

# DUNDEE BANCORP INC.

THIRD QUARTER 2001

## MANAGEMENT'S DISCUSSION AND ANALYSIS

We present herein the interim report of Dundee Bancorp Inc. for the three and nine months ended September 30, 2001. The Company reported operating losses of \$7.8 million and a net loss of \$59.0 million for the quarter. Operating losses reflect a decline in the value of global capital markets which affected our primary financial services operating business. In addition, the Company took certain provisions and write downs to the carrying costs of certain investments, taking a conservative approach to certain sectors within its investment portfolio. The largest component relates to Breakwater Resources, a zinc producer which has been severely affected by zinc trading at an all time low when calculated on a real basis. This has resulted in an equity loss to the Company of approximately \$25 million. In addition, provisions were made totalling \$28.6 million on investments in the Company's operations in India, certain investments in the telecommunications industry and certain other resource related investments. These provisions were not tax affected. Our equity accounted investments in Dundee Realty, Zemex, Eurogas and Black Hawk continued to produce earnings during this period.

We continue to believe that the fair value of our investment portfolio significantly exceeds our accounting book value. However, the estimated market value of the portfolio calculated using current market prices for publicly traded investments, excluding Dundee Wealth, dropped from \$480 million at the end of the second quarter to approximately \$409 million at September 30, 2001, mostly due to the decline in Breakwater's market value.

In addition, market depreciation of mutual fund assets, reduced transaction volume levels, and a general slowdown in corporate finance activity negatively impacted the net operating results of Dundee Wealth Management Inc., the Company's 85% owned financial service subsidiary. As a result, Dundee Wealth announced today that it had undertaken a very aggressive approach to cost containment. In addition to reductions in staff that have been occurring on an ongoing basis in Dundee Wealth's brokerage division, the company today implemented its decision to eliminate approximately 30 full time positions within Dynamic Mutual Funds. This represents 7.5% of the total workforce within the mutual fund company and an even larger percentage of remuneration costs that are not absorbed by the mutual funds. Dundee Wealth expects that additional initiatives in the area of cost cutting will ensue.

The combination of Breakwater's equity losses, the write down of investment values, and diminished operating results in Dundee Wealth, contributed to a reported net loss for the nine months ended September 30, 2001 of \$63.8 million or \$2.43 per share compared with net income of \$15.0 million or \$0.57 per share in the same period of 2000.

### Revenues

Total revenue, before investment income, for the three and nine months ended September 30, 2001 was \$52.0 million and \$176.0 million, respectively, compared with \$65.8 million and \$221.7 million in the same periods of the prior year. Income earned from the investment portfolio, exclusive of our share of earnings of equity accounted investments and write downs described above, was \$4.2 million in the third quarter, or \$9.5 million on a year-to-date basis, compared with \$18.8 million for the same period in 2000.

### Domestic and International Wealth Management Operations

*Management and Administration Fees* - Mutual fund management fee revenue during the third quarter of 2001 was \$24.7 million compared with \$26.4 million in the second quarter of the current year. Average assets under management during the current quarter decreased to \$5.4 billion from \$5.7 billion in the second quarter. The average management fee decreased slightly from 1.85% during the second quarter of this year to 1.84% in the current quarter.

On a year-to-date basis, mutual fund management fee revenue, including performance fee revenue, was \$78.0 million compared with \$86.8 million in the previous year. Although the average management fee paid on mutual fund assets decreased from 1.87% to 1.85% year-over-year, the decline in average assets under management from \$6.2 billion to \$5.6 billion, mostly due to market value depreciation, was the most significant factor contributing to this decline.

Mutual fund assets under management at September 30, 2001 were \$5.1 billion. Gross sales of mutual funds during the third quarter of 2001 were \$136 million compared with \$131 million in the second quarter, offset by redemptions of \$184 million and \$249 million, respectively. Mutual fund redemptions decreased 30% during the first nine months of 2001 compared with the same period of 2000. Consequently, revenues from redemption fees received during the first nine months of 2001 were \$8.2 million compared with \$17.3 million during the same period of 2000.

Total revenues earned from the management of other fiduciary assets were \$1.5 million in the three months ended September 30, 2001 compared with \$1.3 million in the previous three months. On a year-to-date basis, these management fees were \$3.9 million, compared to \$2.6 million earned during the first nine months of 2000. Total assets managed at September 30, 2001 was \$5.9 billion.

During the third quarter, the Company's offshore banking subsidiary's head office relocated to the Cayman Islands. It now has two operating locations being Cayman Islands and Bermuda. Management and administration fees earned through offshore activities continued to increase in the first nine months of 2001, generating revenues of \$1.8 million compared with \$1.6 million in the same period of 2000.

*Financial Services Revenue* - The current capital market environment has generally reduced the market value of securities and adversely affected transaction volumes, impacting on the overall profitability of the Company's brokerage subsidiaries. Principal trading revenues have declined from \$2.6 million in the second quarter of this year to \$1.7 million in the current quarter. Commission and trailer revenues were \$14.9 million in this quarter compared with \$18.7 million in the second quarter. Interest on margin accounts and other similar revenues have decreased from \$5.1 million in the second quarter to \$4.5 million in the current quarter. Revenue from the corporate finance division has decreased to \$1.6 million from \$2.2 million in the second quarter.

Financial services revenue during the first nine months of last year was positively affected by the strong capital markets experienced during the first quarter of that year. Therefore, on a year-to-date basis, financial services revenues have declined from \$113.4 million in the first nine months of 2000 compared with \$84.1 million in the current year. Current year financial services revenue includes retail sales of \$47.3 million (2000 - \$63.6 million), institutional sales of \$9.3 million (2000 - \$9.1 million), principal trading revenues of \$7.2 million (2000 - \$17.9 million), corporate finance revenues of \$6.9 million (2000 - \$11.0 million) and interest on margin accounts and other miscellaneous revenues of \$13.4 million (2000 - \$11.8 million).

## Investment Portfolio

The Company manages its own investment portfolio, both directly and through several wholly owned subsidiaries. The following table summarizes the carrying value of the Company's investment portfolio as at September 30, 2001.

*(in thousands of dollars)*

	<b>Total Book Value</b>
<b>Equity accounted investments</b>	
Black Hawk Mining Inc.	\$ 4,032
Breakwater Resources Ltd.	34,591
Dundee Realty Corporation	135,742
Eurogas Corporation	17,767
Repadre Capital Corporation	13,971
Zemex Corporation	36,849
Other	5,499
<b>Marketable securities</b>	79,706
<b>Other portfolio investments</b>	129,749
	<b>\$ 457,906</b>

The Company's portfolio is managed with a long-term perspective, therefore realized gains or losses are expected to vary from period to period. During the first nine months of 2001, sales of securities resulted in net investment gains of \$4.1 million compared with net investment gains in 2000 of \$14.8 million. Unrealized gains or losses in the portfolio, other than provisions, are not recognized in income. As discussed previously, during the third quarter of 2001 the Company provided \$28.6 million against the carrying value of certain of its investments held as of September 30, 2001.

In accordance with Canadian generally accepted accounting principles, the Company's losses or earnings from its investment portfolio include its proportionate interest in the operating results of its equity accounted investments.

*(in thousands of dollars)*

	2001		2000	
	3rd Qtr	YTD	3rd Qtr	YTD
Share of (losses) earnings of equity accounted investments *	\$ (24,333)	\$ (22,684)	\$ 3,245	\$ 13,821
Losses from dilutions of interest in equity accounted investments	(46)	(134)	(130)	(372)
	<b>\$ (24,379)</b>	<b>\$ (22,818)</b>	<b>\$ 3,115</b>	<b>\$ 13,449</b>

\* Includes a \$25 million equity loss in Breakwater Resources Ltd.

## Expenses

Selling, general and administrative expenses of the corporation include variable compensation expense paid to financial advisors. Generally, these compensation costs are calculated as a percentage of revenue generated by financial advisors. Therefore, lower levels of financial services revenue have reduced variable compensation costs from \$67.3 million in the first nine months of 2000 to \$44.3 million in the first nine months of the current year. Reduced revenue levels was the greatest factor in lowering variable compensation costs. However, the Company has also experienced a moderate improvement in contribution margin as today's volatile markets make it exceedingly difficult for financial advisors to attain the required sales quota to earn higher fees.

Other selling, general and administrative costs incurred by the Company during the third quarter of 2001 totalled \$32.5 million, not significantly different from the \$31.3 million in the second quarter of this year. On a year-to-date basis,

other selling, general and administrative costs total \$91.1 million compared with \$81.9 million in the same period of 2000. Generally, the year-over-year increase is attributable to the operations of Dundee Wealth, which were affected by a number of factors, including costs associated with building and establishing the platform necessary to develop the growth and profitability of its brokerage subsidiaries.

In addition, during the fourth quarter of 2000, approval was obtained from unitholders of certain Dynamic mutual funds to amend the calculation of manager's compensation to include a performance fee component. As part of that amendment, the manager agreed that the management expense ratio of that particular fund would not exceed specified levels. As a result, the 2001 results show the Company absorbing certain expenses incurred in the wealth management division that would otherwise be recoverable from the mutual funds. The associated performance fee revenues, however, will not be recognized or accrued in the net operating results of the Company until actually earned in December of each year.

Trailer fees are paid to third-party brokers and dealers to assist them in providing ongoing service to clients in respect of mutual funds managed by the Company. Trailer fees are calculated as a percentage of assets under management and are expected to vary as assets under management vary. Trailer fees paid during the second and third quarters of this year remained fairly constant at \$4.8 million per quarter. Total trailer fees for the nine months ended September 30, 2001 were \$14.8 million compared with \$16.6 million in 2000.

Amortization of deferred sales commissions decreased to \$27.7 million in the first nine months of 2001 from \$32.6 million in the same period of 2000. Other depreciation and amortization expense during the first nine months of 2001 was \$8.7 million (2000 - \$7.7 million). Included in amortization expense during the first nine months of 2001 is amortization of goodwill totalling \$4.3 million (2000 - \$4.3 million).

General operating expenses of the Company's offshore business activities are averaging approximately \$1.2 million per quarter while general corporate overhead costs remain fairly constant at just over \$2 million per quarter.

## Operating Segments

Selected information on the Company's operating segments for the three and nine months ended September 30, 2001 and 2000 are detailed in note 3 to the attached financial statements.

## Income Taxes

The Company holds a portion of its corporate investment portfolio in non-Canadian enterprises. In certain circumstances, losses from these investments may not be used to reduce taxable Canadian income. A significant portion of the provision against the carrying value of investments recognized during the third quarter falls into this category. Hence, the Company has not recognized the potential tax benefit from these losses. However, the structure of our offshore operations permits the Company to carry forward these losses indefinitely, permitting it, in certain circumstances, to shelter future gains from offshore activities, at which time a tax recovery will be recognized by the Company.

The Company estimates its taxable Canadian income at approximately \$2.9 million and has, accordingly, recorded an income tax provision of \$1.2 million.

## Basic Earnings per Share

Earnings per share is computed by dividing net earnings for the period by the weighted average number of Class A subordinate and Class B common shares outstanding during the period of 26,309,535 (2000 - 26,378,479).

## Liquidity and Capital Resources

Total cash and short term investments at September 30, 2001 were \$100.7 million compared with \$106.5 million at December 31, 2000 and \$100.0 million at June 30, 2001.

The company manages its resources in order to maintain sufficient liquidity to meet ongoing working capital requirements, service its debt, ensure compliance with regulatory capital requirements, fund the expansion of its current operations and pursue new business opportunities.

In July 2001, the Company made amendments to its revolving term credit facility with a Canadian chartered bank. The amendment includes an increase in the facility from \$20 million to \$30 million to provide the Company with additional working capital to fund normal operations and any potential expansion activities. Interest rates on amounts borrowed pursuant to the credit facility are tiered according to the rating of the Company's unsecured senior debentures. With its current bond rating, the Company pays interest on Canadian borrowings calculated at either a Canadian chartered bank's prime lending rate or Corporate Bankers' Acceptance rate plus 1%. The facility provides for US Dollar borrowings at either the Base Rate Canada or at LIBO Rates. Any unused portion of the credit facility accrues a stand-by fee of  $\frac{1}{4}$  of 1%.

During the current year, all borrowings have been in Canadian dollars. Average interest rates paid by the Company during the year was approximately 5.48%. During the third quarter, the average interest rate paid was approximately 5.00%.

The Company's subsidiary, Dundee Wealth, increased its borrowings to \$18 million during the first nine months of 2001 pursuant to its own \$20 million unsecured credit facility. Average interest rates paid by Dundee Wealth during the first nine months of 2001 are approximately 5.43%.

Dundee Wealth's securities brokerage subsidiary increased its borrowing levels from \$1 million at the end of June 2001 to \$5 million at September 30, 2001. Call loan requirements in the brokerage division will fluctuate based on net client financing requirements and general firm inventory positions. The average borrowing rates for call loans during the first nine months of 2001 was 5.22% on Canadian dollar borrowings and 5.03% on US dollar borrowings.

The Company's subsidiary, Dundee Wealth, has operating entities that are subject to regulatory requirements and therefore must maintain a specified level of capital. The Company maintains sufficient liquidity to ensure compliance with these regulatory capital requirements.

## Share Capital Outstanding on September 30, 2001

At September 30, 2001, there were 25,181,005 Class A subordinate voting shares and 1,057,468 Class B common shares outstanding. During the current year, the Company issued 96,382 Class A subordinate voting shares and added \$1.3 million to its stated capital pursuant to the terms of its Share Incentive Plan. The Company has 2,914,504 stock options outstanding to employees and directors allowing them to acquire shares of the Company at a weighted average price of \$14.54.

The Company is able to repurchase Class A subordinate voting shares for cancellation under its normal course issuer bid. During the first nine months of 2001, the Company, pursuant to its normal course issuer bid or otherwise, acquired 130,592 Class A subordinate voting shares at a total cost of \$2.0 million.

*This news release contains certain forward-looking statements that reflect the current views and/or expectations of Dundee Bancorp Inc. with respect to its performance, business and future events. Such statements are subject to a number of risks, uncertainties and assumptions. Actual results and events may vary significantly.*

*Dundee Bancorp Inc. is a financial service company that, through its 85% owned subsidiary, Dundee Wealth Management Inc., provides a broad range of financial products and services to individuals, institutions and corporations. Dundee Bancorp also provides financial services on an international basis from offices in Bermuda, Cayman Islands and India. The Company also manages its own investment portfolio.*

**FINANCIAL INFORMATION ATTACHED**

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## CONSOLIDATED BALANCE SHEETS

*(expressed in thousands of Canadian dollars) (unaudited)*

	September 30, 2001	December 31, 2000
<b>ASSETS</b>		
Cash and short term investments	\$ 100,654	\$ 106,456
Brokerage securities inventory	4,400	4,786
Accounts receivable	27,212	39,682
Client accounts receivable	361,004	266,519
Investment portfolio	457,906	497,733
Deferred sales commissions	54,364	71,798
Capital and other assets	125,943	129,915
<b>TOTAL ASSETS</b>	<b>\$ 1,131,483</b>	<b>\$ 1,116,889</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 34,775	\$ 52,703
Brokerage securities sold short	837	1,842
Client deposits and related liabilities	377,326	258,621
Deferred acquisition obligations	475	475
Current taxes payable	5,611	11,262
Corporate debt	206,588	214,955
Future income tax liability	42,832	49,414
Non controlling interest	17,876	18,572
	686,320	607,844
<b>SHAREHOLDERS' EQUITY</b>		
Share capital		
Common shares	346,328	346,493
Retained earnings	98,835	162,552
	445,163	509,045
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 1,131,483</b>	<b>\$ 1,116,889</b>

**CONSOLIDATED STATEMENTS OF INCOME  
AND RETAINED EARNINGS**

for the three months and nine months ended September 30, 2001 and 2000

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

	Three Months		Nine Months	
	2001	2000	2001	2000
<b>REVENUE</b>				
Management and administration fees	\$ 26,926	\$ 31,374	\$ 83,713	\$ 91,022
Redemption fees	2,401	3,917	8,169	17,255
Financial services	22,658	30,506	84,119	113,398
	51,985	65,797	176,001	221,675
Investment income	4,184	342	9,454	18,807
	56,169	66,139	185,455	240,482
<b>EXPENSES</b>				
Selling, general and administrative	43,770	46,114	135,424	149,194
Trailer fees	4,807	5,650	14,844	16,565
	48,577	51,764	150,268	165,759
<b>OPERATING INCOME BEFORE INTEREST, TAXES AND OTHER NON CASH ITEMS</b>				
	7,592	14,375	35,187	74,723
Amortization of deferred sales commissions	(8,670)	(11,057)	(27,659)	(32,576)
Depreciation and amortization	(3,046)	(2,641)	(8,722)	(7,657)
Interest Expense	(3,634)	(3,964)	(10,983)	(10,579)
	(7,758)	(3,287)	(12,177)	23,911
<b>OPERATING (LOSS) INCOME</b>				
Share of (losses) earnings of equity accounted investments	(24,379)	3,115	(22,818)	13,449
Increase in investment provision to reflect decreases in value of investments	(28,622)	-	(28,622)	-
Income tax (provision) recovery	1,020	(2,240)	(1,201)	(21,211)
Non controlling interest	700	51	991	(1,114)
<b>NET (LOSS) INCOME</b>	<b>\$ (59,039)</b>	<b>\$ (2,361)</b>	<b>\$ (63,827)</b>	<b>\$ 15,035</b>
<b>RETAINED EARNINGS AT BEGINNING OF PERIOD</b>				
	\$ 158,292	\$ 173,632	\$ 162,552	\$ 166,950
Net (loss) income	(59,039)	(2,361)	(63,827)	15,035
Change in opening retained earnings to account for change in accounting policy of equity accounted investees	-	-	701	(9,353)
Premiums related to cancellation of share capital	(418)	(12)	(437)	(1,356)
Cancellation of stock options	-	(6)	(154)	(23)
<b>RETAINED EARNINGS AT END OF PERIOD</b>	<b>\$ 98,835</b>	<b>\$ 171,253</b>	<b>\$ 98,835</b>	<b>\$ 171,253</b>
<b>(LOSS) EARNINGS PER SHARE</b>				
Basic (loss) earnings per share	\$ (2.24)	\$ (0.09)	\$ (2.43)	\$ 0.57
Diluted (loss) earnings per share	\$ (2.24)	\$ (0.09)	\$ (2.43)	\$ 0.56

## CONSOLIDATED STATEMENTS OF CASH FLOWS

for the three months and nine months ended September 30, 2001 and 2000

(expressed in thousands of Canadian dollars) (unaudited)

	Three Months		Nine Months	
	2001	2000	2001	2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net (loss) income	\$ (59,039)	\$ (2,361)	\$ (63,827)	\$ 15,035
Non cash items in income:				
Depreciation and amortization	11,716	13,698	36,381	40,233
Net investment (gains) losses	(1,645)	1,107	(4,088)	(14,770)
Share of unremitted equity losses (earnings)	24,379	(3,115)	22,818	(13,449)
Increase in investment provision to reflect decreases in value of investments	28,622	-	28,622	-
Future income tax provision	(872)	2,557	(6,490)	11,797
Non controlling interest	(700)	(51)	(991)	1,114
Other non cash components of income	1,174	1,113	2,831	1,882
	3,635	12,948	15,256	41,842
Changes in:				
Accounts receivable	2,276	6,215	12,470	12,887
Accounts payable and accrued liabilities	(3,391)	1,523	(19,115)	(23,351)
Current taxes payable	287	869	(5,651)	(15,481)
Brokerage securities inventory, net	(198)	(665)	(619)	(3,146)
Client accounts receivable, net of deposits and related liabilities	3,841	54,544	24,220	(1,157)
<b>CASH PROVIDED FROM OPERATING ACTIVITIES</b>	<b>6,450</b>	<b>75,434</b>	<b>26,561</b>	<b>11,594</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds on sales of portfolio investments	1,178	458	18,016	89,157
Acquisition of investments	(2,813)	(4,372)	(21,197)	(77,101)
Sales commissions paid on distribution of mutual funds	(2,980)	(4,143)	(10,225)	(13,063)
Other	(3,230)	(2,329)	(9,259)	(5,483)
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(7,845)</b>	<b>(10,386)</b>	<b>(22,665)</b>	<b>(6,490)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
(Decrease) increase in corporate debt	3,591	21,549	(9,279)	9,552
Issuance of Class A subordinate shares, net of costs	(136)	40	681	1,463
Issuance of shares in subsidiaries to non controlling interest	393	-	995	-
Acquisition of Class A subordinate shares	(1,773)	(45)	(1,998)	(9,267)
Cancellation of options granted	-	(24)	(97)	(41)
<b>CASH (USED IN) PROVIDED FROM FINANCING ACTIVITIES</b>	<b>2,075</b>	<b>21,520</b>	<b>(9,698)</b>	<b>1,707</b>
<b>NET (DECREASE) INCREASE IN CASH DURING THE PERIOD</b>	<b>680</b>	<b>86,568</b>	<b>(5,802)</b>	<b>6,811</b>
Cash, beginning of period	99,974	58,230	106,456	137,987
<b>CASH, END OF PERIOD</b>	<b>\$ 100,654</b>	<b>\$ 144,798</b>	<b>\$ 100,654</b>	<b>\$ 144,798</b>
Cash flows from operating activities include the following:				
Interest paid	\$ 3,634	\$ 3,964	\$ 10,983	\$ 10,579
Taxes paid	\$ (21)	\$ (763)	\$ 14,580	\$ 26,173

**DUNDEE BANCORP INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the three months and nine months ended September 30, 2001 and 2000

(Unaudited)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION**

The consolidated financial statements of Dundee Bancorp Inc. (the “Company” or “Dundee Bancorp”) have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting principles and methods of application as those disclosed in note 1 to the Company’s audited consolidated financial statements for the year ended December 31, 2000, except as disclosed in note 2 below. These interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2000.

**2. CHANGES IN ACCOUNTING POLICIES****Basic and Diluted Earnings Per Share**

Effective January 1, 2001, the Company retroactively adopted the new recommendations of the Canadian Institute of Chartered Accountants in respect of the calculation of basic and diluted earnings per share. Under the new recommendations, the Company is required to use the treasury stock method to calculate the dilutive effect of stock options. This change impacts the way the dilutive effect, if any, of outstanding options issued by the Company will be reflected in diluted earnings per share. As per the new standard, options will be assumed to have been exercised at the beginning of the year or at the date of issuance, if later, and the proceeds from exercise will be assumed to have been used to repurchase Class A subordinate voting shares for cancellation at the average market price during the period. The incremental shares (the difference between the number of shares assumed to have been issued and the number of shares assumed to have been purchased for cancellation) will be included in the denominator of the diluted earnings per share computation. Under previous guidelines of the Canadian Institute of Chartered Accountants, cash proceeds from the deemed exercise of stock options were assumed to be invested in such a way as to earn a reasonable return.

The effect of this change does not have any impact on comparative 2000 diluted earnings per share as detailed below:

(in thousands, except per share amounts)

	Treasury Method	Previous EPS Method
Net income	\$ 15,035	\$ 15,035
Income earned on proceeds from exercise of options	\$ -	\$ 269
	\$ 15,035	\$ 15,304
Basic weighted average number of shares outstanding	26,378	26,378
Shares issued on assumed exercise of options	-	837
Incremental shares issued on assumed exercise of options	535	-
	26,913	27,215
Diluted earnings per share	\$ 0.56	\$ 0.56

**Exploration and Development Costs**

In March 2000, the Canadian Institute of Chartered Accountants issued “Accounting Guideline 11, Enterprises in the Development Stage”, which is required to be adopted in years beginning after April 1, 2000. The impact of this guideline requires immediate expensing of all exploration and development costs in the absence of proven reserves. Certain of the Company’s equity accounted investments are affected by this guideline.

In accordance with the requirements of the guideline, these equity accounted investments charged a portion of their previously deferred exploration and development costs against opening retained earnings on January 1, 2001. Dundee Bancorp has made a corresponding adjustment to its January 1, 2001 opening retained earnings to recognize its proportionate interest in these amounts. The impact of the adoption of this guideline by certain of the Company's equity accounted investments is to decrease retained earnings as of January 1, 2001 by \$1,834,000.

#### Income Taxes

Certain of the Company's equity accounted investees implemented the new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes in 2000. Adoption of the new recommendations by equity accounted investees resulted in a charge against the investee's opening retained earnings as of January 1, 2000. During the first quarter of 2001, the Company recorded its proportionate share in any opening retained earnings adjustments of the investees not previously recognized, through a further adjustment in the Company's opening retained earnings as of January 1, 2001. The impact of the adoption of these new recommendations by certain of the Company's equity accounted investments is to increase retained earnings as of January 1, 2001 by \$2,535,000.

### 3. SEGMENTED INFORMATION

Financial information is presented according to the following operating segments:

#### Wealth Management

The wealth management segment includes the operating results of the Company's investment management subsidiary, Dundee Wealth. This segment provides investment management and administrative services to the Dynamic, Dynamic Power, Dynamic Focus Plus Mutual Funds, Dynamic Venture Opportunities Fund, institutional clients and private individuals. This operating segment also provides securities brokerage, investment banking and financial planning and advisory services to corporations and individuals.

#### Corporate and Merchant Banking

The corporate and merchant banking segment includes various revenues and expenses incurred at the corporate level, including revenues generated and expenses incurred in the management of the Company's investment portfolio. Merchant banking activities carried on by certain offshore subsidiaries are included in this segment. During the third quarter of 2001, the Company reclassified certain of its merchant banking transactions from the offshore segment to the corporate and merchant banking segment.

#### Offshore Activities

The Company, through several wholly owned subsidiaries, carries on business in Bermuda, the Cayman Islands and India. Through its offshore entities, the Company provides investment management and administrative services to mutual funds, hedge funds and other investment clients.

## Segmented Components of Net Income

for the nine months ended September 30, 2001  
(in thousands of dollars)

	Wealth Management		Corporate and Merchant Banking		Offshore Business		Intersegment		Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Revenues	174,249	216,956	15,068	29,448	2,056	1,828	(5,918)	(7,750)	185,455	240,482
Expenses	178,193	194,798	19,483	24,007	5,874	5,636	(5,918)	(7,870)	197,632	216,571
<b>OPERATING (LOSS) INCOME</b>	(3,944)	22,158	(4,415)	5,441	(3,818)	(3,808)	-	120	(12,177)	23,911
Other items in income:										
Equity (losses) earnings	-	-	(22,818)	13,449	-	-	-	-	(22,818)	13,449
Non controlling interest	991	(1,114)	-	-	-	-	-	-	991	(1,114)
Investment provision	-	-	(20,487)	-	(8,135)	-	-	-	(28,622)	-
<b>(LOSS) INCOME BEFORE TAXES</b>	(2,953)	21,044	(47,720)	18,890	(11,953)	(3,808)	-	120	(62,626)	36,246
Tax provision									(1,201)	(21,211)
<b>NET (LOSS) INCOME</b>									(63,827)	15,035

for the three months ended September 30, 2001  
(in thousands of dollars)

	Wealth Management		Corporate and Merchant Banking		Offshore Business		Intersegment		Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Revenues	52,089	64,690	5,154	3,681	762	657	(1,836)	(2,889)	56,169	66,139
Expenses	58,093	62,004	5,674	7,992	1,996	2,439	(1,836)	(3,009)	63,927	69,426
<b>OPERATING (LOSS) INCOME</b>	(6,004)	2,686	(520)	(4,311)	(1,234)	(1,782)	-	120	(7,758)	(3,287)
Other items in income:										
Equity (losses) earnings	-	-	(24,379)	3,115	-	-	-	-	(24,379)	3,115
Non controlling interest	700	51	-	-	-	-	-	-	700	51
Investment provision	-	-	(20,487)	-	(8,135)	-	-	-	(28,622)	-
<b>(LOSS) INCOME BEFORE TAXES</b>	(5,304)	2,737	(45,386)	(1,196)	(9,369)	(1,782)	-	120	(60,059)	(121)
Tax recovery (provision)									1,020	(2,240)
<b>NET LOSS</b>									(59,039)	(2,361)

#### 4. INVESTMENT PROVISION

During the third quarter, the Company provided for \$28.6 million against the carrying value of certain of its portfolio investments held by foreign subsidiaries.

#### 5. SUBSEQUENT EVENT

The Company has provided a US\$6.5 million secured guarantee to enable Breakwater Resources Ltd. to increase its loan facility with its banking syndicate, which guarantee will rank pari passu with the bank's security for its loan to Breakwater. For providing this arrangement, and subject to regulatory approval, the Company will receive a right to purchase additional shares of Breakwater.