

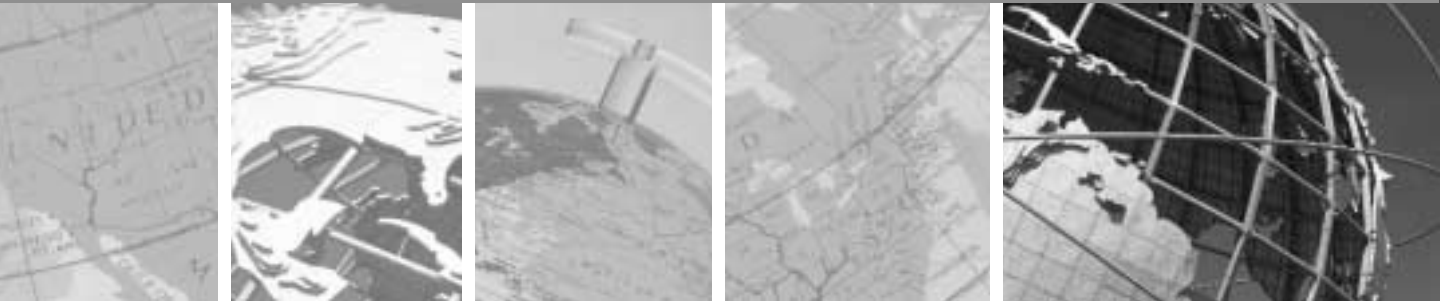


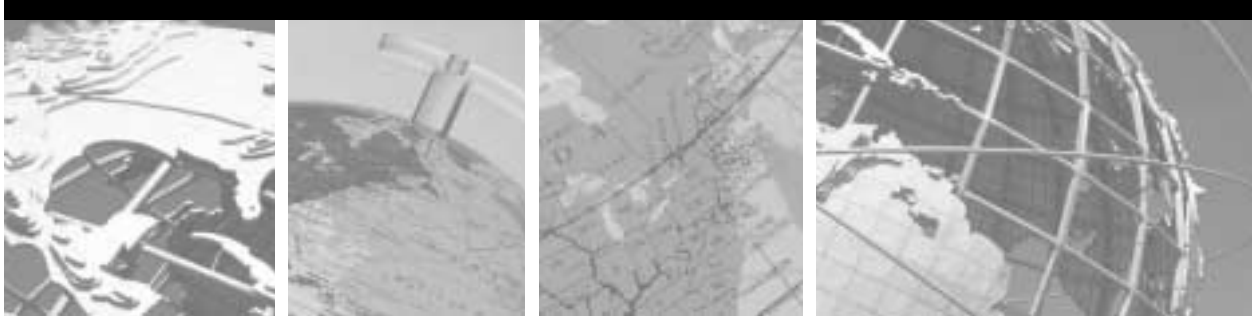
**DUNDEE**

**PRECIOUS METALS INC.**

# 2nd Quarter Report

SIX MONTHS ENDED JULY 31, 2002





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**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 and six month periods ended July 31, 2002.

The following chart provides a summary of the net asset value per share and the share price for Dundee Precious Metals Inc. (the "Company"), compared to several key performance benchmarks, for the periods listed below:

	July 31, 2002	April 30, 2002	January 31, 2002
Net Asset Value Per Share	\$20.19	\$21.96	\$16.62
Share Price (DPM.A)	\$14.20	\$16.30	\$11.03
London Gold AM Fix (US \$)	\$305.50	\$309.35	\$281.50
S&P/TSX Gold & Precious Metal Index	6,605.42	6,503.02	5,664.48

## TOTAL NET ASSETS

At July 31, 2002, the total net assets of the Company was \$140.5 million compared to total net assets of \$153.6 million at April 30, 2002 and \$116.3 million at January 31, 2002. The decrease in total net assets of \$13.1 million, during the second quarter, was the result of unrealized market depreciation of \$20.3 million (net of future income taxes), net income of \$7.8 million and the expenditure of \$0.6 million to purchase and cancel 35,500 Class A shares.

The year-to-date increase in total net assets, of \$24.2 million, was the result of unrealized market appreciation of \$0.6 million (net of future income taxes), net income of \$24.2 million and the expenditure of \$0.6 million to purchase and cancel 35,500 Class A shares.

## RESULTS OF OPERATIONS

In reporting the Company's results of operations, the reported income reflects only dividend income, interest income, and net realized gains and losses on the sale of investments. The results of operations do not include unrealized gains and losses in the investment portfolio, therefore, 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.

Net income before taxes was \$10.2 million during the three months ended July 31, 2002 compared to a net loss before taxes of \$1.3 million during the same period in the prior year. The Company's net income before taxes, for the current quarter, was comprised of net realized gains on the sale of investments of \$11.6 million, dividend and interest income of \$0.2 million, reduced by expenses of \$1.6 million. During the same period in the prior year, the Company's net loss before taxes was comprised of net realized losses on the sale of investments of \$0.1 million, expenses of \$1.3 million and dividend and interest income of \$0.1 million. Partially offsetting this income/loss was an income tax provision of \$2.4 million, compared to an income tax recovery of \$0.5 million for the three month period ended July 31, 2001.

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

Year to date net income before taxes was \$30.0 million compared to a net loss of \$6.6 million for the same period in the prior year. The net income, for the six month period ended July 31, 2002, was comprised of net realized gains on the sale of investments of \$32.2 million, dividend and interest income of \$0.8 million, reduced by expenses of \$3.0 million. This compares to net realized losses of \$4.7 million, expenses of \$2.3 million and dividend and interest income of \$0.4 million for the six month period ended July 31, 2001. Partially offsetting this income/loss was a year to date income tax provision of \$5.8 million, compared to an income tax recovery of \$0.5 million for the same period in the prior year.

Year to date, the realized gains on the sale of Meridian Gold Inc. (\$12.6 million), Goldcorp Inc. (\$9.8 million), Agnico-Eagle Mines Limited (\$6.9 million) and Buenaventura Ciap de Minas (\$4.0 million) accounted for most of the net realized gain on the sale of investments.

Total expenses before income taxes for the six month period of 2002 was \$3.0 million compared to \$2.3 million for the same period during the previous year. Increases in management fees of \$0.4 million and performance fees of \$0.6 million were reduced by savings in interest expense of \$0.4 million, accounting for the change in expenses. The Manager is entitled to a performance fee of up to 2.0% of the Company's average total assets for the year dependent upon the Company outperforming its gold bullion benchmark. The performance fee is payable at the end of the Company's fiscal year.

**INVESTMENT PORTFOLIO**

At July 31, 2002, the investment portfolio had unrealized appreciation (net of future income taxes) of \$23.4 million compared to \$22.7 million at January 31, 2002. The Company's portfolio mix was 87.8% Canadian, 5.4% Australian and 6.8% Latin American, with approximately 87.8% of the portfolio invested in gold related companies and 12.2% in other minerals 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 portfolio of primarily 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 July 31, 2002

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

PAR VALUE/ SHARES OR UNITS		COST	MARKET VALUE	% OF PORTFOLIO
<b>Canadian Equities and Convertibles</b>				
100,000	Altius Minerals Corporation, Restricted	\$ 105	\$ 125	
50,000	Altius Minerals Corporation, Purchase Warrants, May 21 04	–	3	
500,000	Anatolia Minerals, Restricted	281	737	
500,000	Anatolia Minerals, Purchase Warrants, Feb 27 03	–	380	
2,500,000	Apollo Gold Corp., Restricted	3,168	6,337	
625,000	Apollo Gold Corp., Warrants, Mar 21 04	–	50	
479,040	Argosy Minerals Inc.	2,002	165	
470,802	Ariane Gold Corp., Special Warrants	324	297	
1,033,333	Atikwa Minerals Limited, Special Warrants	140	289	
180,529	Banro Resource Corporation	2,502	930	
8,264,700	Cambior Inc.	6,426	10,744	
1,600,000	Campbell Res. Inc., Restricted	960	1,024	
800,000	Campbell Res. Inc., Purchase Warrants, May 15 03	–	40	
2,416,667	Case Resources Inc.	725	1,450	
500,000	Cumberland Resources Ltd., Purchase Warrants, Dec 20 02	655	275	
10,230,617	Diagem International Resource Corp.*	1,362	1,944	
3,125,000	Diagem International Resource Corp., Purchase Warrants, Mar 20 04	–	116	
750,000	Diagem International Resource Corp., Warrants, Aug 22 03	–	38	
2,500,000	Eastmain Resource Inc., Restricted	750	900	
1,250,000	Eastmain Resource Inc., Purchase Warrants, May 14 03	–	63	
1,363,636	Eldorado Gold Corporation, Warrants, Feb 21 03	–	409	
9,203,473	Eldorado Gold Corporation, Special Warrants	4,220	10,123	
533,030	European Goldfields Ltd.	837	1,865	
2,425,000	FNX Mining Company Inc.	970	10,184	
2,830,300	Gabriel Resources Ltd.	2,424	12,735	
1,000,000	Gabriel Resources Ltd., Restricted	3,500	4,500	
5,306,200	Golden Queen Mining Co. Ltd.*	3,695	3,980	
2,000,000	Greystar Resources Ltd., Restricted	1,000	1,232	
800,000	Greystar Resources Ltd., Purchase Warrants, Jun 11 03	–	100	
625,690	Kinross Gold Corporation	3,872	1,671	
1,100,000	Manhattan Minerals Corp.	990	737	
550,000	Manhattan Minerals Corp., Warrants, Sep 18 03	–	6	
2,400,000	Major Drilling Group International Inc.*	8,441	6,600	
400,000	Metallic Ventures, Class A Preferred Shares	1,519	1,584	
700,000	Metallica Resources Inc., Restricted	1,260	791	
350,000	Metallica Resources Inc., Purchase Warrants, Apr 16 03	–	4	
13,216,113	Miramar Mining Corporation**	21,169	13,877	
1,171,139	Miramar Mining Corporation, Warrants**	–	45	

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

As at July 31, 2002

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

PAR VALUE/ SHARES OR UNITS		COST	MARKET VALUE	% OF PORTFOLIO
<b>Canadian Equities and Convertibles (cont'd)</b>				
2,698,413	Northgate Exploration Ltd.	\$ 4,838	\$ 3,508	
99,207	Northgate Exploration Ltd., Purchase Warrants, Dec 28 06	-	35	
833,333	Northgate Exploration Ltd., Warrants	537	250	
130,000	Opti Canada, Class A Common Shares	1,885	1,885	
7,827,258	Pacific Rim Mining Corporation	7,859	4,540	
500,000	Placer Dome Inc.	6,757	6,685	
3,000,000	Quest Ventures Ltd., participating secured loan agreement, Dec 15 02	3,000	3,425	
2,000,000	Rio Narcea Gold Mines Ltd.	3,120	3,000	
4,000,000	Rio Narcea Gold Mines Ltd., Special Warrants, Mar 22 04	3,200	6,600	
11,942,916	Tahera Corporation	1,605	2,030	
3,800,000	Tahera Corporation, Warrants, Aug 29 04	-	190	
2,817,000	Tahera Corporation, 8.00%, Convertible, Aug 04 04	2,817	3,831	
1,200,000	Titanium Corporation Inc.	2,246	2,316	
800,000	Titanium Corporation Inc., Escrow Shares	984	1,312	
869,329	Twin Mining Corporation	468	330	
1,222,033	Verena Minerals Corporation	896	202	
400,000	Verena Minerals Corporation, Warrants, Jan 30 03	-	4	
2,000,000	Wheaton River Minerals Ltd., Special Warrants, Oct 01 02	2,300	2,180	
1,825,000	Wolfden Resources Inc.	2,573	2,008	
		118,382	140,681	87.8%
<b>Australian Equities</b>				
6,549,282	East African Gold Mines Limited	7,180	7,471	
989,254	Ranger Minerals NL	1,373	478	
3,129,063	Red Back Mining NL	963	769	
		9,516	8,718	5.4%
<b>Latin American Equities</b>				
332,530	Buenaventura Ciap de Minas S.A., Sponsored ADR, Series "B"	1,891	10,852	
		1,891	10,852	6.8%
		\$ 129,789	\$ 160,251	100.0%

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

\* 1,105,617, 2,800,000 and 1,980,000 shares of Diagem International Resource Corp., Golden Queen Mining Co. Ltd. and Major Drilling Group International Inc., respectively, are not freely tradeable.

\*\* Hope Bay Gold Corporation Inc. shares and warrants were converted into Miramar Mining Corporation securities following the amalgamation. The warrants are exercisable between April 2003 and August 2003 at prices ranging from \$1.63 to \$2.47.

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

As at July 31, 2002 and January 31, 2002

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

	July 31, 2002	January 31, 2002
<b>Assets</b>		
Investments at market value		
(cost July 2002 – \$129,789; January 2002 – \$92,513)	\$ 160,251	\$ 122,869
Cash	4,125	5,087
Receivable for investment securities sold	–	1,548
Interest, dividends and other receivables	100	66
Income taxes recoverable	466	7,361
	<u>164,942</u>	<u>136,931</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	466	565
Performance fees payable	1,624	2,278
Payable for investment securities purchased	6,770	–
Future income taxes	15,566	17,832
	<u>24,426</u>	<u>20,675</u>
<b>Shareholders' Equity</b>		
Capital stock, warrants and contributed surplus (Note 3)	83,831	84,444
Retained earnings	33,324	9,073
Unrealized appreciation in market value of investments, net of future income taxes (July 2002 – \$7,101; January 2002 – \$7,617)	23,361	22,739
<b>Net Assets Represented By Shareholders' Equity</b>	<u>140,516</u>	<u>116,256</u>
	<u>\$ 164,942</u>	<u>\$ 136,931</u>
<b>Net Asset Value Per Share</b>	<u>\$ 20.19</u>	<u>\$ 16.62</u>

See accompanying notes to the unaudited interim period financial statements.

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

For the Three and Six Months ended July 31

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

	Three Months		Six Months	
	2002	2001	2002	2001
<b>Investment Income</b>				
Dividends	\$ -	\$ -	\$ 347	\$ 195
Interest	238	88	436	174
	238	88	783	369
Net realized gains (losses) on sale of investments	11,532	(148)	32,202	(4,669)
	11,770	(60)	32,985	(4,300)
<b>Expenses</b>				
Management fees	475	291	892	533
Performance fees	884	573	1,624	968
Interest on bank loan	4	210	7	446
Administrative and other expenses	136	167	234	303
Goods and services and other taxes	105	15	193	88
	1,604	1,256	2,950	2,338
<b>Income (Loss) Before Taxes</b>	10,166	(1,316)	30,035	(6,638)
<b>Provision for (Recovery of) Income Taxes</b>				
Current	795	(918)	7,534	2,463
Future	1,589	434	(1,750)	(2,927)
	2,384	(484)	5,784	(464)
<b>Net Income (Loss)</b>	\$ 7,782	\$ (832)	\$ 24,251	\$ (6,174)
<b>Net Income (Loss) Per Share</b>	\$ 1.13	\$ (0.12)	\$ 3.48	\$ (0.88)
<b>Retained Earnings</b>				
Balance, beginning of period	\$ 25,542	\$ 4,515	\$ 9,073	\$ 9,857
Net income (loss)	7,782	(832)	24,251	(6,174)
Balance, end of period	\$ 33,324	\$ 3,683	\$ 33,324	\$ 3,683

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

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

For the Three and Six Months ended July 31

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

	Three Months		Six Months	
	2002	2001	2002	2001
Net income (loss)	\$ 7,782	\$ (832)	\$ 24,251	\$ (6,174)
Change in unrealized appreciation (depreciation) in market value of investments, net of future income taxes	(20,239)	2,089	622	15,406
Purchase of Class A shares	(613)	-	(613)	(199)
Changes in net assets during the period	(13,070)	1,257	24,260	9,033
Net assets, beginning of period	153,586	90,453	116,256	82,677
Net assets, end of period	\$ 140,516	\$ 91,710	\$ 140,516	\$ 91,710
Net asset value per share	\$ 20.19	\$ 13.02	\$ 20.19	\$ 13.02

See accompanying notes to the unaudited interim period financial statements.

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

For the Three and Six Months ended July 31

(expressed in thousands of Canadian dollars) (unaudited)

	Three Months		Six Months	
	2002	2001	2002	2001
Investments at market value, beginning of period	\$ 158,987	\$ 103,748	\$ 122,869	\$ 90,112
Unrealized appreciation (depreciation) in the market value of investments, beginning of period	(56,852)	(1,461)	(30,356)	17,055
Investments at cost, beginning of period	102,135	102,287	92,513	107,167
Cost of investments purchased during the period	36,513	1,505	67,337	8,867
Cost of investments sold during the period				
Proceeds from sales	(20,391)	(21)	(62,263)	(7,742)
Net realized gain (loss) on sale of investments	11,532	(148)	32,202	(4,669)
	(8,859)	(169)	(30,061)	(12,411)
Investments at cost, end of period	129,789	103,623	129,789	103,623
Unrealized appreciation in the market value of investments, end of period	30,462	4,366	30,462	4,366
Investments at market value, end of period	\$ 160,251	\$ 107,989	\$ 160,251	\$ 107,989

See accompanying notes to the unaudited interim period financial statements.

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

For the six month periods ended July 31, 2002 and 2001

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

**2 . BANK LINE OF CREDIT**

The Company has a revolving term credit facility with a Canadian chartered bank (the "Bank") for an amount no greater than 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 of greater than \$2.00. This facility matures on March 12, 2004 but, if requested in writing, may be extended each year for a further year with the approval of the bank. At July 31, 2002, the Company had not utilized this facility.

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

Total capital stock, warrants and contributed surplus outstanding at July 31, 2002 was:

	NUMBER	AMOUNT
Class A shares		
Balance, January 31, 2002	6,991,972	\$ 80,760
Shares purchased and cancelled	(35,500)	(410)
Balance, July 31, 2002	<u>6,956,472</u>	<u>80,350</u>
Class A share purchase warrants	<u>2,520,000</u>	2,520
Common shares	<u>3,000</u>	1
Contributed surplus		<u>960</u>
		<u>\$ 83,831</u>

**DUNDEE PRECIOUS METALS INC.**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS (cont'd)****3. CAPITAL STOCK, WARRANTS AND CONTRIBUTED SURPLUS (cont'd)****a) Warrants**

Each warrant entitles the holder to purchase one Class A share at any time up to February 20, 2004 at \$25.00 per share.

**b) Shares Purchased**

During the six month period ended July 31, 2002 the Company purchased and cancelled 35,500 Class A shares under its normal course issuer bid. The difference between the stated capital of \$410,025 of these shares and the cash consideration paid of \$613,093 (\$17.27 per share) was allocated to contributed surplus.

**c) Per Share Information**

The weighted average number of common shares outstanding during the six month periods ended July 31, 2002 and 2001 was 6,986,097 and 7,046,422, respectively.

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**MANAGER**

Dynamic Mutual Funds Ltd.  
A wholly-owned subsidiary of  
Dundee Wealth Management Inc.  
Toronto, Canada

**STOCK SYMBOL**

DPM.A – Class A Shares  
DPM.WTA – Warrants

**STOCK EXCHANGE LISTING**

The Toronto Stock Exchange

**NET ASSET VALUE PER CLASS**

Net asset value per share is calculated at the close of business each day that the Toronto Stock Exchange is open and is published in the Globe and Mail, Report on Business and the National Post. This information also appears in the closed-end fund tables in The Wall Street Journal, The New York Times and Barrons.