	\$ 179,559

See accompanying notes to the unaudited interim period financial statements.

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

For the two and three-month periods ended March 31, 2004 and April 30, 2003.

(tabular amounts expressed in thousands of Canadian dollars except per share amounts) (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 audited financial statements for the year ended January 31, 2004. These interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended January 31, 2004.

As at March 31, 2004, the Company was managed by Goodman & Company, Investment Counsel Ltd. (the "Manager").

## 2. CAPITAL STOCK, WARRANTS AND CONTRIBUTED SURPLUS

Total capital stock and contributed surplus outstanding at March 31, 2004 was:

	Number (Pre Split)	Amount
<b>Class A Shares</b>		
Balance, January 31, 2004	7,550,481	\$ 97,079
Shares issued on exercise of warrants	1,749,414	45,484
Balance, March 31, 2004	9,299,895	142,563
<b>Common Shares</b>	3,000	1
<b>Contributed Surplus</b>		544
		<b>\$ 143,108</b>

### a) Shares Issued

Effective February 20, 2004, 1,749,414 of the outstanding warrants to purchase pre-split Class A Shares were exercised prior to their expiry for gross proceeds to the Company of \$43,735,350. Following the exercise of these warrants, the Company had 9,299,895 pre-split Class A Shares outstanding. A total of 87,677 warrants expired unexercised on February 20, 2004, the initial cost of which was transferred to contributed surplus.

### b) Per Share Information

The weighted average number of common shares outstanding during the two-month period ended March 31, 2004 and the three-month period ended April 30, 2003 was 41,754,085 and 34,366,860 respectively, after adjusting for the five-for-one stock split which occurred subsequent to March 31, 2004 (see Note 7(a)).

**D U N D E E P R E C I O U S M E T A L S I N C .**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

**3. INCOME TAXES**

Canada Revenue Agency ("CRA") is proposing to reassess the 1996 to 1999 taxation years. The impact and the potential implications to the 2000 to 2004 taxation years are not expected to have a material impact on the financial statements. The Company is in discussions with the CRA.

**4. INVESTMENT**

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

The cost of the acquisition was \$31.6 million, and was comprised of the following:

*(in millions of dollars)*

\$	13.5	paid on completion of the transaction	
	5.4	(U.S. \$4.0 million) payable between December 31, 2004 and December 31, 2005	
	8.1	of advances made to fund operations during the pre-acquisition exclusivity period	
	4.6	on due diligence, structuring and completion costs	
\$	31.6		

The acquisition has been accounted for using the purchase method, which results in the allocation of the consideration paid to the fair value of the assets acquired and liabilities assumed, as follows:

*(in millions of dollars)*

**Mining Properties**

Ada Tepe	\$	21.5
Chelopech		20.9
		42.4
Working Capital		1.2
Asset Retirement Obligation		(8.0)
Other Non-Current Liabilities		(4.0)
	\$	31.6

In addition, U.S. \$12.5 million is payable when the required government approvals for the Ada Tepe gold project are obtained and 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. The U.S. \$4.0 million payable and the U.S. \$12.5 million contingent payment are secured by a general charge over the shares of the Bulgarian companies and the underlying Bulgarian mining assets, subordinate to any future project debt financing obtained.

As at March 31, 2004, the Company had made investments and advances totaling \$50.5 million to finance its investment in the Bulgarian assets and had committed to invest up to an additional \$32.9 million (U.S. \$25.2 million) to December 31, 2004.

**D U N D E E P R E C I O U S M E T A L S I N C .**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

**5. BANK LOAN**

The Company has a revolving term credit facility for an amount not to exceed the lesser of \$25,000,000, 25% of the value of the net assets of the Company, or 100% of the net asset value of cash, cash equivalents and securities held by the Company that are traded on a recognized stock exchange and have a trading value per share of greater than \$2.00. This facility matures on March 12, 2006. Draws on the credit facility bear interest, at the Company's option, at either a Canadian chartered bank's prime lending rate plus 1/4 of 1%, or at a corporate banker's acceptance rate plus 0.90%. The Company has provided the bank with a security interest in all of the assets of the Company. At March 31, 2004, the Company had no outstanding balance on the bank loan.

**6. RELATED PARTY TRANSACTIONS**

The Company may from time to time use Dundee Securities Corporation, an affiliate of the Manager, as an agent in the purchase and sale of securities. All transactions are conducted at normal commercial rates. During the period ended March 31, 2004 the Company incurred total commission charges of \$115,000, of which \$20,000 was paid to Dundee Securities Corporation, compared to \$58,000 and \$20,000, respectively, in the three months ended April 30, 2003.

**7. SUBSEQUENT EVENT****a) Conversion of the Company to an Operating Gold Mining Company**

On April 15, 2004, shareholders approved a plan to convert the Company from a closed-end precious metals investment company to an operating gold mining company in order to maximize the benefits to its shareholders resulting from the purchase on September 30, 2003 of certain under-developed Bulgarian mining properties. In addition, the Company intends to continue to make strategic and portfolio investments in the mining sector, with a focus on gold and other precious metals. The following actions have been taken to implement this plan:

- the investment management agreement with the Manager, was terminated for consideration of \$26,849,000. The Manager, in turn, has agreed to reinvest the proceeds in return for 925,000 pre-split Class A Shares of the Company. The Manager was also granted a two-day option to acquire up to a further 500,000 pre-split Class A Shares at \$36.57 per pre-split Share, which was exercised on April 19, 2004;
- the 3,000 Common Shares held by the Manager were converted to Class A pre-split Shares;
- all then outstanding Class A Shares were subdivided on the basis of five new Class A Shares for each old Class A Share, all of the existing class of Common Shares were cancelled and all of the unissued and issued Class A Shares were reclassified as New Common Shares;
- the investment restrictions of the Company as set out in its charter were removed; and
- a stock option plan for key personnel was established.

Effective April 20, 2004, there were 53,639,475 New Common Shares outstanding.

**D U N D E E P R E C I O U S M E T A L S I N C .**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS (cont'd)****7. SUBSEQUENT EVENT (cont'd)****b) Change in Fiscal Year-End**

The Company has elected to change its fiscal year-end to December 31, effective this year, to be comparable with the fiscal year-ends of most other mining companies, and to be consistent with the statutory year-end of the Company's Bulgarian subsidiaries.

**c) Accounting Policies**

The conversion of the Company to an operating mining company from an investment company requires certain changes in accounting policies. The significant changes in accounting policies are as follows:

- the investment portfolio will be carried at cost, determined as the carrying value of the portfolio in the financial statements of the Company as at March 31, 2004. Subsequent investments will be recorded at cost. Gains and losses will be recorded on dispositions of individual investments. Carrying values will be reduced in the event of an other than temporary decline in value; and
- the financial statements of the Company's wholly-owned subsidiary, DPAI, will be consolidated with the statements of the Company effective April 1, 2004. An unaudited consolidated pro forma balance sheet and related notes as at March 31, 2004, is provided on the following page.

**DUNDEE PRECIOUS METALS INC.**  
**UNAUDITED CONSOLIDATED PRO FORMA BALANCE SHEET**

As at March 31, 2004

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

	As reported	DPAI	Consolidation Adjustments (note 2)	Conversion Adjustments (note 3)	Consolidated
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash	\$ 53,652	\$ 4,089		\$ 18,285 (b)	\$ 76,026
Accounts receivable	18,043	4,912			22,955
Inventories	–	9,454			9,454
Prepaid expenses	–	2,507			2,507
Income tax recoverable	6,317	–			6,317
	<u>78,012</u>	<u>20,962</u>			<u>117,259</u>
<b>Investments and Advances</b>					
Marketable securities	230,547	–			230,547
DPAI	50,503	–	(50,503)	(b)	–
	<u>281,050</u>	<u>–</u>			<u>230,547</u>
<b>Capital Assets</b>					
Deferred exploration	–	24,079			24,079
Property, plant & equipment	–	26,666			26,666
	<u>–</u>	<u>50,745</u>			<u>50,745</u>
	<u>\$ 359,062</u>	<u>\$ 71,707</u>			<u>\$ 398,551</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 1,596	\$ 8,965			\$ 10,561
Current portion of debt	–	1,252			1,252
	<u>1,596</u>	<u>10,217</u>			<u>11,813</u>
<b>Long Term Liabilities</b>					
Due to parent	–	50,503	50,503	(b)	–
Debt & other	–	6,996			6,996
Decommissioning costs	–	6,445			6,445
Future income taxes	30,129	1,280			31,409
	<u>30,129</u>	<u>65,224</u>			<u>44,850</u>
<b>SHAREHOLDERS' EQUITY</b>					
Capital Stock and Contributed Surplus	143,108	–		45,134 (a,b)	188,242
Retained Earnings (Deficit)	95,785	(3,734)	88,444	(c) (26,849) (a)	153,646
Unrealized Appreciation of Marketable Securities	88,444	–	(88,444)	(c)	–
	<u>327,337</u>	<u>(3,734)</u>			<u>341,888</u>
	<u>\$ 359,062</u>	<u>\$ 71,707</u>			<u>\$ 398,551</u>

See accompanying notes to the unaudited consolidated pro forma balance sheet.

**D U N D E E P R E C I O U S M E T A L S I N C .**  
**NOTES TO UNAUDITED CONSOLIDATED PRO FORMA BALANCE SHEET**

As at March 31, 2004

## 1. NATURE OF OPERATIONS

The Company has reported as a closed-end investment company in the past including the quarter ended March 31, 2004. During 2003 through a wholly-owned subsidiary, Dundee Precious Acquisition Inc. (DPAI), the Company acquired a producing gold/copper mine, a pre-feasibility stage development project and a series of exploration licenses all in Bulgaria.

At its shareholders' meeting on April 15, 2004, the shareholders of the Company voted to convert the Company from a closed-end investment company to an operating mining company.

This unaudited consolidated pro forma balance sheet reflects the consolidation of the mining assets and other adjustments approved at the April 15, 2004 shareholders' meeting.

The Company going forward will account for its investment portfolio as marketable securities at book values, and will consolidate the operations of its mining operations in its financial results.

## 2. CONSOLIDATION ADJUSTMENTS

- (a) The Company has previously and in the current period reflected its interest in DPAI, the entity which holds the mining assets, at cost. Since acquisition in September 2003, DPAI has recorded an accumulated deficit of \$3,734,000.
- (b) The acquisition was funded through the provision of loans and advances from the Company to DPAI. These amounts are eliminated on consolidation.
- (c) The unrealized gain in market value of investments as at March 31, 2004, net of future income taxes, has been allocated to retained earnings. The investments will be accounted for as investments at book values effective April 1, 2004, the date of the Company's conversion to an operating mining company.

## 3. CONVERSION ADJUSTMENTS

- (a) The investment management agreement was terminated in exchange for \$26,849,000 which expense was changed to retained earnings at March 31, 2004, in the unaudited consolidated pro forma balance sheet. The manager agreed to reinvest the proceeds in return for 925,000 Class A Shares.
- (b) The investment manager was granted an option to acquire up to an additional 500,000 Class A Shares for \$18,285,000 which was exercised.
- (c) 3,000 Common Shares held by the manager were converted to Class A Shares at their cost of \$1.
- (d) All Class A Shares were subdivided on the basis of five new Class A Shares for each old Class A Share. All Common Shares previously issued were cancelled and all of the unissued and issued Class A Shares were reclassified as New Common Shares. Accordingly, Common Shares outstanding on a pro forma basis at March 31, 2004 totaled 53,639,475 shares for share capital of \$188,242,000.
- (e) A stock option plan was established and initial grants were made of 719,000 options at the market price of \$35.00 on a pre-split basis. These options vest annually over three years on February 25, 2005, February 25, 2006 and February 25, 2007. With the split, these become 3,595,000 options exercisable at \$7.00. These options expire February 24, 2009.

**DUNDEE PRECIOUS METALS INC.**  
**CORPORATE DIRECTORY**

**DIRECTORS**

**Derek H.L. Buntain<sup>(3)</sup>**

Grand Cayman, Cayman Islands, B.W.I.

**Peter C. Cavelti<sup>(1)(2)(3)</sup>**

Toronto, Ontario

**Michael Cooper**

Toronto, Ontario

**Jonathan Goodman**

Toronto, Ontario

**Ned Goodman**

Innisfil, Ontario and  
Saint-Sauveur, Québec

**John Lydall<sup>(2)</sup>**

Oakville, Ontario

**Garth A.C. MacRae<sup>(4)</sup>**

Toronto, Ontario

**Peter Nixon<sup>(1)(3)</sup>**

Keswick, Ontario

**Ronald Singer<sup>(1)(4)</sup>**

Montréal, Québec

**Peter Steen<sup>(4)</sup>**

Salmon Arm, British Columbia

**William G. Wilson<sup>(2)</sup>**

Dublin, Ireland

*(1) Audit Committee*

*(2) Compensation Committee*

*(3) Corporate Governance Committee*

*(4) Health Safety & Environment Committee*

**OFFICERS**

**William G. Wilson**

Director and Chairman

**Jonathan Goodman**

Director, President and  
Chief Executive Officer

**C. Bruce Burton**

Vice President, Finance  
and Chief Financial Officer

**Lori E. Beak**

Vice President and Secretary

**EXECUTIVE HEAD OFFICE**

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**STOCK LISTING & SYMBOL**

The Toronto Stock Exchange  
DPM – Common Shares

Copies of the Company's Quarterly and  
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request from our registrar:

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