

S E C O N D Q U A R T E R R E P O R T **2004**

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DUNDEE

PRECIOUS METALS INC.

D U N D E E P R E C I O U S M E T A L S I N C .
T A B L E O F C O N T E N T S

Management's Discussion and Analysis	3
Consolidated Balance Sheets	12
Consolidated Statements of Operations	13
Consolidated Statements of Retained Earnings	14
Consolidated Statements of Cash Flows	15
Notes to Unaudited Interim Consolidated Financial Statements	16
Corporate Directory	30

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

August 10, 2004

The following is management's discussion and analysis ("MD&A") of the interim unaudited consolidated financial condition and results of operations of Dundee Precious Metals Inc. for the period ended June 30, 2004. This discussion should be read in conjunction with the financial information included in the financial statements.

The financial information has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and is reported in Canadian dollars. Additional company information, including the Company's Annual Report and Annual Information Form, can be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com. Certain non-GAAP measures are discussed in this MD&A which are clearly disclosed as such.

Management accepts responsibility for the reliability and timeliness of the information disclosed and confirms the existence and effectiveness of the systems of internal control that are in place to provide this assurance. The Board assesses the integrity of the public financial disclosures through the oversight of the Audit Committee.

As a result of the change of the Company from an investment company to an operating mining company effective April 1, 2004, this is the first filing of the MD&A under the provisions of the Continuous Disclosure Obligations of the Canadian Securities Administrators' National Instrument 51-102.

Certain statements included in this MD&A and the accompanying financial statements are forward-looking statements. They include estimates and statements which describe the Company's future objectives, strategies and plans, including statements to the effect that the Company or management expects a stated condition or result to occur. Such forward-looking statements involve inherent risks and uncertainties and other factors that may cause the actual results to differ materially from those currently anticipated in such statements. The Company disclaims any obligation to update or revise any forward-looking statements whether as a result of new information, events or otherwise.

CORPORATE OVERVIEW

The Company

Dundee Precious Metals Inc. is a Canadian based international mining Company and its common shares (symbol DPM) are traded on the Toronto Stock Exchange ("TSX"). The Company, through its subsidiaries, holds mining interests in the Republic of Bulgaria consisting of:

- An operating gold/copper concentrate mine which is being re-developed for expansion and evaluated for conversion to refined metal production, located 75 kilometers east of Sofia, the capital city of Bulgaria ("Chelopech");
- an advanced stage gold project located near Krumovgrad in south-east Bulgaria which is currently in the process of feasibility studies for development as a producing mine ("Ada Tepe"); and
- a series of exploration properties in Bulgaria, principally in the Central and Eastern Rhodope region.

Dundee also holds a significant investment portfolio of marketable securities of mining companies, principally focused on the exploration, development and production of precious metals properties throughout the world, with a current market value in excess of \$150 million. Dundee also has cash on hand of over \$115 million as at June 30, 2004.

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

Dundee's business objectives are to identify, acquire, finance and, where possible, develop and operate low cost, long life mining properties. The goal is to become a mid cap gold producer with low cost production in excess of 500,000 ounces per year within three years which is expected to create significant value for shareholders. The Company has significant financial resources available and has assembled an experienced, senior management team to achieve this objective.

The Company's strategy is comprised of the following key activities:

1. Develop and expand the advanced stage Bulgarian mining assets,
2. Identify, for acquisition, other advanced stage mining properties focused on gold or other precious metals, which require funding and/or management,
3. Expand the Company's portfolio of prospective exploration properties, and
4. Continue to identify and make minority investments in promising or under valued mining businesses which can benefit from the Company's participation in achieving their business objectives.

The Company has identified the following key performance drivers required to achieve its objectives:

1. Attract and retain highly qualified personnel to achieve excellence in identifying, acquiring, exploring, developing and operating viable, long life, low cost mining businesses internationally,
2. Conduct business activities and operate in an ethical and environmentally responsible manner with a priority on employee health and safety,
3. Implement and maintain strong internal control and reporting systems,
4. Maintain a strong balance sheet and ready access to capital, and
5. Provide market returns to investors, commensurate with risk.

Near Term Plans

The Company has established the following specific near term tasks in order to achieve its objectives:

Chelopech

1. Increase mining output at Chelopech from the current annual rate of 660,000 tonnes of ore per year to 1.5 million tonnes per year, thereby increasing annual gold/copper concentrate production from 57,000 tonnes to 130,000 tonnes annually,
2. Complete the resource evaluation of the Chelopech ore body to provide a basis for the optimal productive capacity for the mine, and
3. Complete the feasibility studies currently in progress to determine the viability of converting Chelopech production from gold/copper concentrate to gold and copper metal and, assuming favourable results from these studies, proceed to obtain the necessary permits and commence construction of the required facilities.

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

Ada Tepe

1. Complete the resource definition work and establish a mineable reserve for the property,
2. Complete the feasibility studies currently underway to determine the viability of constructing and operating an open pit gold mining operation and obtain the necessary approvals and permits to construct and operate such facilities, and
3. Continue exploration and evaluation activities in the surrounding area to establish additional sources of ore feed for the Ada Tepe processing facilities.

Regional Activities

1. Expand exploration and evaluation capabilities in areas near existing and planned production bases, and
2. Expand reconnaissance and evaluation activities in Central Europe with the intention of establishing additional precious metal production bases.

Other

1. Establish and commence the search for other investment opportunities focused on the precious metals business, and
2. Continue to recruit highly qualified technical personnel to implement the business plans of the Company.

Capacity

Dundee Precious Metals Inc. has successfully completed its transition into an operating mining company. The Company has established an initial operating base in Bulgaria and has sufficient funds available to achieve its objectives and implement its strategies. In addition, in a relatively short period of time, an experienced senior executive team and a highly qualified technical team have been assembled. These individuals are being integrated into a cohesive management team which will be supported by the new reporting and control systems which are being implemented to ensure the plans of the Company are efficiently and effectively achieved.

REVIEW OF BUSINESS ACTIVITIES

The Company now has two principal business segments: (1) investments, and (2) mining operations.

Investments**Summary**

Effective April 1, 2004, the Company retroactively changed its method of accounting for investments to record them at the lower of cost or market value. In accordance with this policy, when there has been a decline in the market value of an individual security which is determined to be other than temporary, the investment is written down to recognize the loss. In connection with this change in accounting, the Company recorded a \$1.5 million write down in the current quarter and a \$4.7 million write down for other than temporary market declines that were incurred in prior periods.

As at June 30, 2004, the portfolio had a market value of slightly over \$150 million. The top four positions as at June 30, 2004, at market, are: Cambior Inc. – \$31 million; Tahera Diamond Corporation – \$23 million; Miramar Mining Corporation – \$22 million; and Major Drilling Group International Inc. – \$17 million; which in the aggregate represent 62% of the total portfolio.

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

The Company has sufficient financial resources in the form of cash to carry out its current committed mining investment program without having to resort to additional dispositions of marketable securities or incur new debt. Each investment has its own investment life cycle determined by valuation assumptions made at the time of the investment and the future prospects for the company. Investment acquisitions and dispositions will continue to be made as opportunities are available in accordance with management's objectives.

Mining Activities**Summary**

The Company has one operating property, the Chelopech gold/copper mine. In addition, considerable pre-feasibility activity has been taking place at the advanced stage Ada Tepe gold project. Recently, new exploration has begun on properties near Ada Tepe for which the Company has exploration permits. These properties are highly prospective for gold resources that may be capable of providing additional feed to any production facilities constructed at Ada Tepe. In addition, the Company has commenced exploration reconnaissance activities in the region.

Chelopech

The volume of ore mined at Chelopech continued to increase during the quarter as improved mining procedures were implemented and new equipment was introduced. A total of 162,440 tonnes of ore were mined in the quarter ended June 30, 2004, an increase of 6.9% from the previous quarter. In addition, grades of contained metal were ahead of the prior quarter at 1.68% copper and 3.99 grams per tonne of gold.

The percentage of metals recovered in the gold/copper concentrate also continued to improve. During the current quarter, Chelopech recovered 85.1% of the contained copper and 62.2% of the contained gold.

The direct cash cost per tonne of ore mined and processed was US\$29.96 during the current quarter. Direct cash cost per tonne is a measure grouping certain mine site operating costs, but excluding mine site administration (US\$4.71 per tonne) and depreciation (US\$6.44 per tonne).

A total of 14,866 dry tonnes of gold/copper concentrate were produced containing 2.34 tonnes of copper, 13,204 ounces of gold and 24,518 ounces of silver. A total of 14,787 dry tonnes of gold/copper concentrate were sold during the quarter. As at June 30, 2004, 13,800 dry tonnes of gold/copper concentrate were on hand or in transit, comparable to the volume on hand at the end of the prior quarter.

The mine generated \$2.9 million in cash flow during the current quarter. A total of \$4.7 million in capital expenditures were incurred, of which \$2.1 million was spent on improvements to the mine and over \$1.1 million was incurred on drilling and resource evaluation work. Since Chelopech was acquired on October 1, 2003, \$11.7 million has been spent on capital improvements.

The aggregate costs for the re-development and expansion of Chelopech is estimated to be US\$40 million. A total of US\$20.5 million is planned to be spent during 2004, of which US\$7.3 million has been incurred to June 30, 2004.

Ada Tepe

The principal activities to date at Ada Tepe have been focused on resource and mineable reserve determination which is expected to be completed by the beginning of October, 2004. During the second quarter of 2004, 2,628 meters of diamond core were drilled and 12,114 meters of reverse circulation drilling was completed. A total of 16,698 assays were completed at independent laboratories to the end of June, 2004. An aggregate of \$2.1 million was spent on the exploration and evaluation program in the current quarter.

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

A bankable feasibility study for the project has been commissioned and commenced. The Company has also begun a thorough environmental assessment and community consultation and information program.

Exploration

Most of the exploration efforts during the quarter were focused on Ada Tepe. The activities for regional exploration consisted of planning, reconnaissance and mobilization efforts costing a total of US\$0.1 million. The level of activity is expected to increase significantly during the next quarter.

Outlook

Metal Prices and Currencies

The copper and gold prices have increased significantly in the past 18 months, fueled by a combination of new industrial production, primarily in China, and a general weakness in the U.S. dollar, which has resulted in an increase in commodity prices that are priced in U.S. dollars. There is no guarantee that prices will be maintained at current levels. The Company has selected a price range for gold of US\$375 to US\$390 per ounce and for copper of US\$0.90 to US\$1.00 for purposes of business planning and will evaluate the sensitivities of its plans to mid term prices in these ranges.

The following table details the average percentage of metal value in the gold/copper concentrate produced during the current quarter:

Copper	56.4%
Gold	42.5%
Silver	1.1%
	100.0%

The Company's investment income is denominated primarily in Canadian dollars as most investments held trade on the TSX and the majority of cash balances are in Canadian currency.

Revenue from mine production of gold and copper is priced in U.S. dollars. The majority of operating and capital expenditures are EURO based with certain costs being priced in U.S. dollars and other currencies. The following table summarizes the currency base of these expenditures in the current quarter.

EURO based	61.8%
US\$	28.0%
Other	10.2%
	100.0%

It is Company policy not to hedge metal prices. The Company may hedge currency in the event of significant capital expenditure commitments. There are no hedges in place at June 30, 2004.

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)

Sales

The majority of the gold/copper concentrate production is committed under long term smelter contracts. Values for commodity prices are referenced to current market prices and treatment and refining costs are determined annually. The Company is also liable for shipping costs on approximately 30% of its sales. The gold/copper concentrate produced at Chelopech has a high arsenic content which limits the possible markets for its output. Management is of the view that there is sufficient market capacity for the increased volume of gold/copper concentrate planned to be produced at Chelopech in connection with the current expansion of the mine.

Operating Costs

Chelopech has mined and processed 162,000 tonnes of ore during the three months ended June 30, 2004 at a direct cash production cost of US\$29.96 per tonne, resulting in the production of 14,866 dry tonnes of gold/copper concentrate. A significant percentage of current mining costs at Chelopech are fixed. It is anticipated that with the expansion of the mine whereby modern mining methods and new, more efficient mining equipment will be used, the fixed costs will not increase proportionally with the increase in production. Therefore, it is anticipated that unit costs to mine and process ore will decline with the planned increase in the volume of production, resulting in increased profitability at Chelopech.

FINANCIAL RESULTS

Summary

This is the first period in which the Company is reporting as an operating mining company. The financial results, which also reflect the change in year end from January 31, 2005 to December 31, 2004, are summarized in the following table:

<i>(Cdn\$ million)</i>	Three months June 30, 2004	Three months July 31, 2003	Five months June 30, 2004	Six months July 31, 2003
Net income (loss)	\$ (10.7)	\$ 18.9	\$ 9.2	\$ 27.3

The loss of \$10.7 million for the quarter ended June 30, 2004 reflects: (1) the absorption of the termination costs of the investment management contract aggregating \$29.2 million, (2) the financial results of the recently acquired mining businesses which generated a pre-tax profit of slightly over \$1.0 million primarily due to the strong commodity prices, and (3) investment income of \$14.6 million, principally from the gains on sales of a portion of the investment portfolio. Administrative and financing costs aggregated \$4.4 million and tax recoveries totaled \$6.9 million during the period. The financial results for the comparable quarter ended July 31, 2003 reflect the activities of an investment company only. The net income of \$18.9 million was attributable to realized gains on the disposition of investments aggregating \$26.4 million reduced by administrative expenses and management and performance fees of \$1.9 million less a provision for income taxes of \$5.6 million.

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

The Company earned \$9.2 million or \$0.19 per share in the five month period ended June 30, 2004. The profit was attributable to gains on the sales of investments of \$41.0 million offset by the cost of terminating the investment management contract of \$29.8 million and administrative and other costs of \$4.5 million. The Company recorded a \$2.5 million provision for the recovery of income taxes. For the comparative six month period ended July 31, 2003, in which the Company operated as an investment company only, investment income of \$37.8 million was reduced by administrative and management fees totaling \$2.7 million and income taxes of \$7.8 million, resulting in a net income of \$27.3 million or \$0.79 per share.

<i>(Cdn\$ million)</i>	Three months June 30, 2004	Three months July 31, 2003	Five months June 30, 2004	Six months July 31, 2003
Cash Provided (Used) In				
Operating activities	\$ 12.0	\$ (4.5)	\$ (16.5)	\$ (22.1)
Investing activities	31.2	24.7	46.4	42.6
Financing activities	18.9	–	62.7	4.6
	\$ 62.1	\$ 20.2	\$ 92.6	\$ 25.1

In the current quarter ended June 30, 2004, cash was generated by a combination of operating, investing and financing activities as the Company converted to an operating mining company; the more significant of sources during the quarter were as follows:

- \$10.6 million of recoverable taxes as a result of the cost of terminating the investment management contract,
- \$34.6 million from the sale of investments, and
- \$18.3 million from the issue of common shares.

On a year-to-date basis for the current year, a further \$30 million was provided from the proceeds of sales of investments in the two months ended March 31, 2004. In the comparative periods, cash was only generated from investing activities, with the exception of a \$5.0 million increase in bank borrowing in the quarter ended April 30, 2003.

Income Statement Review

<i>(Cdn\$ million)</i>	Three months June 30, 2004	Three months July 31, 2003	Five months June 30, 2004	Six months July 31, 2003
Net Revenue				
Mining	\$ 1.3	\$ –	\$ 1.3	\$ –
Investments	14.6	26.4	39.7	37.8
	15.9	26.4	41.0	37.8
Expenses	(33.5) ⁽¹⁾	(1.9)	(34.3) ⁽¹⁾	(2.7)
Income taxes	6.9	(5.6)	2.5	(7.8)
Net income	\$ (10.7)	\$ 18.9	\$ 9.2	\$ 27.3

⁽¹⁾ includes cost of terminating investment management contract of \$29.2 million.

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

Net revenue is derived from the Company's two business segments: (1) mining, and (2) investments.

Mining

During the three months ended June 30, 2004, the Company realized \$12.3 million on the sale of 14,787 dry tonnes of gold/copper concentrate. The total cost of sales, including mine site administration and depreciation, was \$11.0 million for a gross margin of 10.5%.

Investments

During the quarter, the Company realized pre-tax gains on the disposition of marketable securities aggregating \$16.1 million from net proceeds of \$34.6 million. The more significant position gains realized were Eldorado Gold Corporation – \$5.3 million; Wolfden Resources Inc. – \$5.2 million; Metallic Ventures Corp. – \$2.8 million; and Opti Canada – \$1.1 million. In addition, the Company provided \$1.5 million against declines in market values below cost of certain investments during the period which were other than temporary.

During the five month period ending June 30, 2004, the Company realized \$41.1 million in pre-tax gains on the dispositions of marketable securities which netted the Company proceeds of \$64.2 million. In the six month period ended July 31, 2003, the Company realized net gains totaling \$37.5 million on sales which provided proceeds of \$63.6 million.

Expenses

The most significant expense during the second quarter was the \$29.2 million cost of terminating the investment management contract with Dundee Wealth Management Inc. This management agreement had been in existence for over 20 years, provided for successive five year renewal periods, and did not provide for early termination other than for cause. The contract was last renewed in July 2003. Under the terms of the management agreement, the manager was paid an annual management fee and a performance fee. For the fiscal years ended January 31, 2003 and 2004, these fees aggregated \$5.6 million and \$7.6 million, respectively. An independent committee of the Board was formed to negotiate the terms of settlement and they engaged independent legal counsel and financial advisors in connection therewith. The conversion to an operating mining company was dependent upon the cancellation of the management agreement, which was approved by a majority of the disinterested shareholders on April 15, 2004. In the comparative three month and six month periods ended July 31, 2003, the aggregate management and performance fee was \$1.4 million and \$1.9 million, respectively.

Other expenses also include administrative costs of \$3.1 million for the quarter ended June 30, 2004. These costs include the costs of establishing and operating a stand alone, international mining company. The costs for the comparative period ended July 31, 2003 included only costs associated with a closed end investment company managed under a management contract.

Included in administrative costs are costs associated with stock-based compensation in accordance with GAAP. The value of the stock options granted during the quarter was \$8.1 million, calculated using a binomial method (details of which are provided in note 11 to the financial statements). These costs are charged to operations over their three year vesting period at the rate of \$0.7 million per quarter.

Expenses include a charge relating to fluctuations in foreign currency rates. The majority of assets and liabilities related to the mining operations are not in Canadian dollars, hence fluctuations in the monetary rates result in gains and losses when translated to Canadian currency. During the quarter, \$0.9 million was charged to expenses to account for this exposure.

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

The Company has recorded a recovery of income taxes during the quarter as a result of the cost of termination of the management agreement, which is deductible for tax purposes. In prior periods, income tax expense was provided against the investment income realized.

Liquidity

The Company has cash and marketable securities in excess of \$250 million as at June 30, 2004. These funds are more than sufficient to fund the planned capital expenditures of the Bulgarian mining operations which are currently estimated as follows:

(US\$ million)

Upgrade and expand Chelopech	\$	40.0
Develop the Ada Tepe property		45.0
Contingent payments for Ada Tepe		12.5
	\$	97.5

In addition, the available funding on hand is sufficient to cover the costs of conversion to metal production which has been preliminarily estimated to cost US\$60 million. Offsetting these mine expenditures is positive cash flow expected from Chelopech. During the quarter ended June 30, 2004, Chelopech generated a positive cash flow from operations of US\$1.6 million. This cash flow has benefited from the high commodity prices. As production rates increase, unit operating costs are expected to decline, thereby sustaining a strong cash flow.

Since Chelopech is expected to be a long life mine, the majority of asset retirement obligations are unlikely to be incurred during the next five years. On-going rehabilitation to the site to continue its operating life are included in the capital budget for Chelopech, as discussed above.

The Company has approximately \$6.8 million in long-term debt scheduled to be retired over the next two and a half years, as follows:

(\$ million)

Balance of 2004	\$	1.3
2005		5.0
2006		0.5

Included in working capital is \$13.9 million related to income tax installments made in excess of the amounts expected to be paid, as a result of the cost of termination of the investment management contract during the year.

Financial Condition

As at June 30, 2004, the Company had working capital of \$131.8 million, investments in publicly tradeable securities with a market value of \$150.2 million, and long term liabilities aggregating \$12.5 million, together with capital assets invested in the mining operations totaling \$59.6 million, which resulted in a per share value of the Company of \$6.08.

DUNDEE PRECIOUS METALS INC.
CONSOLIDATED BALANCE SHEETS

As at June 30, 2004 and January 31, 2004

(in thousands of Cdn. dollars - unaudited)

	June 30, 2004	January 31, 2004 (restated)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 115,782	\$ 23,176
Accounts receivable	3,162	-
Inventories <i>(note 4)</i>	9,739	-
Prepaid expenses	4,703	33
Income tax recoverable	13,853	3,876
	147,239	27,085
Investments (market value \$150,207; January 2004 - \$300,622) <i>(note 5)</i>	91,034	150,949
Capital Assets <i>(note 6)</i>	59,631	-
	\$ 297,904	\$ 178,034
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 11,673	\$ 1,496
Performance fees payable	-	5,401
Current portion of long-term debt <i>(note 7)</i>	3,767	-
	15,440	6,897
Long-Term Liabilities		
Long-term debt <i>(note 7)</i>	3,078	-
Asset retirement obligation <i>(note 8)</i>	8,614	-
Future income taxes <i>(note 10)</i>	770	667
	12,462	667
SHAREHOLDERS' EQUITY <i>(note 11)</i>		
Share capital	191,742	98,917
Contributed surplus	1,244	456
Retained earnings	77,016	71,097
	270,002	170,470
	\$ 297,904	\$ 178,034

Contingent liabilities and commitments *(note 9)**See accompanying notes to the unaudited interim financial statements.*

DUNDEE PRECIOUS METALS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

For the periods ended

(in thousands of Cdn. dollars, except per share amounts – unaudited)

	Three Months June 30, 2004	Three Months July 31, 2003	Five Months June 30, 2004	Six Months July 31, 2003
Revenue From Mining Operations				
Gold/copper concentrate	\$ 12,264	–	\$ 12,264	–
Cost of sales	10,975	–	10,975	–
Gross profit	1,289	–	1,289	–
Investment Income (note 5)				
Dividends, interest and other income	73	101	137	338
Realized gain on sale of investments	16,069	26,326	41,118	37,497
Write down in investments to market value	(1,495)	–	(1,495)	–
	14,647	26,427	39,760	37,835
	15,936	26,427	41,049	37,835
Expenses				
Administrative and other expenses	3,071	342	3,225	542
Depreciation	97	–	97	–
Financing costs	256	106	258	206
Foreign exchange	929	–	929	–
Management fees (note 12)	29,229	514	29,791	1,022
Performance fees	–	923	–	923
	33,582	1,885	34,300	2,693
Income (Loss) Before Income Taxes	(17,646)	24,542	6,749	35,142
Provision for (Recovery of) Income Taxes (note 10)				
Current	(3,530)	6,571	(1,430)	6,101
Future	(3,395)	(944)	(1,068)	1,723
	(6,925)	5,627	(2,498)	7,824
Net Income (Loss)	\$ (10,721)	\$ 18,915	\$ 9,247	\$ 27,318
Net Income (Loss) Per Share				
Basic	\$ (0.20)	\$ 0.55	\$ 0.19	\$ 0.79
Fully diluted	\$ (0.20)	\$ 0.55	\$ 0.19	\$ 0.79

See accompanying notes to the unaudited 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 .
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the periods ended

(in thousands of Cdn. dollars – unaudited)

	Three Months June 30, 2004	Three Months July 31, 2003	Five Months June 30, 2004	Six Months July 31, 2003
Balance at beginning of period, as previously stated	\$ 95,785	\$ 39,436	\$ 75,817	\$ 31,033
Effect of change in accounting for investments <i>(note 2(f))</i>	(4,720)	(2,700)	(4,720)	(2,700)
Balance at beginning of period, as restated	91,065	36,736	71,097	28,333
Net income (loss)	(10,721)	18,915	9,247	27,318
Pre-consolidation losses of subsidiary <i>(note 3)</i>	(3,328)	–	(3,328)	–
Balance at end of period as restated	\$ 77,016	\$ 55,651	\$ 77,016	\$ 55,651

See accompanying notes to the unaudited interim financial statements.

DUNDÉE PRECIOUS METALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Cdn. dollars – unaudited)

	Three Months June 30, 2004	Three Months July 31, 2003	Five Months June 30, 2004	Six Months July 31, 2003
OPERATING ACTIVITIES				
Net income (loss) for the period	\$ (10,721)	\$ 18,915	\$ 9,247	\$ 27,318
Depreciation	1,436	–	1,436	–
Accretion of asset retirement obligation	338	–	338	–
Stock based compensation expense	700	–	700	–
Shares issued on termination of contract (note 12)	27,842	–	27,842	–
Gain on sale of investments	(16,069)	(26,326)	(41,118)	(37,497)
Write down of investments to market value	1,495	–	1,495	–
Future income taxes	(10,949)	1,954	(11,064)	(8,881)
Changes in non-cash working capital				
Decrease (increase) in accounts receivable	19,780	(10)	1,737	(235)
Increase in inventories	(681)	–	(681)	–
(Increase) decrease in other assets	(2,150)	–	(2,117)	372
Increase (decrease) in accounts payable	989	928	(4,312)	(3,133)
Net cash provided by (used in) operating activities	12,010	(4,539)	(16,497)	(22,056)
INVESTING ACTIVITIES				
Increase in investments	(843)	(12,677)	(15,145)	(21,043)
Proceeds on sale of investments	34,630	37,415	64,180	63,615
Cash obtained on consolidation of subsidiary (note 3)	4,730	–	4,730	–
Purchase of property, plant and equipment	(7,358)	–	(7,358)	–
Net cash provided by (used in) investing activities	31,159	24,738	46,407	42,572
FINANCING ACTIVITIES				
Issue of common shares	18,286	–	62,021	–
Purchase of shares for cancellation	–	–	–	(438)
Decrease in debt	675	300	675	5,000
Net cash provided by (used in) financing activities	18,961	300	62,696	4,562
Increase in cash and equivalents	62,130	20,499	92,606	25,078
Cash and equivalents at beginning of period	53,652	5,489	23,176	910
Cash and equivalents at end of period	\$ 115,782	\$ 25,988	\$ 115,782	\$ 25,988
Supplemental Disclosures				
Interest paid	\$ 3	\$ 106	\$ 5	\$ 206
Taxes paid	\$ 3,619	\$ 3,674	\$ 8,161	\$ 16,006

See accompanying notes to the unaudited interim financial statements.

DUNDEE PRECIOUS METALS INC .
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2004 and July 31, 2003

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Effective April 1, 2004, the Company became an operating mining company engaged in the acquisition, exploration, development of and production from mining properties. The Company owns, through its subsidiary, Dundee Precious Acquisition Inc. ("DPAI"), a producing gold/copper mine, a pre-feasibility stage development project and a series of exploration licenses, all of which are located in Bulgaria.

Prior to April 1, 2004, the Company reported as a closed-end investment company. At a shareholders' meeting held on April 15, 2004, the Company's shareholders voted to convert the Company to an operating mining company, in part as a result of the acquisition of mining operations in Bulgaria.

These unaudited interim consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements except for the following new accounting policies that were adopted in connection with the Company's conversion to an operating mining company:

- (i) foreign currency translation;
- (ii) inventories;
- (iii) capital assets;
- (iv) asset retirement obligation; and
- (v) revenue recognition.

In addition, the Company changed its accounting for investments from fair value to cost as described in note 2(f). Further, during the quarter, the Company commenced accounting for stock based compensation in connection with stock options granted under the new stock option plans, as further described in note 2(j).

These statements are expressed in thousands of Canadian (Cdn) dollars and have been prepared in accordance with Canadian generally accepted accounting principles.

2. SIGNIFICANT ACCOUNTING POLICIES**a) Consolidation**

These unaudited interim consolidated financial statements reflect the consolidation of the Company and its wholly-owned subsidiaries.

b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The most significant estimates relate to the carrying values of inventories, receivables, marketable securities, mining and exploration properties, depreciation and depletion rates, and asset retirement obligations. Actual results could differ from those estimates.

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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

c) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the period end exchange rates, whereas non-monetary assets and liabilities and related expenses denominated in foreign currencies are translated at the exchange rate in effect at the transaction date. Income and expense items are translated at the exchange rate in effect on the date of the transaction. Exchange gains and losses resulting from the translation of these amounts are included in the consolidated statements of operations.

d) Cash and Cash Equivalents

Cash and cash equivalents include cash funds, bank balances and short-term investments in money market instruments with an original term of less than three months and are carried at the lower of cost and fair market value.

e) Inventories

Inventories of gold/copper concentrate, which are available for sale, are valued at the lower of average production cost and net realizable value. Production costs include the costs directly related to bringing the inventory to its current condition and location, such as materials, labour, mine site overheads and related amortization and depreciation of the mining and processing facilities. Costs also include the royalty owing on the value of the ore extracted from the mine.

Supplies inventories are valued at the lower of cost and net replacement cost.

f) Valuation of Investments

Effective April 1, 2004, the Company retroactively changed its method of accounting for investments to record them at the lower of cost or market value. Market values are determined based on the closing prices reported on recognized securities exchanges and over-the-counter markets. When there has been a loss in value of an investment that is determined to be other than a temporary decline, the investment is written down to recognize the loss. The impact of this change in accounting policy has been to reduce income by \$1.5 million in the current quarter and \$4.7 million in prior periods.

Prior to April 1, 2004, and consistent with investment company reporting, the carrying value of investments approximated market value and was determined as follows:

- investments in securities with a market value which is quoted on a stock exchange, and not otherwise restricted, are valued at the last reported sales price on that day. Securities in which no sale is reported, are valued at the average of the closing bid and ask price on that day; and
- investments in securities and warrants not having quoted market values or in restricted securities are valued at estimated fair value as determined by the Investment Manager.

The carrying value of the total investment in any security may be more or less than the realizable value of that investment. The difference between the carrying value and cost of investments held, net of future income taxes, was shown as unrealized appreciation (depreciation) in the carrying value of investments and was recorded in

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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

shareholders' equity. The average cost basis was used to determine the gain or loss on sales of investments. Gains and losses realized on sales are recorded in the statements of operations and retained earnings.

Dividend income is recognized on the ex-dividend date. Interest income and expenses are recognized daily on an accrual basis.

g) Capital Assets**Mining interests, exploration and development costs**

Payments made for the acquisition of land and mineral rights are capitalized. Exploration expenses incurred to the date of establishing that a property has mineral resources, which have the potential of being economically recoverable, are charged to operations; exploration and development expenses incurred subsequent to this date are allocated to mining properties. Upon commencement of commercial production, all related capital expenditures for any given mineral interest are amortized over the estimated economic life of the property. If a property is abandoned or deemed economically unfeasible, the related project balances are written off.

Depreciation and amortization rates for these assets are as follows:

- Deferred exploration and development – life of mine
- Licenses and intangibles – lesser of life of mine and economic life

Property, plant and equipment

Property, plant and equipment used in the mining business are accounted for at cost. The depreciation of mine infrastructure is based on the units-of-production method over the estimated economic life of the related deposit. Where the anticipated useful lives of the buildings, machinery and equipment related to mines are less than the life of the deposit, depreciation is based on their remaining anticipated useful lives. Annual reviews for impairment of the producing property and properties under development are conducted. The carrying values of property, plant and equipment, which are not assessed as economically viable, are written down to their estimated fair value.

Depreciation and amortization rates for these assets are as follows:

- Buildings – 4% straight line
- Machinery and mobile equipment – 20% straight line

h) Asset Retirement Obligations

Legal obligations associated with site restoration on the retirement of assets with determinable useful lives are recognized when they are incurred, which is typically at the time the assets are installed. These obligations are measured at fair value and a corresponding amount equal to that of the obligation is added to the capitalized cost of the related asset. The amount of liability will be subject to periodic re-measurements. Any adjustment to this liability will impact the related asset. Over time, the discounted asset retirement obligation amount will be accreted for the change in its present value, and the accretion is expensed in the period incurred. The capitalized costs are depreciated over the useful lives of the related assets. Other non-legal, environmental and ongoing site reclamation costs incurred at the operating sites are charged to operations when the costs are incurred.

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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total liability for future site restoration costs is subject to change due to amendments to applicable laws and regulations and as new information concerning the Company's operations becomes available. The Company is not able to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form and substance that these laws and regulations may take.

i) Revenue Recognition

Revenue from the sale of gold/copper concentrate is recognized when significant risks and ownership title are transferred to the buyer. Prices used to recognize revenues are based on market prices prevailing at the time of shipment. Minor adjustments to the amount receivable for each shipment at the settlement date, primarily caused by final assay results, are adjusted through revenue at each balance sheet date.

j) Stock Based Compensation

The Company accounts for stock options using the fair value method. For option awards, fair value is measured at the grant date using a binomial valuation model and is recognized as compensation expense and contributed surplus over the vesting period of the options granted. Consideration paid by employees on exercise of stock options is recorded as share capital.

Grants of stock for services rendered are valued at fair value at the time of the grant, which equals the closing stock price as of that date.

k) Income Taxes

Income taxes are calculated using the asset and liability method of tax accounting. Under this method of tax allocation, future income and mining tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax bases (temporary differences). Future income tax assets and liabilities are measured using the enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change is enacted or substantially enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

l) Earnings Per Share

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated using the treasury stock method. The treasury stock method assumes that any "in the money" option proceeds would be used to purchase common shares of the Company at the average market price during the year.

m) Comparative Amounts

Certain comparative amounts have been reclassified to conform to the current presentation.

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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. CONSOLIDATION OF SUBSIDIARY

During 2003, the Company formed a single purpose, wholly-owned subsidiary, DPAI, to acquire certain Bulgarian mining assets, consisting of a producing gold/copper mine (“Chelopech”), a pre-feasibility stage gold project (“Ada Tepe”) and a series of exploration licenses which were owned by subsidiaries of Navan Mining plc. (“Navan”), a company in administrative receivership. On September 30, 2003, DPAI completed the acquisition of the Bulgarian companies from Navan and subsequently acquired the remaining outstanding minority interests in those companies.

In connection with the conversion of the Company to an operating mining company, the accounts of DPAI were consolidated effective April 1, 2004. The following summarizes the assets included at their assigned values as at the date of consolidation:

(in thousands of Canadian dollars)

Working capital, excluding cash	\$	5,326
Capital Assets		
Chelopech	\$	24,154
Ada Tepe		26,505
		50,659
Long-term debt		(4,074)
Asset retirement obligation		(8,276)
Future income taxes		(1,190)
Accumulated losses of DPAI		3,328
		45,773
Cash on hand as at March 31, 2004		4,730
Total investment in DPAI as at March 31, 2004	\$	50,503

In addition, DPAI is contingently liable to pay a further US\$12.5 million when the required governmental approvals and permits to construct and operate the Ada Tepe project are obtained. A 1% royalty will be payable on certain grassroots exploration properties from future mineral production.

DUNDÉE PRECIOUS METALS INC.
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. INVENTORIES

<i>(in thousands of Canadian dollars)</i>	As at June 30, 2004
Gold/copper concentrate	\$ 7,093
Spare parts	2,646
	\$ 9,739

5. CHANGES IN INVESTMENTS

The following are the details of the net changes in assets for the periods indicated.

(in thousands of Canadian dollars)

	Three Months June 30, 2004	Three Months July 31, 2003	Five Months June 30, 2004	Six Months July 31, 2003
Investments at cost, beginning of period	\$ 110,247	\$ 116,520	\$ 150,949	\$ 123,183
Cost of investments purchased during the period	843	12,677	15,145	21,043
Cost of Investments Sold During the Period				
Proceeds from sales	(34,630)	(37,415)	(64,180)	(63,615)
Net realized gain on sale of investments	16,069	26,326	41,118	37,497
Other than temporary decline in value of investments	(1,495)	-	(1,495)	-
Investment in wholly-owned subsidiary which was consolidated effective April 1, 2004	-	-	(50,503)	-
	(20,056)	(11,089)	(75,060)	(26,118)
Investments at cost, end of period	\$ 91,034	\$ 118,108	\$ 91,034	\$ 118,108

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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

6. CAPITAL ASSETS*(in thousands of Canadian dollars)*

As at June 30, 2004

	Cost	Accumulated depreciation & amortization	Net book value
Chelopech			
Land	\$ 165	\$ –	\$ 165
Deferred exploration and development	1,813	477	1,336
Licenses and intangibles	1,955	323	1,632
Buildings	8,625	424	8,201
Machinery and mobile equipment	23,937	2,790	21,147
	<u>36,495</u>	<u>4,014</u>	<u>32,481</u>
Ada Tepe			
Deferred exploration	11,592	–	11,592
Licenses and intangibles	13,591	23	13,568
Machinery and mobile equipment	2,067	77	1,990
	<u>27,250</u>	<u>100</u>	<u>27,150</u>
	<u>\$ 63,745</u>	<u>\$ 4,114</u>	<u>\$ 59,631</u>

7. LONG-TERM DEBT*(in thousands of Canadian dollars)*

As at June 30, 2004

Note payable	\$ 5,362
Other long-term liabilities	1,483
	<u>6,845</u>
Less: current portion	3,767
	<u>\$ 3,078</u>

a) Note Payable

The principal due on the note relating to the acquisitions is US\$4 million. The note bears interest at LIBOR plus 1% and is repayable in equal quarterly amounts of US\$0.8 million commencing on December 31, 2004. The notes are secured by a charge over the assets of the Company's Bulgarian subsidiaries. This security also extends to the contingent liabilities as described in notes 9(b) and 9(d).

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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

b) Other Long-Term Liabilities

<i>(in thousands of Canadian dollars)</i>	As at June 30, 2004	
Long-term lease liabilities	\$	1,330
Other		153
	\$	1,483

Lease liabilities are effectively secured by the rights to the leased assets of the Bulgarian operations and would revert to the lessor in the event of default. The leases bear an effective interest rate of 8.42%. Annual principal repayments for the years ending December 31 are as follows:

<i>(in thousands of Canadian dollars)</i>		
2004	\$	194
2005		739
2006		397

8. ASSET RETIREMENT OBLIGATION

The Company's mining and exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive. The Company believes that its operations comply in all material respects with all applicable past and present laws and regulations. The Company records provisions for asset retirement obligations based on management's estimate of such costs at that time. Such estimates are, however, subject to change based on changes in laws and regulations. The effects of any such changes are recognized when they occur.

Asset retirement obligations represent the present value of the Company's future obligations to dismantle and remove assets used in mining activities and to reclaim the site at the end of the operations based on current environmental laws and regulations. These costs are expected to be incurred between 2020 and 2030; however, there is a possibility that these costs may be incurred earlier, in which case, the present value of the liability would be greater. The provision has been estimated using existing technology, current prices and has been discounted using a real interest rate of 8% after inflation growth of 3% per annum.

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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

9. CONTINGENT LIABILITIES AND COMMITMENTS**a) Concession Obligations**

The Company has committed to make capital investments in the underground facilities of the Chelopech mine in accordance with the terms of the concession contract with the Republic of Bulgaria. As at December 31, 2003, these commitments aggregated US\$12.9 million to be incurred over the period 2004 to 2008.

Subsequent to year-end, a new concession contract was signed with the Bulgarian government, which has increased the capital commitment to US\$18 million to be incurred as follows:

(in millions of U.S. dollars)

2004	3.5
2005	4.0
2006	4.3
2007	3.3
2008	2.9

In addition, a concession fee of 1.5% of the current value of the ore extracted is payable to the Republic of Bulgaria. During the period from January 1, 2004 to December 31, 2010, this fee is reduced by 50%, subject to a minimum payment of US\$0.6 million per annum. The balance of the concession fee is to be deposited into an escrow account which will be used to fund environmental risk management and remediation costs.

b) Contingent Payment on Acquisition of Ada Tepe

The Company is liable to make a payment of US\$12.5 million in the event that the Krumovgrad exploration permit is converted into a mining concession and all operating permits and environmental approvals necessary for the mining of the Ada Tepe gold project are received.

c) Gold/Copper Concentrate Sales

The Company has signed contracts with some of its clients with the commitment to ship the following quantities of gold/copper concentrate in the following years:

(dry metric tonnes)

2004	65,000
2005	80,000
2006	80,000
2007	60,000
	285,000

d) Future Royalties

The Company is obligated to pay a 1% royalty on certain grassroots exploration properties based on any future gross revenues received from mineral production from these properties.

DUNDÉE PRECIOUS METALS INC.
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

10. INCOME TAXES

The reconciliation of the expected combined federal and provincial statutory income tax rates to the effective tax rate on earnings is as follows:

(in thousands of Canadian dollars)

	Three Months June 30, 2004	Three Months July 31, 2003	Five Months June 30, 2004	Six Months July 31, 2003
Statutory rates	36.12%	35.87%	36.12%	35.87%
Income tax at statutory rates	\$ (6,374)	\$ 8,803	\$ 2,438	\$ 12,605
Adjusted for the effect of:				
Non taxable portion of capital gains	(1,436)	(3,503)	(5,821)	(4,606)
Lower tax rate in foreign jurisdictions	345	-	345	-
Effect of future income rate deductions				
future taxable assets and liabilities	-	344	-	(144)
Decline in market value of investments	540	-	540	-
Other	-	(17)	-	(31)
Provision for (recovery of) income taxes	\$ (6,925)	\$ 5,627	\$ (2,498)	\$ 7,824

Significant components of the Company's future income taxes as at June 30 are as follows:

(in thousands of Canadian dollars)

	Five Months June 30, 2004	Twelve Months January 31, 2004
Future Income Tax Assets		
Inventory	\$ 100	\$ -
Decommissioning provision	298	-
Deferred interest deductions	430	-
Investments	4	-
Performance fees	-	1,951
	832	1,951
Future Income Tax Liabilities		
Depreciable property, plant and equipment	1,602	-
Lower of cost or market adjustment	-	2,618
	1,602	2,618
Net future income tax liability	\$ 770	\$ 667

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

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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

As at December 31, 2003, the Company's subsidiaries had accumulated unused tax loss carry-forwards of \$13.8 million that expire as follows:

(in thousands of Canadian dollars)

2005	\$	528
2006		11,151
2007		2,118

No benefit of these losses has been reflected in these financial statements.

11. SHAREHOLDER'S EQUITY

a) Common Shares

On April 15, 2004, in connection with the conversion of the Company to an operating mining company, shareholders approved the following additional actions:

- i) the 3,000 outstanding common shares were converted into Class A shares, and the existing class of common shares was cancelled;
- ii) the Class A shares were split on the basis of five new shares for each existing share, and
- iii) the Class A shares were reclassified as common shares.

The following table reflects these events as at the beginning of the respective periods.

(in thousands of Canadian dollars, except share amounts)

	Three Months ended		Five Months ended	
	June 30, 2004		June 30, 2004	
	Number	Amount	Number	Amount
Balance at beginning of period, including				
share purchase warrants, restated	46,514,475	\$ 142,564	37,767,405	\$ 98,917
Shares issued on exercise of warrants	-	-	8,747,070	43,735
Value of unexercised and expired warrants transferred to contributed surplus	-	-	-	(88)
Shares issued in connection with the termination of the investment management contract <i>(note 12)</i>	4,625,000	27,842	4,625,000	27,842
Shares issued in connection with the exercise of the option <i>(note 12)</i>	2,500,000	18,286	2,500,000	18,286
Shares issued for services rendered	500,000	3,050	500,000	3,050
Balance at end of period	54,139,475	\$ 191,742	54,139,475	\$ 191,742

DUNDÉE PRECIOUS METALS INC.
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Effective February 20, 2004, 8,747,070 warrants (1,749,414 pre-split) to purchase common shares were exercised prior to their expiry. A total of 438,385 warrants (87,677 pre-split) expired unexercised on February 20, 2004, the initial cost of which was transferred to contributed surplus.

b) Contributed Surplus

The following are the details of the net changes for the periods indicated:

(in thousands of Canadian dollars)

	Three Months June 30, 2004	Five Months June 30, 2004
Balance at beginning of period	\$ 544	\$ 456
Cost of unexercised warrants at expiry	-	88
Stock based compensation	700	700
Balance at end of period	\$ 1,244	\$ 1,244

c) Stock Options

In 2004, the Company established an incentive stock option plan for the directors and selected employees. Pursuant to the plan, the exercise price of the option cannot be less than the market price of the common stock on the date the option is granted. Under the plan, an aggregate of 6,500,000 shares from treasury were made available. Options vest over a three year period and expire five years after the date of grant. Stock options aggregating 4,335,000 have been granted and are outstanding as at June 30, 2004, exercisable at \$7.00 per share, and vesting over three years commencing February 25, 2005. The fair value of the stock options granted has been estimated using the binomial method at \$8.1 million, using the following assumptions:

Risk free interest rate	3.78%
Expected life in years	5
Expected volatility	31.2%
Dividends per share	-

The estimated value of the options granted will be recognized over the vesting period at the rate of \$0.7 million per quarter.

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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**12. TERMINATION OF INVESTMENT MANAGEMENT CONTRACT**

Following the approval by shareholders on April 15, 2004, the former Investment Manager, an indirect subsidiary of Dundee Wealth Management Inc. and a related party, was paid \$27.8 million plus applicable Goods and Services Tax in return for canceling the investment management contract, which the Manager used to subscribe for 4,625,000 common shares of the Company. In addition, as provided in the agreement, the Investment Manager was granted a two day option to subscribe for 2,500,000 shares of the Company at an exercise price of \$7.31 per share, which was exercised. The fair value of the two day option was determined to be nominal.

13. FINANCIAL INSTRUMENTS

The carrying value of the Company's short-term financial instruments, comprised of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued liabilities, approximate their fair values due to their short-term nature.

The Company's potentially significant financial risks are as follows:

Commodity price risk

The revenue for the Company is significantly impacted by the market prices of gold and copper. The Company has not entered into derivative instruments to hedge against this risk.

Foreign currency risk

The reporting currency of the Company is the Canadian dollar. The functional currency of the Company's wholly owned, integrated, mining subsidiary is the U.S. dollar, but it also operates using the Bulgarian Leva and the Euro and, as such, may be affected by fluctuations in foreign exchange rates. The Company's sales and a significant portion of the Company's financing are denominated in U.S. dollars, while a significant percentage of its expenses are denominated in non-U.S. dollars. The Company monitors these currencies but has not entered into derivative instruments to hedge against this risk.

Credit risk

The Company is subject to the credit risk of its customers. It monitors this risk and does not consider the likelihood of a material loss to be significant.

DUNDÉE PRECIOUS METALS INC.
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

14. SEGMENT INFORMATION

The Company has two basic segments, a Canadian based corporate and investment business, and Bulgarian based mining operations.

The following table summarizes the relative information as at June 30, 2004 and for the three and five month periods then ended.

(in thousands of Canadian dollars)

	Three Months June 30, 2004	Three Months July 31, 2003	Five Months June 30, 2004	Six Months July 31, 2003
Net Revenue				
Investments	\$ 14,647	\$ 26,427	\$ 39,760	\$ 37,835
Mining operations	1,084	-	1,084	-
	\$ 15,731	\$ 26,427	\$ 40,844	\$ 37,835
Net Income (Loss)				
Investments	\$ (16,780) ⁽¹⁾	\$ 24,542	\$ 7,615 ⁽¹⁾	\$ 35,142
Mining operations	63	-	63	-
Segment total	(16,717)	24,542	7,678	35,142
Foreign exchange	929		929	
Income tax (recovery)	(6,925)	5,627	(2,498)	7,824
	\$ (10,721)	\$ 18,915	\$ 9,247	\$ 27,318
Capital Expenditures				
Investments	\$ -	-	\$ -	-
Mining operations	7,358	-	7,358	-
	\$ 7,358	-	\$ 7,358	-
	June 30, 2004	January 31, 2004		
Identifiable Assets				
Investments	\$ 216,010	\$ 178,034		
Mining operations	81,894	-		
	\$ 297,904	\$ 178,034		

⁽¹⁾ includes cost of terminating investment management contract of \$29.2 million (see note 12).

DUNDEE PRECIOUS METALS INC.
CORPORATE DIRECTORY

DIRECTORS

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B.W.I.

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Jonathan Goodman
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Chairman

Jonathan Goodman
President
and Chief Executive Officer

C. Bruce Burton
Vice President, Finance
and Chief Financial Officer

Laurence Marsland
Executive Vice President
and Chief Operating Officer

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STOCK LISTING & SYMBOL

The Toronto Stock Exchange
DPM – Common Shares

*Copies of the Company's Quarterly
and Annual Reports are available on
written request from our registrar:*

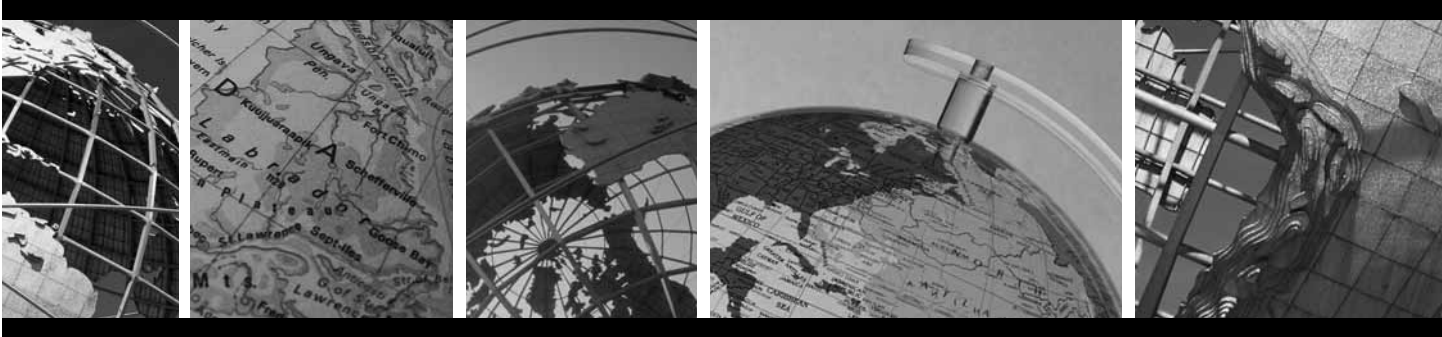
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(1) Audit Committee

(2) Compensation Committee

(3) Corporate Governance Committee

(4) Health Safety & Environment Committee



DUNDEE
PRECIOUS METALS INC.