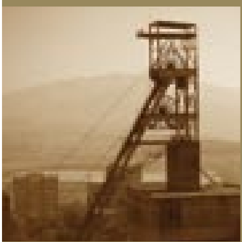
DUNDEE PRECIOUS METALS INC.

the next mid-cap gold producer

annual report
December 2004

On the cover



Chelopech mine Kapitalna shaft, Sofia, Bulgaria

(from left to right)
Iliya Gargov, *Mine Superintendent*, Petya Kuzmanova, *Geologist*, Borislav Gechev, *Decline Captain*

Goose Lake Camp, Nunavut, Canada

Corporate strategy

Dundee's business objectives are to identify, acquire, finance, develop and operate low cost, long life gold mining properties. The primary goal is to increase shareholder value by becoming a mid-cap gold producer with low cost production in excess of 500,000 ounces per year within the next three years.

To achieve these objectives, the Company is assembling a pipeline of mining projects at various stages of development. To date the Company has projects underway in the operating/redevelopment, advanced feasibility/advanced development, advanced exploration and grass roots exploration stages in Bulgaria, the Southern Rhodope region of Eastern Europe and in Canada.

The Company is also actively evaluating acquisition opportunities to fill and expand the project pipeline as well as continuing to make strategic market purchases of gold stocks where synergistic opportunities may exist.

Contents

2004 highlights

- Shareholders approved conversion of DPM into a gold mining company in April, 2004
- Assembled an experienced management team
- Drilling program at Chelopech confirmed resources of 3.21 million ounces of gold and 374,000 tonnes of copper
- Phase I expansion program started at Chelopech to increase annual production to 1.5 million tonnes by 2006
- Infill drilling program at Ada Tepe increased resources to 835,000 ounces of gold
- Initiated a Feasibility Study to build and operate a gold mine in Ada Tepe
- Purchased option to acquire up to 60% of Back River exploration project in Nunavut with mineral resources in excess of 1.0 million ounces of gold
- Maintained a solid financial base with C$86.6 million in cash and working capital and a C$174.3 million investment portfolio

2005 goals

Chelopech

- Complete Feasibility Study and Environmental Impact Assessment for the installation of an autoclave that will allow metal production by 2007 and apply for and obtain required permits and licenses
- Further develop Phase I expansion to increase annual ore production to 1.5 million tonnes by 2006

Ada Tepe

- Complete Feasibility Study and Environmental Impact Assessment for the construction and operation of a gold mine with expected annual production of approximately 140,000 ounces of gold by 2007
- Apply for and obtain permits and licenses, as well as complete land acquisition process in order to start construction in 2006

Back River

- Demonstrate potential to increase resources by focusing on high impact targets through aggressive C$10 million exploration budget
- Upgrade quality of resource controls

Corporate

- Continue exploration of properties in the Central and Eastern Rhodope and other regions
- Evaluate other mining properties for possible acquisition
- Continue investment in gold stocks as part of the Company's strategic growth
- Maintain our competitive advantage in the form of a solid financial base

We are efficiently developing our resources

To our stock owners

From the Chairman

2004 was an exciting year of transition. After 20 years as a very successful precious metals fund, last year you supported the decision to become an emerging mid-cap gold producer following the acquisition of two outstanding Bulgarian assets.

Looking back on the dramatic changes to your Company, it is highly rewarding to review our achievements over the last eight months. Management has effectively risen to the challenges of redeveloping a producing gold mine, confirming the resources for a new mine and developing and acquiring other exploration projects.

While we maintain the same high standards that made DPM an outperforming investment in the past, we are creating a new kind of company that looks with hope and confidence into the future; one that is rapidly positioning itself as the investment of choice in the gold sector.

Changes at all levels have occurred, and it is with regret that we see the departure of Mr. Peter Steen from the Board of Directors. I thank Peter on behalf of all our shareholders for the unparalleled contribution to Dundee Precious Metals Inc. in the last seven years, where his extensive mining expertise proved invaluable, particularly in the strategic landmark decision to become a gold mining company.

We are glad to welcome two new nominees to the Board of Directors. Mr. Colin Benner and Mr. Murray John have agreed to join our Board, subject to shareholders approval at our upcoming Annual General Meeting. These two additions will strengthen the operational and business development experience at the Board level which we believe constitute key areas for the continuous growth of the Company.

In 2005, our human, mineral and financial resources will continue to focus on delivering to you the best return on your investment while maintaining the highest standards in the industry as we emerge as a leader in the gold business.

W. G. Wilson

William G. Wilson
Chairman

From the President and Chief Executive Officer

The year 2004 was a great year for Dundee Precious Metals. Not only did we identify an opportunity with our Bulgarian assets, but we completely restructured the Company to take advantage of that opportunity.

Just about every mining company claims to have great assets. What's left unspoken are the management teams. We are very proud of the team that we have put together. From the dedicated employees in our head office to the geologists, mining engineers and metallurgists in Bulgaria, Australia and Arctic Canada, we have now assembled one of the best technical teams that I have ever seen and I am thrilled by the dedication and hard work of every one at all levels of the organization.

In the old days, mining companies would look at maximizing profits first, and then they would design their plants to the best environmental practices that met their

"We are very proud of the team that we have put together. From the dedicated employees in our head office to the geologists, mining engineers and metallurgists in Bulgaria, Australia and Arctic Canada."

Clockwise from left top corner: Lori E. Beak, Vice President and Corporate Secretary, Jonathan Goodman, President and Chief Executive Officer, C. Bruce Burton, Vice President and Chief Financial Officer, Laurence Marsland, Executive Vice President and Chief Operating Officer, Gabriela M. Sanchez, Vice President Investor Relations, Julian Barnes, Executive Vice President Exploration.

profit criteria. We have decided to look at our projects in a different light. We will consider first what is best for the environment and then we will maximize the profits that meet that environmental criteria.

That is how at Chelopech we have embarked on a very elegant environmental solution. The installation of an autoclave will deal with the arsenic and sulphides in the concentrate while at the same time will eliminate transportation and smelter charges and arsenic penalties which currently amount to a considerable portion of our sales costs. We will complete a detailed feasibility study on this process by the end of June and an environmental impact assessment by the end of April of this year.

At Krumovgrad, we have designed the Ada Tepe mine to be a showcase for the best environmental practices in the industry with an ore body that will guarantee a very profitable mine and a tailings management facility designed to withstand a ten thousand year event. This project has allowed us to work very closely with the local community and we look forward to starting construction of the mine in the near future. The environmental impact statement and feasibility study for this project are expected by the end of March 2005.

We have worked hard at finding other opportunities. Our first such opportunity is the Back River property where we acquired an option to earn a 60% interest in the project. Our 2005 exploration budget for this advanced stage exploration project is $10 million and is mainly aimed at increasing the gold resources.

Our corporate portfolio constitutes our sustainable competitive advantage as we continue to transform it into a strategic portfolio, by making investments in companies that we may consider for future acquisition.

The passion for excellence found at every corner of our business is most apparent to those who visit us and if they say that great people make great mines, we are proud to have both. During 2005 we will continue with the same passion for the high standards that will deliver the best returns on your investment and we will position DPM as the new kind of gold company that will constitute the investment of choice.

Jonathan Goodman
President and Chief Executive Officer
March 18, 2005

DPM: A simple story

Our competitive advantage

A very strong financial position supports our mining operations and exploration project developments. With over $86.6 million in cash and working capital and an investment portfolio of $174.3 million, less than 54 million shares outstanding and over 4 million ounces of gold resources (M&I), plus additional gold and copper resources, DPM's is a solid story poised for growth.

By 2007 we expect to produce approximately 350,000 ounces of gold at a very low production cost. Mining companies with this type of growth profile tend to trade for high valuations. At the time of writing, our market capitalization was C$450 million. We are confident that with the upcoming feasibility studies for both of our projects to be completed by the second quarter of 2005, and further developments on the exploration front, DPM will soon attract the interest of the investment community as the gold investment of choice.

(In Canadian dollars)

• DPM: TSX *(Closing price March 21, 2005)*	C$8.40
• Cash, working capital and gold investments per share	C$4.86
• Shares outstanding	53.6 million

(As of December 2004)

• Cash, working capital and gold investments	C$261 million
• Gold resources Measured and Indicated	4.0 million ounces
• Copper resources Measured and Indicated	374,000 tonnes
Gold equivalent	2.1 million ounces
• Gold resources Indicated and Inferred	1.0 million ounces

No debt ***No hedging***

Our Strategic portfolio as an integral part of our business development

As we embark on our new journey as an operating company, our corporate portfolio may seem confusing to many. We understand it is uncommon for an operating company to even have a corporate investment portfolio; however, it has served us very well in the past and continues providing DPM with a solid financial base.

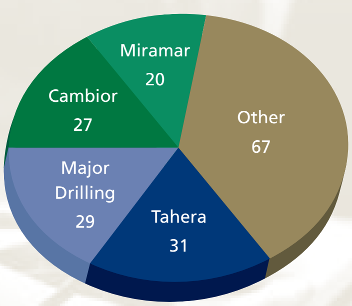
The mining industry can be a high risk investment. Sometimes we encounter opportunities that look worthwhile but we may wish to initially limit our exposure. Our portfolio allows us to take a 15-30% stake in early-stage promising ventures that we may want to consider acquiring in the future, when the risk may be lower. Even at a perceived higher price, some of these ventures may prove worthwhile.

At other times, we may be approached by industry friends with an excellent project who require funding to futher its development, but that are not ready to sell out. By taking a significant equity position in those companies, we are able to ensure that when the time comes, we are first in line to make the acquisition.

To this end we are converting our investment portfolio into a strategic portfolio and this constitutes a work in progress as some of our investments have not yet reached the point of sale. For 2005 we would expect the portfolio to shrink as it will be used to fund operations and acquisitions as part of our strategic growth program.

Investment Portfolio

December, 2004
(in millions of Canadian dollars)



= C$174 million

The gold market

And why we believe Gold will continue in a long upward trend

- The US Dollar is likely to decline further. Gold is negatively correlated with the Dollar, which means gold will rise when the Dollar declines further. The US current account deficit is at a record 6% of US GDP. Without stronger foreign growth and more US exports this deficit is very unlikely to decline.
- Debt levels around the world are rising. Not only is the US budget deficit huge, but other countries' budgets are also deeply in deficit. Furthermore, within a few more years the first of the "baby boomers" will start to retire, which will add tremendously to government debt levels.
- With the addition of China and India on the world's economic scene the world economy suffers from too much production capacity, and as of yet too little demand. This means economic policy is likely to remain stimulative, which is historically good for gold.

Asian Reserves and the IMF

	Last Date Reported	Gold Reserves (mil. oz.)	Gold Reserves (tonnes) (a)	Exchange Reserves (bn$) (b)	Gold as Percent of (a)+(b)
China	Nov-04	19.29	600	573.9	1.33
Japan	Nov-04	24.60	765	819.1	1.19
Hong Kong	Oct-04	.07	2	119.5	.02
Korea	Nov-04	.45	14	191.7	.09
Singapore	Dec-03	4.10	127	104.0	1.55
Taiwan	Nov-04	13.56	422	239.1	2.22
Total		62.07	1,930	2,047.4	1.20

The IMF holds 3,217 tonnes of gold; market value is $44.5 billion

To bring Chinese and Japanese gold reserves up to the 15% level would require:

China – to buy 7,875 tonnes of gold
Japan – to buy 11,240 tonnes of gold

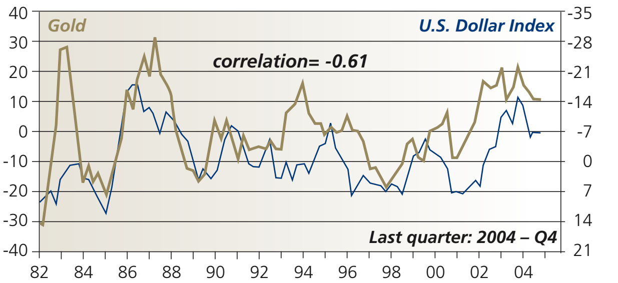
In other words, SE Asia could buy the IMF gold out of reserve "petty cash"!

"At some point..international investors… faced with a concentration of dollar assets… will seek diversification, irrespective of the… returns on dollar assets"

Alan Greenspan, *May, 2004*

On February 18, 2005, Korea announced it will increase its assets in other currencies.

gold and the U.S. dollar



"If gold and the U.S. dollar are negatively correlated… then what is the outlook for the U.S. dollar?"

Martin Murenbeeld, *Chief Economist, Dundee Wealth Group*

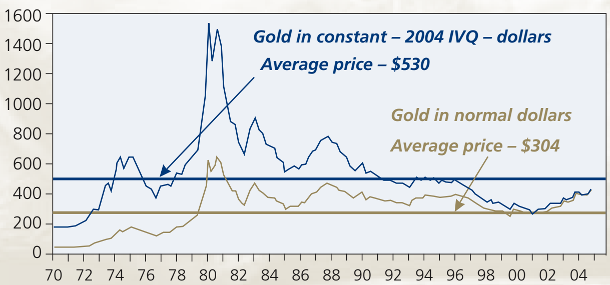
- Asian central banks have too many US Dollars in reserve, and too few alternative assets. Collectively they hold very little gold – only 1.2% of their total reserves. If some of these Dollar reserves were to find their way into gold, it would have a dramatic impact on the gold market.
- Products that should stimulate gold investment demand are multiplying. In this same theme, gold markets across Asia are increasingly being deregulated, which should also stimulate demand.
- In "constant Dollars" the gold price is still well below its average for the last 35 years. Gold is accordingly "cheap" in alternative measures, including oil.

"Governments sometimes force the central bank to print money to finance deficits."

Alan Greenspan, *September 9, 2004*

… and when governments print money gold tends to rise!

other factors



DPM thanks Martin Murenbeeld, Chief Economist, Dundee Wealth Management for his contribution to this page.

The Bulgarian gold opportunity

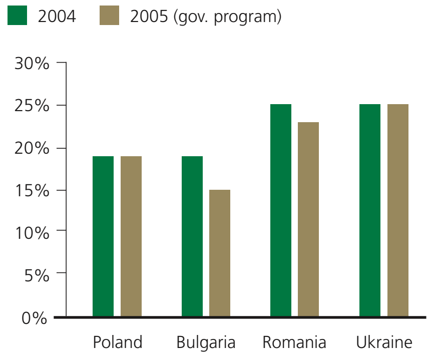
Bulgaria has a growing economy. With its accession to the European Union scheduled for January of 2007, the government is working towards meeting all EU requirements. Initiatives such as the "Encouragement of Investment Act" passed in August 2004, and the reduction of corporate taxes to 15% for 2005 from 19% the previous year, the completion of large scale privatizations and further municipal and public sector reforms, show a commitment to improve the country's investment climate.

Institutions like the European Bank for Reconstruction and Development (EBRD) are investing in a considerable number of projects supporting private sector development in energy, telecommunications, banking, agriculture and general industry. These institutions continue their involvement in privatization and post privatization projects, both with direct foreign investors and creditworthy local corporations.

In February 2005, Standard & Poor's Ratings Services revised its foreign and local currency outlooks on Bulgaria from stable to positive. The outlook change is based on Bulgaria's robust economic growth prospects as well as debt reduction that is proceeding faster than previously expected. Presently, Bulgaria's Fitch Rating and S&P's Rating coincide in its long-term foreign currency rating of BBB- with a positive outlook.

Corporate taxation

2004 and stated 2005 corporate tax rates



Source: KPMG, Government budgetary programs

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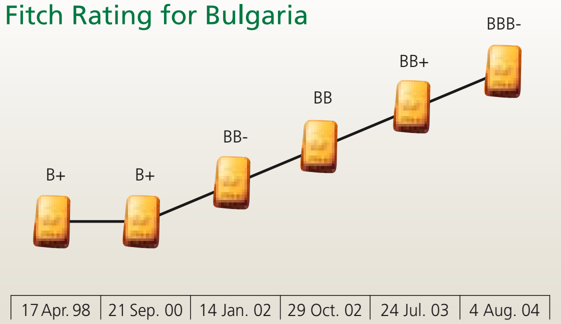
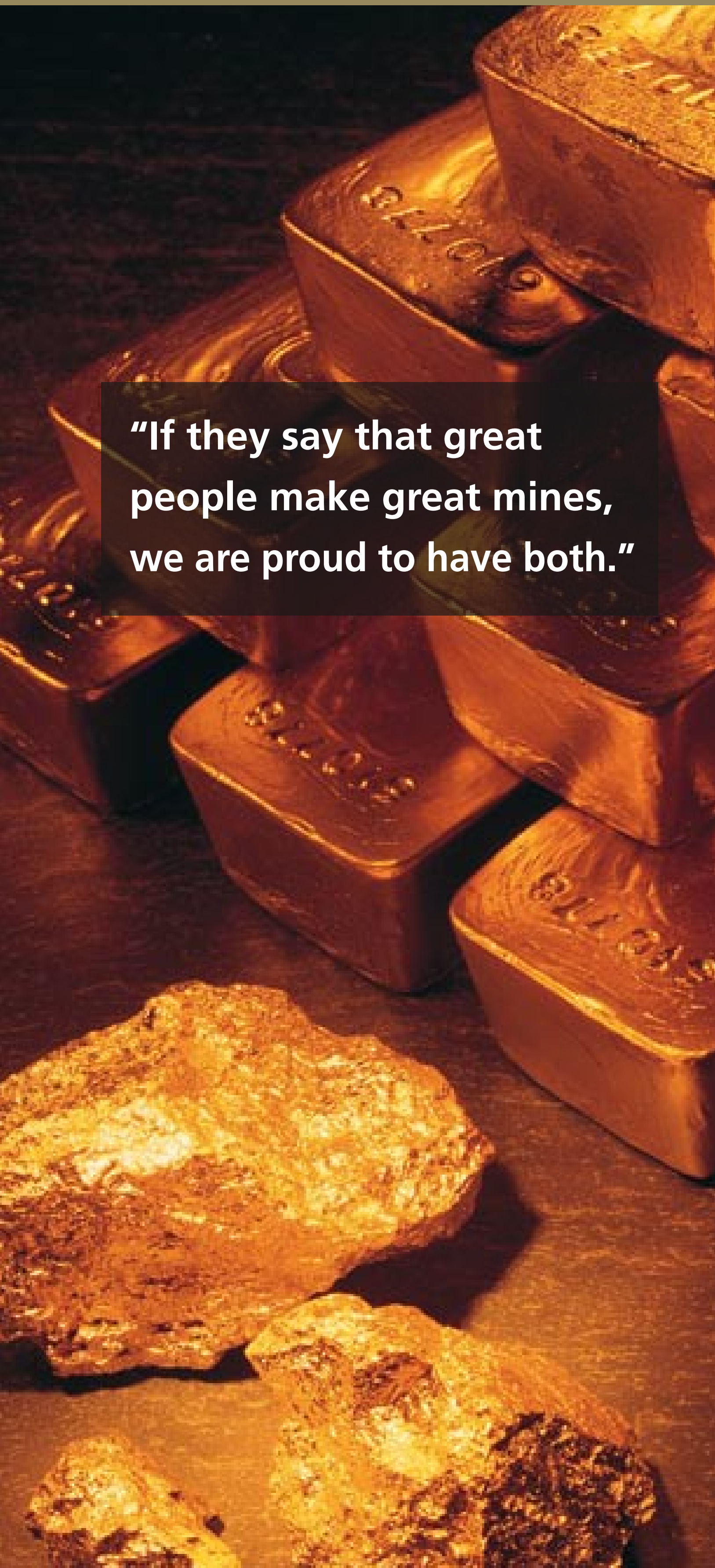
Fitch Rating for Bulgaria



Source: InvestBulgaria Agency

Our gold assets



Chelopech

Sofia, Bulgaria

Previously an underdeveloped and undercapitalized gold mine

When we purchased the Chelopech mine, we had a gold/copper mine with recurring financial losses, a mill in reasonable shape but a mining fleet in poor condition and low morale amongst the staff due to broken promises of badly needed cash for mine upgrades.

In 2004 we put together a comprehensive plan to develop the project in two phases. Phase I of the mine expansion involved ramping up annual production to 1.5 million tonnes of ore by 2006 with an estimated capital cost of US$40 million. During Phase 1 we would complete a decline from surface, infill drill the deposit, change the mining method to long-hole open stoping with cemented backfill, expand the mill to 1.5 million tonnes per year, and spend US$3.5 million to bring the tailings management facility up to modern standards.

We also made the decision to keep the mine open during this redevelopment stage as a way to train the workforce in new technologies and mining methods and so as to not negatively disrupt employment in the region. In addition, we negotiated with the Bulgarian government to reduce the royalty rate from 2% to 1% of gross metal value. These savings will be applied to environmental remediation.

… continued on page 8

Surface decline at Chelopech, Phase I Expansion

Chelopech

(continued)

As at December 31, 2004, the development of the underground workings and conversion to long-hole open stoping with cemented back filling was taking longer than originally forecast primarily due to constraints in the availability and reliability of underground equipment as well as ventilation issues. The Company has addressed these problems through the addition of new equipment, the introduction of improved systems and procedures and by investing in increased ventilation capacity.

Also during 2004, the Company completed the infill drilling and finalized the updated resource determination which supports a long mine life, currently 10+ years, at an annual production rate of 1.5 million tonnes *(refer to table below)*.

Updated resource determination supports 10+ years mine life at an annual production rate of 1.5 million tonnes of ore.

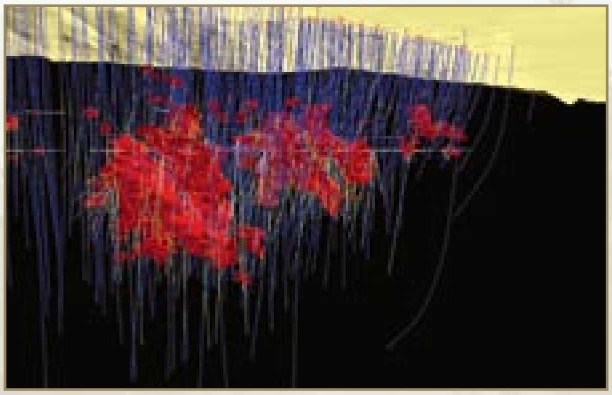
As Chelopech produces a high arsenic concentrate, Phase II was developed to address the metallurgical problem. Phase II will focus on cost optimization and metal production. With the installation of an autoclave, the sulphides are oxidized and the arsenic is converted into ferric arsenate (a benign substance). We will then recover the copper with solvent extraction and the gold with traditional techniques. Not only is this the best environmental solution but it will prove very profitable as it virtually eliminates current transportation and smelter charges and arsenic penalties that comprise a substantial part of our selling costs.

2005 – 2007

Phase II Expansion: Optimize Production

- feasibility study for the installation of an autoclave to allow metal production
- approximately 30% reduction of cash costs by virtual elimination of transport of concentrate, smelter charges and arsenic penalties
- excellent environmental solution

During the first six months of 2005, we will complete an environmental impact statement and a detailed feasibility study on the autoclave process. Once the final permits are received, we will be ready to start building the autoclave and embark on Phase II of the mine redevelopment which is expected to be completed by 2007.



Ore body with defined Western and Central Zones. Potential for down plunge continuation of mineralization.

Chelopech Mine Mineral Resources

Lower Cut off 4.0 g/t Gold equivalent	Tonnes (million)	Gold (Au) Grade (g/t)	Gold (Au) Oz (000)	Silver (Ag) Grade (g/t)	Silver (Ag) Oz (000)	Copper (Cu) Grade (%)	Copper (Cu) Tonnes (000)
Measured & Indicated	24.93	4.0	3,210	10	8,015	1.5	374
Inferred	6.50	3.2	669	12	2,507	1.2	78

Ada Tepe

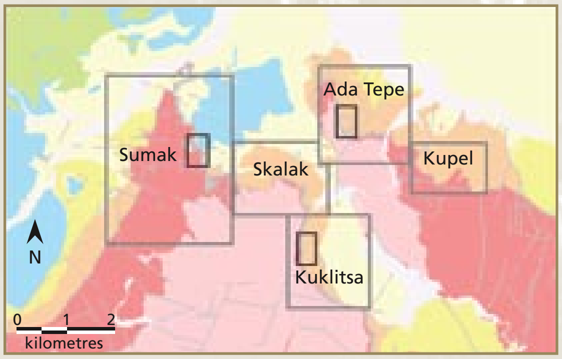
Kurdjali, Bulgaria

Shallow high grade deposit

In 2003, during the nine months of extensive due diligence, DPM identified the exploration potential of the Krumovgrad region. Systematic exploration had been underway for over four years and preliminary drilling results indicated outstanding potential for gold mineralization. However, the project needed the financial resources to support an aggressive infill drilling program and feasibility study.

During 2004, we completed this infill drilling program and announced an updated resource determination supporting the economics for a very profitable gold mine with an estimated life of 6+ years and expected annual production of 130,000 to 175,000 ounces of gold at a very low cash cost.

While cyanide will be used in the process, it will be destroyed and cyanide levels in the tailings dam will be less than 1 part per million. This is 98% less than the target established by the European Union, and 90% less than its established 10 year goal.



Krumovgrad Concession: 117 sq. km

2005 – 2007
Permitting and Construction

- obtain permits and purchase land
- construction of production facilities
- 150,000 oz annual gold production (E)
- estimated cash cost $150/oz Au

Final pit design (brown) along with the 1g/t whole block grade envelopes for the upper zone (gold) and wall zone (red)

A definitive feasibility study and the environmental impact assessment report for the project are underway and scheduled to be completed by the end of March 2005.

Also during 2005, the Company plans to apply for and obtain the necessary licenses, permits and approvals required to construct and operate a mine and processing plant at site as well as to acquire the surface rights required for mining and processing operations. Throughout the process, we will continue our comprehensive program of community communication, including working with a committee assembled by local authorities at the request of DPM.

Ada Tepe Project Mineral Resources

Lower Cut off 1.0 (Au g/t)	Tonnes (million)	Gold (Au)		Silver (Ag)	
		Grade (g/t)	Oz (000)	Grade (g/t)	Oz (000)
Measured & Indicated	5.2	5.0	835	3.0	440
Inferred	0.2	1.57	11	1.0	8

Back River Project

Nunavut, Canada

High grade mineralization and exploration potential

2005 – 2007
Exploration Budget: C$15 Million

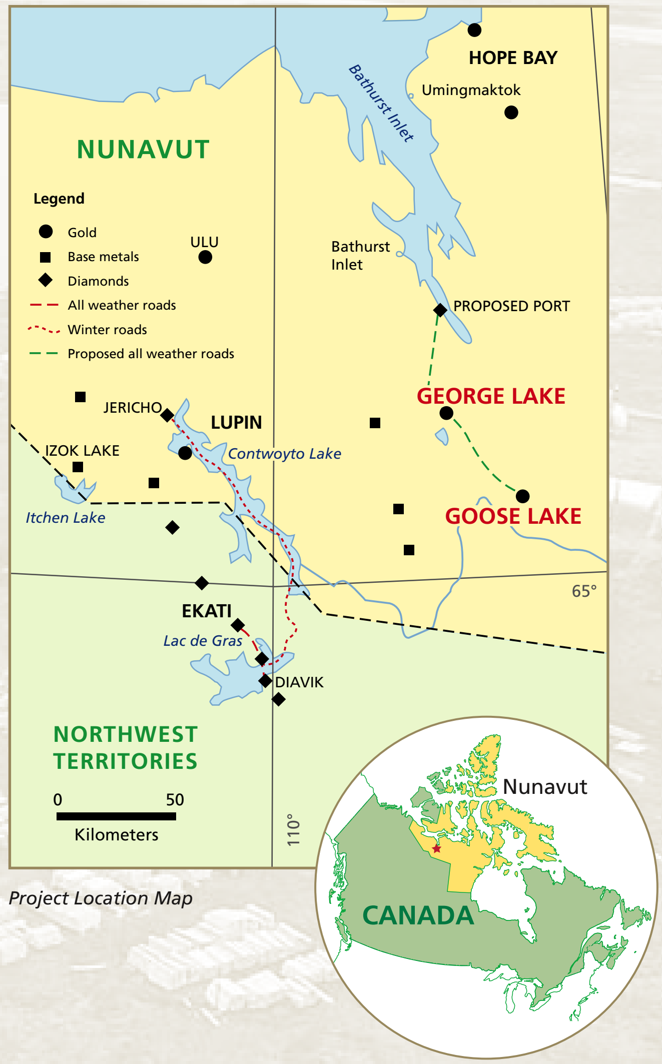
- demonstrate potential to increase resources
- focus on high impact targets
- prioritize additional targets
- upgrade quality of resource controls

This advanced exploration project constitutes our first acquisition opportunity in North America.

In February 2005 we bought an option to earn a 60% interest in the Back River project with a commitment to complete an exploration program on the properties totaling C$25 million before August 2006 to earn that interest. To date, over C$10 million of the total budget has already been spent. The most important of these properties comprise the George Lake and Goose Lake camps with an indicated mineral resource of approximately 1.4 million ounces of gold and an inferred resource of 600,000 ounces of gold.

In 2005, the Company plans to conduct further drilling on the properties to increase resources and focus on high impact targets, prioritize additional targets and upgrade the quality of the resource controls.

Upon completion of the feasibility study, the owner of the properties, Kinross Gold Corporation, will have a one time opportunity to increase its interest to 50% by repaying the Company twice its pro rata share of expenditures for the 10% being purchased, at which time Kinross will become the operator.



Project Location Map

Back River Project Gold Resources

Cut off 5.0 (Au g/t)	Indicated			Inferred		
	Tonnes (million)	Grade (g/t)	Au Oz (000)	Tonnes (million)	Grade (g/t)	Au Oz (000)
George Lake	2.6	9.9	836	1.2	10.1	419
Goose Lake	1.7	9.6	540	0.6	9.5	182
Total	4.3	9.8	1,376	1.8	9.9	601

An experienced management team

Jonathan Goodman
President and Chief Executive Officer

Jonathan Goodman received his Geological Engineering degree from the Colorado School of Mines, his MBA from the University of Toronto and holds the Chartered Financial Analyst designation. He has over 20 years experience in the resource and investment industry where he has served as a geologist, senior analyst, portfolio manager and senior executive. Previous executive positions include President of Dundee Resources where he played a vital role in the development of the company's resource merchant banking activities; and President of Dynamic Mutual Funds where he was responsible for the selection of Canadian equities and played a major role in developing asset allocation strategies. Mr. Goodman was also founder and chairman of Repadre Capital Corporation. Mr. Goodman was appointed President and Chief Executive Officer of DPM in June, 1995.

Julian Barnes
Executive Vice President Exploration

Julian Barnes obtained his Bachelor of Science Honours Geology degree from the University College Swansea of Wales, UK and his PhD Philosophy from the University of Leeds, UK. He has extensive experience in major exploration/development project management, technical computing applications, due diligence studies, structural analysis, exploration and mining geology, technical audits, valuations, resource evaluations, ore reserve modeling and pit optimization. In 1987 he founded Resource Service Group, an Australian based consulting firm, where Dr. Barnes was involved in all technical and professional aspects including project generation, exploration geochemistry, project scheduling and budgeting, exploration and resource computing and quality control programmes. He has also worked on numerous bankable feasibility studies, mergers and acquisitions, and bankable due diligence studies for the majority of major international lending institutions throughout the world. From RSG's Perth office he has undertaken major projects throughout the globe for a wide variety of commodities, including precious metals, mineral sands, industrial minerals, nickel and copper-lead-zinc. Dr. Barnes joined DPM in 2004.

Lori E. Beak
Vice President and Corporate Secretary

Lori Beak has over 20 years of corporate legal experience and is a member of the Canadian Society of Corporate Secretaries. She has provided corporate secretarial services to public companies since 1986 including International Corona Resources Ltd., the gold mining company that successfully developed the Williams Mine in Northern Ontario. Ms. Beak joined the Legal and Compliance Department of the Dundee Group of Companies and most recently served as Corporate Secretary of Dundee Corporation and Dundee Wealth Management Inc. Ms. Beak was appointed Corporate Secretary of Dundee Precious Metals in 2001 and Vice President in 2003.

C. Bruce Burton
Vice President and Chief Financial Officer

Bruce Burton received an honours degree in Business Administration from the University of Western Ontario and a Masters of Business Administration from York University. He is a Chartered Accountant with over 25 years experience as a senior financial executive mostly in the natural resource industry. He was VP Finance of the Camflo Group of companies, which were involved in gold and coal mining as well as the oil & gas and geothermal businesses. Following a brief period with a private real estate development company Mr. Burton joined the Rayrock group as VP Finance and Director. Rayrock Group was involved in gold, copper, and fertilizer mining as well as oil & gas. Between 1999 and 2001 he was President of BlackRock Ventures Inc., a heavy oil company which he refinanced following the hiring of an experienced operating management team, and of which he remains a Director. Mr. Burton joined DPM in 2003.

Laurence D. Marsland
Executive Vice President and Chief Operating Officer

Laurie Marsland completed his Bachelor of Applied Science in Mechanical Engineering from the Western Australia Institute of Technology and completed his Master of Science in Management at the Stanford University Graduate School of Business. He has twenty years of experience in mining project evaluation, development and implementation. Previous tenures include Minproc Limited in Australia where he was assigned as Project and Construction Manager for Newmont's Yanacocha Gold Project in northern Peru, CEO, President and Director of Laguna Gold Company, Vice President Project Development with Gabriel Resources and CEO and Director of Navan Mining PLC. Mr. Marsland joined DPM in 2004.

Gabriela M. Sanchez
Vice President Investor Relations

Gabriela Sanchez received her Honours Financial Accounting degree and Masters of Business Administration from the Catholic University of Dominican Republic, under a program sponsored by the University of South Carolina. She has over 15 years of experience in the mining industry where she has successfully helped increase the profile of growing gold mining companies. Through her previous experience in finance, marketing, investor and community relations with companies such as Wright Engineers, Greenstone Resources and Goldcorp Inc., Ms. Sanchez has specialized in developing communications programs and strategies that better service the institutional and retail investors of public mining companies. She joined DPM in September of 2004.

The board of directors

1. **William G. Wilson,** *Chairman of the Board of Directors*
   Director since 1983
   Member of the Compensation Committee

   Mr. Wilson has been a director of Dundee Precious Metals Inc. since its inception and is currently the company's Chairman. He has 30 years of experience in the mining and natural resource industry, as well as extensive accounting experience. Mr. Wilson has served as Chief Financial Officer, and subsequently President and Chief Operating Officer, of Cominco Ltd., an international mining company. He was also a Partner at Clarkson, Gordon & Co., a national accounting firm.

   Mr. Wilson holds a Chartered Accountant designation. He has been a director of numerous Canadian and international resource, manufacturing and financial service companies, and is currently a director of Placer Dome Inc. Mr. Wilson has also held numerous public positions, among them director of the Mining Association of Canada.

2. **Derek H. L. Buntain,** *President The Dundee Bank*
   Director since 1993
   Member of the Health, Safety & Environment Committee

   Derek Buntain resides in the Cayman Islands, where he is President of The Dundee Bank. He has nearly 30 years of experience in the investment industry in Canada and abroad. His background includes positions in research, international arbitrage, corporate and government finance and mergers and acquisitions, with Burns Bros. and Merrill Lynch Canada Inc. He was President of Canadian Express Limited and, in 1996, became President of Goodman & Company (Bermuda) Limited, an investment management firm.

   Mr. Buntain attended Dartmouth College and the University of Western Ontario, where he earned a Masters degree in Business Administration. He is also a fellow of the Canadian Securities Institute and a director of several publicly traded companies.

3. **Michael J. Cooper,** *President and Chief Executive Officer Dundee Real Estate Investment Trust*
   Director since 2001
   Member of the Audit Committee, Member of the Corporate Governance Committee

   Michael Cooper has 18 years of experience in real estate development and property management. He currently holds the position of President and Chief Executive Officer of Dundee REIT. He held the position of Chief Executive Officer of Dundee Realty from its creation in 1996 and held the dual positions of President and Chief Executive Officer of Dundee Realty from 1998 until its reorganization into Dundee REIT in June 2003.

   Prior to joining Dundee Realty, Mr. Cooper was a Vice-President of Goodman & Company, Investment Counsel Ltd, responsible for investments in real estate and for establishing and co-managing the Dynamic Real Estate Funds. Mr. Cooper also served as Vice-President, Marketing and Development for Twigg Holdings Limited, a developer and manager of urban office buildings, primarily in downtown Toronto.

   Mr. Cooper currently sits on the board of directors of Pethealth Inc. and CIPREC. He holds a law degree from the University of Western Ontario and received a Masters in Business Administration from York University in 1986.

4. **Jonathan Goodman,** *President and Chief Executive Officer*
   Director since 1993

   Jonathan Goodman is President and Chief Executive Officer of Dundee Precious Metals Inc. He has nearly 20 years experience in the resource and investment industry, working as a geologist, senior analyst, portfolio manager and senior executive.

   Mr. Goodman joined Goodman & Company, Investment Counsel Ltd. in 1990, where he was responsible for the selection of Canadian equities and played a major role in developing asset allocation strategies, before becoming the company's President. He is also a founder of Goepel Shields and Partners, an investment firm.

   Jonathan Goodman graduated from the Colorado School of Mines as a Professional Engineer and holds a Masters degree in Business Administration from the University of Toronto. He is a Chartered Financial Analyst.

5. **Ned Goodman,** *President & Chief Executive Officer Dundee Corporation, Chairman, President & Chief Executive Officer Dundee Wealth Management Inc., Co-Founder and*
   Director since 1983

   Ned Goodman is Chairman of Goodman & Company, Investment Company Ltd. and Chief Executive Officer of Dundee Corporation and Dundee Wealth Management Inc. He has almost four decades of investment experience as a securities analyst, portfolio manager and senior executive. He has an established reputation as one of Canada's most successful investment counselors and has recently returned to investment management as the lead portfolio manager for the Dynamic Focus+ family of funds.

   Mr. Goodman has a Bachelor of Science degree from McGill University and a Master of Business Administration from the University of Toronto. He earned the designation of Chartered Financial Analyst in 1967. In 1997, he was awarded a Doctorate of Laws, honoris causa, by Concordia University. He is also chairman of the Board of Trustees of Dundee REIT. Mr. Goodman is actively involved in various philanthropic activities, is Chairman Emeritus of the Canadian Council of Christians and Jews and a Governor of Junior Achievement of Canada.

6. **John Lydall,**
   Director since 2003
   Chairman of the Compensation Committee
   Member of the Health, Safety & Environment Committee

   John Lydall has had a distinguished career in mining and financial markets. In the early part of his professional life, he gained extensive underground mining experience. Later, during the 26 years he spent with National Bank Financial and its predecessor company, First Marathon, he was a top-ranked mining analyst and an investment banking executive. Prior to his retirement, he was Managing Director of the firm's mining investment banking group.

   During his career, Mr. Lydall has advised on, and participated in, financings for many North American mining companies. He also served on the boards and committees of several professional and educational organizations.

   Mr. Lydall holds a degree in Mining Engineering from Nottingham University and a Master of Business Administration from Cranfield University. He is also a director of FNX Mining Company and Baffinland Iron Mines Corporation.

7. Garth A. C. MacRae,

Director since 1988
Member of the Audit Committee
Member of the Health, Safety & Environment Committee

Garth MacRae is currently President and Chief Executive Officer of Breakwater Resources Ltd.

Mr. MacRae brings to the board of directors of Dundee Precious Metals over 30 years of experience in the resource industry, as well as over 20 years of public accounting experience.

Mr. MacRae has held executive positions with Hudson Bay Mining, Brinco Limited and Denison Mines Limited and served as Vice Chairman of Dundee Corporation from 1993 until 2004. He also served as Chairman of Dundee Precious Metals from 1995 until 2002.

Mr. MacRae holds a Chartered Accountant designation. He is also a director of several natural resource companies.

8. Peter B. Nixon,

Director since 2002
Member of the Compensation Committee
Chairman of the Corporate Governance Committee

Peter Nixon has spent more than three decades in the investment industry, specializing in the natural resource sector and working primarily in research and institutional sales. He helped found the investment firm Goepel Shields & Partners and was subsequently President of the firm's U.S. subsidiary. He later joined Dundee Securities, with the mandate to expand the company's activities in the United States.

Mr. Nixon is a director of Miramar Mining Corporation, New Sleeper Gold Corporation and Stornaway Diamond Corporation.

9. Ronald Singer,

Director since 1998
Chairman of the Audit Committee
Member of the Corporate Governance Committee

Ronald Singer is a Chartered Accountant. He was a senior partner with Hyde Houghton, Chartered Accountants, until his retirement. His practice focused on corporate clients, both private and public, and specialized in the purchase and sale of businesses and corporate reorganizations. Mr. Singer is also Chairman of the board of govenors for the Dynamic family of mutual funds.

He is also a director of a number of corporations, and is a consultant to the Cree Economic Enterprises Company of Quebec.

Mr. Singer was named a Fellow of the Quebec Order of Chartered Accountants in 1988.

10. Peter Steen,

Director since 1998
Chairman of the Health, Safety & Environment Committee

Peter Steen retired in 1994 from a distinguished mining career of nearly four decades. His work took him from South Africa, where he grew up and became a mine superintendent, to North America, where he held management positions with Anglo American and Rio Algom. Later, Mr. Steen served as President and Chief Executive Officer of Cassiar Asbestos Corporation, Inspiration Copper and International Corona Corporation. In 1992, he became President and Chief Operating Officer of Homestake Mining.

Mr. Steen is a graduate of The Camborne School of Mines. He is also a director of Miramar Mining Corporation.

Our social responsibility

Shortly after becoming a gold mining company, DPM is uniquely positioned for growth. DPM has outstanding gold assets, solid financials and a seasoned team of investment and mining professionals.

DPM plans to consolidate its leadership position within the mining industry by protecting the health and safety of the communities and environmental resources on which it depends and by supporting the longer term development needs and aspirations of the communities in which DPM is involved. DPM is committed to the highest mining standards in compliance with the laws and regulations of the countries in which it operates. In 2004 its Board of Directors approved and adopted a formal code of business conduct and ethics that will be enforced throughout the organization and applied to all business activities of the Company and its subsidiaries.

December morning in Chelopech

Management's Discussion and Analysis of Financial and Operating Results

The following is management's discussion and analysis ("MD&A") of the consolidated financial condition and results of operations of Dundee Precious Metals Inc. for the fiscal year ended December 31, 2004. This discussion should be read in conjunction with the consolidated financial statements and notes thereto.

This information is provided as at March 11, 2005.

(Amounts expressed in Canadian dollars except where otherwise noted)

CORPORATE OVERVIEW

The Company

Dundee Precious Metals Inc. ("Dundee" or the "Company") is a Canadian based international mining company. Its common shares (symbol DPM) are traded on the Toronto Stock Exchange ("TSX").

Effective April 1, 2004, Dundee changed from an active closed-end investment company to an operating mining company. For periods prior to the effective date of conversion, investments were marked to market and the operations related only to the investment activities carried on by the Company. As at April 1, 2004, the mining operations previously acquired were consolidated with the accounts of the Company and the basis of accounting for investments was changed to the cost method.

The Company currently owns a gold/copper mine ("Chelopech") which is being redeveloped and expanded, and a feasibility stage gold project ("Ada Tepe"), both in Bulgaria as well as a number of active exploration properties in the Central and Eastern Rhodope regions. In addition, the Company has an option to earn a 60% interest in certain exploration properties located in Nunavut in the Canadian Arctic (the "Back River Project").

Dundee also holds a significant investment portfolio of marketable securities of mining companies, principally focused on the exploration, development and production of precious metal and mineral properties throughout the world, with a current market value of approximately $174 million and cash on hand of approximately $70 million as at December 31, 2004.

Objective and Business Plans

Dundee's business objectives are to identify, acquire, finance, develop and operate low cost, long life gold mining properties. The primary goal is to add shareholder value by becoming a mid cap gold producer with low cost production in excess of 500,000 ounces per year within the next three years.

To achieve the above objective the Company is assembling a pipeline of mining projects at various stages of development. The Company has projects underway in the operating/redevelopment, advanced feasibility/advanced development, advanced exploration and grass roots exploration stages. The Company is also actively evaluating acquisition opportunities to fill and expand the project pipeline as well as continuing to make strategic market purchases of gold stocks where synergistic opportunities may exist.

The Company currently has the following projects in its pipeline:

1. **Operating/Redevelopment Stage – Chelopech Gold/Copper Mine**
   The Chelopech mine located 75 km east of Sofia, Bulgaria has a measured and indicated resource of 24.9 million tonnes of ore grading 4.0 grams of gold per tonne and 1.5% copper (3.2 million contained ounces of gold and 374,000 contained tonnes of copper). The operations are currently mining 660,000 tonnes of ore and producing 50,000 tonnes of gold/copper concentrate. The concentrate produced at the mine has a high arsenic content which limits the number of potential buyers in the market and results in disadvantageous sales terms.

   The Company has entered into sales contracts with brokers and smelters for 235,000 tonnes of concentrate for the years 2005 to 2007. On the basis of these contracts, Dundee has undertaken to increase the mine output to 1.5 million tonnes of ore mined per year. The increase in mine output will be accomplished by constructing a decline from surface to access the ore bodies, changing the mining method from sub-level caving to long-hole open stoping with cemented backfill, expanding the mill and introducing modern mining practices. The Company expects the total cost of the above projects to remain at the original budget estimate of approximately US$40 million and the redevelopment will result in improved profitability as a result of economies of scale.

2. **Advanced Feasibility Stage Projects**
   a. ***Ada Tepe Gold Project***
      The Ada Tepe property, located in south-east Bulgaria, near the town of Krumovgrad, has a measured and indicated gold resource of approximately 5.2 million tonnes of ore grading 5.0 grams of gold per tonne of ore (835,000 contained ounces of gold). The Company is completing a definitive feasibility study that evaluates constructing and operating a gold mine on the property. An Environmental Impact Assessment, which will meet or exceed European Union environmental standards, is about to be completed and filed with the local authorities. The Company continues to be active in the community explaining its plans and addressing concerns. It is expected that the new gold mine will produce gold at a low per ounce production cost.

b. Chelopech Metal Production

The Company is also completing a definitive feasibility study that evaluates conversion of the Chelopech Mine from concentrate production to direct metal production through the introduction of autoclave technology. This should result in significantly improved revenues and operating profits as a result of no third party treatment charges, penalties and transportation costs. A benefit from use of this technology is the conversion of the arsenic to ferric arsenate, a benign compound which is suitable for disposal in a managed tailings facility within European Union environmental standards.

3. **Advanced Exploration – Back River Project**
   In early 2005, the Company acquired an option to purchase a 60% interest in certain exploration properties located in Nunavut, Canada. Two of the properties have reported an indicated gold resource of 4.4 million tonnes of ore grading 9.8 grams of gold per tonne of ore (1.376 million contained ounces of gold) and an inferred gold resource of 1.9 million tonnes of ore grading 9.9 grams of gold per tonne of ore (0.6 million contained ounces of gold). Dundee will be continuing exploration and assessment work to expand and define this resource. The objective is to determine whether sufficient resources can be identified to establish an economic gold resource and thereby provide the justification for exercising the option.

4. **Grass Roots Exploration – Southern Rhodope Region**
   The Company has several exploration concessions in the Southern Rhodope region of Bulgaria and continues to invest in exploration activities in the area to identify potential new resources to be mined at the Company's new production facilities or support stand alone operations.

The Company has cash on hand of $70 million and an investment portfolio with a market value in excess of $174 million which is sufficient to fund Dundee's planned activities on its properties. Each investment has its own investment life cycle based on valuation assumptions made and future prospects at the time of the investment. The Company's strategy is to sell portfolio investments in an orderly manner and use the proceeds to make strategic investments and to fund exploration and development activities, as required.

Key Performance Drivers

The key performance drivers relate to Dundee's ability to develop long life low cost mining businesses and to identify and exploit exploration and acquisition opportunities. The Company is currently focusing on acquisition and development activities. As the Company's mining assets move into an operating phase, the key performance drivers will take on more of a production focus.

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

1. attract and retain highly qualified personnel to achieve excellence in identifying, acquiring, exploring, developing and operating viable, long life, low cost mining operations;
2. conduct business activities and operate in an ethical and environmentally responsible manner with a priority on employee health and safety;
3. improve and maintain strong internal control and reporting systems;
4. maintain a strong balance sheet and a ready access to capital;
5. provide market returns to investors, commensurate with the risks being assumed; and
6. develop a social mandate within the communities in which we operate.

Capacity

Dundee has sufficient financial resources to achieve its current objectives and implement its strategies. The Company is continuing to complement its existing workforce and management team with skilled and experienced personnel, introduce modern operating procedures, and focus on the implementation of an improved management structure and reporting system to ensure the plans of the Company are efficiently and effectively carried out.

REVIEW OF BUSINESS ACTIVITIES

During the year, the Company successfully:

1. obtained shareholder approval to convert from an investment company to an operating mining company;
2. assembled an experienced mining management team;
3. initiated redevelopment activities at Chelopech;
4. completed definition drilling at both Chelopech and Ada Tepe and prepared current measured and indicated resource estimates for each property;
5. initiated definitive feasibility studies and environmental impact studies for both Chelopech and Ada Tepe;
6. expanded the Company's regional exploration activities in south eastern Europe;
7. initiated a proactive investor relations program;
8. initiated reconnaissance and due diligence work on potential acquisition opportunities;
9. began selling portfolio investments as they matured to finance development and operating activities and to make strategic investments; and
10. implemented a management structure, and began upgrading the internal control and reporting systems.

The Company currently has two principal business segments: (1) mining and (2) investing.

MINING ACTIVITIES

Chelopech

During the year, the Company completed the infill drilling required to complete the updated resource determination. The updated resource estimate was announced November 5, 2004 and consists of:

Resource		Copper (Cu)		Gold (Au)	
	mt	Grade (%)	Tonnes (000)	Grade (g/t)	Ounces (000)
Measured	3.13	1.8	56	4.7	473
Indicated	21.80	1.4	305	3.9	2,733
Measured & Indicated	24.93	1.5	374	4.0	3,210
Inferred	6.50	1.2	78	3.2	669

This updated resource estimate supports a long mine life at an annual production rate of 1.5 million tonnes.

Underground Development

The development of the underground workings and conversion to long-hole open stoping with cemented back filling as at December 31, 2004 was below target for the year primarily due to the availability and reliability of underground equipment and ventilation problems. The Company has addressed these issues through the addition of new equipment, the introduction of improved systems and procedures and by investing in increased ventilation capacity.

The current target remains to bring production capacity up to approximately 125,000 tonnes per month of ore processed by the end of 2006.

Decline

Construction of a 2,300 metre decline from surface to the underground mine workings began in April 2004 from both the surface portal and the underground exit point. Actual meters advanced during the year were below target due to poor ground conditions, an initial operator development disruption at surface and ventilation problems in the underground section. Corrective action is being taken and the project is targeted to be completed by the end of the year.

Pressure Oxidization Plant

The Company initiated a feasibility study to evaluate direct metal production using autoclave technology. Approximately US$900,000 spent to the end of 2004 and test results have been very favourable.

2005 Development Plans

The Company's plans for 2005 are as follows:

- complete the definitive feasibility study to evaluate direct metal production in the first half of 2005;
- complete a life of mine plan in the first half of 2005 based on the updated resource estimate;
- focus on development related to increasing production capacity by accelerating capital projects, mobilizing additional equipment and upgrading operating performance through the introduction of improved systems and procedures; and
- explore other targets on the property.

Operations

The Company continues to operate the Chelopech mine during the period of redevelopment. The following is a brief summary of the operating performance of mining and concentrate production.

Costs of Production

(in US dollars except as otherwise stated)

December 31, 2004	**Three Months**	**Nine Months(1)**
Ore mined (mt)	150,708	472,312
Ore processed (mt)	152,108	472,212
Head grade		
Copper (%)	1.42%	1.50%
Gold (g/mt)	3.96	3.72
Concentrate produced (mt)	11,139	37,037
Metals contained in concentrate		
Copper (lbs)	4,043,273	13,214,492
Copper (% recovered)	85.17%	84.52%
Gold (ounces)	11,644	32,721
Gold (% recovered)	60.07%	57.90%
Cash cost per tonne of ore processed	$51	$39
Cash cost per pound of copper in concentrate(2)	$0.99	$0.77
Cash cost per ounce of gold in concentrate(2)	$313	$245

(1) Year to date results from April 1, 2004, the date of consolidation.
(2) Gold and copper are accounted for as co-products. Copper sales are converted into gold sales using the ratio of the average gold value to the average copper value for the period. The calculation of total cash costs per ounce is net of by–product silver sales revenue.

Ore mined over the three and nine months ended December 31, 2004 averaged approximately 50,000 tonnes per month. The increase in unit costs in the fourth quarter resulted from the extensive repair work on the underground equipment. Corrective action has been taken which will support increased ore production rates and normalize repairs and maintenance costs resulting in lower unit costs of production.

In 2005, the Company expects to process approximately 885,000 tonnes of ore and thereby produce 72,000 tonnes of concentrate which is expected to contain approximately 63,000 ounces of gold and 12,000 tonnes of copper.

Cost of Sales

In the mining industry the common measure of performance is cash cost for which there is no standard definition prescribed under Generally Accepted Accounting Principles (GAAP). This measure is unlikely to be comparable to similar measures that may be presented by other issuers within the industry. The Company believes this non-GAAP measure is relevant and useful disclosure to investors as it demonstrates the Company's ability to generate positive cash margins.

(in thousands of US dollars except as otherwise stated)

December 31, 2004	**Three Months $**	**Nine Months[1] $**
Sales		
Sales (CDN)	11,414	26,120
Sales (US)	9,216	20,948
Concentrate (dmt)	16,965	39,107
Copper in concentrate (lbs)	6,087,107	13,805,140
Gold in concentrate (ounces)	14,190	32,645
Average realized copper price ($'s per lb)[2]	1.29	1.27
Average realized gold price ($'s per ounce)[2]	407	400
Cost of sales		
Cost of sales per financial statements (CDN)	13,243	26,939
Cost of sales (US)	10,424	20,707
Deduct:		
Inventory write-down	(246)	(246)
Depreciation	(1,671)	(3,240)
Royalties	(344)	(707)
By-products silver sales	(201)	(429)
Total cash costs per Gold Institute Standard	7,962	16,085
Cash cost per pound of copper sold in concentrate[3]	0.75	0.67
Cash cost per ounce of gold sold in concentrate[3]	238	210

(1) Year to date results from April 1, 2004, the date of consolidation.

(2) Realized prices before treatment, refining, transportation, penalty charges and other deductions of US$4,411,707 and US$9,642,537 for the three and nine months ended December 31, 2004.

(3) Cash costs per unit per Gold Institute Production Cost Standard (a non-GAAP measure). Gold and copper are accounted for as co-products. Copper sales converted into gold sales using the ratio of the average gold value to the average copper value for the period. The calculation of total cash cost is net of by-product silver sales.

During the nine months ended December 31, 2004, total costs aggregated $26.9 million and include the cost of concentrate sold of $22.7 million and mine site administration of $4.2 million. The resulting gross loss of $0.8 million was the result of fixed costs being charged against a relatively low production volume.

During the fourth quarter, total costs aggregated $13.2 million and include the cost of inventory sold of $11.1 million and mine site administration of $2.1 million. The resulting gross loss of $2.6 million was the result of fixed costs being charged against the lower sales volume and an increase in maintenance costs. This loss exceeded the profit for the previous six months resulting in a loss from sales for the nine month period.

The Company was able to defer the delivery of 20,000 dry tonnes of gold/copper concentrate which were under sales contracts in 2004 into 2005. The Company has sales commitments for 100% of the expected 2005 production. As at year end, 11,303 dry tonnes of gold/copper concentrate were on hand or in transit; subsequently approximately 9,585 tonnes have been delivered to concentrate buyers in January and February. The Company is planning to sell approximately 85,000 dry tonnes of gold/copper concentrate in 2005.

Ada Tepe

During the year, the Company completed an initial resource determination which was announced October 15, 2004. The Company recently announced an updated resource determination consisting of:

Resource		**Gold (Au)**		**Silver (Ag)**	
	mt	**Grade (g/t)**	**Ounces (000)**	**Grade (g/t)**	**Ounces (000)**
Measured	2.65	5.9	500	3.0	259
Indicated	2.57	4.1	335	2.0	181
Measured & Indicated	5.22	5.0	835	3.0	440
Inferred	0.21	1.6	11	1.0	8

A definitive feasibility study for the project is underway and is scheduled to be completed by the end of March 2005. It is anticipated that the mine will produce between 130,000 and 175,000 ounces of gold per year at a low cash production cost. Exploration drilling has begun on satellite deposits with a view to adding feed to the Ada Tepe mill and thereby extend the life of the project facilities.

The Company's plans for bringing the Ada Tepe project into production are as follows:

- complete the definitive feasibility study of the Ada Tepe Gold Project during the first quarter of 2005;
- complete the environmental impact assessment report during the first quarter of 2005;
- apply for and obtain the necessary licenses, permits and approvals required to construct and operate a mine and processing plant at site; and
- acquire adjacent properties required for mining and processing operations and continue the comprehensive process of community communication, including working with a committee assembled by local authorities.

Exploration

Back River Project

Subsequent to December 31, 2004, the Company purchased an option to acquire a 60% interest in several properties located in Nunavut. The most important of these properties comprise the George Lake and Goose Lake properties. These properties are estimated to have an indicated mineral resource of approximately 1.4 million ounces of gold and an inferred resource of 0.6 million ounces of gold. The Company's strategy is to conduct further drilling on the properties to expand the resource.

The Company must incur cumulative expenditures of $25 million by August 31, 2006 in order to earn a 60% interest in the project. The Company can extend the earn-in period to August 31, 2008 by increasing the cumulative earn-in requirement by $3 million, provided the Company has incurred cumulative expenditures of $15 million by August 31, 2006.

The owner of the properties, Kinross Gold Corporation will have a one-time opportunity to increase its interest to 50% by repaying the Company twice its pro rata share of expenditures for the 10% being purchased, at which time Kinross will become the operator and be eligible to charge the joint venture an industry standard management fee.

Other Exploration Properties

The Company plans to continue the exploration of properties in the Central and Eastern Rhodope and other regions for gold resources and is evaluating other mining properties for possible acquisition.

Drilling at prospects in the Central and Eastern Rhodope region for gold resources is underway. Expenditures for the nine month period ending December 31, 2004 were $2.5 million.

Outlook

Metal Prices and Currencies

The Company has selected a range between US$375 to US$400 per ounce of gold and US$1.00 to US$1.20 per pound of copper for business planning purposes. Gold and copper prices are currently more robust than the Company's selected range.

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 US dollars. The majority of operating and capital expenditures are EURO based with certain costs being priced in US dollars and other currencies.

It is Company policy not to hedge metal prices. The Company may hedge currency in the event of significant capital expenditure commitments. There were no hedges in place at December 31, 2004.

Concentrate Market

The demand for copper remains strong since the global economy continues to expand while finished copper inventories remain at low levels. The demand for copper/gold concentrate is influenced by underlying base metal demand; however, it is also affected by smelting capacity.

There has been a lack of investment in smelting capacity over the past three years due to low treatment and refining charges. Currently there is very little excess smelting capacity available to absorb the rising concentrate production as mine output exceeds the growth in smelting capacity. It is anticipated that concentrate inventories will rise until smelting capacity and mine production equalize.

Concentrate Sales

Long-term sales contracts are in place for the majority of planned gold/copper concentrate production until 2007. Values for commodity prices are referenced to near term market prices and treatment and refining costs are determined annually. The Company is liable for shipping costs on approximately 75% of its 2005 sales. The Company has hedges in place for transportation costs on 35% of its 2005 sales.

The gold/copper concentrate produced at Chelopech has a high arsenic content. There are a limited number of smelters in the world which are able to process concentrate with a high arsenic content, which limits the possible market for Chelopech production. The Company is completing a definitive feasibility study regarding converting the mine to metal production using autoclave technology. Autoclave technology is expected to also enable the conversion of the arsenic within the concentrate into a benign substance for disposal.

Operating Costs

A significant percentage of current mining costs at Chelopech are fixed. As production rates fluctuate, the average unit production costs also vary. It is expected that with the expansion of the mine and the introduction of modern mining methods and new, more efficient mining equipment, 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.

INVESTMENTS

Summary

During the eleven month period ending December 31, 2004, the Company realized $53.0 million in pre-tax gains on the disposition of $87 million of marketable securities. In the twelve month period ended January 31, 2004, the Company realized net gains totaling $68.0 million on sales which provided proceeds of $109.2 million.

In accordance with the Company's accounting policy, retroactively adopted April 1, 2004, any decline in the market value of an individual security investment, which is not determined to be temporary, is written down to current market value.

The Company has recorded a $2.2 million write-down for the eleven months ended December 31, 2004 and a $4.7 million write-down for prior periods.

As at December 31, 2004, the portfolio had a market value of approximately $174 million. The top four positions as at December 31, 2004, at market, are: Tahera Diamond Corporation – $31 million; Major Drilling Group International Inc. – $29 million; Cambior Inc. – $27 million; and Miramar Mining Corporation – $20 million, which in the aggregate represent 62% of the total portfolio.

Outlook

The Company is able to fund its current committed mining program from available cash on hand and therefore does not need to dispose of investments to support the Company's operating objectives in the near term. Investment dispositions will continue to be made on the basis of the investment life cycle determined by valuation assumptions made at the time of the investment and the future prospects for the Company. Investment acquisitions will be made for strategic reasons. Over the longer term, the Company will be focused increasingly on mining development and operations.

FINANCIAL RESULTS

Summary

The Company reported net income of $7.9 million or $0.15 per share for the eleven months ended December 31, 2004 and $44.8 million or $1.28 per share for the twelve months ended January 31, 2004, as summarized below:

Operations Summary

Cdn$ million

	11 Months Dec. 31, 2004[1]	12 Months Jan. 31, 2004	12 Months Jan. 31, 2003
Revenue from mining operations			
Gold/copper concentrate	$ 26.1	$ –	$ –
Cost of sales	26.9	–	–
	(0.8)	–	–
Net investment revenue	50.8	68.0	32.6
Other income	0.6	0.8	1.7
Net revenue	50.6	68.8	34.3
Expenses	(16.6)	(10.4)	(6.7)
Termination fee	(29.2)	–	–
Income taxes	3.1	(13.6)	(5.6)
Net Income	$ 7.9	$ 44.8	$ 22.0
Net income per share			
Basic and diluted	$ 0.15	$ 1.28	$ 0.63
Total assets	$298.6	$ 182.7	$ 129.2
Total long-term liabilities	12.4	–	3.8

(1) The Company began consolidating the results from the mining operations on April 1, 2004, the effective date of conversion from an investment company to a mining company. Accordingly, the results of the mining operations for the period ended December 31, 2004 include only nine months of results from the mining operations.

Net Revenue

Net revenue of $50.6 million for the eleven month period ended December 31, 2004 resulted from the following:

(1) the financial results of the mining business for the nine month period ending December 31, 2004 which had an operating loss of $0.8 million on the sale of 39,107 dry tonnes of gold/copper concentrate, and

(2) gains on the sale of investments of $50.8 million net of investment write-downs of $2.2 million.

For the prior year ended January 31, 2004, in which the Company operated as an investment company only, investment income of $68.8 million was reduced by administrative and management fees totaling $10.4 million and income taxes of $13.6 million, resulting in a net income of $44.8 million or $1.28 per share.

Expenses

Administrative and Other Expenses

Administrative costs were $6.3 million for the eleven months ended December 31, 2004 compared to $2.0 million incurred for the twelve month period ended January 31, 2004. The increase was due to establishing and operating a stand alone, international mining company and to business development activities undertaken during the period.

The costs for the comparative year ending January 31, 2004 included only costs associated with a closed-end investment company managed under a management contract.

Exploration Expense

Exploration costs incurred for the eleven months ended December 31, 2004 were $2.9 million. Exploration during the period was centred on the Eastern Rhodope Region.

Stock Compensation Expense

Stock compensation expense includes costs associated with granting stock options and costs related to the Company's Employee and Director Deferred Share Unit ("DSU") Plans.

The value of the stock options granted during the year was $8.4 million, calculated using a Black-Scholes model. These costs are charged to operations over their three year vesting period. During the year, stock option expense was $2.0 million.

During the year, $2.8 million was recognized in the accounts which was related to grants of DSU's. The DSU's vest immediately and compensation expense is recognized at the time of grant. The liability will be marked to market each quarter.

Foreign Exchange

Expenses include a charge relating to fluctuations in foreign currency rates against the Canadian dollar. The majority of monetary 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.

Management Contract & Performance Fees

The most significant expense during the eleven months ended December 31, 2004 was the $29.2 million cost of terminating the investment management contract. 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 $6.0 million and $8.1 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 shareholders on April 15, 2004.

Income Taxes

In the eleven month period ended December 31, 2004, the Company recorded a recovery of income taxes as a result of the cost of termination of the management agreement. In prior periods, income tax expense was provided against the investment income realized.

CASH FLOW SUMMARY

Cdn$ million

	11 Months Dec. 31, 2004	12 Months Jan. 31, 2004	12 Months Jan. 31, 2003
Cash provided from (used) in			
Operating activities	$(25.6)	$(30.8)	$(3.5)
Capital and other expenditures	(25.3)	–	–
Investment and other transactions	38.3	40.3	(2.8)
Financing activities	59.2	12.8	2.1
	$46.6	$22.3	$(4.2)

Operating Activities

For the eleven months ended December 31, 2004, the Company's operating cash requirement of $25.6 million was comprised of:

- $20.7 million for working capital relating to a $10.0 million increase in income taxes recoverable, and a $5.0 million reduction in corporate liabilities primarily related to the prior year's outstanding performance fees payable and administrative expenses of $6.3 million incurred in converting to and operating as an active mining company over the last nine months; and
- $4.9 million for the mining operations, mainly due to the required build up of working capital.

During the twelve month period ended January 31, 2004, the period in which the Company operated as an investment company only, the Company had a cash requirement of $30.8 million, the majority of which related to taxes paid during the period.

Capital & Other Expenditures

The Company invested $25.3 million (US$19.9 million) in capital and development from the date the Company consolidated the Bulgarian mining projects.

Of the amount invested in capital development, US$13.6 million has been spent on the Chelopech Mine as follows:

US$ millions	$
Establishing reserves	1.4
Decline	2.7
Mine development	6.5
Mill development	0.7
Autoclave definitive feasibility study	0.9
Other	1.4
Total	13.6

US$6.3 million was spent on the Ada Tepe development project over the same period as follows:

US$ millions	$
Reserve definition drilling	2.8
Definitive feasibility study	1.9
Other	1.6
Total	6.3

Financing Activities

During the current period, the Company received $62.0 million from the exercise of warrants and the exercise of options in connection with the termination of the investment management contract. The Company also spent $3.2 million to purchase shares in the market for cancellation.

LIQUIDITY

The Company has cash and marketable securities with a market value in excess of $244 million as at December 31, 2004. These funds are more than sufficient to fund the planned capital expenditures of the Company's mining activities.

Partially offsetting the mine expenditures is a positive cash flow expected from Chelopech in 2005; as planned production rates increase, unit operating costs decline and positive cash flow is generated.

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

The Company has contractual obligations due within the next three years as follows:

(000's)	Payments Due by Period		
Contractual Obligations	**Total**	**Less than 1 Year**	**1 – 3 Years**
Long term debt	$4,808	$4,808	$ –
Long-term capital leases	1,057	888	169
Total contractual obligations	$5,865	$5,696	$169

In connection with the purchase of the Bulgarian mining assets, the Company assumed the following obligations:

- US$4 million note payable with interest at the rate of Libor plus 1.1%;
- US$12.5 million liability contingent on the conversion of the Krumovgrad exploration permit into a mining concession; and
- A future 1% royalty on certain exploration properties based on future revenue from mineral production.

On February 3, 2005, the Company settled the above obligations totaling US$16.5 million as well as the future royalty obligation for US$10.5 million.

Included in working capital is $13.4 million related to income tax installments made in excess of the amounts expected to be paid.

FINANCIAL POSITION

As at December 31, 2004, the Company had working capital of $86.6 million, investments in publicly tradeable securities with a market value of $174 million which equates to a per share amount of $4.86. In addition, the Company had capital assets in mining operations totaling $73.7 million offset by related long-term liabilities of $12.4 million.

Included in working capital is $6.7 million in prepaid expenses and $12.2 million in accounts payable and other accrued liabilities. Prepaid expenses include $3.8 million of recoverable value added tax, $1.0 million held as collateral for performance guarantees and $0.3 million of cash held in an environmental escrow account. Accounts payable and other accrued liabilities include $6.9 million in trade payables, $1.8 million in advance payments from concentrate buyers and $3.5 million in other accrued liabilities.

QUARTERLY INFORMATION

The Company's financial results for the nine months ended December 31, 2004, reflect the activities of an operating mining company and the periods from the first quarter of 2003 to the end of the first quarter of 2004 reflect the results of an investment management company only.

Fourth Quarter Results

Net revenue from the mining operations for the fourth quarter was $11.4 million resulting from the sale of 16,965 dmt of gold/copper concentrate. At December 31, 2004, 11,303 dmt of concentrate was in inventory of which 7,195 dmt of concentrate was at the port awaiting final shipment and was subsequently sold in January and February 2005.

Cost of sales in the fourth quarter was $13.2 million. The increase in cost of sales in the fourth quarter was the result of an increase in repairs and maintenance expenses. The repairs and maintenance work negatively affected the availability of underground equipment resulting in less ore mined which contributed to an increase in unit costs.

Expenses of $7.6 million in the fourth quarter were comprised of administrative expense of $2.6 million; stock compensation expense of $3.5 million and exploration expense of $1.5 million. The increase in administrative costs over the prior quarter resulted from business development activities. The stock compensation expense reflects the issuance of 375,000 DSU's which vested immediately and resulted in the entire expense of $2.8 million being recognized in the fourth quarter.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates represent estimates that are highly uncertain and could materially impact the financial statements.

Capital Assets

Capital assets represent 25% of total assets at December 31, 2004. The application of accounting policies for these assets has a material impact on the Company's results. Amortization expense is based on the estimated useful lives of these assets. The carrying values of mining properties are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Impairment assessments are based on estimates of future cash flows, which include: the quantity of mineral reserves; future metal prices and future operating and capital costs to mine and process our reserves.

Cdn$ million

	Q1[(1)] 2004	Q2 2004	Q3 2004	Q4 2004	Q1 2003	Q2 2003	Q3 2003	Q4 2003
Gold/copper concentrate sales	–	10.0	4.7	11.4	–	–	–	–
Cost of Sales	–	8.7	5.0	13.2	–	–	–	–
	–	1.3	(0.3)	(1.8)	–	–	–	–
Net investment revenue	25.1	14.6	0.5	10.7	11.4	26.4	15.0	16.0
Other income	0.1	–	0.3	0.2	–	–	–	–
Net revenue	25.2	15.9	0.5	9.1	11.4	26.4	15.0	16.0
Expenses	(0.8)	(4.3)	(4.0)	(7.6)	(0.8)	(1.9)	(3.5)	(4.1)
Termination fee	–	(29.2)	–	–	–	–	–	–
Income taxes	(4.4)	6.9	0.8	(0.2)	(2.2)	(5.6)	(2.4)	(3.5)
Net income (loss)	20.0	(10.7)	(2.7)	1.3	8.4	18.9	9.1	8.4
Net income (loss) per share	0.10	(0.20)	(0.05)	0.03	0.24	0.55	0.26	0.22

(1) for the period from February 1, 2004

Asset Retirement Obligations
Mining, development and exploration activities are subject to various laws and regulations governing the protection of the environment. The Company has recorded a liability for future costs related to these regulations with a corresponding adjustment to the carrying amount of the related assets.

Significant judgments and estimates are made when determining the nature and costs associated with asset retirement obligations. Changes in the underlying assumptions used to estimate the obligation as well as changes to environmental laws and regulations could cause material changes in the expected cost and the fair value of asset retirement obligations.

RISKS AND UNCERTAINTIES

The Company is subject to a number of risks and uncertainties as a result of operations, including without limitation the following risks:

Political Risk
Dundee conducts mining and development activities in foreign countries. Mining investments are subject to the risks normally associated with any conduct of business in foreign countries including: uncertain political and economic environments; changes in laws or policies of particular countries; foreign taxation; delays obtaining or the inability to obtain necessary government permits and limitations on the repatriation of earnings. These risks may limit or disrupt projects, restrict the movement of funds or result in the deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation.

Government Laws and Regulations
Dundee's mining operations and exploration activities are subject to extensive laws and regulations governing the protection of the environment, waste disposal, worker health and safety and mine development. Dundee has and expects to in the future comply with such laws and regulations. Future changes in applicable laws, regulations and permits or changes in their enforcement or regulatory interpretation could have an adverse impact on the costs of compliance and therefore adversely impact the Company's financial condition or results of operations. The costs and delays associated with compliance with these laws and regulations could stop the Company from proceeding with the development of a project or the operation or further development of a project.

Company Specific Factors
Development Projects
Dundee's ability to sustain or increase our present levels of production is dependent in part on the successful development of new ore bodies and/or expansion of existing mining operations. The economic feasibility of development projects is based upon many factors, including: the accuracy of reserve estimates; estimated metallurgical recoveries; estimated capital and operating costs of such projects; foreign currency exchange rates; and future gold and silver prices. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits, and the acquisition of satisfactory surface or other land rights.

Development projects have no operating history upon which to base estimates of future cash flow. It is possible that actual costs and economic returns may differ materially from our estimates or that we could fail to obtain the governmental approvals necessary for the operation of a project. It is not unusual in the mining industry for new mining operations to experience unexpected problems during the startup phase and to require more capital than anticipated.

Exploration
Exploration is highly speculative in nature. Exploration projects involve many risks and are frequently unsuccessful. Once a site with gold or other precious metal mineralization is discovered, it may take several years from the initial phases of drilling until production is possible. Substantial expenditures are required to establish proven and probable reserves and to construct mining and processing facilities. As a result of these uncertainties, there is no assurance that current or future exploration programs will be successful and result in the expansion of current production reserves.

Production and Operating Cost Targets
Dundee prepares estimates of future production and total cash costs of production for its operations. No assurance can be given that such estimates will be achieved. Failure to achieve production or total cash cost estimates could have an adverse impact on our future cash flows, earning, and financial condition.

Reserve Risk
Mineral reserves and mineral resources are estimates, and no assurance can be given that the indicated content of metal will be produced. Fluctuations in the price of copper and gold may render mineral reserves containing relatively low grades of mineralization uneconomic.

Estimated reserves may have to be recalculated based on actual production experience. Market price fluctuations of copper and gold, as well as increased production costs or reduced recovery rates may render the present reserves unprofitable to develop at a particular site or sites for periods of time. This could cause a reduction in total reserves, which could have a negative impact on financial results.

Commodity Price Risk
The revenue for the Company is significantly impacted by the market prices of gold and copper.

Concentrate contract prices are based on the prevailing metal prices on the date of final price determination. This date is contractually established between the Company and their customers and can be anywhere between two to three months after title transfer and revenue recognition.

The Company has not entered into derivative instruments to hedge against these risks.

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 US dollar, however, it also operates using the Euro and the Bulgarian Leva (which is fixed to the Euro) and, as such, may be affected by fluctuations in foreign exchange rates. The Company's sales are denominated in US dollars, while a significant percentage of its expenses are denominated in non-US 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. The Company receives a provisional payment on its sales at the time title to the concentrate transfers to its customers. For the majority of contracted sales, provisional payments are between 90% and 95% of the contract based on provisional metal prices and assay results. It monitors this risk and does not consider the likelihood of a material loss to be significant.

Other

The financial information has been prepared in accordance with Canadian 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.

Certain statements included in this MD&A and the accompanying financial statements are forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan," "expect," "project," "intend," "believe," "anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices and other factors described above and in the Company's most recent annual information form under the heading "Risks Factors" which has been filed electronically by means of the Canadian Securities Administrators' website located at www.sedar.com. The Company disclaims any obligation to update or revise any forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

Auditors' Report

To the Shareholders of Dundee Precious Metals Inc.

We have audited the consolidated balance sheets of Dundee Precious Metals Inc. as at December 31, 2004 and January 31, 2004 and the consolidated statements of operations, retained earnings and cash flows for the eleven month period ended December 31, 2004 and the twelve month period ended January 31, 2004. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2004 and January 31, 2004 and the results of its operations and its cash flows for the eleven month period ended December 31, 2004 and the twelve month period ended January 31, 2004 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Toronto, Canada
March 2, 2005

Consolidated Balance Sheets

As at December 31, 2004 and January 31, 2004
(in thousands of Canadian dollars)

	December 31, 2004	January 31, 2004
	$	$
ASSETS		
Current assets		
Cash	**69,828**	23,176
Accounts receivable	**2,807**	–
Inventories *(note 4)*	**11,768**	–
Prepaid expenses	**6,651**	33
Income tax recoverable *(note 9)*	**13,432**	3,876
	104,486	27,085
Future income tax asset *(note 9)*	**2,812**	3,656
Investments (market value $174,286; January 2004 – $300,622) *(note 5)*	**117,640**	150,949
Capital assets *(note 6)*	**73,706**	–
	298,644	181,690
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**12,168**	1,496
Performance fees payable	**–**	5,401
Current portion of long-term debt *(note 7)*	**5,696**	–
	17,864	6,897
Long-term liabilities		
Long-term debt *(note 7)*	**251**	–
Asset retirement obligations *(note 10)*	**8,786**	–
Other long-term liabilities	**2,805**	–
Future income taxes liability *(note 9)*	**530**	2,618
	12,372	2,618
SHAREHOLDERS' EQUITY		
Share capital *(note 11)*	**189,971**	98,917
Contributed surplus *(note 11)*	**1,072**	456
Retained earnings	**77,365**	72,802
	268,408	172,175
	298,644	181,690

Contingent liabilities and commitments *(note 8)*
Subsequent events *(note 16)*

See accompanying notes to the audited consolidated financial statements.

Signed on behalf of the board:

W G Wilson

Jonathan Goodman
Director

William G. Wilson
Director

Consolidated Statements of Operations

For the periods ended
(in thousands of Canadian dollars, except per share amounts)

	Eleven Months December 31, 2004	Twelve Months January 31, 2004
	$	$
Mining operations		
Gold/copper concentrate revenue	**26,120**	–
Cost of sales	**26,939**	–
	(819)	–
Investment income		
Dividends, interest and other income	**648**	774
Net realized gain on sale of investments	**52,945**	68,015
Investments written-down	**(2,175)**	–
	51,418	68,789
	50,599	68,789
Expenses		
Administrative and other expenses	**6,295**	1,995
Stock-based compensation expense	**4,839**	–
Exploration expense	**2,884**	–
Depreciation	**514**	–
Financing costs	**861**	221
Foreign exchange loss	**641**	–
Management and performance fees *(note 13)*	**29,791**	8,143
	45,825	10,359
Income before income taxes	**4,774**	58,430
Provision for (recovery of) income taxes *(note 9)*		
Current	**(718)**	14,074
Future	**(2,399)**	(428)
	(3,117)	13,646
Net income	**7,891**	44,784
Net income per share		
Basic and diluted	**0.15**	1.28

Consolidated Statements of Retained Earnings

For the periods ended
(in thousands of Canadian dollars)

	Eleven Months December 31, 2004	Twelve Months January 31, 2004
	$	$
Balance at beginning of period, as previously stated	**75,817**	31,033
Effect of change in accounting for investments *(note 2(f))*	**(3,015)**	(3,015)
Balance at beginning of period, as restated	**72,802**	28,018
Net Income	**7,891**	44,784
Pre-consolidation losses of subsidiary *(note 3)*	**(3,328)**	–
Balance at end of period, as restated	**77,365**	72,802

See accompanying notes to the audited consolidated financial statements.

Consolidated Statements of Cash Flow

For the periods ended
(in thousands of Canadian dollars)

	Eleven Months December 31, 2004	Twelve Months January 31, 2004
	$	$
OPERATING ACTIVITIES		
Net income for the period	**7,891**	44,784
Non-cash charges or credits to earnings		
Depreciation	**4,623**	–
Stock-based compensation expense	**4,839**	–
Shares issued on termination of contract *(note 13)*	**27,842**	–
Gain on sale of investments	**(52,945)**	(68,015)
Write-down of investments to market value	**2,175**	–
Future income taxes	**(11,990)**	(11,031)
Other non-cash charges	**1,229**	–
Changes in non-cash working capital		
Decrease in accounts receivable	**2,092**	638
Increase in inventories	**(3,448)**	–
Decrease (increase) in other assets	**(4,065)**	328
Increase (decrease) in accounts payable	**(3,817)**	2,478
Net cash (used in) operating activities	**(25,574)**	(30,818)
INVESTING ACTIVITIES		
Increase in investments	**(53,435)**	(68,947)
Proceeds on sale of investments	**87,011**	109,196
Cash recorded on initial consolidation *(note 3)*	**4,730**	–
Purchase of capital assets	**(25,309)**	–
Net cash provided by investing activities	**12,997**	40,249
FINANCING ACTIVITIES		
Issue of common shares	**62,021**	17,073
Purchase of shares for cancellation	**(3,277)**	(438)
Increase (decrease) in long-term debt	**485**	(3,800)
Net cash provided by financing activities	**59,229**	12,835
Increase in cash and equivalents	**46,652**	22,266
Cash and equivalents at beginning of period	**23,176**	910
Cash and equivalents at end of period	**69,828**	23,176
Supplemental disclosures		
Interest paid	**79**	221
Taxes paid	**9,306**	23,356

See accompanying notes to the audited consolidated financial statements.

Notes to the Consolidated Financial Statements

For the eleven and twelve month periods ended December 31, 2004 and January 31, 2004 repectively
(Expressed in Canadian dollars unless otherwise noted)

1. Nature of Operations and Basis of Presentation

Dundee Precious Metals Inc. ("Dundee" or the "Company") is 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 gold/copper mine (Chelopech), a feasibility stage gold project (Ada Tepe) and a series of exploration licenses, substantially all of which are located in Bulgaria. Evaluation work continues at both Chelopech and Ada Tepe. These properties require the commitment of significant funds to develop and expand production.

Effective April 1, 2004, the Company converted from a closed-end investment company to an operating mining company, in part as a result of the acquisition of mining operations in Bulgaria. The results of DPAI have been consolidated since the effective date of conversion.

The Company changed its year-end from January 31 to December 31 during the year.

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

2. Significant Accounting Policies

a) Consolidation
These audited 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, 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, investments, capital assets, depreciation and depletion rates, asset retirement obligations and the valuation of stock options. Actual results could differ from those estimates.

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 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 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 payable 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 from recording them at market to historical cost in connection with its conversion from a closed-end investment company to an operating mining company. Investments are evaluated for impairment based on the market values. 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 Company has recorded a write-down in the current period of $2.175 million and $4.720 million related to prior periods for losses determined to be other than temporary.

The average cost basis is used to determine the gain or loss on sales of investments. Gains and losses realized on sales are recorded in the statements of operations.

Dividend income is recognized on the ex-dividend date. Interest income and expenses are recognized 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; and
- Licenses and other mining rights – lesser of life of mine and economic life.

Property, plant and mine equipment

Property, plant and equipment used in the mining business are recorded 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.

h) Asset Retirement Obligations

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, based on the net present value of the estimated future costs, 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 related period. The capitalized costs are depreciated over the useful lives of the related assets. Other environmental and ongoing site reclamation costs incurred at the operating sites are charged to operations when the costs are incurred.

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. Under the terms of certain sales contracts the final gold, copper and silver prices are set on a specified future date after the shipment date based on spot market metal prices. Revenue is recorded based on market prices prevailing at the time of shipment ("provisional price"). The terms of the contracts result in non-hedge derivatives that do not qualify for hedge accounting treatment, because of the difference between the provisional price and the final settlement price. These embedded derivatives, if material, are adjusted to fair value through revenue each period until the date of final price determination.

Any adjustments to the amount receivable for each shipment at the settlement date, caused by final assay results, are adjusted through revenue at the time of determination.

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 Black Scholes 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.

Grants of Deferred Stock Units ("DSU's") are valued at fair value at the time of grant, which equals the closing stock price as of that date. The DSU's that are settled in cash are adjusted to the current market price each balance sheet 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 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 or substantially 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 average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated using the treasury stock method, whereby 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.

3. Consolidation of Subsidiary *(in thousands of Canadian dollars)*

The Company acquired the Bulgarian mining assets within DPAI in September 2003. Prior to April 1, 2004, the accounts of DPAI were not required to be consolidated since the Company was an investment company subject to GAAP for investment companies.

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:

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

Accumulated losses of DPAI represent the operating loss of DPAI from the time of acquisition of the Bulgarian mining assets to the date the Company converted to an operating mining company at which time the accounts of DPAI were consolidated.

In addition, DPAI was liable to pay a further US$12.5 million when the required government approvals and permits to construct and operate the Ada Tepe project are obtained and a 1% royalty on future mineral production on certain grass roots exploration properties. These liabilities were settled for US$6.5 million (see Subsequent Events note 16(a)).

4. Inventories *(in thousands of Canadian dollars)*

	December 31, 2004
Gold / copper concentrate	$ 8,322
Spare parts & supplies	3,446
	$11,768

5. Investments *(in thousands of Canadian dollars)*

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

	Eleven Months Ended December 31, 2004	Twelve Months Ended January 31, 2004
Investments at cost, beginning of period	$150,949	$ 123,183
Cost of investments purchased during the period	53,435	68,947
Cost of investments sold during the period		
Proceeds from sales	(87,011)	(109,196)
Net realized gain on sale of investments	52,945	68,015
Other than temporary decline in value of investments	(2,175)	–
Investment in wholly-owned subsidiary which was consolidated effective April 1, 2004 (Note 3)	(50,503)	–
Investments at cost, end of period	$117,640	$ 150,949

6. Capital Assets *(in thousands of Canadian dollars)*

	As at December 31, 2004		
	Cost	Accumulated depreciation & depletion	Net book value
Chelopech			
Land	$ 165	$ –	$ 165
Deferred exploration and development	9,608	830	8,778
Licenses and other mining rights	2,064	781	1,283
Buildings	9,178	704	8,474
Machinery and mobile equipment	26,232	4,892	21,340
	47,247	7,207	40,040
Ada Tepe			
Deferred exploration	17,679	–	17,679
Licenses and other mining rights	13,711	42	13,669
Machinery and mobile equipment	2,402	150	2,252
	33,792	192	33,600
Other assets	66	–	66
	$81,105	$7,399	$73,706

7. Long-Term Debt *(in thousands of Canadian dollars)*

	December 31, 2004
Note payable	$4,808
Other long-term liabilities	1,139
	5,947
Less: current portion	5,696
	$ 251

a) Note Payable

The principal due on the note relating to the Bulgarian mining 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 8(b) and 8(d).

On February 3, 2005, the Company repaid the US$4 million note (see Subsequent Events note 16(a)).

b) Other Long-Term Liabilities

	December 31, 2004
Long-term leases	$1,057
Other	82
	$1,139

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:

2005	$888
2006	169

8. 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, 2004, these commitments aggregated US$14.5 million to be incurred over the period 2005 to 2008 as follows:

(in millions of US dollars)	
2005	$ 4.0
2006	4.3
2007	3.3
2008	2.9

As at December 31, 2004, the Company has spent US$11.3 million in satisfaction of the above concession obligation.

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. The amounts in escrow are recorded on the balance sheet as a component of prepaid expenses.

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.

On February 3, 2005 the contingent liability was settled (see Subsequent Events note 16(a)).

c) Gold/Copper Concentrate Sales

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

	Dry Metric Tonnes
2005	85,000
2006	90,000
2007	60,000
	235,000

The Company has sales contracts with five clients each of which account for greater than 10% of revenues. The basis of mining operations as a concentrate producer at Chelopech at the planned levels of production, are dependent on these off take agreements.

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.

On February 3, 2005, the Company settled the obligation to pay the above future royalty (see Subsequent Events note 16(a)).

9. Income Taxes *(in thousands of Canadian dollars)*

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

	Eleven Months Ended December 31, 2004	**Twelve Months Ended January 31, 2004**
Combined federal and provincial statutory income tax rates	**36.12%**	**36.58%**
Income tax and statutory rates	$ 1,724	$21,374
Adjusted for the effect of:		
Non-taxable portion of capital gains	(6,861)	(7,833)
Tax rate difference on foreign earnings	600	–
Effect of future income rate changes on future taxable assets and liabilities	–	117
Non-deductible stock compensation expenses	1,748	–
Other	(328)	(12)
Provision for (recovery of) income taxes	$(3,177)	$13,646

Significant components of the Company's future income taxes as at December 31, 2004 and January 31, 2004 are as follows:

Future Income Tax Assets	December 31, 2004	January 31, 2004
Inventory	$ 66	$ –
Inventory write-down	275	–
Decommissioning provision	326	–
Deferred interest deductions	335	–
Mining rights	168	
Investments	4	
Investments write-down	1,638	1,705
Performance fees	–	1,951
	$2,812	$ 3,656
Future Income Tax Liabilities		
Depreciable property, plant and equipment	(530)	–
Lower of cost amd market adjustment	–	(2,618)
	(530)	(2,618)
Net future income tax asset	$2,282	$ 1,038

Canada Revenue Agency ("CRA") is in the process of reassessing the Company's February 1, 1996 to January 31, 2004 taxation years. The Company expects to receive a refund of approximately $13.5 million related to the reassessed tax years and from a refund relating to the current tax year resulting from installments paid in excess of the estimated tax liability.

10. Asset Retirement Obligations

Asset retirement obligations as at December 31, 2004 have been reflected on the balance sheet at $8.786 million to reflect the net present value of the Chelopech mine site closure obligations. During the eleven month period ending December 31, 2004, accretion expense of $0.6 million was recognized.

The anticipated cash flows have been estimated using current prices at the time the obligation was recognized and discounted using a real interest rate of 8% after inflation growth of 3% per annum.

11. Shareholder's Equity *(in thousands of Canadian dollars)*

a) Common Shares

Authorized

Unlimited common shares without par value

Issued	Eleven Months Ended December 31, 2004		Twelve Months Ended January 31, 2004[1]	
	Number	Amount	Number	Amount
Balance at beginning of period, including share purchase warrants, restated	37,767,405	$ 98,917	34,464,860	$79,583
Shares issued on exercise of warrants	8,747,070	43,735	3,414,545	19,593
Value of unexercised and expired warrants transferred to contributed surplus	–	(88)	–	–
Shares issued in connection with the termination of the investment management contract *(note 13)*	4,625,000	27,842	–	–
Shares issued in connection with the exercise of the option *(note 13)*	2,500,000	18,286	–	–
Shares issued for services rendered	500,000	3,050	–	–
Shares purchased and cancelled	(499,800)	(1,771)	(112,000)	(259)
Balance at end of period	53,639,675	$189,971	37,767,405	$98,917

(1) Restated to reflect stock split, in the current period on the basis of five new Class A Shares for each old Class A share. The Class A Shares were subsequently converted to common shares on a one to one basis.

The weighted average number of shares used to calculate net income per share during the eleven month period ended December 31, 2004 was 51,694,154 (January 31, 2004 – 34,995,630).

b) Contributed Surplus

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

	Eleven Months Ended December 31, 2004	Twelve Months Ended January 31, 2004
Balance at beginning of period	$ 456	$ 635
Cost of unexercised warrants at expiry	88	–
Stock-based compensation	2,034	–
Cost of shares purchased and cancelled in excess of book value	(1,506)	(179)
Balance at end of period	$1,072	$ 456

c) Stock Options

During the period ended December 31, 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.

Total stock options outstanding for the period ending December 31, 2004 was:

	Eleven Months Ended December 31, 2004	
	Options (number)	Weighted Avgerage Exercise Price
Balance at beginning of period	$ –	$ –
Granted	4,470,000	7.00
Exercised	–	–
Cancelled or expired	(10,000)	7.00
Balance at end of period	$4,460,000	$7.00

As at December 31, 2004, there are no exercisable options.

The fair value of options granted during the eleven months ended December 31, 2004 was estimated using a Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	3.78%
Expected life in years	5
Expected volatility	31.35%
Dividends per share	–

The estimated value of the options granted will be recognized over the vesting period. As at December 31, 2004, there is $6.3 million to be charged to income in future periods relating to stock option grants.

12. Deferred Share Unit Plan

During the fourth quarter ended December 31, 2004, the Company established a Deferred Share Unit ("DSU") Plan for directors and employees. The Deferred Share Units are phantom shares which mirror the value of the Company's publicly-traded common shares.

Under the Employee DSU Plan, grants to employees of the Company will be determined by the Board of Directors or the Compensation Committee in lieu of a cash bonus. The DSU's vest immediately and are redeemable in cash on the date the employee ceases to be employed by the Company.

Under the Director DSU Plan, effective January 1, 2005, directors will receive a portion of their annual compensation in the form of DSU's. The DSU's vest immediately and are redeemable in cash on the date the director ceases to be a director of the Company.

During the year, 375,000 DSU's were granted under the Employee DSU Plan and $2.8 million was recognized as stock based compensation expense.

13. 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 inclusive of $0.5 million related to management fees accrued over the period from January 1 to April 15, 2004 plus applicable Goods and Services Tax in return for canceling the Investment Management Contract. The Manager used the proceeds 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 an additional 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.

14. 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, accrued liabilities and note payable, approximate their fair values due to their short-term nature.

The carrying value of the Company's long-term note payable approximates their fair value.

15. 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 for the eleven and twelve month periods ended December 31, 2004 and January 31, 2004, respectively.

(in thousands of Canadian dollars)

	Eleven Months December 31, 2004	Twelve Months January 31, 2004
Net revenue		
Mining operations	$ (983)	$ –
Investments	51,418	68,789
	$ 50,435	$ 68,789
Net income (loss)		
Mining operations	$ (6,366)	$ –
Investments	21,918[1]	58,430
Net income of combined segments	15,552	58,430
Corporate	10,137	–
Foreign exchange	641	–
Income tax (recovery)	(3,117)	13,646
	$ 7,891	$ 44,784
Capital expenditures		
Mining	$ 25,309	$ –
Investments	–	–
	$ 25,309	$ –

	December 31, 2004	January 31, 2004
Identifiable assets		
Cash	$ 69,828	$ 23,176
Mining operations	95,748	–
Investments	133,068	154,858
	$298,644	$178,034

(1) includes cost of terminating investment management contract of $29.2 million inclusive of Goods and Services Tax (see note 13).

16. Subsequent Events

a) In connection with the purchase of the Bulgarian mining assets, the Company assumed the following obligations:

i. US$4 million note payable with interest at the rate of Libor plus 1.1%.

ii. US$12.5 million liability contingent on the conversion of the Krumovgrad exploration permit into a mining concession.

iii. A future 1% royalty on certain exploration properties based on future revenue from mineral production.

On February 3, 2005, the Company settled the above obligations plus accrued interest for US$10.5 million.

b) On February 18, 2005, the Company purchased an option to earn a 60% interest in certain exploration properties (Goose Lake and George Lake), located in Nunavut. Consideration consisted of the following:

i. The amount of qualified expenditures incurred by the seller under the option agreement, of approximately $10 million at the date of purchase plus 5%, plus $50,000.

ii. An additional amount of up to $200,000 representing costs which are not qualified expenditures under the option agreement.

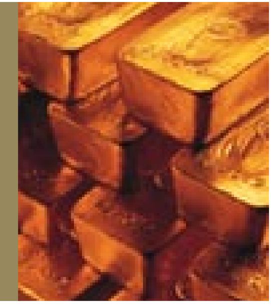
iii. 150,000 common shares of the Company or the cash equivalent thereof, at the Company's option plus $50,000, on the date which is the earlier of the date the Company has prepared a resource calculation for Goose Lake which confirms the resource to be not less than 1.5 million ounces of gold and the date on which the Company announces its intention to bring a mine into production on one of the properties.

iv. 187,500 common shares of the Company or the cash equivalent thereof plus $50,000 on the date on which the option is exercised by the Company.

17. Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation adopted in the current period.

Corporate information



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