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T H I R D Q U A R T E R R E P O R T

Nine Months Ended
October 31, 2001

TABLE OF CONTENTS



| | |
|---|----|
| Management's Discussion and Analysis | 3 |
| Statement of Investment Portfolio | 6 |
| Statements of Financial Position | 8 |
| Statements of Changes in Investments | 9 |
| Statements of Operations and Retained Earnings | 10 |
| Statements of Changes in Net Assets | 12 |
| Condensed Notes to the Financial Statements | 12 |

MANAGEMENT'S DISCUSSION AND ANALYSIS

We are pleased to present the interim report of Dundee Precious Metals Inc. for the three and nine month periods ended October 31, 2001.

The net asset value per share of the Company at October 31, 2001 was \$13.48 per share compared to \$13.02 at July 31, 2001 and \$11.69 at January 31, 2001. This represents a 3.5% and 15.3% increase in the net asset value per share during the three month and nine month periods ended October 31, 2001, respectively. During the same periods, the Australian gold index increased by 13.9% and 0.4%, and the gold index in Toronto increased by 12.0% and 1.8% for the three and nine month periods ended October 31, 2001. The price of gold bullion increased to US\$281 at October 31, 2001 from US\$266 at both January 31, 2001 and July 31, 2001. The market value of the Company's shares on October 31, 2001 was \$9.20, compared to \$9.30 at July 31, 2001 and \$6.75 at January 31, 2001.

Net Asset Value

The total net assets of the Company was \$95.0 million at October 31, 2001, an increase of \$3.3 million during the quarter and \$12.3 million year-to-date. The increase in total net assets during the quarter was the result of unrealized market appreciation of \$4.1 million (net of future income taxes) and a net loss of \$0.8 million. The net loss was comprised of expenses of \$1.3 million and an income tax recovery of \$0.5 million.

The year-to-date increase, of \$12.3 million, in total net assets was the result of unrealized appreciation of \$19.5 million (net of future income taxes), a net loss of \$7.0 million and the expenditure of \$0.2 million to purchase and cancel 30,200 class A shares. The net loss was comprised of realized losses on the sale of investments of \$5.3 million, expenses of \$3.6 million, an income tax recovery of \$0.9 million, interest and dividend income of \$0.6 million and interest income received on income tax reassessments of \$0.4 million.

Investment Income

During the three and nine month periods ended October 31, 2001, the combined interest and dividend income was \$0.3 and \$0.6 million, respectively, compared to \$0.4 and \$1.0 million for the same periods in the previous year.

The Company realized losses on the sale of investments during the current quarter and year-to-date of \$0.7 million and \$5.3 million, respectively. This compares to realized losses of \$4.1 million and \$7.6 million for the three and nine month periods ended October 31, 2000. The most significant portion of the current year-to-date losses was the result of the sale of Etruscan Enterprises Ltd. at a loss of \$4.4 million.

Expenses

Total expenses before income taxes for the third quarter of 2001 was \$1.2 million compared to \$0.6 million for the same period in the previous year. On a year-to-date basis, total expenses are up by \$1.6 million over that of last year. The increase during both the three and nine month periods ended October 31, 2001 is related to a performance fee that the Manager is entitled to receive in addition to the normal management fees. The Manager is 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 three and nine month periods ended October 31, 2001, the Company exceeded the benchmark resulting in a year-to-date performance fee accrual of \$1.5 million. There was no performance fee earned in the previous year.

Investment Portfolio

During the nine month period ended October 31, 2001, the investment portfolio had unrealized gains of \$7.2 million, net of future income taxes, compared to unrealized losses of \$19.0 million in the same period in the previous year. Unrealized gains are not recognized in the statement of operations but in shareholders' equity.

At October 31, 2001, the Company's portfolio mix was 73.7% Canadian, 8.5% Australian, 12.1% Latin American and 5.7% US 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.

STATEMENT OF INVESTMENT PORTFOLIO

As at October 31, 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 |
|---|--|-----------------|-------------------|
| Canadian Equities and Convertibles | | | |
| 235,500 | Aber Diamond Corporation \$ 3,506 | \$ 3,926 | |
| 884,795 | Agnico-Eagle Mines Limited 7,103 | 13,582 | |
| 479,040 | Argosy Minerals Inc. 2,002 | 149 | |
| 833,333 | Atikwa Minerals Limited, Special Warrants 100 | 140 | |
| 180,529 | Banro Resource Corporation 2,502 | 108 | |
| 6,000,000 | Cambior Inc. 3,097 | 4,680 | |
| 266,100 | Corner Bay Silver Inc. 165 | 460 | |
| 4,447,306 | Dayton Mining Corporation 7,859 | 2,135 | |
| 750,000 | Diagem International Resource Corp. 150 | 83 | |
| 750,000 | Diagem International Resource Corp., Warrants, Aug.22 03 - | 8 | |
| 2,727,273 | Eldorado Gold Corporation 1,500 | 818 | |
| 1,363,636 | Eldorado Gold Corporation, Warrants, Feb.21 03 - | 14 | |
| 5,115,713 | Emerging Africa Gold (EAG) Inc. 337 | 716 | |
| 1,000,000 | Emerging Africa Gold (EAG) Inc., Warrants, Aug.13 02 - | 10 | |
| 400,000 | Emerging Africa Gold (EAG) Inc., 12.00%, Convertible, Feb.09 04 400 | 400 | |
| 283,030 | European Goldfields Ltd. 62 | 1,027 | |
| 2,425,000 | Fort Knox Gold Resources Inc., Special Warrants 970 | 1,892 | |
| 2,830,300 | Gabriel Resources Ltd. 2,424 | 10,897 | |
| 752,860 | Goldcorp Inc., Class "A", Subordinated Voting 5,907 | 14,078 | |
| 5,306,200 | Golden Queen Mining Co. Ltd. 3,694 | 1,061 | |
| 39,085,725 | Hope Bay Gold Corporation Inc.* 17,390 | 7,035 | |
| 15,703,000 | Hope Bay Gold Corporation Inc., Warrants ** - | 158 | |
| 625,690 | Kinross Gold Corporation 3,872 | 845 | |
| 1,100,000 | Manhattan Minerals 990 | 759 | |
| 1,300,000 | Major Drilling Group International Inc. 7,128 | 2,600 | |
| 640,200 | Meridian Gold Inc. 3,203 | 11,011 | |
| 10,686,729 | Tahera Corporation 1,380 | 1,389 | |
| 3,800,000 | Tahera Corporation, Warrants, Aug.29 04 - | 190 | |
| 2,817,000 | Tahera Corporation, 8.00%, Convertible, Aug.04 04 2,817 | 2,929 | |
| 3,319,329 | Twin Mining Corporation 1,786 | 1,494 | |
| 1,663,333 | Verena Minerals Corporation * 1,220 | 499 | |
| 400,000 | Verena Minerals Corporation, Warrants, Jan.31 03 - | 4 | |
| | 81,564 | 85,097 | 73.7% |

STATEMENT OF INVESTMENT PORTFOLIO

As at October 31, 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 |
|--------------------------------|---|-----------------|-------------------|
| Australian Equities | | | |
| 6,438,460 | East African Gold Mines Limited \$ 6,979 | \$ 7,356 | |
| 2,517,854 | Ranger Minerals NL 5,138 | 2,150 | |
| 2,560,143 | Red Back Mining NL 866 | 250 | |
| | 12,983 | 9,756 | 8.5% |
| Latin American Equities | | | |
| 432,530 | Buenaventura Ciap de Minas S.A., Sponsored ADR, Series "B" 2,460 | 13,905 | |
| | 2,460 | 13,905 | 12.1% |
| US Equities | | | |
| 501,800 | Homestake Mining Company 8,204 | 6,529 | |
| | 8,204 | 6,529 | 5.7% |
| | \$105,211 | \$115,287 | 100.0% |

* 29,000,000 and 800,000 shares of Hope Bay Gold Corporation Inc. and Verena Minerals Corporation, respectively, are not freely tradeable.

** These warrants are exercisable during the period from March 2002 to August 2003 at prices ranging from \$0.43 to \$0.65.

See accompanying notes to the unaudited interim period financial statements.

STATEMENTS OF FINANCIAL POSITION

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

| | October 31, 2001 | January 31, 2001 |
|--|---------------------|---------------------|
| Assets | | |
| Investments at market value (cost October 2001 – \$105,211; January 2001 – \$107,167) | \$ 115,287 | \$ 90,112 |
| Cash and short-term deposits | 1,297 | 1,701 |
| Interest, dividends and other receivables | 459 | 89 |
| Income taxes recoverable | 7,047 | 13,639 |
| | \$ 124,090 | \$ 105,541 |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 477 | \$ 275 |
| Performance fees payable | 1,634 | – |
| Bank loan | 13,900 | 15,600 |
| Future income taxes | 13,124 | 6,989 |
| | 29,135 | 22,864 |
| Shareholders' Equity | | |
| Capital stock, warrants and contributed surplus (note 2) | 84,888 | 85,086 |
| Retained earnings | 2,821 | 9,857 |
| Unrealized appreciation (depreciation) in market value of investments, net of future income taxes (October 2001 – \$2,830; January 2001 – \$4,789) | 7,246 | (12,266) |
| Net Assets Represented | | |
| By Shareholders' Equity | 94,955 | 82,677 |
| | \$ 124,090 | \$ 105,541 |
| Net Asset Value Per Share | \$ 13.48 | \$ 11.69 |

See accompanying notes to the unaudited interim period financial statements.

STATEMENTS OF CHANGES IN INVESTMENTS

As at
(expressed in thousands of Canadian dollars)
(unaudited)

| | October 31, 2001 | January 31, 2001 |
|---|---------------------|---------------------|
| 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 | 11,862 | 22,723 |
| Cost of investments sold during the period | | |
| Proceeds from sales | (8,486) | (16,865) |
| Net realized losses on sales | (5,332) | (17,156) |
| | (13,818) | (34,021) |
| Investments at cost, end of period | 105,211 | 107,167 |
| Unrealized appreciation (depreciation) in the market value of investments, end of period | 10,076 | (17,055) |
| Investments at market value, end of period | \$ 115,287 | \$ 90,112 |

See accompanying notes to the unaudited interim period financial statements.


**STATEMENTS OF OPERATIONS AND
RETAINED EARNINGS**

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

| | Three Months | | Nine Months | |
|--|--------------|------------|-------------|------------|
| | 2001 | 2000 | 2001 | 2000 |
| Investment Income | | | | |
| Dividends | \$ 180 | \$ 192 | \$ 375 | \$ 430 |
| Interest | 73 | 251 | 247 | 546 |
| | 253 | 443 | 622 | 976 |
| Net realized loss on sale of investments | (663) | (4,081) | (5,332) | (7,598) |
| | (410) | (3,638) | (4,710) | (6,622) |
| Expenses | | | | |
| Management fees | 289 | 245 | 822 | 742 |
| Performance fees | 559 | – | 1,527 | – |
| Interest on bank loan | 187 | 221 | 633 | 690 |
| Administrative and other expenses | 143 | 132 | 446 | 424 |
| Goods and services and other taxes | 70 | 51 | 158 | 151 |
| | 1,248 | 649 | 3,586 | 2,007 |
| Other Income | | | | |
| Interest income received on income tax reassessments | 340 | – | 340 | 1,386 |
| Loss Before Taxes | (1,318) | (4,287) | (7,956) | (7,243) |
| Recovery For Income Taxes | (456) | (2,269) | (920) | (2,361) |
| Net Loss | \$ (862) | \$ (2,018) | \$ (7,036) | \$ (4,882) |
| Net Loss Per Share | \$ (0.12) | \$ (0.28) | \$ (1.00) | \$ (0.68) |
| Retained Earnings | | | | |
| Balance, beginning of period | \$ 3,683 | \$ 18,952 | \$ 9,857 | \$ 21,816 |
| Net loss | (862) | (2,018) | (7,036) | (4,882) |
| Balance, end of period | \$ 2,821 | \$ 16,934 | \$ 2,821 | \$ 16,934 |

See accompanying notes to the unaudited interim period financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

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

| | Three Months | | Nine Months | |
|--|--------------|------------|-------------|------------|
| | 2001 | 2000 | 2001 | 2000 |
| Net loss | \$ (862) | \$ (2,018) | \$ (7,036) | \$ (4,882) |
| Change in unrealized appreciation (depreciation) in market value of investments, net of future income taxes | 4,107 | (4,920) | 19,513 | (7,866) |
| Purchase of Class A shares | – | – | (199) | (82) |
| Changes in net assets during the period | 3,245 | (6,938) | 12,278 | (12,830) |
| Net assets, beginning of period | 91,710 | 90,596 | 82,677 | 96,488 |
| Net assets, end of period | \$ 94,955 | \$ 83,658 | \$ 94,955 | \$ 83,658 |
| Net asset value per share | \$ 13.48 | \$ 11.66 | \$ 13.48 | \$ 11.66 |

See accompanying notes to the unaudited interim period financial statements.

CONDENSED NOTES
TO THE FINANCIAL STATEMENTS

(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

Total capital stock, warrants and contributed surplus outstanding at October 31, 2001 was:

| | Number | Amount |
|---------------------------------|------------------|------------------|
| Class A shares | | |
| Balance, January 31, 2001 | 7,070,972 | \$ 81,672 |
| Shares purchased and cancelled | (30,200) | (349) |
| Balance, October 31, 2001 | <u>7,040,772</u> | 81,323 |
| Class A share purchase warrants | <u>2,520,000</u> | 2,520 |
| Common shares | <u>3,000</u> | 1 |
| Contributed surplus | | <u>1,044</u> |
| | | <u>\$ 84,888</u> |


**CONDENSED NOTES
TO THE FINANCIAL STATEMENTS**

2. 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 nine month period ended October 31, 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.

c) Per Share Information

Net loss per share for the nine months is based on the weighted average number of common shares outstanding during the nine months (7,055,605; October 2000 – 7,175,672).

3. INCOME TAXES

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 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.


CORPORATE INFORMATION

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 Listings

The Toronto Stock Exchange

Net Asset Value Per Share

Net asset value per share is calculated at the close of business every Thursday and is published each Saturday in the Globe and Mail Report on Business and the National Post. This information also appears in the closed-end fund tables of a number of major United States newspapers.