

You consult
professionals for
issues of health.

What about for
issues of wealth?

The expert advice and impartiality of professional financial advisors is crucial in helping many investors achieve their financial goals | Get a financial check-up from your professional financial advisor and let them show you how to create a long and healthy financial future |

For an assessment of your investment needs, as well as advice on financial planning, consult an independent financial advisor.

Dundee
Wealth
Management
Inc.

2004 ANNUAL REPORT

CANADIAN COMPANIES A.R.

LIBRARY USE ONLY



DUNDEE
WEALTH MANAGEMENT
BLUE-CHIP GROWTH

History

Many shareholders have queried the source of our name. The name **Dundee**, from which we draw our corporate identity, is **steeped in history and synonymous with trust** – the investment trust that evolved into current-day mutual funds.

Dundee is the name of a small city in Scotland whose significance in wealth far surpassed the borders of its country. The city grew prosperous from textile trading in the 1800s and had been best known for jam-making and shipbuilding for centuries. Thanks to the vision of Dundonian, Robert Fleming (the founder of the well-known Scottish wealth management company which still bears his name), Dundee citizens used the investment trust idea to great benefit.

Over a century ago, Fleming, a 28-year old clerk, foresaw how investing in emerging economies could prove profitable. In 1873, he launched the First Scottish Investment Trust to lower risk and invest in the bonds of foreign states, cities, railroads and other corporations. The emerging economy which Fleming first convinced wealthy Dundee textile barons to invest in was the United States of America.

Although the first investment trust was formed in London, England four or five years earlier to invest in domestic undertakings, it was Fleming of Dundee that made them famous by using investment trusts to purchase bonds outside the UK market and for new ventures. The enormous success Dundee investment trusts had is owed largely to Fleming's bold but prudent use of investment savvy, which allowed the Robert Fleming organization to prosper and grow.

Today, the wealth management industry has expanded to include many alternative forms of investment. Investment and unit trusts and mutual funds have become accepted as global, mainstream financial instruments. Dundee's name reminds us of the history of investment management and of our own objective to achieve outstanding long-term growth for our investors. We continue with the Dundee tradition to manage our own business well and to invest in growing businesses that can earn above-average returns on investment for our clients.

Our name and our objective are strongly linked to the ideology of prudent and disciplined investing combined with innovative thinking.

Shareholders' Annual Meeting

The Annual and Special Meeting of Shareholders

Dundee Wealth Management Inc.
will be held on Wednesday, June 22, 2005
at 3:00 pm (Toronto time) at the
Design Exchange
234 Bay Street
Toronto, Ontario

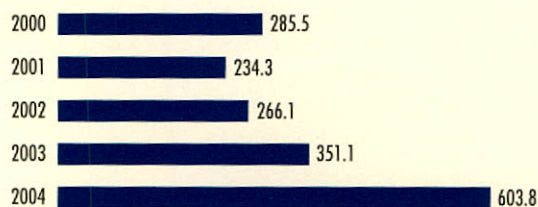
Table of Contents

History	Inside Front Cover
Strength and Diversification	1
Highlights	Fold
Corporate Profile	4
The Chief Executive Officer's Report	4
Dynamic Mutual Funds	19
Corporate Programs	20
Management's Discussion and Analysis	22
Financial Statements	53
Statement of Corporate Governance Practices	83
Corporate Directory	91
Code of Ethics	93
Board of Governors	93

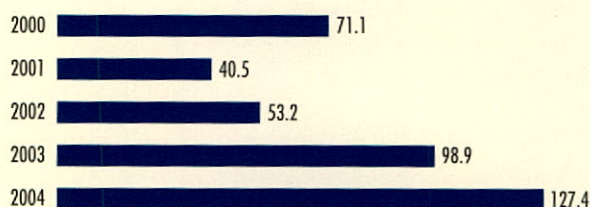
The details of our financial results are outlined in the Management's Discussion and Analysis for Dundee Wealth Management Inc. that follows in this report.

Highlights

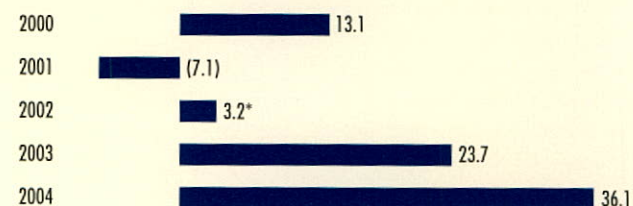
Revenue (millions of dollars)



EBITDA (millions of dollars)

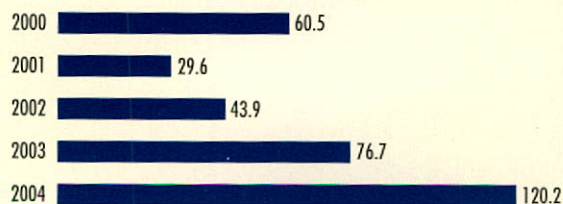


Net Earnings (Loss) (millions of dollars)



*Before dilution gain

Cash Flows from Operations before Changes in Working Capital Items (millions of dollars)



Dundee Insurance Agency Ltd.

Dundee Insurance provides, through its arrangements with virtually all of the leading Canadian insurance companies, a wide range of insurance products such as universal, term and whole life insurance, disability income replacement insurance, critical illness, long-term care plans and segregated investment products.

Dundee Mortgage Services Inc.

Dundee Mortgage is a full service mortgage broker offering a wide range of residential mortgage products and services.

Dundee Private Investors

Dundee Private Investors is a national financial planning and mutual fund dealer. Dundee Private Investors has approximately 1,600 financial advisors.

Dundee Securities Corporation

Dundee Securities is the largest independent investment dealer in Canada. Dundee Securities also provides a full range of capital market services to its institutional clients across the nation. Dundee Securities has approximately 500 financial advisors.

diversiTrust Income Fund

diversiTrust Income Fund marked Goodman & Company's successful entry in the closed-end fund segment, closing with \$84 million in assets in November 2002. Building on Goodman & Company's strong reputation in the income trust sector, diversiTrust took the Company's expertise to the broker channel. The Fund represents a broadly diversified portfolio of high income securities, predominately income trusts, and has performed with exceptional consistency since inception.

diversiTrust Stable Income Fund

diversiTrust Stable Income Fund built on the success of the original diversiTrust Fund, closing with more than \$192 million in assets in September 2003. The Fund carries an SR-1 stability rating from Standard & Poor's, the highest available rating for income trusts and a trusted mark of distribution stability. Performance has been strong, and distributions steady since inception.

diversiTrust Income+ Fund

diversiTrust Income+ Fund closed in February 2004 with nearly \$190 million in assets. The Fund returned to the winning formula of the original, with a high quality portfolio of income trusts, actively managed across the key sectors.

diversiTrust Energy Income Fund

diversiTrust Energy Income Fund was created to capitalize on the strong long-term fundamentals underpinning the energy trust sector. This strong offering brings Goodman & Company's total closed-end assets to \$467 million as at March 31, 2005. diversiTrust Funds have been embraced by the broker community allowing the Company to capture a significant share of the closed-end investment category.

Marquis Investment Program

The Marquis Investment Program offers a simple, complete investment strategy with optimal portfolios designed to match the goals and risk tolerance of different investors. Each Portfolio is carefully constructed from the bottom up diversified by asset class, geographic region, and investment style. Each asset class is managed by two top-rated institutional portfolio managers with complementary investment styles. Marquis aims for strong long-term performance with reduced volatility along the way.

Viscount Wealth Management Program

The Viscount Wealth Management Program is a comprehensive investment program designed for Canadians with a minimum of \$100,000 to invest. Viscount brings together many of the world's top investment managers within a multi-manager program, with independent guidance, oversight and reporting. Viscount's outstanding service enhancements, including financial planning tools and high-quality reporting make this program a true winner for high net-worth investors.

MultiPartners Portfolios

MultiPartners Portfolios consist of carefully selected funds from leading retail mutual fund companies and Cartier Funds, which have institutional managers. Each Portfolio has a different mix of stocks, bonds and geographic regions, to meet the needs of investors with different objectives. Offering broad diversification across the main investment management styles, the MultiPartners offer comprehensive one-ticket portfolio solutions.

Cartier Funds

Each Cartier Fund combines portfolios from different investment management firms with complementary investment styles, to enhance returns and control volatility. This multimanager approach, featuring leading institutional and private wealth managers, ensures sound diversification through the economic cycle. Cartier Multimanager Portfolio, made up of Cartier's equity and bond funds, offers diversification across asset classes, regions and styles – a complete investment solution with one buying decision.

Strength and Diversification

Goodman & Company, Investment Counsel Ltd.

Goodman & Company, Investment Counsel Ltd. is one of Canada's top investment services companies, creating and managing investment funds and segregated accounts for clients at all points on the wealth continuum. Goodman & Company and its affiliates offer a stable of widely respected brands through financial advisors, including mutual funds (Dynamic Mutual Funds), portfolio solutions (Radiant and MultiPartners) fee-based programs (Viscount and Marquis), limited partnerships (CMP and Canada Dominion), closed-end funds (diversiTrust) and high net-worth investment counsel (Goodman Private). Goodman & Company currently has approximately \$15 billion in assets under management.

Goodman Institutional Investments

Goodman Institutional Investments provides superior investment management services to pension funds, foundations and other institutional clients. Goodman Institutional's focus is on translating strategic trends and best practices into innovation investment solutions through a range of alternative investment strategies as well as core multi-manager, multi-style institutional mandates. Industry-leading service is based on a total investment approach, including asset mix management, comprehensive monitoring, compliance and reporting.

Goodman Private Wealth Management

Goodman Private Wealth Management is an exclusive organization that services and manages private client investment accounts with assets in excess of \$2 million. Clients include individuals, estates, and personal trusts. Goodman Private assists successful Canadians in managing their wealth through comprehensive, uniquely personalized investment advice.

Dynamic Mutual Funds

Dynamic is one of Canada's leading mutual fund companies, with a fully-integrated family of broadly-based and specialty mutual funds designed to meet every investor's needs for diversification. Dynamic's funds are managed according to three distinct investment disciplines: Dynamic Value, Dynamic Power (growth) and Dynamic Focus+. Since its beginnings in 1957, Dynamic has remained at the leading edge of the investment arena, steadily expanding its roster to meet the evolving needs of today's investors.

Commonwealth Funds

The Commonwealth Funds take their name from one of the oldest mutual funds in Canada, started in 1932. These Canadian and global balanced funds represent a long-standing investment tradition based on the key principles of wealth creation: long-term focus, a sensible investment approach and portfolio balance. The Commonwealth Funds cover the world in a simple, comprehensive format.

Hathaway Funds

Hathaway Funds are managed according to the time-tested Focus+ philosophy, which ignores day-to-day market fluctuations and works to forge long-term ownership as partners with a select number of outstanding businesses. Strict fundamental analysis determines intrinsic value, and periods of stock market mis-pricing are used to invest at attractive prices, ensuring a margin of safety. The Hathaway Funds' goal is to provide superior returns while minimizing the risk of capital loss.

CMP Limited Partnerships

CMP Resource limited partnerships offer investors the opportunity to benefit from Canada's compelling tax incentives aimed at supporting the country's resources industry. The team at Goodman & Company pioneered flow-through investing with the creation of CMP Limited Partnerships in 1983, and between 1984 and 1990 CMP Limited Partnerships raised more than \$1.1 billion. CMP was reintroduced in 1999, and has raised nearly \$600 million in nine partnerships since then. Goodman & Company's track record and experience in the resource sector is second-to-none.

Canada Dominion Resources Group

Canada Dominion Resources Group is an industry leader in natural resource flow-through share investing with more than 14,000 investors and over \$468 million raised to date. Like CMP, Canada Dominion limited partnerships are designed to transfer the tax benefits enjoyed by resource companies to individual investors through a diversified, professionally managed portfolio of flow-through shares.

Radiant Strategic Portfolios

The Radiant Strategic Portfolios are an innovative approach to investing designed to provide unparalleled access to Canada's leading mutual fund companies. Combining top-performing funds from five of Canada's most respected companies, Radiant delivers a series of comprehensive, personally tailored portfolios to match investors' goals. This advanced approach provides access to some of the world's best investment opportunities with a single transaction.

Corporate Profile

Dundee Wealth Management Inc. is a Canadian integrated financial service company. We serve many types of clients: independent financial advisors, institutional investors, corporations, individual investors and foundations.

We believe that prudent wealth management requires two sets of skilled investment professionals: investment counsel to manage money, and financial advisors to provide financial and investment advice, asset allocation, estate, tax and overall financial planning advice to investors.

We assist others or provide this important advice directly through the portfolio managers of our Goodman & Company, Investment Counsel division; the wholesalers of our Dynamic Mutual Funds division servicing third-party independent financial advisors across Canada; the corporate finance, institutional brokers, investment advisors and private client representatives of Dundee Securities Corporation; and financial advisors of Dundee Private Investors Inc.

Goodman & Company and its related divisions manage approximately \$15 billion in assets and operate with several different and complementary investment disciplines. The investment process stresses the importance of anticipating and responding to new global investment patterns. Dynamic sells its products through more than 30,000 independent financial advisors across Canada.

Dundee Securities and its sister companies, with approximately 2,100 financial advisors in more than 675 offices throughout Canada, administer approximately \$27 billion in client assets in approximately 800,000 accounts. The companies are totally customer centric and utilize an open architecture, offering only the best available investment, insurance and mortgage products to their clients.

The Chief Executive Officer's Report NED GOODMAN, CFA

Dear fellow shareholders

A quote from Proverbs 12:15 sets out our premise that good investment advice is critical, and worth paying for – “The way of a fool seems right to him, but a wise man listens to advice”. With some literary licence I could add “Free advice, especially from the media folk, and bank tellers, is almost worth the price.”

Our results for 2004 were excellent. We managed to increase our revenues by 72% to \$603.8 million, our EBITDA by 29% to \$127.4 million and our fee paying assets under administration and management by 8% to \$41.5 billion. We were able to do this while working on the enormous task of integrating the largest Canadian independent network of financial advisors.

We were helped in this achievement by a great team at our brokerage and capital markets division and outstanding investment performance from our investment managers. Over the three year period ending 2004, 90% of our assets under management (AUM) were in the top 2 quartiles as compared to our peer group.

It is easy and perhaps appropriate to point to last year as a turning point, but that would not give proper credit to the planning and implementation of our vision and strategy over the last five years. In our annual report for 1999 we talked about becoming a fully integrated wealth management company operating from product and investment solution creation to its distribution. We have significantly transformed our company since that time and it serves us well to consider from where we came.

	2004	1999	Compound Annual Growth Rate
GROSS ASSET ADDITIONS (in millions of dollars)	3,743	443	53%
NET ASSET ADDITIONS (in millions of dollars)	1,196	(847)	n/a
AUA (in millions of dollars)	26,932	6,567	33%
AUM (in millions of dollars)	14,532	6,594	17%
EBITDA (in thousands of dollars)	127,367	50,011	21%

We achieved this growth because of the dedication of our employees. Our team is a proud group with a passion for the wealth management industry. While our results are good, our company is only just beginning to gain industry recognition and momentum. Over the past couple of years several investment firms have begun to write research recommending our company's stock and indeed we have been successful in raising close to \$300 million in equity financing since December 2003.

Notwithstanding these successes corporately, our industry has presented many challenges. The negative regulatory and media environment has eroded public perception. Furthermore, entrepreneurial organizations such as ours thrive on innovation and lateral thinking, a cultural approach generally discouraged in this time of "regulatory puritanism" and "reputational terrorism".

These attacks on our industry need to be defended and Dundee Wealth and its affiliates have steadfastly maintained our position as advocates for financial advisors. This position should be familiar to Dynamic Mutual Funds' clients through our use of the 1997 advertising campaign with the shirtless guy (as he is now known) and the caption "next time use a financial advisor". More recently Dynamic has used more subtle marketing messages demonstrating the value of advice in multiple situations. An example of this type of advert is being used as the cover of this report.

Perhaps now more than ever advocacy is required to defend the value of advice. Our passion for the Wealth Management industry comes from the belief that good investment advice is critical to making good investment decisions. Let's look at the intellectual arguments thrown at our industry by popular media and so-called activists.

1. The argument that markets are efficient and index funds and ETF's can replace mutual funds and financial advisors at a much lower cost.
2. The argument that the industry is in need of more regulation.

Efficient Markets and Index Funds

Over the past 45 years, there has been a common feeling amongst academics and journalists that the auction market for businesses is totally efficient and that it is impossible for investors to find companies that are mispriced in the market. Warren Buffett once joked that he would gladly endow a chair in modern portfolio theory at every business school in America to train his market adversaries so that it would be even easier for him to make money in the markets. So it is even more ironic for me to discover that the holder of the Ned Goodman Chair in Investment Finance is a proponent of the Modern Portfolio Theory and Capital Asset Pricing Model. His feeling, and he is well supported by other academics, is that the analyses of businesses and their shares is useless because all public information is already reflected in their prices – the market knows all! It is efficient and therefore it cannot be beaten by mere human brains and security analysts, and portfolio managers should not be capable of beating the market by finding mispriced securities. The fact that my personal wealth and my ability to fund a chair in investment finance have been achieved because of my disbelief of the Modern Portfolio Theory is generally considered to be luck. I never could understand how any theory could assume that investors are rational, nor could I understand how if a company is intrinsically worth \$10 per share, that my risk of loss as measured by volatility is greater if I pay \$4.00 for each share than if I pay \$7.50 for each share.

These professors with a plethora of academic degrees and much publication have come to the perceptive view that the market is sometimes efficient and then incorrectly take that fact to assume that it is always efficient. With that as background, it is quite satisfying to me that two behavioral finance professors were recent recipients of Nobel Prizes for their work. Even Jeremy Siegel, who became famous for his first book “**Stocks for the Long Run**”, which was a treatise for simply buying the stock index and putting it away for the long term has now seen the light. His recent book “**The Future for Investors**” a “new paradigm for investing and building wealth in the 21st century” claims to shatter the conventional wisdom that has created a nation of index investors. Professor Siegel, now that he has seen the light, has discovered that it is possible with diligence, work and intelligence to pick the stock of companies that will outperform others because their valuation metrics are often mispriced in that so-called efficient market. “Valuation matters – always” he says and Warren Buffett’s methodology is not related to luck and randomness but to an ability to uncover business investments that over the long term will provide a growing cash flow and dividends as well as increase in capital value. All active investment managers are trying to do the same thing and over the last five years most active management has outperformed the passive indices by more than the cost of advice.

Regulatory and Media Environment

Our Company's passion for the wealth management industry comes from the belief that good investment advice is critical to most successful investment decisions. Dundee Wealth Management's very existence is based on the quality of advice delivered to investors through independent financial advisors. It is painful for me and many of our team to listen to the everyday noise of media and academics constantly diminishing the value of our life's work. Whether it is challenging our integrity, or the ability of investment management to beat an index, or challenging the fee structure of the industry, it all comes down to questioning the value given by financial advisors and the necessity of professional investment management.

Our industry is being attacked by more than just healthy competition. As a result of the market correction in March 2000, there has been significant regulatory, legislative, compliance and negative media attention inflicted on the wealth management industry. As a result of this, operating costs have increased and will continue to increase, but more importantly, in any company of fair-minded, honest people, there exists a high degree of fear and concern that inadvertent honest mistakes may be made that will result in severe punishment. The potential for public humiliation and unjustified punishment has never been higher. In my 45 years as an entrepreneur, I have never witnessed an environment that is more unfriendly to capitalism and entrepreneurial activity than today's environment. Notwithstanding, we intend to continue to move forward with our entrepreneurial culture. We will support our advisors and employees and treat the regulatory battlefield as a barrier to entry for others. The pendulum has swung too far and will eventually shorten its swing.

Dundee Wealth Management has the passion and power to continue the momentum in its capture of an increasing share of the wealth management industry, which itself is growing. We have created well recognized and trusted brands that are investment solutions to a growing market of investors concerned about their income needs and their retirement needs.

Our business model embraces four current trends in the Canadian wealth management industry:

1. *Canadians will continue to arrange their household balance sheet towards advisor managed financial assets.*
2. *Consumers and advisors continue to rationalize the number of relationships they maintain with providers of financial services and products.*
3. *Distributors and manufacturers of financial product are continuing to adopt the integrated financial services model. It is increasingly important to ensure that investors of all sizes have sustainable access to the advisory channel.*
4. *New technology for the financial service industry is necessary and costly and is continuously tilting the playing field to larger scale.*

The corporate strategy is quite simple – we are an investment management company and our aim is to build scale in assets under management (“AUM”). We have chosen to do so by being diversified in our service and product offerings with the aim to be top performers in everything that we provide. Our asset management goal is to create wealth for both our clients and our Company.

CEO Report cont'd

We have a large network of independent financial advisors that carry the Dundee Wealth Management name and we maintain strong relationships with all major distribution outlets in the investment advisory channel. We deliver valuable performance to our clients whether it be in the form of income or capital gain. We have the embedded value to likewise provide our shareholders with an increasing value of their shareholdings.

We are working hard to combine a network of financial advisors providing professional financial investment advice to a growing population of investors and a first class team of investment managers into a vertically integrated wealth producing operation. Our strategy is to pull it together such that the excellent products and solutions that we develop are available to investors through all distribution channels that earn a fee for providing investment advice.

Our motto remains that "AUM Creates our Value", and we are fortunate that during 2004 we have been able to increase our AUM by 21% from \$12.0 billion to \$14.5 billion. To do so during what has been considered by most of our peers to be a very difficult year is a testament to our ability to provide investment performance and superior service to our clientele. Competition at all levels of our industry remains challenging. Overall compliance to regulatory supervision and the negative press that develops therefrom is often disheartening and only soothed by the fact that we have been able to keep our customers satisfied. Continuing regulatory and media pressure on virtually every point has caused some of our largest competitors to react by lowering the price for their services. To that we quote P. D. Armour, who said: "Anybody can cut prices, but it takes brains to produce a better article." Profit in our business comes from repeat customers who boast about us and invite their friends to likewise use our company.

Redemptions and negative net sales along with pricing pressure are having the greatest impact on companies that fail to deliver value to their clients. We believe that good advice and strong investment performance are worth a fair price and we are well positioned in this regard. In fact we believe that we are on the threshold of achieving significant growth in our AUM.

Our company pays enormous respect to those great investors who have provided insight into how they have profited in the financial markets. Warren Buffett himself credits much of his success to accepting the advice of learned investors who came before him. Buffett often mentions the late Philip Fisher. Fisher was among the most influential investors of all time and much as Buffett and Ben Graham are credited as being the fathers of value investing, Philip Fisher is often cited as the father of growth investing and was the one that gave Buffett the holding period of forever. In a book that he wrote in 1958, Fisher outlined the fifteen points to look for in a common stock before purchase. Following is an outline of those points and an analysis of how they reflect on Dundee Wealth's future from a shareholder's perspective.

The answers to Fisher's questions, our financial statements and the discussion and analysis of our financial statements, should go a long way to communicating the level of excitement that we, the management of Dundee, feel about our company and its future prospects.

1. Does Dundee Wealth Management have the products, services or assets with sufficient potential to make possible sizeable sales increases for at least several years?

The investment management and its sister the financial advisory industry will continue to grow as it makes inroads to an increasing share of the growth of household and inherited savings. The growth argument in Canada is compelling. The twentieth century baby boomers have come to the hard realization after the technology bubble burst, that they will have to increase their savings and cash flows from investment in order to retire comfortably. Demographics are also in our favour. The Canadian population continues to grow and overall wealth continues to increase. In addition, Canadians now have a longer life expectancy and longer retirement period than their parents, which means savings and investment growth are more important. We have entered an era which will be different for investors from that known in the past. An era where greed and hope has given way to caution and the desire for income. As investment managers we have anticipated this investment paradigm, and the current success of our business is benefiting from our foresight.

Against this backdrop, and despite the ongoing media attack, the entire investment funds industry continues to show strong fundamentals. Total industry assets reached \$554 billion at the end of 2004 – an all-time high. Total assets have increased every year for the past five years except for 2002. According to consulting firm Investor Economics overall net sales of mutual funds in 2004 reached their highest level since 2000, and "...was the seventh most productive sales year in our 14-year database." Those fourteen years include the mid-1990s, when investors were shifting from bank deposits and GICs to mutual funds en masse.

Goodman & Company, Investment Counsel is well positioned to perform in this environment. Well regarded for our popular Dynamic Mutual Funds brand, Goodman & Company has also generated exceptional growth in recent years through its development of competitive portfolio solutions to create current income as well as capital gain, innovative tax products, and closed-end funds. The mode of investment may shift, but we have proven our ability to capture assets through multiple distribution channels.

In an industry where it is important to have established a diverse distribution capability, brand name awareness, a balanced mix of assets and a commitment to quality service, Dundee is well positioned for future growth. Our objective is to remain an industry leader in investment management, with strengths in both domestic and international capital markets.

CEO Report cont'd

We have been working diligently to integrate into one cohesive group of over 2,000 financial advisors who carry the Dundee Wealth brand. As each day goes by, we are achieving an increasing relationship with and penetration of this large network of highly independent people. At the same time we are continuing to achieve a satisfactory penetration of the entire Canadian wealth management distribution channel, including that of the major Canadian banking establishments.

2. Does Dundee's management have a determination to continue to develop products or processes that will still further increase total sales potentials when the growth potentials of currently attractive product lines have largely been exploited?

One of the guiding principles of our organization is "innovation drives our evolution". Management's attitude and the company's culture is to seek growth wherever our investment strength matches market opportunity. We are not content to stand still. In fact the main impediment to achieving growth in new areas of interest is the momentum we are experiencing in our main lines of current business. It is our job, and we have been successful at it, to properly read and determine an investor's needs and then efficiently deliver.

To date we have handled this challenge effectively – we recognize the potential pitfalls of rapid growth, and have significantly built up our executive and management staff to manage it. As a management team we have grown steadily stronger, more integrated and more focused in our determination to develop investment products and services that exceed our clients' expectations. This determination continues to yield results.

Over the past five years we have grown by innovation. In 1999, responding to our assessment of better resource markets, we reintroduced our successful series of CMP flow-through limited partnerships, a tax shelter we pioneered in the 1980s. Together with our acquisition of Canada Dominion, we have captured the industry leadership position in this category.

In 2002 we created our diversiTrust brand, marking our entry into the closed-end fund segment. Four TSX-listed funds since then combine to bring Goodman & Company's total closed-end assets to \$467 million as at March 31, 2005. DiversiTrust Funds have been embraced by the broker community allowing the Company to capture a significant share of this investment category.

Our core mutual fund line-up continues to lead the industry in terms of innovative funds, features and enhancements. We have a long history of leadership in translating emerging investment themes into effective retail products. We were first to offer three distinct investment disciplines, a hedge fund family of mutual funds, we were early with income trusts, leaders in fee-based offerings and innovative with commission options. We are committed to remaining at the leading edge.

While we continue to innovate on the home-front, we are also exploring opportunities abroad. We view the United States as a very mature, highly competitive market, but nevertheless we still intend to gain some penetration of that market from our Toronto location. With a market size in excess of ten times that of Canada and an investment culture not dissimilar to ours, we cannot afford to ignore it.

We believe this ethic of innovation and progress marks the development of a powerful national and global presence for our investment products.

3. How effective are Dundee's research and development efforts in relation to its size?

Research and development in the investment management business is different from that of other businesses. Research can more broadly be defined by the number of investment opportunities looked at or the number of companies analyzed. We offer investors many investment styles. Our hands-on investment process requires rigorous fundamental analysis and management review prior to arriving at an investment decision. To that end, we have two priorities in our research effort: 1) to broaden our research focus within our Canadian equity research team, and 2) to diversify globally.

Our team and its experience

Understanding valuations on a North American and global basis not only broadens our base of opportunities but also enhances our skills in the Canadian market.

At both Dundee Securities and Goldman and Company, we have significantly enhanced our research efforts. Research is the cornerstone of the investment management and financial advisory business and we intend to continue to improve our research on a continuous basis by the utilization of every tool that we can buy or create.

Since our acquisition of the Cartier Partners organization on December 30, 2003, we have been working on an integration plan that is technology designed around a state of the art front and back end office system including a unique integrated financial advisor tool for financial planning and portfolio construction. Our back office operation, when complete, will allow an advisor with an MFDA registration to move his book of business to operate under an IDA registration with ease.

As testament to our technology team's expertise we have been able to complete the transfer of more than 1,200 former Cartier advisors to our platform during the last fifteen months. Moves like this are usually discomfiting and dreaded. But notwithstanding that, in a very recent Investment Executive Brokerage Report Card, we were ranked by our advisors with a position of third amongst a total of twelve brokerage concerns, receiving high marks for our firm's stability, ethics, image, sales support, freedom from pressure regarding proprietary product, front office technology, and quote and information systems. Our overall category average of 39 different categories was 8.0 as compared to the five major Canadian banks whose scoring averaged 7.0. We are proud of this achievement and salute the people who made it happen – but there is more to come.

In the mutual fund business modern systems technology is essential to process transactions on a timely, accurate and cost effective basis. Our in-house information systems department must keep abreast of current technology and deploy it effectively and wisely throughout the organization. Our present systems capacity, which has been recently upgraded, allows for significant future growth. Dundee is of sufficient size to enable us to afford to make the large justifiable expenditures on any new technology when available or required.

We are getting very positive feedback on the value of our advisor "Learning Program" for constructing and executing a win-win program. Amongst other topics we present classes on investor psychology and how to "Discover your Value" as well as proper investment portfolio construction. We are told by our advisors that the ideas presented have an immediate value impact on their ability to do business.

4. Does Dundee have an above average sales organization?

The sales team of Dynamic Mutual Funds is charged with the mandate of increasing AUM of its funds including all Goodman & Company investment solutions. Over the past year we have increased the number of regional sales representatives as well as improved the quality of our sales team and representation across the country. To support these efforts, we have significantly strengthened financial commitment and support for our marketing team, with the goal of making it easier for all financial advisors to feel comfortable in using our investment solutions for their clients' needs. This has been, and continues to be, an exciting and energizing process for everyone involved in the asset gathering process. The growth of our private client division, both at Goodman and Company and Dundee Securities, speaks for itself. In a little more than five years we have come from a zero-based position to currently managing over \$800 million for many families and foundations. In addition the financial advisors within Dundee Securities represent a dedicated group of 2,100 entrepreneurs whose mandate is to look after the best interests of their clients. They represent the largest group of independent advisors in Canada and possess the skills, determination, and heart to grow assets under administration as well as their own private client assets under management which today stands at \$813 million.

5. Does Dundee have a worthwhile profit margin?

We have a healthy profit margin in all of the mutual funds, closed end funds, and private client investment management operations. In spite of industry conditions, we expect to be able to improve our products and service and at least maintain margins in the future as our funds under management grow. During 2004 the average fee earned on managed assets was 1.76%. Out of this we paid approximately 0.50%, or 28% of management fees in service fees to brokers and dealers leaving us with 1.26% to cover our selling and distribution costs, our in-house investment management costs, and that portion of overheads and costs that are not recoverable from the mutual funds, and, of course, net profit. Private client hedge funds and closed-end investment management fees range from 1.10% to 2.25% plus performance fees. Performance fees are important to Dundee. More than \$3 billion of our AUM can earn performance fees. Dynamic Mutual Funds has been an innovator in the industry and now has more performance fee assets than any of its competitors. Where performance fees are applicable, they can significantly increase profit margins when the investment returns exceed the applicable benchmarks.

6. What is Dundee doing to maintain or improve profit margins?

In almost all areas of the Company we have the ability to significantly increase revenues without a proportionate increase in fixed costs. Obviously, the shortest road to increased profit margins is to increase funds under management and revenues. We are doing so. To date in 2005, our average assets under management are up by approximately 19% over the average for 2004.

In addition, we are working to increase that portion of assets under management which have a performance fee arrangement. We currently have twenty five mutual funds as well as our CMP and Canada Dominion limited partnerships that can earn performance fees, and we expect that number to grow.

We have a program underway that is attempting to reduce our costs at all levels. Certainly, once we have completed our massive Dundee Wealth integration program that is currently under way, our costs will decrease.

7. Does Dundee have outstanding labour, personnel?

8. Does Dundee have outstanding executive relations?

To borrow a phrase from an old Dynamic Mutual Funds' advertisement, we are truly "Powered by Partnership...and ...Driven by Performance". It is the personal goal of our dedicated staff and executive management to maintain the momentum we all work so hard to achieve. This collective spirit and effort can be found in the focused attention of the men and women who work at Dynamic Mutual Funds, and the Dundee Wealth brokerage, financial advisory and capital market operations, Dundee Securities and Dundee Private Investors. We are a winning, professional and proud team. What makes our company unique is the shared belief in what we are doing, coupled with entrepreneurial effort, collegial atmosphere and a business family culture along with initiative and creativity expressed in our daily activities. This culture is required at all levels of the organization and its various functions.

As the industry we compete in continues its growth across Canada and the rest of the globe, the forces of supply and demand are having a profound impact and changing the marketplace as they invariably do in any industry. These market forces have intensified our competition. The only fail-safe plan that we believe an organization can take in these circumstances, is to ensure that highly skilled people are in the right jobs and have an outstanding belief and know-how in what they do in order to earn and retain our clients' and shareholders' loyalty year after year. In order to compete effectively, we have instituted creative equity ownership programs and performance-related bonus systems designed to reward our excellent base of people assets, as well as to foster career commitment to Dundee.

Our recent growth has brought with it a unique set of human resource challenges. In addition to the normal tasks of recruiting sufficient number of highly competent staff and managers concurrent with the increase in responsibilities, we have carefully selected and engaged personnel who identify with and are motivated by our corporate mission, vision and values. Our current mix and depth of talented staff and professional management and partners working together as a team are meeting both current and future market challenges.

9. Does Dundee have depth to its management?

Our management team includes the undersigned with more than 40 years of investment management experience and a hand picked, very strong team of much younger but also experienced professionals who oversee our investment management and our network of financial advisors with the aim of increasing our AUM.

CEO Report cont'd

Within the Dundee corporate office, we have a team of talented executives who head up our global management from financial controls and administration, corporate, legal, secretarial and to the very important human resource area. We support training and promoting from within and in virtually all functions we have trainee and apprentice positions. We are fortunate to be rich in human resources with the excellent capability of handling future growth.

10. How good are Dundee's Cost Analysis and accounting controls?

We have a very effective cost analysis and accounting control system which allows us to monitor and control expenses thereby ensuring that all expenditures are economically justified. We have installed the systems and procedures to accurately record expenses by both category and departments. This provides management with the necessary tools to effectively manage and control the various operations.

11. Are there other aspects of the business, somewhat peculiar to the investment management industry which will give an investor important clues as to how outstanding Dundee may be in relation to its competition?

The keys to success in this industry are: strong investment performance, integration between investment management and retail advisory services distribution, and the ability to supply a broad range of wealth management services internally. We are industry leaders in all three areas.

The investment performance of our funds is outstanding. As at April 30, 2005 Dynamic had 81% of its mutual fund assets performing in the top two quartiles over a one-year period, 88% over a three-year period and 84% on a five-year basis. With the broad market indices moving down or sideways, we are confident our experienced managers will continue to out-perform.

Our brokerage and financial advisory divisions have begun to embrace the products and services provided by our investment management division. This presents a significant opportunity as the advisory divisions have an embedded \$26 billion of assets under administration (AUA) which are mostly mutual fund assets invested in our competitors' funds. On the basis that we are and can provide better performance and better service we have the ability to make "hot calls" to the network of more than 2,000 financial advisors who are branded under the Dundee name. Few competitors can match this advantage. As with everything we do, we operate under the mantra that – "the client comes first."

In terms of internal development of wealth management services, again, we have a unique advantage. Unlike nearly all of our non-bank competitors, our financial advisory divisions will now be capable of providing banking services without relying on an outside provider. This is a major advantage in that we are totally in control of product development and delivery and our clients now have the ability to deal only with us for the full range of financial needs. Not only will our share of wallet increase, but our client relationships will become more difficult for competitors to breach.

12. Does Dundee management have a short-range or long-range outlook in regard to profits?

As an investment management company we are certainly aware that maximum results emanate from those companies that have a truly long-range outlook concerning profits. Dundee, because of its share ownership by its parent and the Caisse de dépôt et placement du Québec, has the advantage of being able to curtail those impulses related to maximizing short-term gains and we are building our branded franchises for greater long-term profitability.

We have the resources and the culture not to worry about short-term profits both in the operational side of our business and the investment we make on behalf of the Company. Our large cash position (approximately \$200 million) and pre-tax cash flows allow us to pursue growth both here in Canada and abroad with truly longer term aspirations. Our corporate investment horizon is measured in years, not months.

13. In the foreseeable future will the growth of the company require equity financing so that the larger number of shares then outstanding will largely cancel the existing stockholders benefit from this anticipated growth?

We have managed to grow our company quite significantly over the last four years by increasing the shares outstanding to achieve important synergistic growth acquisitions. At that point in time when our growth aspirations extend beyond our ability to fund from our generated cash flow, we may need to seek other capital but we have essentially no debt currently. We would increase our equity only if equity is the requirement for an accretive acquisition. At present, we have sufficient capital to cover our major growth requirements, being sales commissions on new AUM, technology investments and regulatory capital requirements.

14. Does Dundee management talk freely to investors about its affairs when things are going well but “clam up” when troubles and disappointments occur?

We are fortunate in that we have found that most of our mistakes and disappointments were errors of omission rather than commission. Errors of omission are rarely admitted, and most companies play down errors of commission, but we do talk about a disappointment below. Moreover, we believe that it is highly constructive to talk openly especially amongst our management team. This, in order to provide the experience we need to reduce the likelihood of repeating these kinds of mistakes.

During 2004, we took on the daunting challenge of integrating multiple numbers of back-office systems and operating platforms of the former Cartier group of companies that we acquired in December, 2003. From the outset we knew that this was going to be a challenging exercise for our company especially because we knew we had the financial fate of over 2,000 financial advisors in our hands. This integration process has been largely a success from an operational point of view. It has however been a bumpy road as the failure of service providers to deliver planned systems has resulted in it taking longer than we anticipated. Delays, as would be expected, contribute to higher than expected costs. Our commitment to providing our financial advisors with the industry best and most competitive front-office and back-office platform remains steadfast. The delivery time and its cost is much less material than will be the results that will emanate from the ultimate program completion.

Because of our domestic growth we have not as yet been able to devote the necessary time and effort in order to achieve a base of operations in the United States. We are, however, continuing in our efforts.

CEO Report cont'd

Our commitment to shareholders of our parent company many years ago was to talk candidly about our business – about our achievements and disappointments. We maintain that commitment.

15. Does Dundee have a management of unquestionable integrity?

H. L. Mencken said it best when he wrote: “Conscience is the inner voice that warns us somebody may be looking.” At Dundee, not only is conscience the inner voice with regard to others watching, but it is the inner voice that tells us we should be our own judge.

Dundee, its management and its investment professionals, comply with the Standards of Practice and Code of Ethics as prescribed by the CFA Institute. We also have our own Code of Ethics. We always conduct ourselves with the utmost integrity, dignity, and in an ethical manner in all of our corporate, public and social dealings. We practice investment management with independent thinking on a professional, attentive and competent basis. We have approximately 50 Chartered Financial Analysts, and candidates to achieve same, within our company. They and all portfolio managers agree annually in writing to abide by the stringent professional code of ethics established by the CFA Institute.

With regard to character and integrity, we at Dundee feel that all companies should contribute to their environments and the social improvements of their neighbourhood, city, province, country and planet. To this objective, Dundee contributes one percent of pre tax profits to the Dynamic Fund Foundation and we take great pride in making substantial contributions to many worthy community causes across Canada. We care, and encourage and assist all of our employees to act in a responsible and caring fashion. Our sponsorship of Dundee Little Chips organized soccer for children in over 85 communities across Canada has been well received by our clients and makes us all feel good.

Integrity, good ethics and compliance to all rules and regulations, are the cornerstones of responsible business. As a participant in the financial service industry, we recognize that not only must we behave with integrity and ethically, but that we must ensure that everything we do passes the ethics test. We, as management, have set high ethical standards for ourselves and expect the same of our employees and associates.

Our Dundee Wealth financial advisor compliance office has been called “oppressive” which we take as a compliment, especially having received those high marks for the ethics and legal and compliance categories from our financial advisory network.

Attributes for future success

Organizations exist to coordinate and integrate the efforts of individuals – to enable groups to do things that individuals alone cannot. No factor is more vital to an organization’s health than the quality of its integration.

The crafting of an effective new innovative strategy, such as what we are doing, is a process that is putting pressure on all parts of our company and is designed to craft a whole that is better than the simple sum of the parts. Our objective is to create something new, something that we can all be proud about, something that is different and better, something that our large competitive banking community, because of their historic legacy platforms, will not be able to reproduce. Our size, our entrepreneurial bent and the completion of the build-out of our integration process will come to pervade the entire value chain of our company. The value chain that encompasses the innovative manufacturing of product of excellence that is particularly suited for our broad community of financial advisory client base. We expect as we go forward that competition will become more intense. So fierce, that marginal victories from short term innovative advantages will not be enough to maintain

our momentum. Continuous wins will require relentless strategic execution and a “hardball” mindset. As an industry and a company we will survive the current bout of “reputational terrorism”.

All future successful firms will share a common set of characteristics, almost regardless of size. The evolution towards the future successful firm has already begun to take place, certainly within our firm – Dundee Wealth Management.

Up to now the leading firms have been very good at marketing themselves – exceptional stock market returns from no-brainer index investing meant that companies have not required much more than adequate execution of their investment management duties to achieve increasing AUM and strong financial results.

The current and future market environment will no longer present that no-brainer growth caused by a rising index. That means that a successful wealth management company has to be much more than merely good at marketing. We have to deliver absolute not relative to an index performance.

And leaders – people in my position and many others in our company and industry – have to lead by example. We have to go down into the foxholes and trenches, meet with advisors and their clients, and see what this business is all about. We have to have a greater knowledge about our ultimate client.

- *We must retain our ability to be very close to the distribution process to assure shelf space in both third party channels and our own.*
- *We must assure product and service quality, compliance to all laws, and performance while maintaining the lowest costs possible for our clients. Just as the Mayo Clinic is in healthcare, we must always remember that we are in wealthcare.*

And the watchwords are

Competence

Integrity

And care of the client

*It works for the Mayo Clinic –
it should work for us.*

Critical marketing and advisory skills that relate to total investment solutions that suit the client and the training and education of the advisory distribution channel are absolutely necessary. Both the industry in general and the regulator in particular must take heed of this. The regulatory system has to stop trying to particularly educate the public, who really don't want education about financial affairs, and put resources and regulation into making it absolutely necessary for financial advisors to be properly trained and certified.

Advice is here to stay and someone has to pay for it. So far it's the mutual fund manufacturer that is paying through a bundled fee which is totally misunderstood by the media and, even to a certain extent, by the regulator.

We believe that there is no such thing as an insignificant human being and respect for all people is the most important thing. While we only want people who are “on the bus” there is no reason to treat people badly. Commitment rarely comes without reciprocity. Reciprocity means honest and fair treatment even though it is sometimes necessary to do things at the expense of the individual for the good of the organization. But we can and do dedicate ourselves to give our people the support and resources they need to succeed.

CEO Report cont'd

We are not in business to have fun; that doesn't mean that we cannot have fun in business. Creative ideas flourish best in an atmosphere where people are having fun and our culture will be better in an environment where it is more important to do the right thing rather than being right. This allows for an atmosphere where mistakes can be made. Mistakes are regarded as lessons to be learned in order to grow.

Commitment in others climbs when people see passion, camaraderie and empathy from the persons in charge. Elitism is deadly and authority should be low key, mysterious and benevolent and should not inhibit energy, enthusiasm, creativeness, curiosity and good times.

In conclusion, we hope that our responses to Philip Fisher's questions and otherwise have provided the reader with a better insight to our company and our vision and corporate culture. We are all very proud of our achievements to date, but unfortunately the pace of business as we go forward usually does not allow us the time to truly reflect on our accomplishments. As a team we are continuing to move forward towards the "dream of the future". Our dedicated team of people have all performed with extra effort and enthusiasm. We have had a good year and expect to have many more. On behalf of the board of directors and shareholders, we thank them all.

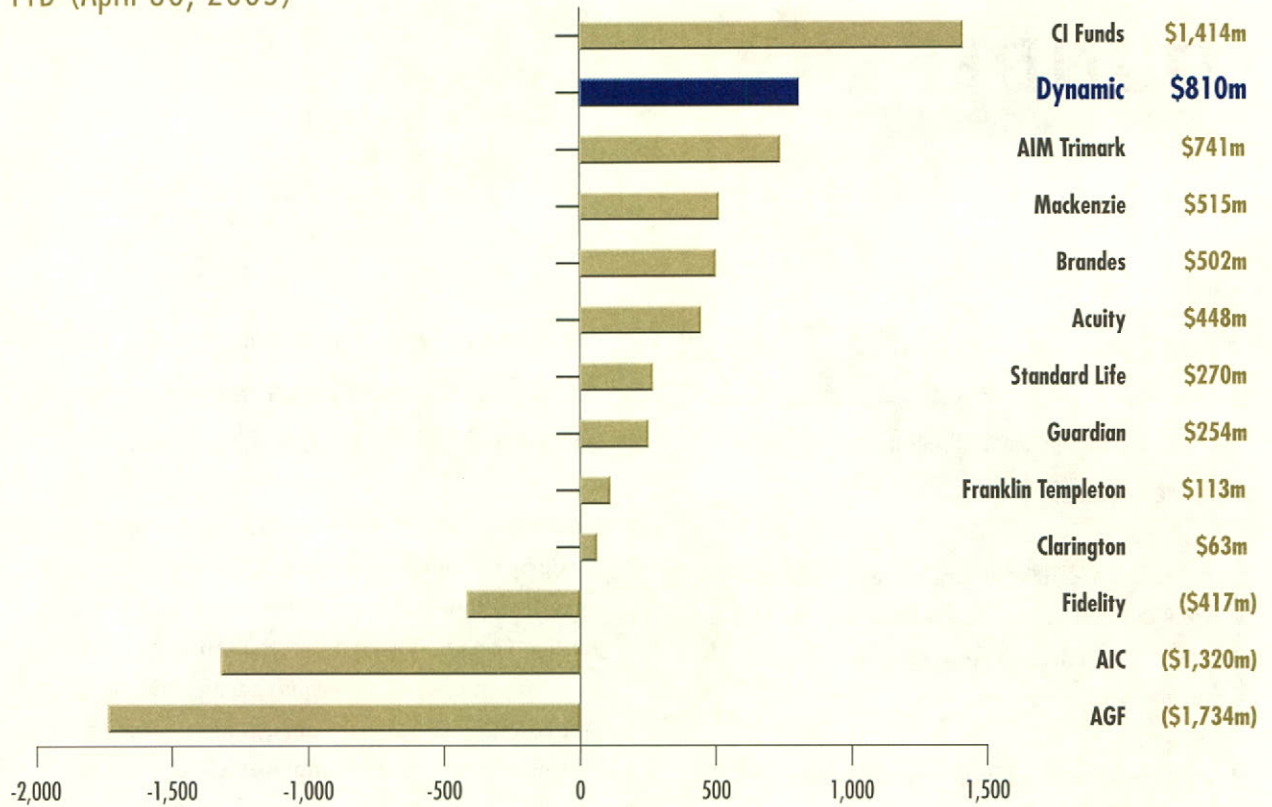


Ned Goodman, CFA
President and CEO

May 15, 2005

Dynamic Mutual Funds IFIC's Reported Net Sales*

YTD (April 30, 2005)



*Actual January-March; estimates for April

Dynamic's Quartile Performance

	1 yr	3 yrs	5 yrs
Percentage of assets in top two quartiles*	72%	89%	86%

*Based on March data from Paltrak

Corporate Programs

DUNDEE



Little Chips

SOCCER PROGRAM



The 2005 Little Chips Soccer Program is ready to kick off the new season!

After a successful 2004 program that saw over 48,000 kids clubs across the country benefit from a Dundee sponsorship, the program has been improved to create an exciting, interactive initiative.

This year the Dundee Little Chips Soccer Program is sponsoring Under 4 to Under 12 age divisions in over 85 soccer clubs across the country. Currently there are close to 140 Dundee Advisors activating the corporate sponsorship in their local community. This is a threefold increase from our 2004 program.

Dundee has created a series of exciting additions to this year's program, (e.g. Little Chips Magazine and Website, World Cup Contest, National Advertising Campaign, etc.) all designed to drive to promote our active involvement and investment in local communities across the nation.



DYNAMIC
FUND
FOUNDATION

Our business is based on recognizing the value and responsibility of partnership, not only with investors and financial advisors, but also with our community.

Charitable giving is not an anthem, it is a promise made by our employees and our firm everyday. Each year the **Dynamic Fund Foundation**, the first of its kind in Canada started by a wealth management company, supports numerous charities that serve our communities across Canada and internationally. Through corporate and employee donations, and countless hours of charitable work by our staff, we share the hope that together with our partners, we can make a difference in communities and the lives of people.

Dynamic is proud to have been named a "Caring Company" by Imagine, the Canadian Centre for Philanthropy.

Dundee Wealth Management Inc. places a high priority on community involvement and investment, and we are most proud of our involvement in Child and Youth programs. However, on December 26, 2004 an earthquake generated a tsunami that struck coastal areas along the Indian Ocean (and touched the lives of peoples around the world). The deluge that followed was among the deadliest disasters in modern history killing well over 200,000 men, women and children, and causing untold damage. Particularly hard hit were poverty-stricken regions of Indonesia, Sri Lanka, India and Thailand.



Like many around the world we were struck by the loss of life and together with our employees we felt an obligation to contribute to the **relief efforts**. Our culture of teamwork and putting people first allowed us to work quickly to raise over \$260,000, and we would like to take this opportunity to thank our employees for their efforts.

Dynamic Opportunities for Youth (DOFY) is a national rowing program that connects youth at risk in Canada's cities with positive role models who help them develop life skills, and learn a new sport.

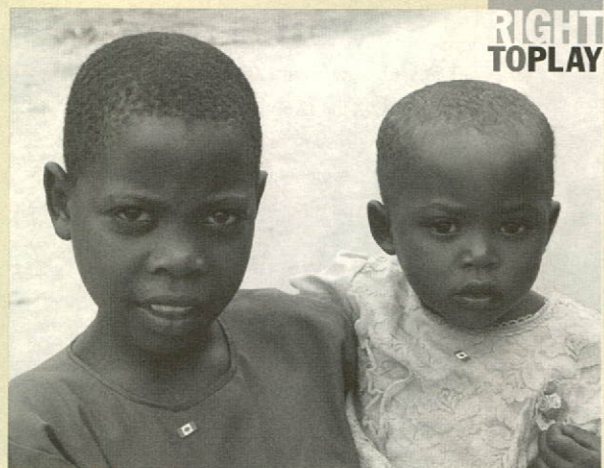
DOFY set another record for participation in 2004, as it was delivered to 603 at-risk youth across Canada from April to November 2004. This represents an increase in participation of 30 percent compared to the 2003 program.



With the addition of four new host clubs (Vancouver Rowing Club, Thunderbird Rowing and Paddling Centre, Halifax Rowing Club, and Mic Mac Amateur Rowing Club) the program reached a record 17 host clubs in 15 communities across Canada

Dynamic believes there are inherent human dignities that exist, regardless of an individual's abilities or means, and there is nothing more intrinsic than a child's right to laughter and joy. That is why we are proud sponsors of **Right to Play**, a humanitarian organization using sport and play programs to encourage the healthy physical, social and emotional development of the world's most disadvantaged children. Right to Play is committed to improving the lives of these children and to strengthening their communities by translating the best values of sport into opportunities to promote development, health and peace.

Supporting and protecting children is key to building strong communities. As a company that builds wealth for Canadians Dynamic feels a particular responsibility to help brighten and uplift the lives of children. We are proud sponsors of many charitable organizations including the Children's Aid Foundation, Dynamic Opportunities for Youth and Right to Play.



DUNDEE WEALTH MANAGEMENT INC.

Management's Discussion and Analysis

DUNDEE WEALTH MANAGEMENT INC. (the "Company" or "Dundee Wealth") is a publicly traded wealth management company that provides investment management, securities brokerage, financial planning and investment advisory services to individuals, financial advisors, institutions, corporations and foundations across Canada. Dundee Wealth carries on its business through its partially owned subsidiary, DWM Inc. ("DWM"), and through the operating subsidiaries of DWM.

The founding vision of our Company in 1998 was to create a financially large, fully integrated wealth management organization – from investment management to distribution to operations – each segregated into separate but totally integrated units that would excel in their individual disciplines. We have a unique, competitive platform for all financial advisors which allows them to provide their customers with innovative and more efficient investment solutions that will create additional assets under management ("AUM") for the Company.

The successful efforts of employees throughout all divisions of the Company to effectively integrate the businesses acquired, combined with a very strong performance by our investment management products, contributed towards achieving our objectives of increased AUM and operating profits. Operating earnings increased in 2004, despite the incurrence of significant additional costs associated with the acquisition of Cartier Partners Financial Group Inc. ("Cartier") in December 2003. With almost 1,500 employees, Dundee Wealth now has over \$42 billion of assets under administration and management with 2,118 independent financial advisors and 503 insurance agents located in 684 branches and sub-branches across Canada.

This Management's Discussion and Analysis has been prepared to include the requirements of Form 51-102F1 issued by the Canadian Securities Administrators and has been prepared with an effective date of March 24, 2005.

PERFORMANCE MEASURES AND BASIS OF PRESENTATION

The Company's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are reported in Canadian dollars. Management believes that important measures of the Company's operating performance include certain measures that are not defined under Canadian GAAP and, as such, may not be comparable to similar measures used by other companies. Throughout this discussion, there will be references to the following performance measures which management believes are relevant to assessing the economics of our business:

- "AUA" or "Assets under Administration" represent the period-end market value of client assets administered in respect of which the Company earns commissions, trailer fees and administrative or other similar fees. AUA are not reflected on the Company's balance sheet. To the extent that AUA are managed by the Company, such assets may also be included in AUM.
- "AUM" or "Assets under Management" represent the period-end market value of client assets managed by the Company on a discretionary basis in respect of which the Company earns an investment management fee. AUM are not reflected on the Company's balance sheet.
- "EBITDA" represents earnings before interest, taxes, depreciation and amortization. EBITDA is set out in the consolidated statements of operations of the Company and is a non-GAAP earnings measure. The Company uses this measure as a supplement for net earnings and cash flows.

The acquisition of Cartier was completed on December 30, 2003. The assets and liabilities of Cartier are included in the Company's comparative balance sheet as at December 31, 2003 and are therefore included in the discussion of changes in assets and liabilities throughout this report. However, as the transaction closed just prior to that year end, the comparative operating results for the year ended December 31, 2003 did not include Cartier's operating results.

OPERATING SEGMENTS

Dundee Wealth's business has three components: investment management, financial advisory and capital markets. The financial advisory and capital markets businesses are combined into one segment called "brokerage", as these businesses operate with common capital, operations and administration, and, therefore, their respective assets, liabilities, revenues and expenses cannot practicably be segregated. For financial reporting purposes, we report two operating segments; "investment management" and "brokerage".

(in millions of dollars)

As at December 31,	Investment Management		Brokerage		Corporate		Intersegment		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
AUM	\$ 13,803	\$ 11,534	\$ 729	\$ 466	\$ -	\$ -	\$ -	\$ -	\$ 14,532	\$ 12,000
AUA	-	-	26,932	26,420	-	-	-	-	26,932	26,420
<i>For the years ended December 31,</i>										
Revenue	\$ 268	\$ 200	\$ 371	\$ 168	\$ 3	\$ 1	\$ (38)	\$ (18)	\$ 604	\$ 351
EBITDA	151	99	(4)	11	(14)	(7)	(6)	(4)	127	99
Pre-tax earnings (loss)	108	50	(10)	7	(16)	(10)	(2)	(1)	80	46
Non controlling interest	-	-	-	-	-	-	-	-	(9)	(5)
Net earnings	-	-	-	-	-	-	-	-	36	24

INVESTMENT MANAGEMENT SEGMENT

The investment management segment creates, manages and administers investment products and provides internal and third-party management and advisory services.

Goodman & Company, Investment Counsel Ltd. ("Goodman") is an operating subsidiary of DWM that carries out the majority of the Company's investment management services. Goodman is registered as an investment counselor and portfolio manager under the Securities Act (Ontario) and in certain other jurisdictions in Canada and is a member of The Investment Funds Institute of Canada. Goodman has been entrusted with over 500,000 client accounts holding \$13.8 billion of AUM at December 31, 2004 (2003 – \$11.5 billion). The management contracts associated with these assets entitle the Company to a fee, calculated as a percentage of the current market value of the assets managed, and paid monthly. Revenue levels are therefore largely dependent on levels of AUM. In addition to these assets, the Company also earns management fees from the management of discretionary assets in the brokerage segment. As at December 31, 2004, these assets totaled \$0.7 billion (2003 – \$0.5 billion).

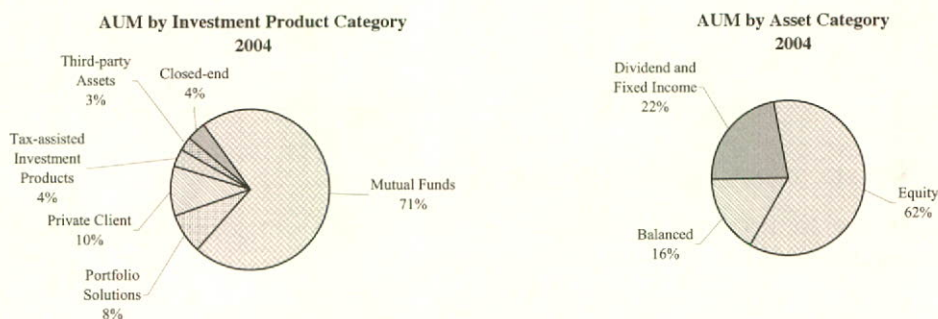
Management fee rates differ, depending on the nature and objective of each portfolio of assets, and generally range from 0.5% to 3.0% of net asset value. Revenue levels may change when there is a shift in the asset mix between portfolios earning different management fees. The Company may also earn performance fees from certain portfolios when the investment performance of a specific portfolio exceeds an applicable benchmark. Performance fees generally range from 1% to 3% of the net asset value of the portfolio. However, in the case of certain portfolios, the performance fee is not capped but is calculated as 20% to 25% of the performance amount in excess of the applicable benchmark. Approximately \$2.8 billion of AUM at December 31, 2004 (2003 – \$2.8 billion) consists of portfolios that pay performance fees.

Transactions for purchases of mutual funds may be conducted on either an initial sales charge basis or a deferred sales charge basis. When units are purchased on an initial sales charge basis, the investor pays a commission directly to their advisory service provider, but a redemption fee is not payable when these units are redeemed. The Company pays commissions to financial advisors who sell our mutual fund units on a deferred sales charge basis. Such mutual fund units may be purchased, at the option of the investor, under a regular or short redemption schedule. Units sold are then subject to a fee on redemption, if redeemed within a certain period, with the fee generally calculated as a percentage of the value of the units redeemed, but in certain instances based on original cost, declining to zero at the end of the specified period.

Dundee Wealth currently finances the payment of commissions internally, using operating cash flows generated by the investment management business. Prior to 1999 and in the case of certain fund AUM that were acquired, commissions were funded through alternative financing vehicles, including a distribution arrangement with the Company's parent, Dundee Corporation ("Dundee Corporation"). Upon redemption of units for which commissions were funded using third-party financing vehicles, a redemption fee is paid and remitted either to the Company or directly to the appropriate financing vehicle.

Investment Products and Services

A breakdown of Dundee Wealth's AUM by category of investment product and by asset category as at December 31, 2004 is set out below.



- *Mutual Funds* are publicly offered mutual funds, including the Dynamic Group of Mutual Funds, which cover a broad range of asset classes (equity, fixed income and balanced) and investment disciplines (value, growth and focus).
- *Private Client* assets consist of high net worth client accounts managed on a segregated, discretionary basis through Goodman or through the Company's brokerage division.
- *Portfolio Solutions* afford investors with the opportunity to invest in a specific portfolio of investment solutions, designed to achieve strategic asset allocation, with multi-layered diversification and enhanced quarterly reporting. These solutions products have expanded significantly in 2004 and now encompass the Marquis, MultiPartners, Radiant and Viscount Programs.
- *Tax-assisted Investment Products* allow investors to participate in tax-assisted investments which facilitate the allocation and utilization of income tax deductible expenses by the investor. These products consist primarily of the Canada Dominion and CMP Resource Limited Partnerships.
- *Closed-end* products are designed to permit investors to participate in diverse industry sectors through alternative investment vehicles including income trust arrangements such as our diversiTrust product line.
- *Third-party Assets* are assets managed by the Company through contracted sub-advisory arrangements.

BROKERAGE SEGMENT

Dundee Wealth's brokerage segment includes the operations of:

- *Dundee Securities Corporation*, a full service securities dealer and a member of the Investment Dealers Association of Canada;
- *Dundee Private Investors Inc.*, a financial planner and mutual fund dealer and a member of both the Mutual Fund Dealers Association of Canada and the Autorité des marchés financiers ("AMF") and Dundee Private Investors Ltd., a member of the AMF;
- *Dundee Insurance Agency Ltd.* and *Cartier Partners Insurance Agency Inc.* (amalgamated with Dundee Insurance Agency Ltd. effective January 1, 2005), managing general insurance agent firms; and
- *Dundee Mortgage Services Inc.*, a mortgage broker.

Together, these operating subsidiaries provide a full range of retail brokerage services to a client base of over 800,000 accounts representing \$26.9 billion in AUA as at December 31, 2004 (2003 – \$26.4 billion). Dundee Securities also operates the capital markets division which provides investment banking and institutional brokerage services.

Financial Advisory

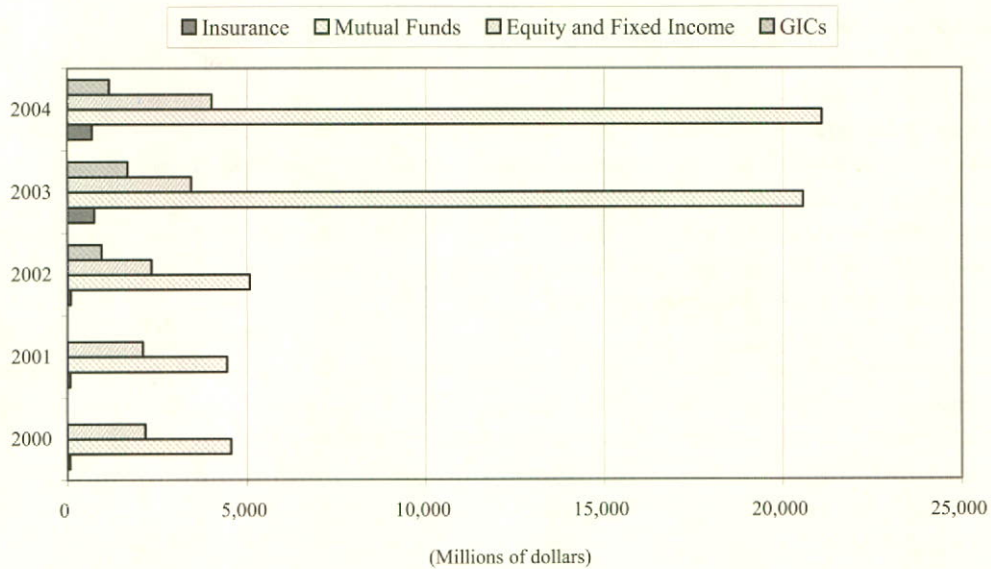
Dundee Wealth's advisory business operates as an open architecture independent advice network. This structure permits financial advisors to provide a wide range of wealth management products to clients, including investment products created and managed by the investment management segment of Dundee Wealth, as well as third-party products and services. These investment products and services are designed to enable financial advisors to assist their clients in achieving their financial objectives.

Wealth Management Products	Wealth Management Advisory Services
<ul style="list-style-type: none">• mutual funds, fee-based programs and portfolio solutions• equity securities including new issues and private issues of securities• closed-end investment products• tax-advantaged investment products• fixed income securities including GICs• derivatives• insurance products	<ul style="list-style-type: none">• financial and estate planning• portfolio management• fee-based accounts• self-directed registered accounts• margin accounts• insurance services• mortgage services

Financial advisory revenues are derived primarily from commissions, trailer fees, administrative fees or other similar fees related to the purchase, sale and administration of wealth management products and services. These revenues have been reported as financial services revenues in Dundee Wealth's consolidated operating results.

The chart below sets forth the growth in and the breakdown of the AUA of Dundee Wealth from December 31, 2000 to December 31, 2004. The AUA as at December 31, 2003 include approximately \$16.7 billion of assets acquired in the Cartier transaction.

AUA by Category Type



Capital Markets

The capital markets business is comprised of investment banking, institutional sales and trading, and research.

Investment Banking – consists of providing various services including underwriting the sale of securities to the public, private placements of securities and financial advisory services including mergers and acquisitions advice and valuations and fairness opinions to a variety of industry sectors.

Institutional Sales and Trading – consists of selling, purchasing and trading equity and equity-related securities on behalf of institutional clients, including accounts managed by Goldman. These transactions are normally handled on an agency basis but Dundee Securities may, from time to time, take long or short positions as principal. Dundee Securities utilizes its own capital for principal trading, both for its own account as well as to facilitate client transactions.

Research – consists of providing clients, through a team of analysts, with reports and opinions covering the mutual fund spectrum as well as a number of listed companies across a broad range of industry sectors to assist these clients in making investment decisions.

ACCOUNTING POLICIES AND ESTIMATES

Certain accounting policies are critical to understanding the results of operations and financial condition of the Company and some of these policies require management to make certain judgements and estimates on matters that are uncertain. Changes in estimates may have a material impact on the Company's financial results and condition. Significant accounting policies and new policies adopted in 2004 are discussed in notes 1 and 18 to the 2004 audited consolidated financial statements of the Company. Some of the more significant judgements and estimates made by management are discussed below:

- *Business Combinations* – Management uses judgement in applying the purchase method of accounting for business combinations and, specifically, in identifying and valuing intangible assets and liabilities acquired on acquisitions. In certain cases, intangible assets are valued using a discounted cash flow model which is subject to a variety of assumptions. The value placed on the acquired assets and liabilities will have an effect on the amount of goodwill that the Company may record on acquisitions.
- *Fair Value of Financial Instruments* – Certain financial instruments, including securities owned and securities sold short, are stated in the consolidated financial statements at their fair value, with unrealized gains and losses being reported in earnings. Fair value is usually determined based on quoted market prices. Where quoted market prices are not available, management applies various assumptions to estimate their fair value including prevailing market rates and prices on instruments with similar characteristics. Imprecision in estimating these factors can affect the amount of gain or loss recorded for a particular instrument.
- *Goodwill and Other Intangible Assets Impairment* – Goodwill and other intangible assets with an indefinite life are subject to value-based impairment testing at least annually. Determining the useful lives and values of intangible assets requires judgement by management. To assess possible impairment of intangible assets, the Company has developed several models that provide for various business measures, including changes in AUA and AUM and an estimate of forward earnings. These models are applied consistently from year to year.
- *Allowance for Credit Losses* – In accordance with brokerage industry practice, client transactions are entered into on either a cash or margin basis. When credit is extended to a client to purchase securities, the securities are held as collateral for the amounts loaned. Clients purchasing securities on margin must maintain collateral in their accounts in accordance with regulatory guidelines. The Company has established an allowance for credit losses, consisting of specific and general components, based on management's estimate of such losses. The Company compares the amount loaned to each client with the market value of securities held in such accounts to determine the provision for credit losses. The market value of the securities held as collateral can fluctuate daily based on market forces, which could lead to an unexpected increase in the provision or additional credit losses.

- *Provision for Litigation* – The Company is a defendant in various legal actions, many of which relate to activities of entities that we acquired and which arose prior to the date of acquisition. The Company’s operating results include a provision for potential liabilities in respect of these matters, which provision is determined using management’s best estimates based on the facts and circumstances of each claim on a case by case basis, taking into consideration all information available to the Company. The claims are reviewed every quarter, or as new information becomes available. In certain cases, legal claims may be covered under the Company’s various insurance policies.
- *Stock Based Compensation* – Management uses the Black-Scholes option pricing model in determining the value of its stock based compensation expense. Application of the Black-Scholes option pricing model requires inherent estimates including estimates in expected dividend yields, expected volatility of the underlying shares and expected life of the stock option granted. Management reassesses each of these factors with each grant of stock options. Incorrectly estimating the value of stock option awards may impact on the operating results of the Company.
- *Income Taxes* – Management estimates income taxes payable and the value of future income tax assets and liabilities and assesses the realization of these future tax assets regularly to determine whether a valuation allowance is required. Management determines whether it is more likely than not that those future income tax assets will be realized prior to their expiration using various factors including estimated future earnings based on internal forecasts, cumulative tax losses in recent years, history of tax loss carry forwards as well as prudent feasible tax planning strategies. The amount of future income tax assets could be reduced in the future by a charge to earnings if forecasted earnings during the tax loss carry forward period are not achieved or not likely to be achieved. Tax balances may also change as a result of proposed or enacted governmental changes in the statutory rates of taxation.

CHANGES IN ACCOUNTING POLICIES ADOPTED IN 2004

In 2004, the Company adopted the CICA’s requirements under CICA Handbook Section 1100, “*Generally Accepted Accounting Principles*”, which establishes standards for financial reporting and provides guidance on sources to consult when selecting accounting policies and determining appropriate disclosures. The Company also adopted CICA Accounting Guideline 13, “*Hedging Relationships*”, which deals with the requirements surrounding the identification, designation, documentation and effectiveness of hedging transactions for purposes of applying hedge accounting. The Company also implemented CICA Handbook Section 3063, “*Impairment of Long-lived Assets*”, which provides guidance on impairment testing of long-lived assets. The implementation of these new pronouncements had no impact on reported financial results.

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF DUNDEE WEALTH

As at and for the years ended December 31,

	2004	2003	2002
Total AUM and AUA (in millions of dollars)			
AUM	\$ 14,500	\$ 12,000	\$ 8,900
AUA	26,900	26,400	8,400
	\$ 41,400	\$ 38,400	\$ 17,300
Financial Position (in thousands of dollars)			
Total assets	\$ 1,129,724	\$ 1,172,279	\$ 712,377
Amounts due to parent	-	32,359	9,216
Other liabilities	408,321	522,045	377,074
Future income tax liabilities	54,701	32,097	20,695
Net assets represented by:			
Common and special shares	509,642	455,129	196,130
Preference shares	54,537	54,537	54,537
Non controlling interest	102,523	76,112	54,725
	666,702	585,778	305,392
Operating Results (in thousands of dollars)			
Revenue	\$ 603,848	\$ 351,107	\$ 266,055
Dilution gain	-	-	74,403
EBITDA	127,367	98,851	53,176
Net earnings including dilution gain	36,147	23,742	77,647
Net earnings excluding dilution gain	36,147	23,742	3,244
Total number of common and special shares outstanding as at December 31 (in thousands of shares)*			
	91,227	87,827	55,760
Weighted average number of common and special shares outstanding (in thousands of shares)			
Basic	91,027	56,879	55,287
Diluted	92,834	57,033	59,852
Earnings per share (in dollars)			
Basic	\$ 0.36	\$ 0.36	\$ 1.35
Diluted	\$ 0.35	\$ 0.36	\$ 1.30
Dividends per share (in dollars)			
Per common and special share	\$ 0.06	\$ 0.06	\$ 0.03
Per series X preference share	\$ 0.60	\$ 0.60	\$ 0.60

* On December 30, 2003, the Company issued 24,516,129 common shares in a public offering and issued 6,127,350 common shares as partial consideration for the Cartier acquisition. As these shares were issued at year-end, the impact on weighted average shares outstanding was minimal.

ACQUISITIONS

Dundee Wealth has actively pursued its committed strategy by expanding its investment management and advisory businesses through strategic acquisitions as well as through internal growth. As a result, Dundee Wealth is a financially large, fully integrated wealth management company. We successfully integrated the operations of companies acquired during 2002 within the timeframes and costs initially budgeted. We completed the acquisition of Cartier in December 2003, with the effect of increasing AUA by \$16.7 billion and AUM by \$0.5 billion. During 2004, we began integrating the operations of Cartier, a company whose business operated on a number of separate platforms from different regional centres across Canada. When completed, the integration will allow Dundee Wealth to achieve the economies of scale from which size allows in the retail distribution business and thereby realize operating synergies by eliminating some of the duplicated infrastructure costs and provide better products and services to its financial advisors.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2004 compared to DECEMBER 31, 2003

Net earnings for 2004 were \$36.1 million or \$0.36 per share attributable to common and special shares outstanding compared with \$23.7 million or \$0.36 per share in 2003. EBITDA in 2004 was \$127.4 million compared with EBITDA of \$98.9 million in 2003, and included a gain of \$26.8 million from the prepayment of an investment management contract with Dundee Precious Metals Inc. ("Dundee Precious") which has been included as investment income.

We continued to achieve positive net growth in AUM throughout all of 2004 which, together with market appreciation from strong investment product performance resulted in AUM increasing to \$14.5 billion at December 31, 2004 from \$12.0 billion at the end of 2003. The growth in AUM contributed significantly to growth in EBITDA and net earnings in 2004.

Earnings in 2004 reflect a full year of operations from Cartier and, as expected, the Company incurred additional selling, general and administrative ("SG&A") costs during the year, both relating to former Cartier operations and to the integration of the Cartier business with our own. The most significant impact of the Cartier acquisition is seen in the increase in financial services revenues and associated variable compensation expense from former Cartier financial advisors who have joined our financial advisory business. The impact of the Cartier acquisition will be discussed in more detail elsewhere in this analysis.

REVENUES

Total revenues of \$603.8 million in 2004 increased by \$252.7 million or 72% over 2003 revenues of \$351.1 million. The primary reasons for this increase included higher levels of AUM during the year and additional revenues from Cartier financial advisors.

(in millions of dollars)

SEGMENTED REVENUES	Investment Management		Brokerage		Corporate		Intersegment		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
For the years ended December 31,										
Management fees	\$ 215.1	\$ 159.6	\$ 7.5	\$ 3.0	\$ 0.6	\$ -	\$ (0.5)	\$ -	\$ 222.7	\$ 162.6
Performance fees	13.5	28.9	-	-	-	-	-	-	13.5	28.9
Redemption fees	10.6	10.5	-	-	-	-	-	-	10.6	10.5
Financial services	1.3	-	363.3	164.1	-	-	(36.2)	(16.3)	328.4	147.8
Other income	27.5	0.7	0.4	0.5	2.1	1.3	(1.4)	(1.2)	28.6	1.3
	\$ 268.0	\$ 199.7	\$ 371.2	\$ 167.6	\$ 2.7	\$ 1.3	\$ (38.1)	\$ (17.5)	\$ 603.8	\$ 351.1

Management Fees

Management fee revenues for 2004 were \$222.7 million compared to \$162.6 million earned in 2003. This growth of \$60.1 million in management fee revenues can be attributed to the following:

- Average AUM throughout 2004 increased to \$12.2 billion from \$9.2 billion in 2003, resulting in an increase of approximately \$53.3 million in management fee revenues, including \$9.7 million added from Cartier operations. The average management fee rate earned on investment products increased marginally from 1.74% in 2003 to 1.76% in 2004, resulting in an additional management fee increase of \$2.3 million. This increase reflects changes in the asset mix, created by strong growth in our portfolio solutions line of products including the Marquis, Viscount and Radiant Programs, and in our closed-end line, including our diversiTrust income trust products.
- The remaining increase of \$4.5 million relates to discretionary portfolio management revenue increases in the brokerage division.

Changes in Assets under Management

As illustrated in the chart below, AUM have increased in each of the past five years. The most significant increase has been in 2004 where net sales increased by \$0.8 billion to \$1.2 billion, representing a 174% increase from 2003 net sales of \$0.4 billion. Gross sales in 2004 were \$3.7 billion, compared with \$2.3 billion in 2003.



(in millions of dollars)

AUM	2004	2003
Investment management division		
Balance at January 1	\$ 11,534	\$ 8,632
Net sales	1,196	436
Cartier acquisition	-	551
Termination or sale of investment management contracts	(331)	-
Market appreciation	1,404	1,915
Balance at December 31	\$ 13,803	\$ 11,534
Brokerage division at December 31	\$ 729	\$ 466
Total AUM at December 31	\$ 14,532	\$ 12,000

Market appreciation in 2004 accounted for approximately 62% (2003 – 66%) or \$1.4 billion (2003 – \$1.9 billion) of growth in AUM in the investment management division. As at December 31, 2004, approximately 81% (2003 – 86%) of the total AUM in the Dynamic Mutual Funds ranked in the top two quartiles of peer group equivalents as measured by one of Canada's leading investment fund research firms based on one-year performance and approximately 90% (2003 – 89%) based on three-year performance.

Performance Fees

Although we still have the ability to earn performance fees on approximately \$2.8 billion of AUM in 2004 versus 2003, because of the different types of funds which may generate these fees, the performance fees earned from year to year may vary, and such variances may be significant. In 2004, total performance fees earned were \$13.5 million compared to \$28.9 million in 2003. Due to the termination of the Dundee Precious contract, the 2003 performance fee from Dundee Precious was non-recurring. As well, the Power Canadian Growth Fund generated \$6.6 million in higher performance fees in 2003 than in 2004.

Performance fees were earned in the following product categories:

(in millions of dollars)

	2004	2003
Mutual funds	\$ 7.7	\$ 20.9
Dundee Precious Metals Inc.	-	5.1
Tax-assisted investment products	5.0	2.9
Other	0.8	-
	\$ 13.5	\$ 28.9

Redemption Fees

Gross redemptions were \$2.6 billion in 2004 compared with \$1.9 billion in the prior year. Redemptions continue to represent approximately 20% of average AUM during the year. Redemption fees earned by the Company during 2004 were \$10.6 million compared with \$10.5 million in 2003.

(in millions of dollars)

	2004		2003	
Gross redemptions of corporate products				
Deferred sales charge units	\$ 1,105	43%	\$ 987	53%
Initial sales charge units	1,264	49%	770	41%
	2,369		1,757	
Rollover of tax-assisted resource limited partnerships	193	8%	123	6%
Total redemptions	\$ 2,562		\$ 1,880	
Average redemption fee rate on deferred sales charge units	0.97%		1.14%	

The average redemption fee rate continues to decrease as a result of several factors including the general aging of assets, clients' preference toward a short redemption schedule and a larger proportion of sales being conducted on an initial sales charge basis versus a deferred sales charge basis.

Financial Services Revenue

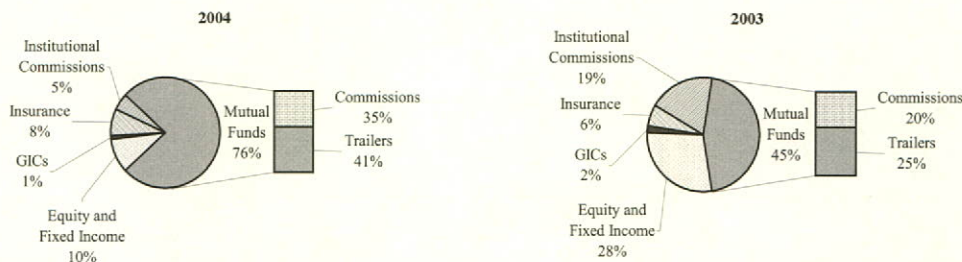
Financial services revenue was \$328.4 million in 2004, higher by \$180.6 million or 122% than the \$147.8 million earned in 2003. Cartier operations added \$172.8 million to financial services revenue, before intersegment eliminations of \$11.2 million, while revenues in other areas of the brokerage division increased by \$27.7 million before an increase of \$8.7 million in elimination entries.

(in millions of dollars)

<i>For the years ended December 31,</i>	2004	2003	Change
Commission and trailer	\$ 294.7	\$ 107.4	\$ 187.3
Corporate finance	32.7	25.0	7.7
Principal trading	17.2	18.9	(1.7)
Margin interest and other	20.0	12.8	7.2
	364.6	164.1	200.5
Intersegment eliminations	(36.2)	(16.3)	(19.9)
	\$ 328.4	\$ 147.8	\$ 180.6

Intersegment eliminations represent commission and trailer revenues earned by the brokerage segment from the investment management segment. In 2004, our financial advisors sold approximately 22% (2003 – 14%) of the \$3.7 billion (2003 – \$2.3 billion) of gross sales of investment products offered by our investment management segment, which represented approximately 15% of total mutual funds sold by financial advisors in our brokerage division during 2004. In accordance with Canadian GAAP, these intersegment transactions have been eliminated in the consolidated financial statements.

Commission and Trailer Revenue



Before intersegment eliminations, retail commission and trailer revenues were \$280.8 million in 2004, higher by \$190.2 million or 210% compared with 2003. Approximately \$171.0 million of this increase was attributed to the financial advisors who joined Dundee at the end of 2003 as part of the Cartier acquisition. Retail commission revenues from mutual fund assets, including trailers, represented 76% (2003 – 45%) of total retail commissions and the increase reflects the predominance of mutual fund assets and sales activity by the former Cartier operations.

Institutional commissions in 2004 were \$13.9 million, lower by \$2.9 million compared to 2003. In 2004, the brokerage division earned \$3.6 million (2003 – \$4.2 million) from trading for managed products of the investment management division.

Corporate Finance and Related Revenue

In 2004, Dundee Securities earned \$32.7 million in corporate finance and related revenue, higher by \$7.7 million than the \$25.0 million earned in 2003. The Company participated in 224 public and private transactions in 2004 (2003 – 176) which, together with other syndicate members, collectively raised approximately \$18.2 billion (2003 – \$11.3 billion). These transactions took place in a wide variety of industries, but were predominantly concentrated in the mining and resource sectors and in the financial services industry.

Included in 2004 corporate finance revenue is approximately \$7.1 million (2003 – \$2.2 million) of fees earned on corporate finance activities of affiliates of the Company or from investment products managed by the investment management segment. Corporate finance revenue in 2003 included \$0.5 million earned from participation in the Company's \$190 million equity issue in December 2003, and accordingly, was eliminated against share issue costs in the comparative consolidated financial statements.

Principal Trading Revenue

Principal trading revenue decreased to \$17.2 million in 2004 compared with \$18.9 million in 2003. The decrease reflects both lower trading volumes and reduced mark-to-market profits on trading positions.

Investment Income

Investment income includes interest income, dividend income and realized gains on certain corporate assets. Investment income in 2004 included a gain of \$26.8 million from the prepayment of an investment management contract with Dundee Precious. In April 2004, shareholders of Dundee Precious approved the transformation of Dundee Precious from an investment management company to an operating gold mining company, following which the management agreement between Dundee Precious and a subsidiary of the Company was voluntarily terminated.

EXPENSES

Total expenses were \$524.3 million in 2004 compared with \$304.9 million in 2003.

(in millions of dollars)

SEGMENTED EXPENSES	Investment Management		Brokerage		Corporate		Intersegment		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
For the years ended December 31,										
Selling, general and administrative	\$ 54.9	\$ 56.2	\$ 129.0	\$ 67.6	\$ 16.0	\$ 8.2	\$ (0.6)	\$ (0.4)	\$ 199.3	\$ 131.6
Variable compensation	-	-	246.3	89.4	-	-	(16.5)	(7.3)	229.8	82.1
Trailer fees	57.8	39.4	-	-	-	-	(15.0)	(5.9)	42.8	33.5
Distribution fees	4.6	5.0	-	-	-	-	-	-	4.6	5.0
Amortization of:										
Deferred sales commissions	38.5	43.6	-	-	-	-	(2.6)	(1.2)	35.9	42.4
Capital and other assets	2.2	2.9	4.5	1.9	3.1	0.3	-	-	9.8	5.1
Interest expense	1.9	2.5	1.2	1.1	1.3	3.9	(2.3)	(2.3)	2.1	5.2
	\$ 159.9	\$ 149.6	\$ 381.0	\$ 160.0	\$ 20.4	\$ 12.4	\$ (37.0)	\$ (17.1)	\$ 524.3	\$ 304.9

Selling, General and Administrative

SG&A expenses in the investment management segment were \$54.9 million in 2004, \$1.3 million lower than the \$56.2 million incurred in 2003. SG&A expenses in 2004 included \$2.9 million of costs that were attributed to the acquired investment management operations of Cartier and that were substantially integrated by the end of 2004. SG&A costs in 2003 were impacted by \$1.9 million in costs associated with the conversion of the back-office shareholder accounting system, as well as the related merger of certain funds with similar investment objectives following the acquisition of DynamicNova Inc. in October 2002.

Total SG&A costs in the brokerage division were \$129.0 million compared with \$67.6 million in 2003, an increase of \$61.4 million. Approximately \$37 million of this increase related to Cartier operations, with the balance of the increase of \$24 million relating to core Dundee operations, including \$16 million directly related to the integration of Cartier (see "Effect of the Cartier Acquisition on Results of Operations of the Brokerage Segment").

Corporate SG&A costs of \$16.0 million increased by \$7.8 million compared to 2003 costs of \$8.2 million. Approximately \$6.0 million of this increase was attributed to increased stock based compensation costs which are considered corporate costs and not allocated to the operating divisions. Details of the Company's share incentive arrangements are provided in note 12 to the Company's 2004 audited consolidated financial statements. As we early adopted amendments to CICA Handbook Section 3870, "Stock Based Compensation and Other Stock Based Payments", we are required to record as compensation expense the fair value of stock based compensation issued on or after January 1, 2003. In 2004, \$7.0 million (2003 - \$3.0 million) was expensed in respect of share incentive awards and \$2.0 million (2003 - \$0.1 million) in respect of share option incentive awards. Share option expense was determined using the Black-Scholes option pricing model with the assumptions in the table that follows:

<i>For the years ended December 31,</i>	<i>2004</i>	<i>2003</i>
Risk-free interest rate	3.87%	4.25% to 4.55%
Expected dividend yield	0.7% to 0.9%	0.8% to 1.1%
Volatility factor	19.5% to 33.0%	39.1% to 39.6%
Expected maturity	5.5 years	5.5 years

Variable Compensation

In our brokerage segment, financial advisors and professionals within the capital market division are compensated by commission. Commissions are calculated as a percentage of revenue earned from retail or institutional commissions, trailer commissions, trading profits or corporate finance revenue. Variable compensation costs are directly correlated to financial services revenue and increase as financial services revenue increases.

Variable compensation expense of \$229.8 million in 2004 increased by \$147.7 million compared to \$82.1 million in 2003. Significantly higher financial services revenue accounted for approximately \$105.6 million of the year-over-year increase, with the remaining \$42.1 million attributed to an increase in the average variable compensation rate. The increase in the average variable compensation rate had been anticipated and reflected a substantially higher proportion of revenues subject to a higher commission payout arising from the Cartier acquisition.

Trailer Fees

The investment management segment pays trailer fees to third-party brokers and dealers to assist them in providing ongoing services to clients in respect of assets managed. Trailer fees are calculated as a percentage of assets managed and therefore trailer fee expense varies in accordance with changes in AUM levels.

Trailer fees paid in 2004, prior to the elimination of intersegment fees, were \$57.8 million (2003 – \$39.4 million), representing 0.5% (2003 – 0.5%) of the average assets managed subject to trailer fees, or 28% (2003 – 26%) of total management fee revenues earned from these assets. Intersegment elimination of trailer fees paid by the investment management division to the brokerage division aggregated \$15.0 million (2003 – \$5.9 million), reflecting an increase in the value of the assets administered.

Interest Expense

Interest expense in 2004 declined by \$3.1 million to \$2.1 million compared with \$5.2 million in 2003. The decline reflects a loan commitment and arrangement fee of \$1.5 million included in 2003 and paid to Dundee Corporation in respect of bridge financing arrangements for the acquisition of Cartier, and decreased interest expense resulting from lower average debt on the bank credit facility.

Amortization of Deferred Sales Commissions

The average commission rate paid on mutual fund sales conducted on a deferred sales charge basis was 4.2%, unchanged from 2003. Commissions aggregating \$60.5 million in 2004 (2003 – \$37.7 million) are deferred for accounting purposes and amortized over a five-year period. The acquisition of Cartier added \$9.0 million to the deferred commission pool in December 2003. Amortization of deferred sales commissions was \$35.9 million in 2004 (2003 – \$42.4 million).

The contingent redemption fees receivable by the Company if all assets sold on a deferred sales charge basis were redeemed at the end of each year was in excess of the Company's net book value of deferred sales commissions as illustrated in the table that follows.

(in millions of dollars)

	2004	2003
Net book value of deferred sales commissions	\$ 109.9	\$ 85.3
Contingent redemption fees receivable if assets redeemed on December 31,	213.4	160.0
Contingent redemption fees accruing to Dundee Wealth (balance receivable by third parties)	211.3	156.4

Income Taxes

The Company's net future income tax liability as at December 31, 2004 of \$54.7 million (2003 – \$32.1 million) included future income tax liabilities aggregating \$86.8 million (2003 – \$79.5 million), offset by future income tax assets of \$32.1 million (2003 – \$47.4 million). Details of the components of the Company's future income tax assets and future income tax liabilities are included in note 15 to the 2004 audited consolidated financial statements.

Included in future income tax liabilities is \$37.4 million (2003 – \$37.4 million) relating to investment management contracts and \$10.3 million (2003 – \$11.0 million) relating to funds under administration, both identifiable intangible assets acquired in business combinations. In accordance with Canadian GAAP, we are required to calculate and include the potential income tax liability that could be incurred in respect of our possible divestment of these assets, whether or not the Company intends to do so. Other significant components of future tax liabilities include \$38.8 million associated with deferred sales commissions (2003 – \$29.4 million).

Included in future income tax assets at December 31, 2004 is \$10.0 million (2003 – \$27.3 million) representing the Company's estimate of the benefit realizable from tax loss carry forwards. The realized benefit from these tax loss carry forwards at December 31, 2004 is based on aggregate losses of \$94.3 million (2003 – \$124.2 million), net of valuation allowances of \$66.6 million (2003 – \$48.5 million).

EFFECT OF THE CARTIER ACQUISITION ON RESULTS OF OPERATIONS OF THE BROKERAGE SEGMENT

With \$26.9 billion in AUA and \$14.5 billion in AUM at December 31, 2004, Dundee Wealth is one of the largest independent, integrated wealth management companies in Canada. The acquisition of Cartier, which added \$16.7 billion to AUA at the time of acquisition in December 2003, represented a significant increase in the financial advisory side of our business.

At the time of our acquisition in December 2003, Cartier operated in the financial planning business, similar to that of our brokerage division, although its business was largely mutual fund and insurance related. Unlike Dundee Securities, it did not operate a full service securities business. Cartier's revenues were derived primarily from retail investment advisory activities, encompassing both commissions and trailer fees, with financial advisors receiving a commission payout of approximately 80% of total revenues. Cartier itself was a product of various smaller acquisitions, but as at the time of our acquisition, had not undertaken any consolidation of business operations and systems that were needed for the company to operate economically and efficiently. Cartier operated on numerous technology platforms and its operations were located in various regional processing centres. As a result, we recognized that following our acquisition, a period of protracted back-office integration would be required in order to realize the operating efficiencies and synergies that could be realized from an acquisition of this size.



**DUNDEE WEALTH MANAGEMENT ANNOUNCES ROBERT L. MCLEISH AS
CHAIRMAN OF THE BOARD OF DIRECTORS**

FOR IMMEDIATE RELEASE

Toronto, May 12, 2005 – Dundee Wealth Management Inc. (DW - TSX) announced today that its board of directors has appointed former lead director Robert L. McLeish as non-executive Chairman of the Board. Ned Goodman remains President and Chief Executive Officer. Mr. McLeish has been a director of the Corporation since 1999, has been lead director since 2003 and is Chairman of the Compensation Committee and a member of the Audit Committee. Mr. McLeish has over 34 years of experience in the investment business, including Vice Chairman of Merrill Lynch Canada and its predecessor company, and is a Chartered Financial Analyst. “I am very pleased that Robert has agreed to accept this position as the independent Chairman of the Corporation. Mr. McLeish’s experience in the wealth management and investment business will continue to be a great asset to our company” stated Mr. Goodman.

Dundee Wealth is a Canadian owned, TSX listed wealth management company that provides investment management, securities brokerage, financial planning and investment advisory services to individuals, financial advisors, institutions, corporations and foundations. Dundee Wealth oversees \$41.6 billion in assets under management and administration and 2,065 independent financial advisors and 500 insurance agents located in 677 branches across Canada.

For more information contact:

Ned Goodman
President & Chief Executive Officer
Dundee Wealth Management Inc.
(416) 365-5665

Joanne Ferstman
Executive Vice President and
Chief Financial Officer
Dundee Wealth Management Inc.
(416) 365-5010

(in millions of dollars) (before intersegment eliminations)

	2004			2003 (pre Cartier)
	Dundee, net of Cartier	Cartier Operations	Integrated	
AUA				
Mutual funds		\$	21,822	\$ 6,168
Other			5,110	3,539
		\$	26,932	\$ 9,707
Revenue				
Retail commission and trailer	\$ 109.8	\$ 171.0	\$ 280.8	\$ 90.6
Other revenues	88.7	1.8	90.5	76.9
	198.5	172.8	371.3	167.5
Variable compensation expense	(109.4)	(136.9)	(246.3)	(89.3)
Contribution margin	89.1	35.9	125.0	78.2
	45%	21%	34%	47%
Selling, general and administrative expenses	(76.4)	(37.1)	(113.5)	(67.6)
Integration costs	-	(15.5)	(15.5)	-
EBITDA	\$ 12.7	\$ (16.7)	\$ (4.0)	\$ 10.6

AUA increased from \$9.7 billion at the end of 2003, prior to the Cartier acquisition, to \$26.9 billion as of December 31, 2004. During this period, the number of financial advisors (not including insurance-only agents) has been reduced by approximately 760, with average AUA per departing advisor of less than \$3.5 million. AUA and production per advisor within our advisory network have generally increased in 2004 during a period of integration. A result of the Cartier acquisition is that mutual fund assets included in AUA have increased to 81% of total AUA compared with 64% before the acquisition. Financial services revenues increased by \$203.8 million in 2004 compared with the previous year, with \$172.8 million generated from former Cartier financial advisors. Directly related to this increase were higher variable compensation payments of \$157.0 million. Consistent with these changes, we experienced a decline in overall contribution margin from 47% in 2003 to 34% in 2004. At the time of acquisition, approximately 11% of mutual fund AUA were in products managed by either Goodman or Cartier Mutual Funds. As at December 31, 2004, this number stood at 14%.

Prior to the acquisition, Cartier reported annual SG&A costs of approximately \$50 million. We were aware that our back-office integration efforts would encompass a) planning, coordinating and implementing the multiple system conversions from the different platforms previously operated by Cartier onto a single system; b) upgrading compliance processes and documentation; and c) having the combined business operate on a uniform operating platform with uniform procedures. We expected that we would expend significant costs to achieve these results after which we anticipated eliminating duplicate operating costs inherited from Cartier and thereafter realizing operating synergies. In accordance with accounting requirements, only a small amount of these extra costs, totaling \$5.5 million, were accrued on acquisition, with the remainder to be expensed as incurred. Immediately after the acquisition, Cartier's head office costs, including costs associated with operating a publicly listed entity, were either substantially reduced or eliminated in their entirety. As a result, costs of former Cartier operations were approximately \$37 million in 2004, \$13 million lower than the \$50 million previously incurred by Cartier.

(in millions of dollars)

	2004			2003 (pre Cartier)
	Dundee, net of Cartier	Cartier Operations	Integrated	
General operating costs	\$ 76.4	\$ 37.1	\$ 113.5	\$ 67.6
Integration related costs	-	15.5	15.5	-
	\$ 76.4	\$ 52.6	\$ 129.0	\$ 67.6

We estimate that \$16 million of increased costs represent what we have termed “integration costs” as set out in the analysis that follows, with the remaining \$8 million increase in core Dundee SG&A activities being partially attributed to increased trading volumes relating to higher revenue generating activities. Integration costs include costs specifically related to merging the operations of Cartier with similar core business operations and include items such as:

- implementing the name change at branch office locations;
- bonus payments to key employees associated with the integration;
- incremental employee costs for additional staff required in new accounts, back-office processing, accounting, information technology and compliance departments;
- incremental employee costs for duplicate processing requirements during the period of integration;
- overhead costs associated with the additional employees;
- cost of third-party systems providers;
- promotional activities for the newly acquired financial advisors; and
- costs associated with training new financial advisors.

The breakdown of these integration costs is indicated in the table that follows.

(in millions of dollars)

	<i>Expenses incurred during the year ended December 31, 2004</i>	
	<i>Accrued at Acquisition</i>	<i>Expensed as Incurred</i>
Name change and name branding including signage and printing costs	\$ -	\$ 2.6
Severance costs	2.2	-
Bonus payments to employees	-	2.8
Incremental employee costs to effect integration and duplicate processing	-	6.3
Third-party service providers	-	1.5
Promotional activities for advisor retention and training	-	2.3
	\$ 2.2	\$ 15.5

Our initial estimates were that the integration process would extend for an 18 to 24 month period following the acquisition, and that the additional integration costs would extend throughout this period, although certain of the duplicated costs would gradually be eliminated. Accordingly, the \$37 million of former Cartier costs that we incurred in 2004 will gradually be reduced as we proceed through the integration period. At the same time, costs within the core Dundee operations will increase with the transfer of business from former Cartier systems platforms. Of the \$16 million of integration costs incurred in 2004, we estimate that \$5 million represent one-time costs. During 2004, the Company completed four back-office system conversions. The Company plans to complete a further back-office conversion in April 2005. The remaining back-office conversion schedule is currently being planned. Recent development delays relating to certain aspects of our back-office system have been encountered which may impact on the timing of future conversions. We are currently in the process of reviewing technology developments in our industry to ensure that our systems meet the needs of our financial advisors, our clients and our firm. Any change to back-office service providers will delay our schedule to complete the remaining conversions and may impact operating costs in future periods.

EARNINGS PER SHARE

(in thousands of dollars, except earnings per share amounts and number of shares)

For the years ended December 31,	2004		2003	
Net earnings	\$	36,147	\$	23,742
Less: Preferred dividends		3,272		3,272
Net earnings available to common and special shareholders	\$	32,875	\$	20,470
Weighted average number of shares outstanding		91,026,795		56,878,674
Basic earnings per share	\$	0.36	\$	0.36
Effect of dilutive securities to weighted average number of common and special shares outstanding		1,807,035		154,389
Diluted earnings per share	\$	0.35	\$	0.36

SELECTED QUARTERLY INFORMATION

(in thousands of dollars, except per share amounts)

	2004				2003			
	For the three months ended				For the three months ended			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Revenue								
Investment management	\$ 69,404	\$ 55,187	\$ 83,513	\$ 59,949	\$ 74,578	\$ 43,296	\$ 42,006	\$ 39,848
Brokerage	88,141	84,293	88,142	110,636	50,488	43,263	38,239	35,533
Intersegment eliminations and other	(8,447)	(8,569)	(7,921)	(10,480)	(4,914)	(4,127)	(3,330)	(3,773)
	149,098	130,911	163,734	160,105	120,152	82,432	76,915	71,608
EBITDA	25,675	19,490	53,098	29,104	42,576	19,205	22,215	14,855
Earnings from operations	13,029	7,437	42,185	16,864	28,333	6,623	9,505	1,718
Net earnings	5,133	2,340	21,538	7,136	14,238	2,730	5,179	1,595
Earnings per share								
Basic	\$ 0.05	\$ 0.02	\$ 0.23	\$ 0.07	\$ 0.23	\$ 0.03	\$ 0.08	\$ 0.01
Diluted	\$ 0.05	\$ 0.02	\$ 0.22	\$ 0.07	\$ 0.23	\$ 0.03	\$ 0.08	\$ 0.01
Dividends								
Per common and special share	\$ 0.015	\$ 0.015	\$ 0.015	\$ 0.015	\$ 0.015	\$ 0.015	\$ 0.015	\$ 0.015
Per series X preference share	\$ 0.150	\$ 0.150	\$ 0.150	\$ 0.150	\$ 0.150	\$ 0.150	\$ 0.150	\$ 0.150

Investment management revenues in the second quarter of 2004 included the \$26.8 million gain from the prepayment of the investment management contract with Dundee Precious which was the predominant factor for the increase in net earnings in that quarter. Fourth quarter investment management revenues in each of 2004 and 2003 included performance fee revenues of \$7.8 million and \$25.6 million, respectively. These performance fee revenues are contingent on market values as at the respective year ends of the underlying portfolio, and accordingly they are recorded as revenues only when such year end values have been finalized.

After considering the above two factors, growth in AUM, fostered by strong net sales activities and by improved capital market conditions, especially pronounced in the fourth quarter of 2004, accounted for the remaining variances in quarter-over-quarter investment management activities.

We have been in the process of integrating the business operations of the significant acquisitions completed in the fourth quarter of 2002 and at the end of 2003. The effect of these acquisitions has been an influencing factor in 2004 quarter-over-quarter variances in both revenues and expenses in the brokerage division (see "Effect of the Cartier Acquisition on Results

of Operations of the Brokerage Segment"). In addition, the Company expected and realized higher retail commission and trailer revenues in the brokerage segment as a result of the high-volume Registered Retirement Savings Plan season which occurs in the first quarter of each year.

REVIEW OF THE FOURTH QUARTER OF 2004 COMPARED WITH THE FOURTH QUARTER OF 2003

Net earnings for the fourth quarter of 2004 were \$5.1 million or \$0.05 per share attributable to common and special shares outstanding compared with \$14.2 million or \$0.23 per share in the previous year.

<i>(in millions of dollars)</i>	<i>Fourth Quarter</i>		<i>% Change</i>
	<i>2004</i>	<i>2003</i>	
Management fee revenue	\$ 60.4	\$ 47.1	28%
Performance fee revenue	7.8	25.6	(70%)
Financial services revenue	77.7	44.0	77%
Other revenue	3.2	3.4	(6%)
	149.1	120.1	24%
Variable compensation	55.0	23.8	131%
Other expenses	68.4	53.7	27%
	123.4	77.5	59%
EBITDA	\$ 25.7	\$ 42.6	(40%)
Interest, depreciation and amortization	12.7	14.3	(11%)
Pre-tax earnings	13.0	28.3	(54%)
Net earnings	\$ 5.1	\$ 14.2	(64%)
Cash from operations before changes in working capital items	\$ 22.2	\$ 27.4	(19%)
Shareholders' equity	\$ 564.2	\$ 509.7	11%

Significant components of the increase in fourth quarter revenues on a year-over-year basis are discussed below.

- Performance fee revenues earned in the fourth quarter of 2004 were \$7.8 million compared with \$25.6 million. Included in 2003 performance fee revenues is approximately \$5.1 million earned under the terms of the Dundee Precious investment management contract which has since been terminated and \$6.6 in higher performance fees generated from the Power Canadian Growth Fund. Performance fees earned from year to year may vary and such variances may be significant, because of the different types of funds which may generate these fees.
- Average AUM grew from \$10.6 billion in the fourth quarter of 2003 to \$13.2 billion in the fourth quarter of 2004, accounting for the growth in management fee revenues.
- Increases in financial services revenues largely stemmed from the former Cartier operations. The revenues attributable to the former Cartier financial advisors aggregated approximately \$33.7 million in the fourth quarter of 2004. Correspondingly, variable compensation expense has increased. As discussed elsewhere in this report, margins have decreased in 2004 as Cartier's operations consisted largely of retail mutual fund commissions and trailer revenues which are subject to a higher variable compensation payout.

Expenses in the fourth quarter of 2004 reflected continuing expenses of the former Cartier operation and integration related costs contributing to increased costs in the fourth quarter of 2004.

FINANCIAL CONDITION

Significant Balance Sheet Items

Securities Related Balances

Client Accounts Receivable and Client Deposits and Related Liabilities – Client account balances in the brokerage subsidiary represent funds owing from or belonging to clients, and amounts that are pending settlement. While the amounts may vary significantly on a day-to-day basis, they do not necessarily reflect any change to our financial position. As at December 31, 2004, client accounts receivable were \$282.3 million (2003 – \$354.3 million) and client deposits and related liabilities were \$273.3 million (2003 – \$336.1 million).

Call Loan – Dundee Securities has a call loan facility of \$100 million with a Canadian chartered bank, secured by either unpaid client securities and/or securities borrowed or owned by Dundee Securities. The call loan facility is used primarily to facilitate the securities settlement process for both client and firm inventory positions and/or to finance margin account activity. Similar to client account balances, amounts borrowed pursuant to this call loan facility may vary significantly on a day-to-day basis depending on securities trading activity, without necessarily representing a change to the Company's financial position. Amounts borrowed pursuant to this call loan facility which, at December 31, 2004, totaled \$0.4 million (2003 – \$21.2 million), are reported as bank indebtedness.

Goodwill and Other Intangible Assets

In accordance with Canadian GAAP, the acquisition of Cartier was recorded using the purchase method of accounting. The purchase price was allocated to the assets and liabilities acquired based on management's estimate of the fair values of these assets and liabilities on the date of acquisition. On acquisition, the Company identified certain intangible assets including *investment management contracts* relating to AUM acquired, and *funds under administration* relating to AUA acquired. These intangible assets were valued using a net present value model of future cash flows, and were tax effected. Unlike investment management contracts that have an indefinite life, funds under administration are being amortized over their estimated life of 15 years. The amount of the purchase price in excess of amounts assigned to the fair value of assets and liabilities was recorded as goodwill.

Changes in goodwill and other intangible assets are detailed in the table that follows:

(in thousands of dollars)

	Goodwill	Investment Management Contracts	Funds under Administration	Total
Balance, December 31, 2002	\$ 155,787	\$ 57,329	\$ -	\$ 213,116
Acquisition of Cartier	143,905	47,686	30,573	222,164
Transfer of Cartier from Dundee Wealth to DWM	15,876	-	-	15,876
Acquisition of non controlling interest of subsidiary	3,609	-	-	3,609
Other adjustments	(828)	-	-	(828)
Balance, December 31, 2003	318,349	105,015	30,573	453,937
Investment by non controlling shareholder in subsidiary	(8,507)	-	-	(8,507)
Adjustment to allocation of Cartier acquisition cost	(1,058)	-	-	(1,058)
Disposition of Matisse	(798)	-	-	(798)
Amortization	-	-	(2,038)	(2,038)
Balance, December 31, 2004	\$ 307,986	\$ 105,015	\$ 28,535	\$ 441,536

On December 31, 2003, the Company transferred its interest in Cartier to DWM for additional shares of DWM, with the effect of temporarily increasing the Company's interest in DWM from 81.7% to 86.0%. In January 2004, Caisse de dépôt et placement du Québec ("Caisse"), the non controlling shareholder of DWM, exercised its pre-emptive right to subscribe for additional shares of DWM and invested \$25 million in cash, diluting the Company's interest in DWM to 83.7%. The additional subscription was part of a series of transactions involving the transfer of the Cartier shares from Dundee Wealth to DWM and, accordingly, the resulting dilution effect of \$8.5 million was applied as a reduction of goodwill in respect of the Cartier acquisition in 2004.

Corporate Debt

The Company's investment management subsidiary has a \$22.3 million, revolving term credit facility with a Canadian chartered bank which was originally inherited as part of an acquisition completed in 2002. The facility matured on December 30, 2004 and was subsequently renewed to December 29, 2005. The facility contains certain financial covenants, including a requirement to maintain a minimum level of AUM and EBITDA. The Company was in compliance with all financial covenants throughout 2004. As at December 31, 2004, \$10.0 million (2003 – \$22.3 million) was owing pursuant to this credit facility.

Infinity Income Trust, Multi-Fund Income Trust and Prime Trust were formed for the purpose of financing a portion of prior years' deferred sales commissions. Total amounts due to these financing vehicles are included as corporate debt and as at December 31, 2004, aggregated \$9.3 million (2003 – \$12.6 million). This amount may differ from amounts that will eventually be paid to these financing vehicles, as obligations are limited to a specified percentage of AUM for a specified period. During 2004, amounts borrowed under the Prime Trust arrangement were fully repaid and the facility, including the obligation to cede a portion of the management fees, was terminated.

Debt with Dundee Corporation

At December 31, 2003, the Company had debt of \$32.4 million due under a \$50 million credit facility provided by Dundee Corporation. Following completion of our public financing late in 2003 and early 2004, the facility was repaid and subsequently cancelled.

Dundee Corporation previously provided a \$190 million credit facility to the Company to finance the acquisition of Cartier. During 2003, Dundee Corporation was paid a \$1.5 million loan commitment and arrangement fee. In addition, Dundee Corporation received a three-year warrant expiring December 9, 2006 to purchase 1,800,000 common shares at \$7.75 per share.

LIQUIDITY AND CAPITAL RESOURCES

Issuance of Common Shares in a Public Offering

On December 22, 2003, we raised \$190 million in a public offering of 24,516,129 common shares at a price of \$7.75 per subscription receipt. Dundee Corporation purchased \$90 million of the common shares at the offering price while the remaining \$100 million was underwritten and sold by a syndicate of underwriters. Proceeds from the offering were placed in escrow pending closing of the acquisition of Cartier, which was completed on December 30, 2003. Proceeds from the offering, net of issue costs of approximately \$7.0 million (including \$0.7 million paid in 2004) were used to fund the cash component of the Cartier acquisition of approximately \$168 million, with the balance of the funds being used for general working capital purposes.

Over-allotment options to purchase up to an additional 1,290,323 common shares, issued to each of the underwriters and Dundee Corporation, were exercised in January 2004 providing an additional \$20 million, before associated issue costs, in proceeds to the Company.

Significant Sources and Uses of Cash and Cash Equivalents

General operations and other transactions provided an inflow of cash and cash equivalents of \$33.9 million during 2004 compared with an inflow of \$13.8 million in 2003. At December 31, 2004, cash and cash equivalents aggregated \$150.8 million compared with \$116.9 million at December 31, 2003. The most significant cash flow changes are discussed below:

- During 2004, \$60.5 million (2003 – \$37.7 million) was utilized to finance deferred sales commissions. Increases in these commissions paid reflect higher sales levels in the investment management segment at an average rate of 4.2% (2003 – 4.2%). Sales commission payments were financed internally in both 2004 and 2003, thereby permitting the Company to retain all the management fees associated with these new assets and to receive the tax deduction associated with the commission expense.
- Changes in client balances represented a cash inflow of \$9.2 million in 2004 as compared to \$48.2 million cash outflow in 2003. Trading in securities owned and securities sold short generated a cash inflow of \$11.3 million in 2004 as compared to \$10.7 million cash outflow in 2003. As previously noted, while these amounts may vary significantly on a day-to-day basis, they do not necessarily reflect any change to the Company's financial position.
- Consistent with changes in client account balances, amounts owing on the call loan facility in the brokerage segment decreased by \$20.8 million in 2004, as compared to an increase of \$13.8 million in 2003.
- Dundee Precious terminated its investment management contract with the investment management division by issuing common shares and an option to purchase common shares of Dundee Precious. Both the shares and the option were sold to Dundee Corporation for cash proceeds of approximately \$27 million.
- In January 2004, we received a \$25 million equity subscription from Caisse, and \$19.5 million, net of costs, from the exercise of over-allotment subscriptions that were issued as part of the public financing completed in December 2003. These amounts, in addition to cash flows generated from operations, were used to repay approximately \$50 million of debt, including debt to Dundee Corporation.
- In May 2004, we obtained approval from the TSX to purchase our own common shares in the market for cancellation pursuant to a normal course issuer bid. During 2004, we purchased 906,300 shares for cancellation having an aggregate stated value of \$3.4 million. The company paid cash of \$7.9 million in respect of these share cancellations.

The comparative cash flows in 2003 included a cash payment of approximately \$168.0 million as partial consideration for the acquisition of Cartier, net of cash acquired of \$9.7 million. An additional \$0.9 million was paid in 2004 including \$0.5 million pursuant to the compulsory acquisition transaction and an additional \$0.4 million in transaction costs. Details as to the full acquisition price are included in note 2 to the 2004 audited consolidated financial statements.

The Company's main operating subsidiaries operate in a regulated environment that subject them to maintain required levels of capital which may restrict the ability to withdraw capital from certain of its subsidiaries at any given point in time. At December 31, 2004, all regulated entities complied with regulatory capital requirements and securities regulated entities reported excess capital of approximately \$40.8 million (2003 – \$31.1 million).

Cash Requirements

On an ongoing basis, the Company requires cash to support regulatory capital in its regulated subsidiaries, to finance commissions associated with new products and to make any dividend payments. The availability of new financing to the Company may be limited in certain circumstances. Nevertheless, we believe that existing cash and credit facilities, along with cash flows generated from operations, will permit the Company to manage its resources efficiently, maintain sufficient liquidity to meet ongoing working capital requirements and ensure compliance with regulatory capital requirements.

Our intention is to continue to finance mutual fund commissions internally. We continually assess alternative financing opportunities to meet the potential demand for funding of commissions that may result from a significant increase in mutual fund sales activities.

CONTINGENCIES, COMMITMENTS AND OFF-BALANCE SHEET OBLIGATIONS

The following table summarizes payments due in the next five years and thereafter in respect of our contractual obligations and the obligations of our subsidiaries.

(in thousands of dollars)

	Expected Payments Schedule					Total
	2005	2006 to 2007	2008 to 2009	Thereafter		
Bank debt (note i)	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000
Operating lease obligations (note ii)	16,767	21,868	11,193	4,779		54,607
Other debt (note iii)	1,000	4,097	450	7,313		12,860
	\$ 27,767	\$ 25,965	\$ 11,643	\$ 12,092	\$ -	\$ 77,467

- (i) Represents amounts outstanding under the Company's revolving term credit facility. The revolving term credit facility was renegotiated with the maturity date extended to December 29, 2005.
- (ii) Operating lease obligations include minimum commitments to landlords, suppliers and service providers. Several of these leases oblige the Company to pay additional amounts if usage or transaction activity exceeds specified levels.
- (iii) Other debt is reported exclusive of obligations under the Income Trust arrangements, aggregating \$9.3 million, as described in note 10 to the 2004 audited consolidated financial statements as these obligations are contingent on the underlying net assets value of mutual fund units financed by these arrangements. Other obligations also exclude \$0.3 million of contingent consideration pursuant to a business combination transaction.

- We have lease agreements in respect of premises and certain furniture and equipment. Funding requirements in respect of these obligations are detailed in note 13 to the 2004 audited consolidated financial statements.
- Our investment management subsidiaries have previously entered into agreements for the financing of mutual fund commissions with Dundee Corporation, certain income trusts and certain limited partnerships. In the case of the income trusts, obligations under the agreements are considered debt and are included as liabilities on the consolidated balance sheets. In the case of Dundee Corporation and the limited partnerships, the obligations represent distribution arrangements with the associated fees, calculated as a percentage of the net asset value of the related mutual fund units, recorded as an expense in the period incurred. Distribution fees paid are summarized as follows:

(in thousands of dollars)

	Amounts Paid	
	2004	2003
Dundee Corporation	\$ 2,964	\$ 3,366
O'Donnell 1997 Limited Partnership	656	631
O'Donnell 1996 Limited Partnership	551	593
Infinity 1997 Limited Partnership	391	408
Navigator Partners LP No. 2	27	26
Navigator Partners LP No. 1	9	10
Distribution fees for the years ended December 31,	\$ 4,598	\$ 5,034

- The Company has entered into a shareholders' agreement with DWM, Dundee Corporation and Caisse. The agreement provides that in certain circumstances, Caisse will have the right to require DWM, the Company or Dundee Corporation to repurchase all or part of its interest in DWM at the then fair market value.
- The Company and certain of its subsidiaries have agreed to comply with certain covenants and provisions of a trust indenture for a \$150 million debenture that has been issued by Dundee Corporation (the "Support Agreement"), which includes restrictions on the ability of these entities to incur additional debt. The Company has agreed to indemnify Dundee Corporation for certain losses, including associated costs and expenses that may arise from a breach of the Support Agreement. Dundee Corporation's interest is secured by all of the assets of the Company and its subsidiaries, although, in certain circumstances, such interest is subordinated to the security interest in favour of a Canadian chartered bank.
- On March 28, 2003, the Company acquired the 49% non controlling interest in the Canada Dominion group of companies for \$4.0 million, of which \$1.0 million was paid at closing, another \$1.0 million paid in March 2004, and the remaining \$2.0 million is to be paid in two equal annual installments of \$1.0 million on the next two anniversary dates of the transaction. The obligation in respect of this transaction is included in corporate debt, discounted at a rate of 6.7%. In addition, the Company paid \$1.0 million in respect of a non-compete agreement in 2003.
- As part of the Cartier acquisition, the Company agreed to settle a future obligation of Cartier to issue Cartier common shares in February 2005, conditional on certain events. These amounts were recorded as future obligations in the audited consolidated financial statements of the Company as at and for the years ended December 31, 2003 and 2004. The conditions for settlement were met subsequent to year end and, in settlement, we issued 246,548 common shares and paid \$0.4 million in cash.
- We have a share incentive plan for the employees, officers and directors of Dundee Wealth and its subsidiaries and a share incentive plan for independent financial advisors and service providers of, and consultants to, Dundee Wealth. These share incentive plans, and their impact on current reported net earnings are outlined in note 12 to the Company's 2004 audited consolidated financial statements. During 2004, the Company issued a total of 1,037,886 (2003 – 983,393) common shares under the terms of these share incentive arrangements. The Company has also granted share compensation to employees and independent financial advisors under the share bonus and reserve share plan arrangements, with the issuance of such shares being contingent on certain conditions. The conditions that must be met vary from grant to grant, but are generally designed to encourage the retention of employees and financial advisors over time, or to reward the attaining of excellence in providing profitability to the Company. Included in 2004 expense is \$2.7 million (2003 – \$0.5 million) accrued in anticipation of the issuance of these shares.

FINANCIAL INSTRUMENTS

From time to time, our brokerage subsidiary may enter into various derivative instrument contracts to meet the needs of customers, earn trading income and manage exposure to market or foreign exchange risk. At December 31, 2004, we held foreign exchange contracts with a notional amount of \$18.9 million (2003 – \$18.5 million) which we used to mitigate our foreign exchange exposure to the U.S. dollar. The principles of hedge accounting were not applied and therefore, fluctuations in the U.S. foreign exchange rate may impact our operating results.

We are also exposed to market risk resulting from fluctuations in the price of other financial instruments, including securities owned and securities sold short and our corporate investment holdings. Market risk may occur with volatility in interest rates and global market conditions. These fluctuations may have an impact on our operating results.

RELATED PARTY TRANSACTIONS

We may, from time to time, have routine transactions with our parent, Dundee Corporation, and its affiliates, including certain of Dundee Corporation's equity-accounted investees. The following is a summary of related party transactions:

- The Company paid \$3.0 million (2003 – \$3.4 million) in distribution fees to Dundee Corporation in accordance with the terms of its distribution agreements as detailed in note 13 to the 2004 audited consolidated financial statements.
- In the normal course of business, our investment management segment may purchase or sell securities through our brokerage subsidiary on behalf of mutual fund clients and other discretionary client portfolios. These transactions are conducted at a negotiated discounted schedule.
- Our brokerage subsidiary may, from time to time, participate in corporate finance related activities, including financial advisory activities, with or on behalf of equity-accounted investees of our parent or fiduciary accounts managed by our investment management segment.
- Directors and officers of the Company and its subsidiaries may choose to use the brokerage facilities of Dundee Securities Corporation. Transactions are conducted on normal market terms.
- As at December 31, 2004, the Company, its parent and affiliates held mutual funds and other investments with a net carrying value of \$24.0 million (2003 – \$40.5 million) managed by subsidiaries of the Company. Transactions in respect of these investments are conducted on the same basis as those of other mutual fund investors.

SUBSEQUENT EVENT

On March 22, 2005, the Company completed an offering of 4,950,000 common shares from treasury to a syndicate of underwriters at a purchase price of \$10.10 per share for aggregate proceeds, after issue costs, of approximately \$47.3 million.

ISSUANCES OF SHARE CAPITAL SUBSEQUENT TO YEAR END

Common and Special Shares Issued and Outstanding

(in thousands of dollars except share amounts)

	Number	Amount
COMMON SHARES:		
Outstanding December 31, 2004	90,387,566	\$ 341,548
Transactions subsequent to December 31, 2004		
Issuance of common shares pursuant to Share Incentive Plans	159,017	1,163
Issuance of common shares on exercise of stock options	25,397	155
Issuance of common shares in settlement of preference share dividends	84,772	818
Issuance of common shares in settlement of deferred acquisition obligations	246,548	1,861
Issuance of common shares in settlement of bought deal public offering	4,950,000	49,995
Outstanding March 24, 2005	95,853,300	\$ 395,540
SPECIAL SHARES:		
Series C:		
Outstanding March 24, 2005 and December 31, 2004	508,571	\$ 5,086
Series D:		
Outstanding March 24, 2005 and December 31, 2004	250,000	\$ 2,500
Series E:		
Outstanding March 24, 2005 and December 31, 2004	80,970	\$ 692
Total Common and Special Shares Issued and Outstanding March 24, 2005	96,692,841	\$ 403,818

Preference Shares Issued and Outstanding

There were no changes in the number of preference shares issued and outstanding since December 31, 2004. The 5,453,668 First Preference Shares, Series X outstanding are convertible to common shares at any time, at the option of the holder, on a 1.2 for 1 basis. Beginning with fiscal 2005, amendments to Canadian GAAP will require the classification of these Series X Shares, stated at \$54.5 million as at December 31, 2004, as a liability rather than as equity on the consolidated balance sheet. Corresponding dividends of \$3.3 million per year will be reported as interest expense.

Warrants Outstanding

As at March 24, 2005, the Company had 1,800,000 warrants outstanding at an exercise price of \$7.75 expiring on December 9, 2006.

Stock Options Outstanding

A summary of the status of the Company's share option plans as at and for the periods ended March 24, 2005 and December 31, 2004 is detailed in the table that follows.

	March 24, 2005		December 31, 2004	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	9,358,432	\$ 8.47	5,232,260	\$ 7.40
Granted	-	\$ -	4,727,332	\$ 9.81
Exercised	(25,397)	\$ 6.11	(57,524)	\$ 6.74
Cancelled	(131,802)	\$ 7.90	(543,636)	\$ 9.94
Outstanding, end of period	9,201,233	\$ 8.49	9,358,432	\$ 8.47
Exercisable, end of period	3,663,987	\$ 7.94	3,424,994	\$ 7.67

<i>Range of exercise prices</i>	<i>Number Outstanding</i>	<i>Weighted Average Exercise Price</i>	<i>Weighted Average Remaining Contractual Life (Years)</i>	<i>Number Vested</i>
\$4.10 to \$7.65	2,009,899	\$ 6.43	5.51	684,980
\$8.00 to \$8.35	3,461,000	\$ 8.01	5.12	2,768,640
\$9.00 to \$9.15	2,678,500	\$ 9.10	4.55	-
\$10.79 to \$21.04	1,051,834	\$ 12.43	4.32	210,367
	9,201,233			3,663,987

Future Share Issuances Under Share Incentive Arrangements

The Company will, from time to time, issue awards to employees and financial advisors that will result in the issuance of common shares if certain time-related or performance-related criteria are met. As at March 24, 2005 we had granted awards that would result in the issuance of 1,724,011 additional common shares. The table below details changes in awards since December 31, 2004 and provides information on expected release dates.

		Anticipated Year of Release	
Awards outstanding, December 31, 2004	1,186,404		
Transactions since December 31, 2004			
Awards granted	700,000	During the year ending December 31, 2005	168,997
Shares issued	(149,893)	During the year ending December 31, 2006	227,927
Awards cancelled	(12,500)	Between 2007 and 2010	1,277,833
Awards outstanding, March 24, 2005	1,724,011	To be issued based on performance criteria	49,254
		Awards outstanding, March 24, 2005	1,724,011

FUTURE ACCOUNTING CHANGES

In August 2004, the CICA issued revised CICA Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG 15R"), which will become effective for the Company's 2005 year. The revised guideline was released to harmonize with counterpart pronouncements in the United States. The guideline defines requirements for the application of consolidation accounting to certain entities that are subject to control on a basis other than ownership or voting interest. The Company is currently assessing the standard, in particular in respect of certain mutual fund entities that it manages and which experience low volatility of returns, and continues to monitor developments affecting the current interpretation of AcG 15R. These requirements will not have a material impact on the financial condition or operating results of the Company.

In January 2004, the CICA issued amendments to CICA Handbook Section 3860, "Financial Instruments – Disclosure and Presentation", which is effective January 2005. These new requirements will require that the Company's \$54.5 million outstanding preference shares, series X be reclassified from equity to debt and the associated dividends of \$3.3 million per annum be recorded as interest expense in the consolidated statements of operations. Previously, Section 3860 generally permitted contractual obligations that could be settled using equity securities of the issuer to be classified as equity instruments. Amended requirements only permit these instruments to be recorded as equity if the number of equity securities that are to be issued in settlement thereof is fixed. As the Company may choose to settle the retraction price of the outstanding preference shares, series X using securities at prevailing market prices at the time of the retraction, a variable number of common shares would have to be issued. This change in accounting policy will not impact earnings per share or earnings available to common and special shareholders. The provisions of amended Section 3860 will be applied retroactively and the comparative 2004 statements will be adjusted accordingly.

In January 2005, the CICA released CICA Handbook Section 3855, "*Financial Instruments – Recognition and Measurement*", and two related standards, Section 3865, "*Hedges*", and Section 1531, "*Comprehensive Income*". These standards reflect the view that fair value, not historical cost, is the appropriate way for measuring financial instruments. This new section is expected to be effective for the 2007 fiscal year. Under the new standards, the only financial instruments that can be carried at historical costs are items such as trade receivables, trade payables and certain financial liabilities. Otherwise, financial instruments will generally be classified as "trading", "held to maturity" or "available for sale". Financial instruments that are classified as trading will generally be stated at fair value, with unrealized gains and losses being recorded through income. Financial instruments that are classified as "held to maturity" will be carried at amortized cost. Financial instruments that are designated as "available for sale" must also be stated at fair value, but unrealized gains and losses will be applied directly to shareholders' equity in a new category called "other comprehensive income". Realized gains and losses and impairments in values on "available for sale" securities will continue to be reflected through earnings. Equity-accounted investments will continue to be accounted for based on the principles of equity accounting. The Company is currently evaluating the impact of applying the new standards. The Company does not anticipate that the provisions of Section 3865, "*Hedges*", will have any material impact to the consolidated financial statements.

MANAGING RISK

The Wealth Management Industry in Canada

The wealth management industry in Canada has experienced considerable growth in the past decade. Changing demographics and concern about financial security in retirement, compounded by a continuing low-interest rate environment, are expected to result in a continued increase in assets available for investment. In recent years, investors have endeavoured to increase their knowledge of available investment products and services, and wealth management firms have responded by increasing the availability of, and access to, information in respect of these wealth management products and services. Simultaneously, there has been an increase in the number, type and sophistication of products and services offered by financial institutions. The Company believes that these changing factors will result in an increased number of investors seeking some level of professional financial and investment advice in managing their investments. Dundee Wealth is well positioned to meet this challenge as it continues to establish itself as a fully integrated wealth management business, combining professional investment management products, solutions and services with knowledgeable financial advisory professionals.

Creating, Attracting and Retaining AUM and AUA

The profitability of Dundee Wealth is directly related to its ability to create, attract and retain AUM and AUA. These assets are subject to a fee, generally calculated as a percentage of their net asset value. Should a sizable number of clients seek to terminate their arrangements with Dundee Wealth and withdraw assets, the Company's profitability would be adversely affected.

Investment performance continues to play an important role in the Company's ability to sell financial products and retain customers. As at December 31, 2004, approximately 81% (2003 – 86%) of the total AUM in the Dynamic Mutual Funds ranked in the top two quartiles of peer group equivalents as measured by one of Canada's leading investment fund research firms based on one-year performance and approximately 90% (2003 – 89%) based on three-year performance. There can be no assurances that the Company will be able to continue to achieve superior returns relative to its competitors in future periods.

Dundee Wealth demands the highest standards of ethics, knowledge and professional judgement from its extensive network of established financial advisors. The Company's client base is diversified and ranges from high net worth investors to investors who are just beginning to accumulate financial assets. Dundee Wealth's financial advisors are positioned to service the varying demands of these investors.

Market Influences

Negativity in domestic and international capital markets may challenge the Company. The movement of capital markets is beyond the control of Dundee Wealth but, to a significant degree, may impact on the Company's overall profitability. Revenues from the Company's investment management arm are primarily based on the market values of AUM, generally determined using trading values of underlying securities in global markets. The unpredictability of the global economy may also affect retail and institutional clients' willingness to actively trade in capital markets, impacting the Company's commission revenues as well as trading and corporate finance activities. Declining interest rates may reduce the interest spread earned by the Company's brokerage subsidiary on amounts borrowed in margin accounts.

Competition

Dundee Wealth operates in a highly competitive environment that includes other providers of wealth management products such as mutual funds and private client investment managers, financial advisors, investment dealers, banks and insurance companies, some of which have greater financial or other resources than Dundee Wealth. In order to remain competitive, Dundee Wealth will continue to be innovative in the development of financial products and solutions for its clients, to monitor its investment performance and to provide the highest level of service to its clients.

There may be competitive pressures from time to time to lower the fees that the Company charges on its products and services which may impact the ability to retain clients in the future. While changes to management fee rates, commission rates and trailer fee rates will affect the operating results of the Company, management believes that its current fee structure is competitive with its industry peers.

Operating in a Regulated Environment

The regulatory operating environment for wealth management and financial services operations in Canada continues to expand, becoming more regimented and complex. The Company supports regulatory changes that enhance the integrity and reputation of our industry and that protect the interests of our client base. The Company's compliance personnel actively participate in the development of new legislation and regulation. However, new regulatory requirements may involve changes to the way we currently conduct our business or may increase the cost and associated profitability of our business. The Company believes that its ability to comply with all applicable laws and regulations including these emerging changes is dependent upon the establishment, implementation and maintenance of extensive compliance policies and procedures. The Company has a team of experienced compliance personnel that works full time on these efforts. When the Company completes an acquisition, it is possible that the acquired company's compliance standards may have been insufficient or not as developed as those of the Company. The Company attempts to resolve compliance issues through its due diligence review; however, it is possible that its review will not identify all possible problems.

Regardless of the Company's effectiveness in monitoring and administering established compliance policies and procedures, the Company, and any of its directors, officers, employees or agents, may be subject to liability or fines which may limit the ability to conduct business. The Company maintains various types of insurance to cover certain potential risks and continuously evaluates the adequacy of its insurance coverage. In recent years, the cost of obtaining insurance has increased while the number of insurance providers has decreased. As a result, the ability to obtain insurance on reasonable economic terms may be more difficult in the future.

Integration

The Company's growth strategy has relied in part on acquisitions and the associated realization of operating synergies. A successful acquisition requires the Company to identify suitable candidates for purchase on acceptable terms, and the acquired business to be successfully integrated in a timely and non-disruptive manner designed to minimize the risk of loss of client business. Even with the investment of management and financial resources, an acquisition may not produce the anticipated revenue, earnings or business synergies. In addition, acquisitions can involve non-recurring charges and, if not successful, the write-off of amounts of goodwill and other intangible assets that could have an adverse effect on the Company's financial results. Management performs an extensive review of the value of goodwill and other intangible assets on an ongoing basis, which review has not identified any required adjustments.

The Company continually reviews technology developments in the industry with a view to maintaining competitiveness. Recent development delays related to certain aspects of the brokerage division's back-office systems have been encountered which may impact the timing of future conversions and the realization of operating cost synergies in connection with the acquired Cartier operations.

Capital Requirements

Dundee Securities, Dundee Private Investors and Goodman operate in regulated environments and are subject to minimum regulatory capital requirements. Accordingly, Dundee Wealth may be required to keep sufficient cash and other liquid assets on hand to maintain capital requirements. Although each of these regulatory entities currently has sufficient capital, growth of the business may necessitate additional capital requirements and the failure to maintain required regulatory capital may subject the relevant registrant to fines, suspension or revocation of registration or could prohibit the Company from expanding. The Company monitors the level of regulatory capital required in each of these business units on an ongoing basis to ensure it meets the minimum requirements.

The Company currently finances commissions associated with mutual funds sold on a deferred sales charge basis through internal means. In the past few years, asset growth in mutual funds has increased significantly, increasing the funding required for these new mutual fund assets. In periods where the value of mutual fund units sold on a deferred sales charge basis is high, sources of funding other than cash flow from operations may be required in order to pay dealer commissions and it is not certain that such additional funding, if needed, will be available on terms attractive to the Company, or at all.

In addition, the Company may be required to raise additional funds through public or private financing, strategic relationships or other arrangements for a variety of purposes, including business acquisitions, to capitalize on unanticipated opportunities, as well as to respond to competitive pressures. Additional equity funding will reduce the percentage ownership of the existing shareholders of the Company and may dilute net book value per share. It is also possible that any such equity funding may involve securities which have rights or privileges senior to those of holders of common shares or that any debt financing, if available, may involve restrictive covenants. There can be no assurance that such additional funding, if needed, will be available on economic terms, or at all. Under the terms of certain agreements with Dundee Corporation, including with respect to the outstanding debentures issued by Dundee Corporation, the Company and certain of its subsidiaries are subject to various restrictions and covenants with respect to borrowing funds, issuing debt securities, disposing of assets, and reorganizing or merging with others.

Credit Risks

Dundee Wealth is exposed to the risk that third parties that owe the Company cash, securities or other assets may not fulfill their obligations, due to lack of liquidity, bankruptcy, operational failure or other cause. These parties include trading counterparties, customers, clearing agents, exchanges, clearing houses, other financial intermediaries, and issuers whose securities are held by us. Credit risks associated with customers include amounts loaned in margin accounts. While the Company reviews its credit exposure to specific clients, counterparties and other debtors, default risk may arise from events or circumstances that are otherwise difficult to detect.

FORWARD LOOKING STATEMENTS

This Management's Discussion and Analysis contains forward looking statements about the Company, including its business operations, strategy and expected financial performance and conditions. Forward looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions. Such statements are based on the current expectations of management, and inherently involve numerous risks and uncertainties, known and unknown, including economic factors and the financial services industry, generally. These forward looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward looking statements made by the Company. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward looking statements. The Company has no specific intention to update any forward looking statements whether as a result of new information, future events or otherwise. The risks, uncertainties and other factors that could influence actual results are described in the "Risk and Uncertainties" section of this Management's Discussion and Analysis and are based on information available as of March 24, 2005.

INFORMATION CONCERNING DUNDEE WEALTH

Additional information relating to Dundee Wealth, including a copy of the Company's Annual Information Form, may be found on SEDAR at www.sedar.com.

Toronto, Ontario
March 24, 2005

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements, the notes thereto and other financial information contained in this annual report have been prepared by, and are the responsibility of, the management of Dundee Wealth Management Inc. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements when appropriate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Audit Committee, which is comprised of four independent Directors, meets with management as well as the external auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the Company's consolidated financial statements and the report of the auditors. It reports its findings to the Board of Directors which approves the consolidated financial statements.

The consolidated financial statements have been audited by Ernst & Young LLP, the independent auditors, in accordance with generally accepted auditing standards. The auditors have full and unrestricted access to the Audit Committee.



Ned Goodman
*Chairman, President and
Chief Executive Officer*



Joanne Ferstman
*Executive Vice President and
Chief Financial Officer*

Toronto, Canada
March 24, 2005

Auditors' Report

To the Shareholders of **Dundee Wealth Management Inc.**

We have audited the consolidated balance sheets of Dundee Wealth Management Inc. (the "Company") as at December 31, 2004 and 2003 and the consolidated statements of operations, changes in shareholders' equity, and cash flows for the years then ended. 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Toronto, Canada
March 24, 2005

**DUNDEE WEALTH MANAGEMENT INC.
CONSOLIDATED BALANCE SHEETS**

*As at December 31, 2004 and 2003
(expressed in thousands of dollars)*

	December 31, 2004	December 31, 2003
ASSETS		
Cash and cash equivalents	\$ 150,837	\$ 116,917
Securities owned (note 3)	16,788	24,978
Accounts receivable	78,668	91,939
Client accounts receivable	282,284	354,347
Corporate investments (note 4)	23,006	15,790
Deferred sales commissions (note 5)	109,912	85,309
Capital and other assets (note 6)	26,693	29,062
Goodwill and other intangible assets (notes 2 and 7)	441,536	453,937
TOTAL ASSETS	\$ 1,129,724	\$ 1,172,279
LIABILITIES		
Bank indebtedness (note 8)	\$ 361	\$ 21,181
Accounts payable and accrued liabilities (note 9)	95,888	108,724
Securities sold short (note 3)	7,061	3,966
Client deposits and related liabilities	273,311	336,126
Income taxes payable	10,521	13,800
Amounts due to parent (note 9)	-	32,359
Corporate debt (note 10)	21,179	38,248
Future income tax liabilities (note 15)	54,701	32,097
	463,022	586,501
NON CONTROLLING INTEREST (note 2)	102,523	76,112
SHAREHOLDERS' EQUITY		
Share capital (note 11)		
Common and special shares	349,826	323,231
Preference shares	54,537	54,537
Contributed surplus (notes 11 and 12)	27,263	26,169
Deferred acquisition obligations (notes 2 and 11)	1,860	2,446
Retained earnings	130,693	103,283
	564,179	509,666
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,129,724	\$ 1,172,279

The accompanying notes are an integral part of these consolidated financial statements.

Contingencies and commitments (note 13)

Approved by the Board



Ned Goodman
Director



Garth A.C. MacRae
Director

**DUNDEE WEALTH MANAGEMENT INC.
CONSOLIDATED STATEMENTS OF OPERATIONS**

*For the years ended December 31, 2004 and 2003
(expressed in thousands of dollars, except per share amounts)*

	December 31, 2004	December 31, 2003
REVENUE		
Management fees	\$ 236,206	\$ 191,543
Redemption fees	10,580	10,515
Financial services	328,402	147,766
	575,188	349,824
Investment income (note 2)	28,660	1,283
	603,848	351,107
EXPENSES		
Selling, general and administrative	199,290	131,630
Variable compensation	229,809	82,144
Trailer fees	42,784	33,448
Distribution fees	4,598	5,034
	476,481	252,256
EARNINGS BEFORE INTEREST, TAXES AND OTHER NON CASH ITEMS		
	127,367	98,851
Amortization of deferred sales commissions	35,863	42,404
Depreciation and amortization	9,835	5,057
Interest expense	2,154	5,211
EARNINGS FROM OPERATIONS	79,515	46,179
Income taxes (note 15)		
Current	11,348	18,569
Future	22,654	(1,000)
	34,002	17,569
Non controlling interest	9,366	4,868
NET EARNINGS FOR THE YEAR	\$ 36,147	\$ 23,742
NET EARNINGS PER SHARE		
Basic	\$ 0.36	\$ 0.36
Diluted	\$ 0.35	\$ 0.36

The accompanying notes are an integral part of these consolidated financial statements.

DUNDEE WEALTH MANAGEMENT INC.
CONSOLIDATED STATEMENTS OF CHANGES IN
SHAREHOLDERS' EQUITY

*As at and for the years ended December 31, 2004 and 2003
(expressed in thousands of dollars)*

	<i>Share Capital</i>		<i>Contributed Surplus</i>	<i>Deferred Acquisition Obligations</i>	<i>Retained Earnings</i>	<i>Total</i>
	<i>Common and Special</i>	<i>Preference</i>				
Balance, December 31, 2002	\$ 84,333	\$ 54,537	\$ 25,582	\$ -	\$ 86,215	\$ 250,667
Issuance of shares on exchange of subscription receipts (note 11)	190,000	-	-	-	-	190,000
Issue costs, net of taxes of \$2,275 (note 11)	(4,005)	-	-	-	-	(4,005)
Issuance of common shares on acquisition of Cartier (note 2)	46,261	-	-	-	-	46,261
Deferred obligations to issue shares on acquisition of Cartier (note 2)	-	-	-	2,446	-	2,446
Issuance of common shares for cash	2,503	-	-	-	-	2,503
Issuance of common shares for non-monetary consideration	1,210	-	-	-	-	1,210
Issuance of common shares in settlement of preference share dividend	3,272	-	-	-	-	3,272
Exercise of stock option	14	-	-	-	-	14
Stock based compensation (note 12)	-	-	590	-	-	590
Acquisition of common shares for cancellation	(1)	-	(3)	-	-	(4)
Acquisition of Series A Shares for cancellation	(74)	-	-	-	-	(74)
Acquisition of Series B Shares for cancellation	(282)	-	-	-	-	(282)
Preference share dividends	-	-	-	-	(3,272)	(3,272)
Common and special share dividends	-	-	-	-	(3,402)	(3,402)
Net earnings for the year	-	-	-	-	23,742	23,742
Balance, December 31, 2003	323,231	54,537	26,169	2,446	103,283	509,666
Issuance of common shares on Cartier compulsory acquisition transaction (note 2)	1,973	-	-	(1,965)	-	8
Issue costs, net of taxes of \$251 (note 11)	(446)	-	-	-	-	(446)
Adjustment to deferred obligation to issue shares on acquisition of Cartier	-	-	-	1,379	-	1,379
Issuance of common shares on exercise of over-allotment option (note 11)	20,000	-	-	-	-	20,000
Issuance of common shares for cash	3,403	-	-	-	-	3,403
Issuance of common shares for non-monetary consideration	1,003	-	-	-	-	1,003
Issuance of common shares in settlement of preference share dividend	3,272	-	-	-	-	3,272
Exercise of stock options	388	-	-	-	-	388
Share based compensation (note 12)	-	-	5,513	-	-	5,513
Acquisition of common shares for cancellation	(3,440)	-	(4,419)	-	-	(7,859)
Issuance of Series E Shares in business combination (notes 2 and 11)	442	-	-	-	-	442
Preference share dividends	-	-	-	-	(3,272)	(3,272)
Common and special share dividends	-	-	-	-	(5,465)	(5,465)
Net earnings for the year	-	-	-	-	36,147	36,147
Balance, December 31, 2004	\$ 349,826	\$ 54,537	\$ 27,263	\$ 1,860	\$ 130,693	\$ 564,179

The accompanying notes are an integral part of these consolidated financial statements.

**DUNDEE WEALTH MANAGEMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS**

*For the years ended December 31, 2004 and 2003
(expressed in thousands of dollars)*

	December 31, 2004	December 31, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings for the year	\$ 36,147	\$ 23,742
Non cash items in net earnings:		
Depreciation and amortization	45,698	47,461
Net investment gains	(392)	(165)
Future income taxes	22,654	(1,000)
Non controlling interest	9,366	4,868
Other	6,682	1,800
	120,155	76,706
Changes in:		
Accounts receivable	13,979	(39,124)
Securities owned, net of securities sold short	11,285	(10,698)
Client accounts receivable, net of deposits and related liabilities	9,248	(48,201)
Income taxes payable	(3,278)	12,939
Bank indebtedness	(20,820)	13,807
Accounts payable and accrued liabilities	(11,827)	27,884
CASH PROVIDED FROM OPERATING ACTIVITIES	118,742	33,313
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales commissions incurred on distribution of mutual funds	(60,466)	(37,654)
Acquisitions of corporate investments	(9,293)	(3,784)
Proceeds on dispositions of corporate investments	2,375	731
Payment on acquisition of non controlling interest	(1,000)	(2,000)
Cash disbursed in business combinations (note 2)	(234)	(158,310)
Additions to capital and other assets	(5,655)	(2,806)
CASH USED IN INVESTING ACTIVITIES	(74,273)	(203,823)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Decrease) increase in amounts due to parent	(29,802)	23,143
Decrease in corporate debt	(16,069)	(22,291)
Issuance of common shares, net of issue costs	26,366	189,509
Acquisition of common shares for cancellation	(7,859)	(4)
Issuance of shares by subsidiary	25,552	673
Dividends paid on common and special shares	(5,465)	(3,402)
Dividends paid on preference shares	(3,272)	(3,272)
CASH (USED IN) PROVIDED FROM FINANCING ACTIVITIES	(10,549)	184,356
NET INCREASE IN CASH DURING THE YEAR	33,920	13,846
Cash and cash equivalents, beginning of year	116,917	103,071
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 150,837	\$ 116,917
Cash flows from operating activities include the following:		
Interest paid	\$ 2,008	\$ 4,990
Taxes paid	\$ 17,235	\$ 7,772

The accompanying notes are an integral part of these consolidated financial statements.

DUNDEE WEALTH MANAGEMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004 and 2003
(tabular dollar amounts in thousands of dollars)

Dundee Wealth Management Inc. (the "Company" or "Dundee Wealth") is a publicly traded wealth management company incorporated under the Ontario Business Corporations Act. The Company provides investment management, securities brokerage, financial planning and investment advisory services to individuals, financial advisors, institutions, corporations and foundations across Canada. Dundee Wealth carries on its business through DWM Inc. ("DWM"), its 84%-owned subsidiary, and through several wholly-owned operating subsidiaries of DWM. The Company's principal operating subsidiaries include:

Investment Management Segment

- Goodman & Company, Investment Counsel Ltd. ("Goodman"), an investment management company and manager of the Dynamic Group of Mutual Funds and various other mutual funds, tax structured products and other portfolio solutions. Goodman is registered as an investment counselor and portfolio manager under the Securities Act (Ontario) and in certain other jurisdictions in Canada and is a member of The Investment Funds Institute of Canada.

Brokerage Segment

- Dundee Securities Corporation ("Dundee Securities"), a full service securities dealer and a member of the Investment Dealers Association of Canada;
- Dundee Private Investors Inc. ("Dundee Private"), a financial planner and mutual fund dealer and a member of both the Mutual Fund Dealers Association of Canada and the Autorité des marchés financiers ("AMF") and Dundee Private Investors Ltd., a member of the AMF;
- Dundee Insurance Agency Ltd. ("Dundee Insurance") and Cartier Partners Insurance Agency Inc. (amalgamated with Dundee Insurance effective January 1, 2005), managing general agents licensed for the sale of life, accident and sickness insurance; and
- Dundee Mortgage Services Inc. ("Dundee Mortgage"), a mortgage broker.

On December 30, 2003, Dundee Wealth completed the acquisition of Cartier Partners Financial Group Inc. ("Cartier") (note 2). The assets and liabilities acquired are included in the consolidated balance sheet of the Company as at December 31, 2003. However, the operating results of Cartier are not included in the comparative 2003 consolidated statements of operations of the Company as the acquisition was completed at the end of that year.

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

The consolidated financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions have been eliminated in these consolidated financial statements. The non controlling interest in the net book value of DWM and in its net earnings is included as a separate line item in the consolidated balance sheets and consolidated statements of operations, respectively.

Acquisitions

The Company accounts for business acquisitions as purchase transactions. Accordingly, the purchase price of a business acquisition is allocated to its identifiable net assets on the basis of estimated fair values as at the date of purchase, including

identifiable intangible assets and associated future income tax effects, with any excess being assigned to goodwill. Goodwill arising on acquisitions is allocated to business segments and tested at least annually for impairment. For interests acquired during the year, purchase accounting is applied on a prospective basis from the date of the acquisition.

Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are carried at cost, which approximates fair value. Cash equivalents include short term financial instruments which are highly liquid and immediately exchangeable into known amounts of cash.

Securities Owned and Securities Sold Short

Securities owned and securities sold short are stated at market values at the consolidated balance sheet dates. Market value is based on quoted market prices where available, or, for non-listed securities, market value is based on management's estimates.

Derivative Financial Instruments

The Company and its subsidiaries utilize derivative financial instruments primarily to manage financial risks, including interest rate and foreign exchange risks. Derivative financial instruments are carried at estimated fair value with the resulting gains and losses arising from changes in fair values being reported in current operations.

Client Accounts

In accordance with brokerage industry practice, client transactions are entered into on either a cash or a margin basis and are recorded on a trade-date basis. If transactions are conducted on a margin basis, the Company's brokerage subsidiary may extend credit to a client to purchase securities, and such securities purchased and/or other securities in the client's account are held as collateral for the amounts loaned. Amounts due from clients are carried at the contractual amount receivable, net of any allowance for credit losses. The Company's brokerage subsidiary engages in securities borrowing and lending transactions. Cash received or delivered as collateral against these transactions is included in client accounts.

Corporate Investments

Corporate investments are accounted for using the cost method. Changes in global market conditions, including changes in interest rates, may directly affect the value of securities. An investment is written down to reflect a decrease in the underlying net realizable value of an investment if, in the opinion of management, such decrease is other than temporary.

Deferred Sales Commissions

Deferred sales commissions consist of sales commissions paid to brokers and dealers on the sale of investment management products sold on a deferred sales charge basis. Commencing in the month they are paid, these costs are amortized on a straight-line basis over a five year period.

Capital and Other Assets

Capital assets are recorded at cost, net of accumulated amortization, and are amortized on a straight-line or declining-balance basis. Annual amortization rates adopted by the Company range from 20% to 30%. Leasehold improvements are amortized on a straight-line basis over the period of the lease.

Other assets include deposits made to regulatory authorities, including contingency trust funds and the Canadian Investor Protection Fund, deferred financing costs which include debt issue fees and expenses that are amortized on a straight-line

basis over the term of the debt, deferred trademark costs which are amortized on a straight-line basis over 15 years and deferred banking costs which will be amortized on a straight-line basis over five years commencing in 2005.

Goodwill and Other Intangible Assets

Goodwill and investment management contracts with indefinite lives are not amortized but are tested for impairment at least annually, or when circumstances suggest that an impairment may have occurred.

Intangible assets identified as funds under administration in an acquisition are amortized on a straight-line basis over 15 years.

Revenue Recognition

Management fees are calculated as a percentage of the net asset value of the respective mutual fund or other discretionary portfolio being managed and are recognized on an accrual basis. The Company may also earn performance fees from these managed assets when their market appreciation exceeds established benchmarks. Performance fees are not recognized in earnings until their value can be established with certainty.

Redemption fees paid by unitholders of mutual funds purchased on a deferred sales charge basis, the sales commission of which was financed by the Company, are recognized as revenue on the settlement date of the redemption of the applicable mutual fund units.

Securities transactions and related commission revenues are recorded in the accounts on a trade-date basis. Interest earned from client accounts and from securities owned or sold short is recognized on an accrual basis as earned and has been included in financial services revenue.

Securities owned and securities sold short are stated at market value. Both realized and unrealized gains and losses from securities owned and securities sold short are included in the determination of net earnings.

Investment income includes interest and dividend income from investments carried at cost which are recognized as earned, as well as realized investment gains and losses in respect of the Company's corporate investments or other assets.

Income Taxes

The Company uses the asset and liability method to provide for income taxes on all transactions recorded in the consolidated financial statements. The asset and liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are determined for each temporary difference and for unused losses, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled. A valuation allowance is established, if necessary, to reduce the future income tax asset to an amount that is more likely than not to be realized.

Foreign Currency Translation

All foreign currency denominated amounts are translated into Canadian dollars using average rates for the year for items included in the consolidated statements of operations, the rate in effect at the consolidated balance sheet dates for monetary assets and liabilities included in the consolidated balance sheets and historical rates for other items. Translation gains or losses are included in the determination of net earnings.

Stock Based Compensation

The Company may issue stock based compensation to directors, financial advisors and employees under the terms of its share incentive plans. These plans may include the issuance of stock options and stock based awards.

The Company uses the fair value based method to account for stock based transactions. The value of stock based compensation, as at the date of grant, including awards under the Company's bonus, deferred share, reserved share and

deferred share unit plans, is recognized over the applicable vesting period as an increase in compensation expense with a corresponding increase to contributed surplus. When stock options are exercised, the proceeds received, together with the amount in contributed surplus, are added to common share capital. No expense is recognized for stock options granted before January 1, 2003, and at the time these options are exercised, the proceeds received are recorded as share capital.

The Company's contributions under its employee share purchase plans are expensed as incurred.

Earnings per Share

Basic earnings per share is computed by dividing the net earnings for the year, adjusted for cumulative dividends on preference shares, by the weighted average number of common and special shares outstanding during the year (2004 – 91,026,795; 2003 – 56,878,674).

Diluted earnings per share is calculated to reflect the dilutive effect of exercising outstanding share incentive arrangements by application of the treasury stock method and by reflecting the dilutive effect of convertible preference shares. The weighted average number of common and special shares outstanding during 2004, calculated on a diluted basis, was 92,833,830 (2003 – 57,033,063).

Reclassification of 2003 Amounts

Certain of the prior year amounts have been reclassified to conform to the basis of presentation adopted for 2004.

2. BUSINESS COMBINATIONS

Summary of Business Acquisitions Completed in 2004 and 2003

	2004		2003	
	Murenbeeld	Cartier	Canada Dominion	
Net Assets Acquired:				
Investment management contracts	\$ -	\$ 47,686	\$ -	-
Funds under administration	-	30,573	-	-
Intellectual property	352	-	-	-
Estimated fair value of other assets acquired, net of liabilities assumed	(95)	(3,574)		30
	\$ 257	\$ 74,685	\$ 30	
Represented by:				
Aggregate purchase price	\$ 200	\$ 215,467	\$ 3,639	
Transaction costs	57	2,065	-	
	\$ 257	\$ 217,532	\$ 3,639	
Goodwill	\$ -	\$ 142,847	\$ 3,609	

Business Acquisition Completed in 2004

Acquisition of M. Murenbeeld & Associates Inc. ("Murenbeeld")

On September 3, 2004, the Company entered into a share purchase agreement to acquire all of the issued and outstanding shares of Murenbeeld, a company engaged in the preparation and sale of research products and related advisory services ("intellectual property"). Cash consideration of \$200,000 was paid on closing. In addition, the Company issued 50,000 Series E Shares at a stated value of \$442,000 and agreed to pay a further \$300,000 in cash, which will vest or become payable, subject to certain conditions, over the next five years. The additional contingent consideration will be charged to earnings as a compensatory amount over the vesting period. The intellectual property acquired is being amortized to expense on a straight-line basis over five years.

Immediately after the acquisition, the Company's interest in Murenbeeld was transferred to DWM, for cash of \$200,000, the assumption of the contingent payable and additional common shares of DWM.

Business Acquisitions Completed in 2003

Acquisition of Cartier

On December 30, 2003, the Company completed the acquisition of 100% of Cartier, an integrated distributor of mutual funds, securities and life insurance products and services. Pursuant to the acquisition, the Company also purchased \$88,172,000 of debt and the 30% interest in Cartier Mutual Funds Inc. ("CMF") not owned by Cartier, from the former majority shareholder of Cartier.

The aggregate purchase price of \$215,467,000 was comprised of cash of \$165,129,000 (\$541,000 paid in 2004), including \$88,172,000 of assumed debt and \$3,087,000 paid in respect of the acquisition of 30% of CMF, common shares of the Company with a value of \$48,234,000 (\$1,973,000 issued in 2004), and future obligations in the amount of \$2,104,000. In addition, transaction costs of \$2,065,000 were recorded (\$365,000 incurred in 2004). On acquisition, the Company assigned \$47,686,000 to the intangible value of investment management contracts and \$30,573,000 to the intangible value of funds under administration. The \$143,905,000 excess of the purchase price over the net assets acquired was recorded as goodwill.

In 2004, the Company completed its assessment of the fair value of the net assets acquired and adjusted their value by an increase of \$93,000. In addition, liabilities in respect of certain exit activities established as part of the acquisition were reduced by \$1,330,000, net of taxes of \$752,000, reflecting finalized lease termination charges and other arrangements. Accordingly, the carrying value of goodwill was reduced by \$1,058,000.

As part of the acquisition, the Company agreed to satisfy a future obligation to issue additional Cartier common shares, by paying additional cash and issuing additional common shares of the Company, subject to certain conditions being met by February 2005, which obligation has been discounted at a rate of 6.7% per annum to \$2,104,000. Subsequent to year end, the Company issued 246,548 common shares at a value of \$1,861,000, and paid cash of \$409,000 in full settlement of this obligation.

In December 2003, and upon completion of the acquisition, the Company's entire investment in Cartier was transferred to DWM in exchange for additional common shares of DWM. In January 2004, the non controlling shareholder of DWM exercised its pre-emptive right and subscribed for additional common shares of DWM for \$25,000,000 in cash. Following these transactions, the Company's interest in DWM increased from 81.7% to 83.6%. The increase in ownership was accounted for as a step purchase with the excess of the purchase price over the assigned value of assets, net of liabilities acquired, being classified as goodwill.

Following the acquisition of Cartier, the Company initiated the process of exiting or otherwise consolidating activities involving Cartier's business operations, locations and back-office systems. These integration efforts encompass (a) planning, coordinating and implementing multiple system conversions from diverse platforms previously operated by Cartier into a single back-office system; (b) upgrading compliance processes and documentation and (c) combining operations to a uniform operating platform, with uniform procedures. Approximately \$5,500,000 of costs associated with these activities were accrued at the time of the acquisition and recorded as a liability in the purchase price for Cartier. Remaining costs are being charged to earnings as incurred. For the year ended December 31, 2004, the Company completed four back-office system conversions and \$15,500,000 of integration-related costs were charged to earnings, which includes costs associated with name change and branding, advisor retention and training and incremental employee costs. In addition, \$2,200,000 of incurred costs were applied to reduce liabilities accrued at acquisition and the Company reduced the accrued liability by a further \$2,100,000 by an adjustment to the purchase equation.

Acquisition of the Non Controlling Interest in Canada Dominion

On March 28, 2003, the Company acquired the remaining 49% of the Canada Dominion Group of Companies that it did not already own for cash of \$1,000,000 and a note payable of a further \$3,000,000 to be paid in three equal installments of \$1,000,000 on the first three anniversary dates of the transaction. This note payable was discounted at a rate of 6.7% per annum and recorded at an initial value of \$2,639,000.

Dispositions Completed in 2004

Termination of the Investment Management Contract with Dundee Precious Metals Inc. ("Dundee Precious")

In consideration for the voluntary termination of its investment management contract with the Company, Dundee Precious issued 4,625,000 common shares and granted an option to acquire an additional 2,500,000 common shares at \$7.31 per share (the "Option") to the Company. The Company subsequently sold the 4,625,000 common shares and the Option to its parent, Dundee Corporation, for cash consideration of \$27,843,000. Included in investment income is a gain of \$26,849,000 realized in respect of this transaction.

Disposition of Matisse Investment Management Ltd. ("Matisse")

On September 20, 2004, a subsidiary of the Company disposed of its 100% interest in Matisse, the manager of the Dynamic Managed Futures Hedge Fund. The aggregate sale price recorded was \$642,000, being the discounted value of estimated quarterly payments thereon. The Company recognized a loss of \$271,000 in respect of the disposition.

3. SECURITIES OWNED AND SECURITIES SOLD SHORT

	2004		2003	
	Securities Owned	Securities Sold Short	Securities Owned	Securities Sold Short
	Bonds	\$ 9,480	\$ 1,950	\$ 9,089
Equities and convertible debentures	7,308	5,111	15,889	2,448
	\$ 16,788	\$ 7,061	\$ 24,978	\$ 3,966

Bond and convertible debenture maturities range from calendar 2005 to 2029 (2003 – from calendar 2004 to 2049) and have annual interest yields ranging from 0% to 12.5% (2003 – 0% to 12.7%).

From time to time, the Company's brokerage subsidiary may sell securities that it does not currently own and will therefore be obligated to purchase such securities at a future date. The subsidiary may incur a loss if the market value of these securities subsequently increases.

At December 31, 2004, the Company held foreign exchange forward contracts with a notional amount of \$18,863,000 (2003 – \$18,481,000) to manage its foreign exchange exposure to the U.S. dollar. Foreign exchange contract maturities are short term in nature and range from 30 days to one year (2003 – 120 days).

4. CORPORATE INVESTMENTS

	2004		2003
Collateralized credit agreement due from third-party, interest at prime plus 1%, due on demand	\$ 5,225	\$	5,225
Mutual funds	17,414		8,574
Other investments	367		1,991
	\$ 23,006	\$	15,790

The fair market value of corporate investments as at December 31, 2004 approximates \$25,649,000 (2003 \$16,821,000), determined using quoted market values for listed securities and carrying values for non-quoted securities and loans.

5. DEFERRED SALES COMMISSIONS

	2004		2003
Deferred sales commissions, beginning of year	\$ 85,309	\$	81,089
Commissions acquired in business acquisitions	-		8,970
Commissions funded during the year	60,466		37,654
Amortization during the year	(35,863)		(42,404)
Deferred sales commissions, end of year	\$ 109,912	\$	85,309

6. CAPITAL AND OTHER ASSETS

	2004			2003	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Furniture and fixtures	\$ 15,861	\$ 12,255	\$ 3,606	\$	4,495
Computer and communication equipment	35,584	29,248	6,336		7,227
Computer and network software	9,558	6,935	2,623		3,764
Leasehold improvements	17,053	11,094	5,959		5,532
Other	8,202	33	8,169		8,044
	\$ 86,258	\$ 59,565	\$ 26,693	\$	29,062

7. GOODWILL AND OTHER INTANGIBLE ASSETS (note 2)

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Goodwill	\$ 307,986	\$ -	\$ 307,986	\$ 318,349
Investment management contracts	105,015	-	105,015	105,015
Funds under administration	30,573	2,038	28,535	30,573
	\$ 443,574	\$ 2,038	\$ 441,536	\$ 453,937

8. BANK INDEBTEDNESS

The Company's brokerage subsidiary may borrow up to a maximum of \$100,000,000 pursuant to a call loan facility established with a Canadian chartered bank, primarily to facilitate the securities settlement process for both client and Company securities transactions. Amounts borrowed pursuant to this facility are collateralized by either unpaid client securities or securities owned by the Company. At December 31, 2004, the Company had \$361,000 (2003 – \$21,181,000) outstanding pursuant to this facility. During 2004, the Company paid interest on the outstanding call loan balance at interest rates between 2.75% and 3.25% on Canadian funds (2003 – between 3.50% and 4.00%) and between 1.75% and 3.00% on U.S. funds (2003 – between 1.50% and 1.75%).

9. AMOUNTS DUE TO PARENT

Included in accounts payable and accrued liabilities as at December 31, 2004 is \$2,557,000 (2003 – nil) due to the Company's parent, Dundee Corporation, representing normal course intercompany transactions.

Prior to 2004, Dundee Corporation had provided Dundee Wealth and DWM with a revolving term credit facility in the amount of \$50,000,000. Amounts drawn on the facility were on usual market terms, determined at the time of each advance. In early 2004, and following the completion of the Company's equity financing in December 2003, amounts outstanding under the facility were repaid (December 31, 2003 – \$32,359,000) and the facility was cancelled. In 2004, and prior to the cancellation of the facility, the Company paid interest of \$120,000 (2003 – \$1,202,000) in respect of this facility.

To facilitate the Cartier acquisition in 2003, Dundee Corporation provided the Company with a \$190,000,000 credit facility on normal market terms. The Company paid an arrangement fee of \$1,450,000 to Dundee Corporation in respect of this facility. As the Company successfully completed an equity financing prior to the Cartier acquisition, the facility was cancelled.

10. CORPORATE DEBT

	2004	2003
\$22.3 million revolving term credit facility with a Canadian chartered bank	\$ 10,000	\$ 22,294
Income Trusts	9,278	10,903
Prime Trust	-	1,712
Other	1,901	3,339
	\$ 21,179	\$ 38,248

\$22,300,000 – Revolving Term Credit Facility

A \$22,300,000 credit facility with a Canadian chartered bank was assumed by a subsidiary of the Company as a result of the acquisition of DynamicNova Inc. in 2002. On December 30, 2004, the facility was renegotiated and extended to December 29, 2005. The facility is subject to interest at prime plus 0.25% per annum and a standby fee of 0.1875% per annum. As at December 31, 2004, the subsidiary had borrowed \$10,000,000 (2003 – \$22,294,000) pursuant to the credit facility.

The facility is secured by way of a General Security Agreement on all of the assets of certain subsidiaries of the Company, including the assets of Goodman. The facility is also secured by unsecured guarantees from the Company and DWM.

Income Trusts

Infinity Income Trust and Multi-Fund Income Trust (the “Trusts”) were formed for the purpose of financing the deferred sales commissions of certain mutual funds between August 1, 1997 up to and including February 26, 1998 and between August 1, 1997 up to and including July 17, 1998, respectively. Amounts owing to the Trusts as at December 31, 2004 and 2003 are detailed below:

	2004	2003
Secured notes, interest at 5% per annum	\$ 5,744	\$ 7,369
Participation certificates, non-interest bearing	3,534	3,534
	\$ 9,278	\$ 10,903

A portion of the monthly management fee, ranging from 0.15% to 0.55% per annum of the net asset value of the mutual funds financed by the Trust (“Trust Units”) is applied against amounts outstanding. Repayments will be applied first to the interest, then to the secured notes, and finally to the participation certificates.

The repayment of the secured notes and participation certificates will continue to the earlier of April 30, 2013 or until there are no remaining Trust Units. Any redemption charges paid by the unitholders on the redemption of Trust Units are applied to the repayment of the secured notes and the participation certificates. In the event that the monthly management fee paid is insufficient to repay the secured notes and the participation certificates by April 30, 2013, any amounts then outstanding will not be required to be repaid. The secured notes are secured by a general security interest in the accounts of certain mutual funds managed by the Company.

Prime Trust

During 2004, amounts borrowed pursuant to the Prime Trust arrangement were repaid in full and the facility, including the obligation to cede a portion of the management fees pursuant to its terms, was terminated.

11. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares; an unlimited number of special shares, issuable in series; an unlimited number of first preference shares, issuable in series; an unlimited number of second preference shares, issuable in series; and an unlimited number of third preference shares, issuable in series.

Shares Issued and Outstanding

Common Shares

Common shares are entitled to one vote for each such share held at any meeting of the shareholders of the Company.

Special Shares

Each series of special shares rank junior and subordinate to the first preference shares, the second preference shares and the third preference shares, and on a parity with the common shares and special shares of every other series and is entitled to such preferences over the common shares as may be fixed for each series. Subject to any rights or privileges attached to any specific series of special shares, the holders of special shares are not entitled to receive notice of any meeting of the shareholders of the Company except for a meeting called for the purpose of authorizing the dissolution of the Company or the sale of all or substantially all of its property. There are five designated special share series.

Special Shares, Series A (the "Series A Shares")

The Company issued 1,664,350 Series A Shares in connection with the asset acquisition of certain securities related assets, including the transfer of client accounts and registrations of all registered personnel. All Series A Shares issued were deposited into escrow to be released, subject to certain conditions, over a four-year period ending December 31, 2003. During 2003, the Company released 347,674 Series A Shares and cancelled 7,422 Series A Shares pursuant to the terms of the escrow agreement. The released shares were immediately converted to common shares on a one-for-one basis. At the end of 2004 and 2003, there were no Series A Shares issued and outstanding.

Special Shares, Series B (the "Series B Shares")

The Company issued 4,304,880 Series B Shares in connection with a business acquisition completed in August 1999. All Series B Shares issued were deposited into escrow to be released, subject to certain conditions, over a four-year period ending August 31, 2003 or later, as may be appropriate. During 2004, the Company released 300,000 (2003 – 1,549,786) Series B Shares, which were immediately converted to common shares on a one-for-one basis. In 2003, the Company cancelled 65,760 Series B Shares pursuant to the terms of the escrow agreement. There were no shares cancelled in 2004. At the end of 2004, there were no Series B Shares issued and outstanding.

Special Shares, Series C (the "Series C Shares")

The Company issued 614,265 Series C Shares in connection with the asset acquisition completed in August 1999 of certain securities related assets and the assumption of certain liabilities related thereto. All Series C Shares issued were deposited into escrow to be released, subject to certain conditions, over a two-year period ending August 30, 2001, or later, as may be appropriate. Prior to 2003, the Company released 16,544 Series C Shares which were immediately converted to common shares on a one-for-one basis, and otherwise cancelled 89,150 Series C Shares pursuant to the terms of the escrow agreement. As the conditions for release from escrow were not met during 2004 and 2003, no further Series C Shares have been released from escrow and no further Series C Shares were cancelled. At the end of 2004, there were 508,571 Series C Shares issued and outstanding.

Holders of the Series C Shares are entitled to one vote per Series C Share held. Series C Shares are convertible into common shares on a one-for-one basis, subject to normal anti-dilution events and subject to certain provisions of the escrow agreement pursuant to which such Series C Shares are held.

Under the escrow arrangement, the Company is entitled to recover certain losses which it may incur in connection with the acquisition completed in August 1999 by:

- acquiring sufficient Series C Shares held in escrow, for cancellation, at a price of \$0.001 per Series C Share; or
- converting sufficient Series C Shares to common shares such that the common shares can be sold for proceeds which will be retained by the Company; or
- adjusting the conversion ratio at which the Series C Shares convert into common shares; or
- any combination of the foregoing.

While held in escrow, the Series C Shares will be voted in the same manner as the shares of the Company held by Dundee Corporation.

Special Shares, Series D (the "Series D Shares")

The Company issued 500,000 Series D Shares in connection with the asset acquisition of certain securities related assets completed in August 1999. All Series D Shares issued were deposited into escrow to be released, subject to certain conditions, over a two-year period ending August 30, 2001 or later, as may be appropriate. Prior to 2003, the Company released 250,000 Series D Shares which were immediately converted to common shares on a one-for-one basis. No Series D Shares were released during 2004 or 2003. At the end of 2004, there were 250,000 Series D Shares outstanding.

Holders of the Series D Shares are entitled to one vote per Series D Share held. Series D Shares are convertible into common shares on a one-for-one basis, subject to normal anti-dilution events and subject to certain provisions of the escrow agreement pursuant to which such Series D Shares are held.

The Series D Shares are also subject to a regulatory escrow. The Company may, under certain conditions, and subject to the terms of the regulatory escrow, recover any loss incurred in respect of the transaction completed in August 1999 by effectively reducing the number of Series D Shares to which the vendors are entitled in a manner similar to that described above under "Special Shares, Series C".

While held in escrow, the Series D Shares will be voted in the same manner as the shares of the Company held by Dundee Corporation.

Special Shares, Series E (the "Series E Shares")

The Company issued 156,919 Series E Shares to certain independent financial advisors in connection with the asset acquisition of certain securities related assets, including the transfer of client accounts. A further 50,000 Series E Shares were issued in 2004 in connection with the share acquisition completed in September 2004 (note 2). All Series E Shares issued were deposited into escrow to be released, subject to certain conditions, over a five-year period from the date of grant. During 2004, the Company released 6,438 (2003 – 35,425) Series E Shares pursuant to the terms of the escrow agreement which shares were immediately converted to common shares on a one-for-one basis.

Holders of the Series E Shares are entitled to one vote per Series E Share held. Series E Shares are convertible into common shares on a one-for-one basis, subject to normal anti-dilution events and subject to certain provisions of the escrow agreement pursuant to which such Series E Shares are held.

Series E Shares which remain in escrow on behalf of an independent financial advisor, after the departure of such independent financial advisor, will be purchased for cancellation by the Company at a price of \$0.001 per share. While held in escrow, the Series E Shares will be voted in the same manner as the shares of the Company held by Dundee Corporation.

Preference Shares

First Preference Shares

Each series of first preference shares rank on a parity with the first preference shares of every other series and will be entitled to preference over the second preference shares, the third preference shares, the special shares and the common shares.

Subject to any rights or privileges attached to any specific series of first preference shares, the holders of first preference shares are not entitled to receive notice of any meeting of the shareholders of the Company except for a meeting called for the purpose of authorizing the dissolution of the Company or the sale of all or substantially all of its property.

First Preference Shares, Series X (the "Series X Shares")

The Series X Shares entitle the holder to a fixed preferential cumulative dividend at the rate of 6% per annum. Holders of Series X Shares are entitled to one vote per Series X Share held. Each Series X Share is convertible, at the option of the holder, at any time, into common shares on a 1.2-for-1 basis, subject to adjustment for normal anti-dilution events. Series X Shares are redeemable, at the option of the holder, at a price equal to \$10.00 per share plus any dividends in arrears. The Company may elect to satisfy any amount payable on the redemption of a Series X Share by delivering to the holder thereof that number of common shares that is equal to the redemption amount divided by 95% of the market price of a common share.

Second Preference Shares

Each series of second preference shares rank junior and subordinate to the first preference shares and on a parity with the second preference shares of every other series and will be entitled to preference over the third preference shares, the special shares and the common shares.

Subject to any rights or privileges attached to any specific series of second preference shares, the holders of second preference shares are not entitled to receive notice of any meeting of the shareholders of the Company except for a meeting called for the purpose of authorizing the dissolution of the Company or the sale of all or substantially all of its property.

Third Preference Shares

Each series of third preference shares rank junior and subordinate to the first preference shares and the second preference shares and on a parity with the third preference shares of every other series and will be entitled to preference over the special shares and the common shares.

Subject to any rights or privileges attached to any specific series of third preference shares, the holders of third preference shares are not entitled to receive notice of any meeting of the shareholders of the Company except for a meeting called for the purpose of authorizing the dissolution of the Company or the sale of all or substantially all of its property.

Warrants

Warrants Exercisable at \$12.00

The 2,400,000 warrants outstanding expired unexercised on August 30, 2004.

Warrants Exercisable at \$7.75

In consideration for Dundee Corporation arranging and making financing available to the Company in respect of the acquisition of Cartier, the Company issued a share purchase warrant which entitles Dundee Corporation to purchase 1,800,000 common shares of the Company at \$7.75 per share. The warrant will expire on December 9, 2006.

Contributed Surplus

In connection with stock based compensation (note 12), the Company increased contributed surplus by \$5,513,000 (2003 – \$590,000), including \$2,035,000 (2003 – \$80,000) in respect of stock option awards, \$2,749,000 (2003 – \$510,000) in respect of awards under the share bonus and deferred share components of the Company's share incentive plans and \$729,000 (2003 – nil) in respect of the deferred share unit plan.

Issuance of Common Shares

On December 22, 2003, the Company completed a public offering of 24,516,129 common shares at a price of \$7.75 per common share. Net proceeds of the public offering, after commissions and related expenses, were \$183,720,000 and were deposited in escrow pending acceptance by Cartier shareholders of the Company's public offer to purchase Cartier common shares, which acceptance was received on December 30, 2003 (note 2).

In January 2004, the over-allotment options granted as part of the public offering were exercised. As a result, the Company issued an additional 2,580,646 common shares at \$7.75 per share and received net proceeds, after commissions, of \$19,303,000. Dundee Corporation acquired 1,290,323 of the common shares by exercising its rights under the over-allotment options.

Issuance of Common Shares on Cartier Acquisition

In 2004, the Company issued 261,370 (2003 – 6,127,350) common shares as partial consideration for the acquisition of Cartier and CMF (note 2). The common shares were issued at \$7.55 per share, being the closing trading price of the common shares of the Company on the date the Cartier transaction was negotiated. Consequently, the Company added \$1,973,000 (2003 – \$46,261,000) to stated capital.

Normal Course Issuer Bid

In May 2004, the Company obtained approval from the TSX to purchase its own common shares in the market for cancellation pursuant to a normal course issuer bid. During 2004, the Company purchased 906,300 common shares for cancellation having an aggregate stated capital of \$3,440,000. The excess of the purchase price of \$4,419,000 over the value of stated capital has been recorded as a reduction of contributed surplus.

Preference Shares Issued and Outstanding

As at December 31, 2004 and 2003, the Company had 5,453,668 Series X Shares outstanding at a stated value of \$54,537,000.

Deferred Acquisition Obligations

Subsequent to year end, the Company issued 246,548 common shares at a value of \$1,861,000 in settlement of outstanding deferred acquisition obligations.

Common and Special Shares Issued and Outstanding

	Number	Amount
COMMON SHARES:		
Outstanding December 31, 2002	52,658,143	\$ 64,398
Transactions during the year ended December 31, 2003		
Issuance of common shares on exchange of subscription receipts	24,516,129	190,000
Issue costs, net of taxes of \$2,275	-	(4,005)
Issuance of common shares on acquisition of Cartier	6,127,350	46,261
Issuance of common shares pursuant to Share Incentive Plans	980,793	3,713
Issuance of common shares on exercise of stock options	2,600	14
Issuance of common shares in settlement of preference share dividends	513,512	3,272
Acquisition of common shares for cancellation	(722)	(1)
Conversion from Series A Shares to common shares	347,674	3,477
Conversion from Series B Shares to common shares	1,549,786	6,638
Conversion from Series E Shares to common shares	35,425	288
Outstanding December 31, 2003	86,730,690	314,055
Transactions during the year ended December 31, 2004		
Exercise of over-allotment options	2,580,646	20,000
Issue costs, net of taxes of \$251	-	(446)
Issuance of common shares on acquisition of Cartier, compulsory acquisition transaction	261,370	1,973
Issuance of common shares pursuant to Share Incentive Plans	980,362	4,406
Issuance of common shares on exercise of stock options	57,524	388
Issuance of common shares in settlement of preference share dividends	376,836	3,272
Acquisition of common shares for cancellation	(906,300)	(3,440)
Conversion from Series B Shares to common shares	300,000	1,285
Conversion from Series E Shares to common shares	6,438	55
Outstanding December 31, 2004	90,387,566	\$ 341,548
SPECIAL SHARES:		
Series A:		
Outstanding December 31, 2002	355,096	\$ 3,551
Transactions during the year ended December 31, 2003		
Conversion from Series A Shares to common shares	(347,674)	(3,477)
Cancellation of Series A Shares	(7,422)	(74)
Outstanding December 31, 2004 and 2003	-	\$ -
Series B:		
Outstanding December 31, 2002	1,915,546	\$ 8,205
Transactions during the year ended December 31, 2003		
Conversion from Series B Shares to common shares	(1,549,786)	(6,638)
Cancellation of Series B Shares	(65,760)	(282)
Outstanding December 31, 2003	300,000	1,285
Transactions during the year ended December 31, 2004		
Conversion from Series B Shares to common shares	(300,000)	(1,285)
Outstanding December 31, 2004	-	\$ -
Series C:		
Outstanding December 31, 2004 and 2003	508,571	\$ 5,086
Series D:		
Outstanding December 31, 2004 and 2003	250,000	\$ 2,500
Series E:		
Outstanding December 31, 2002	72,833	\$ 593
Transactions during the year ended December 31, 2003		
Conversion from Series E Shares to common shares	(35,425)	(288)
Outstanding December 31, 2003	37,408	305
Transactions during the year ended December 31, 2004		
Shares issued in business combination (note 2)	50,000	442
Conversion from Series E Shares to common shares	(6,438)	(55)
Outstanding December 31, 2004	80,970	\$ 692
Total Common and Special Shares Issued and Outstanding December 31, 2004	91,227,107	\$ 349,826

12. STOCK BASED COMPENSATION

The following table details the recognition of stock based compensation expense and the issuance of shares under the Company's share incentive plans during 2004 and 2003.

	2004					2003				
	Number of Shares	Employee Contributions	Compensation Expense			Number of Shares	Employee Contributions	Compensation Expense		
			Treasury Shares	Market Purchases	Future Issuances			Treasury Shares	Market Purchases	Future Issuances
Share Purchase Plans	347,582	\$ 2,850	\$ 284	\$ 2,566	\$ -	456,853	\$ 2,172	\$ 920	\$ 1,252	\$ -
Share Bonus Plans										
Issued for grants made prior to 2002	406,750	-	-	-	-	412,250	-	-	-	-
Issued for grants made after 2001	110,777	-	654	-	-	44,877	-	265	-	-
Future Share Awards	-	-	-	-	2,749	-	-	-	-	510
Deferred Share Plans	60,580	547	-	-	-	52,614	331	25	-	-
Share Option Plans	57,524	388	-	-	-	2,600	-	-	-	-
Stock Option Expense over Vesting Period	-	-	-	-	2,035	-	-	-	-	80
Reserved Shares	55,457	-	65	-	-	14,199	-	-	-	-
Deferred Share Unit Plan	-	-	-	-	729	-	-	-	-	-
			\$ 1,003	\$ 2,566	\$ 5,513		\$ 1,210	\$ 1,252	\$ 590	

Share Incentive Plans

Dundee Wealth has established a share incentive plan for employees, officers and directors of the Company and its subsidiaries and a share incentive plan for independent financial advisors and service providers of, and consultants to, Dundee Wealth. Each share incentive plan consists of a share purchase plan, a share bonus plan, a deferred share plan and a share option plan.

Share Purchase Plans

Under the share purchase plans, eligible participants may contribute up to a specified maximum amount of their basic annual salary towards the purchase of common shares of the Company from treasury. The Company may match up to the full amount of each participant's contribution to the share purchase plan, such contribution being used either to purchase common shares in the open market or to issue additional common shares from treasury.

During 2004, participants contributed \$2,850,000 (2003 – \$2,172,000) to the share purchase plans and received 347,582 (2003 – 456,853) common shares issued from treasury. The Company recognized compensation expense of \$2,850,000 (2003 – \$2,172,000) in respect of the share purchase plans, of which \$2,566,000 (2003 – \$1,252,000) was used to purchase common shares in the open market and \$284,000 (2003 – \$920,000) was used to issue common shares from treasury.

As at December 31, 2004, 3,000,000 common shares were approved for issuance pursuant to the share purchase plans of which 1,529,025 common shares have been issued and 1,470,975 common shares remain available for issuance from treasury.

Share Bonus Plans

The share bonus plans permit common shares of the Company to be issued from treasury as a discretionary bonus to eligible participants from time to time on terms established in the Company's share incentive plans. During 2004, the Company issued 517,527 common shares (2003 – 457,127) pursuant to the terms of the share bonus plans and recognized compensation expense of \$654,000 (2003 – \$265,000).

As at December 31, 2004, 3,000,000 common shares were approved for issuance pursuant to the share bonus plans of which 1,294,989 common shares have been issued and 1,705,011 common shares remain available for issuance from treasury.

The Board of Directors of the Company has granted awards to eligible participants that would entitle them to receive common shares of the Company if certain conditions are met. The Company recognized compensation expense of \$2,658,000 (2003 – \$347,000) in respect of these potential future share issuances. Aggregate shares granted but not yet issued as at December 31, 2004 pursuant to these plans were 962,008, of which 141,958 were issued subsequent to year end. In the first quarter of 2005, the Board of Directors of the Company granted 700,000 additional awards pursuant to the terms of its share bonus plan. The contingent issuance of shares pursuant to these awards is conditional on participants meeting certain time-related criteria.

Deferred Share Plans

Under the deferred share plans, deferred common shares may be awarded to eligible participants from time to time in lieu of cash distributions which would otherwise be paid by the Company. Shares awarded under the deferred share plans are held in trust, and are generally released to participants no later than the third anniversary of the financial year in respect of which the cash distribution would have been paid.

During 2004, the Company issued 60,580 (2003 – 52,614) common shares from treasury pursuant to its deferred share plans. Associated compensation expense was nil (2003 – \$25,000).

As at December 31, 2004, 3,000,000 common shares were approved for issuance pursuant to the deferred share plans of which 225,034 common shares have been issued and 2,774,966 common shares remain available for issuance from treasury.

Share Option Arrangements

Share Option Plans

Under the share option plans, the Company may issue options to purchase common shares to eligible participants. The exercise price per option may not be less than the closing price of the common shares as quoted on the TSX or such other stock exchange, as applicable, on the last trading day immediately preceding the day the options are granted. Each option currently outstanding becomes exercisable as to 20% of the common shares, on a cumulative basis, on the first five anniversary dates following the date of grant. Options granted on or before April 25, 2003 have a ten year term to maturity. Options granted subsequent to April 25, 2003 have a five and a half year term to maturity.

The total number of share options cannot exceed 8,000,000. Options to purchase 7,759,136 common shares of the Company were outstanding as at December 31, 2004, 60,124 stock options were exercised and 180,740 common shares remain available for the grant of options under the share option plans.

Cartier Options

On January 16, 2004, the Company granted 1,997,332 stock options in an arrangement independent of its share incentive plans (the “Cartier Option Arrangement”) to financial advisors who previously held stock options to acquire common shares of Cartier prior to the Cartier acquisition (note 2). The exercise price of the stock options granted under the Cartier Option Arrangement varies between \$7.55 and \$21.04, and was determined based on the negotiated price of the Cartier common shares as at the date of acquisition and the underlying exercise price of the stock options to acquire Cartier common shares previously held by such financial advisors. These options vest as to 20% of the common shares, on a cumulative basis, on the first five anniversary dates following the date of grant. These stock options have a five and a half year maturity and expire on July 19, 2009. During the remainder of 2004, the Company cancelled 398,036 stock options following the departure of certain financial advisors who had not met the vesting criteria under the Cartier Option Arrangement. Share options to purchase 1,599,296 common shares of the Company were outstanding as at December 31, 2004.

A summary of the status of the Company's share option arrangements under its share incentive plans and under the Cartier Option Arrangement as at December 31, 2004 and 2003, and the changes during the years then ended, is as follows:

	2004		2003	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	5,232,260	\$ 7.40	4,972,000	\$ 7.54
Granted	4,727,332	\$ 9.81	678,000	\$ 6.18
Exercised	(57,524)	\$ 6.74	(2,600)	\$ 5.50
Cancelled	(543,636)	\$ 9.94	(415,140)	\$ 7.12
Outstanding, end of year	9,358,432	\$ 8.47	5,232,260	\$ 7.40
Exercisable, end of year	3,424,994	\$ 7.67	2,476,552	\$ 7.78

Stock Options Outstanding and Vested

Range of exercise prices	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number Vested
\$4.10 to \$7.65	2,082,530	\$ 6.43	5.75	600,354
\$8.00 to \$8.35	3,531,000	\$ 8.01	5.33	2,824,640
\$9.00 to \$9.15	2,691,000	\$ 9.10	4.76	-
\$10.79 to \$21.04	1,053,902	\$ 12.46	4.54	-
	9,358,432			3,424,994

Reserved Share Arrangements

The Company may also issue a maximum of 500,000 common shares as further incentive compensation, under certain conditions, including business acquisitions. During 2004, the Company issued 55,457 common shares (2003 – 14,199) under this arrangement and recognized share compensation expense of \$65,000 (2003 – nil). As at December 31, 2004, the Company granted awards to employees and independent financial advisors entitling them to a further 224,396 common shares if certain conditions of issuance are met. The Company recognized compensation expense of \$91,000 (2003 – \$163,000) in respect of these potential future share issuances.

Deferred Share Unit Plan

In 2003, the Company adopted a deferred share unit plan ("DSUP") to significantly strengthen the link between the interests of eligible directors, officers and employees of the Company by providing them with a long term incentive tied to the performance of common shares of the Company. The compensation committee administers the DSUP and discretionary awards are based on certain criteria, including services performed or to be performed. Subject to shareholder approval, a maximum of 1,000,000 common shares may be issued under the DSUP. As at December 31, 2004, the Company issued 82,206 awards (2003 – nil) under the DSUP, adding \$729,000 to stated capital (2003 – nil).

13. CONTINGENCIES AND COMMITMENTS

Lease Commitments

The Company and its subsidiaries have lease agreements for premises pursuant to which future minimum annual lease payments, exclusive of operating costs and realty taxes, are as follows:

2005	\$	8,448
2006		7,916
2007		5,237
2008		3,725
2009		3,650
Thereafter		4,775
	\$	33,751

Distribution Agreements

Certain of the Company's subsidiaries have entered into agreements with Dundee Corporation and with certain limited partnerships to act as distributors of certain mutual funds and to arrange for the financing of deferred sales commissions on these mutual funds. As partial consideration therefor, the subsidiaries will pay a distribution fee calculated as 0.15% to 1.00% per annum of the net asset value of the related mutual fund units. These distribution agreements have a finite life and will expire between December 2011 and December 2016.

Shareholders' Agreement

Pursuant to a shareholders' agreement between the Company, DWM, Caisse de dépôt et placement du Québec ("Caisse"), non controlling shareholder of DWM, and Dundee Corporation, Caisse has the right, in certain circumstances, to require DWM, Dundee Wealth or Dundee Corporation to purchase for cash all or part of its shares in DWM at fair market value. The repurchase right will first belong to DWM and Dundee Wealth, as they may agree, and only if they are unable or fail to purchase shall Dundee Corporation have the obligation to purchase.

Support Agreement

The Company and certain of its subsidiaries have entered into a support agreement with Dundee Corporation, pursuant to which the companies agree to comply with the covenants and provisions of a trust indenture for \$150,000,000 of debentures that have been issued by Dundee Corporation with respect to all losses, costs and expenses arising from any breach of such agreement. The obligations to Dundee Corporation are secured by substantially all of the assets of the Company and certain of its subsidiaries and, in some cases, are subordinate to the security interest in favour of a Canadian chartered bank.

Contingent Liabilities

A subsidiary of the Company is named in claims for a total of approximately \$9,700,000 initiated by certain former clients of a former financial advisor of a predecessor mutual fund dealer relating to activities which took place between 1996 and 1997. Management's initial analysis of these claims indicates that they are frivolous, unsubstantiated in the amounts of the claims and without merit. Another subsidiary of the Company is a defendant in a class action claim for approximately \$10,000,000 relating to two real estate limited partnerships sold by financial advisors of a predecessor securities dealer between 1996 and 1997. The Company and its subsidiaries are also defendants in various other legal actions. The Company intends to vigorously defend itself against these claims. Although the ultimate outcome of these matters cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, it is the opinion of management of the Company, based on information currently available, that these are not material liabilities, adequate financial provisions have been made for any liabilities and the resolution of these matters will not have a material adverse effect on the financial position of the Company.

14. SEGMENTED INFORMATION

The Company operates in three business segments: investment management, financial advisory and capital markets. For financial reporting purposes, the financial advisory and capital markets businesses are combined into one reporting segment ("brokerage segment") as these businesses operate with common capital, operations and administration.

Investment Management

The investment management segment, principally through its subsidiary, Goodman, creates, manages and administers investment products and provides management and advisory services to the brokerage segment and to third parties. This segment manages a wide selection of investment products including mutual funds, tax-assisted investment products, closed-end investment options, portfolio solutions and individual private client discretionary portfolios.

Brokerage

The brokerage segment provides financial advisory and capital market services to both retail and institutional clients across Canada. Through several independently operating subsidiaries, the brokerage segment includes a full service brokerage firm, a mutual fund advisory dealer, a managing general insurance agent and a mortgage broker.

Results by Reporting Segment

Statements of Operations for the years ended December 31,

	Investment Management		Brokerage		Corporate		Intersegment		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Revenue	\$ 268,053	\$ 199,728	\$ 371,212	\$ 167,523	\$ 2,686	\$ 1,471	\$ (38,103)	\$ (17,615)	\$ 603,848	\$ 351,107
Expenses	117,262	100,687	375,351	156,942	15,952	8,207	(32,084)	(13,580)	476,481	252,256
EBITDA	150,791	99,041	(4,139)	10,581	(13,266)	(6,736)	(6,019)	(4,035)	127,367	98,851
Depreciation and amortization	40,628	46,483	4,465	1,904	3,218	268	(2,613)	(1,194)	45,698	47,461
Interest expense	1,870	2,452	1,193	1,143	446	2,917	(1,355)	(1,301)	2,154	5,211
Earnings (loss) from operations	\$ 108,293	\$ 50,106	\$ (9,797)	\$ 7,534	\$ (16,930)	\$ (9,921)	\$ (2,051)	\$ (1,540)	\$ 79,515	\$ 46,179

Balance Sheets as at December 31,

	Investment Management		Brokerage		Corporate		Intersegment		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Assets										
Goodwill	\$ 126,134	\$ 126,932	\$ 181,852	\$ 191,417	\$ -	\$ -	\$ -	\$ -	\$ 307,986	\$ 318,349
Intersegment	38,981	329	829	-	76,157	48,250	(115,967)	(48,579)	-	-
Other	330,839	274,733	461,010	552,295	29,889	26,902	-	-	821,738	853,930
	\$ 495,954	\$ 401,994	\$ 643,691	\$ 743,712	\$ 106,046	\$ 75,152	\$ (115,967)	\$ (48,579)	\$ 1,129,724	\$ 1,172,279
Liabilities										
Intersegment	\$ 829	\$ 14,948	\$ 76,157	\$ 33,631	\$ 38,981	\$ -	\$ (115,967)	\$ (48,579)	\$ -	\$ -
Other	127,663	142,108	334,414	420,933	103,468	99,572	-	-	565,545	662,613
	\$ 128,492	\$ 157,056	\$ 410,571	\$ 454,564	\$ 142,449	\$ 99,572	\$ (115,967)	\$ (48,579)	\$ 565,545	\$ 662,613

15. INCOME TAXES

The Company's income tax provision differs from the amount that would be computed by applying the combined Canadian federal and provincial statutory income tax rate as a result of the following:

	2004	2003
Combined Canadian federal and provincial statutory income		
tax rate of 36% (2003 – 37%)	\$ 28,722	\$ 16,911
Non deductible expenses	4,087	2,009
Non taxable revenue	(5,069)	(193)
Net income tax benefits not previously recognized	(1,514)	(1,618)
Change in valuation allowance	7,214	(1,360)
Remeasurement of rates applied to future tax assets and liabilities	-	1,598
Other	562	222
Income tax provision	\$ 34,002	\$ 17,569

Significant components of the Company's future income tax assets and liabilities as at December 31, 2004 and 2003 are as follows:

	2004	2003
Future income tax assets		
Tax loss carry forwards	\$ 33,964	\$ 44,818
Capital assets	5,392	2,173
Non deductible reserves	5,351	3,496
Accrued liabilities	3,081	5,143
Share issue costs	1,563	1,826
Deferred acquisition obligations	197	1,984
Other	6,483	5,404
	56,031	64,844
Valuation allowance	(23,972)	(17,480)
Total future income tax assets	32,059	47,364
Future income tax liabilities		
Deferred sales commissions	38,784	29,354
Investment management contracts	37,381	37,381
Funds under administration	10,307	11,043
Other	288	1,683
Total future income tax liabilities	86,760	79,461
Net future income tax liabilities	\$ 54,701	\$ 32,097

The total future income tax asset arises from available income tax losses and future income tax deductions. A valuation allowance is recorded in respect of the total future income tax asset when management believes it is more likely than not that some or all of the future tax assets will not be realized. Based on projections of future taxable income, reversal of future tax liabilities, the nature of the future tax assets and tax planning strategies, the Company has determined that a valuation allowance of \$23,972,000 (2003 – \$17,480,000) is required in respect of its future income tax assets as at December 31, 2004.

As at December 31, 2004, the Company had operating loss carry forwards of \$94,254,000 (2003 – \$124,173,000). A summary of the operating loss carry forwards by year of expiry is as follows:

Year of Expiry		
2005	\$	1,133
2006		14,171
2007		15,242
2008		18,810
2009		17,641
Thereafter		27,257
	\$	94,254

16. RELATED PARTY TRANSACTIONS

The Company and its subsidiaries, in the course of their regular business activities, conduct routine transactions with the parent company, Dundee Corporation, and with affiliated companies of Dundee Corporation including certain of its equity-accounted investees. Generally, transactions between the Company and these related entities are conducted on normal market terms and are recorded at their exchange value. Other than as disclosed elsewhere in these audited consolidated financial statements, the particulars of related party transactions for the years ended December 31, 2004 and 2003 are as follows:

	2004		2003	
	Parent	Affiliates	Parent	Affiliates
Revenue				
Financial services	\$ 295	\$ 8,905	\$ -	\$ 8,234
Expenses				
Distribution fees	2,964	-	3,366	-
Selling, general and administrative	464	-	132	-
Interest	120	-	2,652	-
Assets and Liabilities				
Accounts receivable	-	5	-	-
Accounts payable	2,557	-	-	-

Distribution Agreements

During 2004, the Company paid distribution fees of \$2,964,000 (2003 – \$3,366,000) to its parent in accordance with the terms of its distribution agreement. Amounts due to Dundee Corporation in respect of distribution fees are included in accounts payable and accrued liabilities.

Financial Services Revenue

In the normal course of their business, subsidiaries in the investment management segment will purchase or sell securities through registered brokers on behalf of mutual fund clients and other discretionary client portfolios. These transactions may, from time to time, be conducted through the Company's brokerage subsidiary. These transactions are conducted at a negotiated discounted schedule.

The Company's brokerage subsidiary participates in corporate finance related activities, including financial advisory activities, with or on behalf of equity-accounted investees of Dundee Corporation or fiduciary accounts managed by the Company's investment management segment.

Officers and directors of the Company and its subsidiaries may make use of the facilities of the Company's brokerage firm or mutual fund dealer.

Corporate Investments

As at December 31, 2004, the Company, its parent and affiliates held mutual funds and other investments with a net carrying value of \$24,015,000 (2003 \$40,460,000) managed by subsidiaries of the Company. Transactions in respect of these investments are conducted on the same basis as those of other mutual fund investors.

17. FINANCIAL INSTRUMENTS

In the normal course of business, the Company's subsidiaries may enter into various derivative instrument contracts to meet the needs of customers, earn trading income, and manage the subsidiaries' exposure to market risk. Each type of contract will limit or give rise to varying degrees and types of risk including credit risk, market risk and interest rate risk.

Credit Risk

Credit risk arises from the potential for a counterparty to default on a contractual obligation. Certain of the Company's subsidiaries are exposed to the risk that in the event of counterparty default, prevailing market conditions are such that the Company would incur a loss in replacing the defaulted transaction. The Company's subsidiaries limit the credit risk of derivatives traded over-the-counter by dealing with counterparties that are creditworthy. For exchange traded products, exposure to credit risk is limited, as these transactions are standardized contracts executed on established exchanges and subject to daily settlement of variation margins. Written options also have no credit risk as the counterparty has already performed in accordance with the terms of the contract through an up-front payment of the option premium.

Certain other trading-related activities of the Company's brokerage subsidiary are subject to the risk of counterparty non-performance. In connection with these activities, the Company enters into securities borrowing and lending arrangements and certain other collateralized transactions which may result in credit exposure in the event the counterparty to the transaction is unable to fulfill its contractual obligations.

The Company seeks to control the risks associated with client activities by monitoring credit exposures, limiting transactions with specific clients, and by primarily requiring settlement of securities transactions on a cash basis or delivery against payment. Clients purchasing securities on margin must maintain collateral in their client accounts in accordance with regulations of the Investment Dealers Association of Canada and other regulatory authorities.

The Company's exposure to credit risk associated with its trading activities is measured on an individual counterparty basis.

Market Risk

The Company is exposed to the risk of loss resulting from fluctuations in the prices of financial instruments which may occur with volatility in interest rates, global market conditions, and to a lesser extent, foreign exchange variations. Certain of the Company's financial instruments, including securities owned and securities sold short (note 3), are stated at market values with unrealized gains and losses being recorded through earnings. These changes may materially affect future results.

Interest Rate Risk

The value of certain financial instruments that are stated at market value may be subject to interest rate risk which arises from the possibility that changes in interest rates will affect the value of these financial instruments. The Company does not hedge its exposure to interest rate risk as it considers such risk minimal.

18. CHANGES IN ACCOUNTING POLICIES

Canadian Generally Accepted Accounting Principles

On January 1, 2004, the Company prospectively adopted the requirements of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1100, "*Generally Accepted Accounting Principles*". This section establishes standards for financial reporting in accordance with generally accepted accounting principles and provides guidance on sources to consult when selecting accounting policies and determining appropriate disclosures when a matter is not dealt with explicitly in the primary sources of generally accepted accounting principles. This change in accounting policy had no effect on the consolidated financial statements of the Company.

Hedging Relationships

On January 1, 2004, the Company prospectively adopted the requirements of CICA Accounting Guideline 13, "*Hedging Relationships*" ("AcG 13") and the Emerging Issues Committee Abstract 128, "*Accounting for Trading, Speculative or Non-hedging Derivative Financial Instruments*" ("EIC 128"). AcG 13 provides detailed guidance on the identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting and discontinuance of hedge accounting. EIC 128 requires that any derivative financial instrument not designed within an AcG 13 compliant hedging relationship be measured at fair value with changes in fair value recognized immediately in earnings. These changes in accounting policies had no effect on the consolidated financial statements of the Company.

Impairment of Long-lived Assets

On January 1, 2004, the Company implemented the requirements of CICA Handbook Section 3063, "*Impairment of Long-lived Assets*", which provides guidance on impairment testing of long-lived assets. The change in accounting policy had no effect on the consolidated financial statements of the Company.

19. FUTURE ACCOUNTING CHANGES

The Company will be required to adopt the following accounting standards in future years.

Variable Interest Entities

CICA Accounting Guideline 15, "*Consolidation of Variable Interest Entities*" is effective for annual and interim periods beginning on or after November 1, 2004. The standard was revised in August 2004 ("AcG 15R") to harmonize with counterpart pronouncements in the United States. AcG 15R defines a variable interest entity ("VIE") as an entity which either does not have sufficient equity at risk to finance its activities without additional subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest. AcG 15R requires the primary beneficiary to consolidate a VIE and defines a primary beneficiary as an entity that is exposed to a majority of the VIE's expected losses or is entitled to a majority of the VIE's expected residual returns, or both, also as defined by AcG 15R.

The Company is currently assessing if it would meet the definition of primary beneficiary in respect of certain mutual fund entities that it manages and which experience low volatility of returns. The Company does not expect the application of these requirements to have any material effect on the consolidated financial statements.

Financial Instruments – Disclosure and Presentation

In January 2004, the CICA issued amendments to CICA Handbook Section 3860, "*Financial Instruments – Disclosure and Presentation*". The amendments require that contractual obligations which can be settled at the issuer's option by issuing a variable number of another class of the issuer's own shares be presented as liabilities rather than equity. Dividend payments arising from such financial instruments will be treated as an interest expense within the consolidated statement of operations. This change in accounting policy will be applied retroactively, and is effective for years beginning on or after November 1, 2004.

The Company may elect to satisfy any amount payable on the redemption of a Series X Share (note 11) by delivering to the holder thereof, a variable number of common shares that is equal to the redemption amount divided by 95% of the market price of a common share on the date of share redemption. The amended standard will require the Company to classify the Series X Shares, stated at \$54,537,000 as at December 31, 2004, as a liability rather than as equity within the consolidated balance sheet. Correspondingly, interest expense will increase by \$3,272,000 per annum, being the amount of the annual dividend in respect of the Series X Shares. The change in accounting policy will not impact earnings per share or earnings available to common and special shareholders.

Financial Instruments

In January 2005, the CICA released CICA Handbook Section 3855, "*Financial Instruments – Recognition and Measurement*", and two related standards, Section 3865, "*Hedges*", and Section 1531, "*Comprehensive Income*". Under the new standards, which are effective for fiscal years starting on or after October 1, 2006, investments in debt and equity securities must generally be measured at fair value except for equity securities which do not have a quoted market value, debt securities which are expected to be held to maturity, and equity securities accounted for under the equity method. Generally, unrealized gains and losses in respect of these financial instruments are recognized in earnings, except for investments designated as being "available for sale", in which case unrealized gains and losses are recognized directly in shareholders' equity and designated as "other comprehensive income". Trade receivables and payables, and debt securities held for maturity will continue to be accounted for at historical cost.

All derivatives, including hedges, must also be measured at fair value. Changes in the fair value of a derivative which hedges an entity's exposure that the fair value of an asset or liability will change due to a particular risk are recognized in earnings together with those of the respective offsetting hedged item. However, changes in the fair value of a derivative which hedges an entity's exposure to changing cash flows are accumulated in "other comprehensive income" until the transaction being hedged affects earnings.

The Company is currently evaluating the impact of applying the new standards.

20. SUBSEQUENT EVENT

On March 22, 2005, the Company issued 4,950,000 common shares from treasury at a purchase price of \$10.10 per share for aggregate proceeds of \$47,295,000, net of issue costs, pursuant to a short form prospectus dated March 15, 2005.

Statement of Corporate Governance Practices

In May 1995, The Toronto Stock Exchange (the "TSX") adopted a by-law (the "TSX By-law") with respect to the corporate governance of listed companies which contains a set of guidelines which are intended to assist listed companies in their approach to corporate governance. Although the TSX By-law does not require listed companies to comply with these guidelines, listed companies must annually disclose their approach to corporate governance. In November 2001, a new Joint Committee on Corporate Governance released its Final Report "Beyond Compliance: Building a Governance Culture" and, in April and November 2002, the TSX published certain proposed amendments to the TSX By-law incorporating certain amendments from this report. These proposed amendments were never implemented.

The Canadian securities regulatory authorities have announced that they will be assuming the oversight of corporate governance of listed companies in Canada from the TSX pursuant to National Instrument 58-101 *Disclosure of Corporate Governance Practices* and National Policy 58-201 *Effective Corporate Governance* that will come into force on June 30, 2005. The National Instrument will only apply to information circulars of the Company which are filed following December 31, 2005. Currently, the Company's Corporate Governance Practices meet most of the recommendations set out in the proposed Instrument and Policy and the Company will be reassessing its Corporate Governance Practices in light of the Instrument and Policy and any necessary changes will be made.

The directors of the Company (the "Board") and certain committees of the Board have also been reviewing the Company's governance practices in response to the previously proposed TSX amendments, the Canadian securities regulators proposed National Instrument 58-101 and National Policy 58-201 and the United States Sarbanes-Oxley Act of 2002 ("SOX"). As the Company's parent, Dundee Corporation, has certain filing requirements in the United States, the Company will have to comply in the future with certain provisions of SOX. Certain securities regulatory authorities in Canada have already implemented certain requirements similar to those of SOX relating to, among other things, audit committees and certification of financial statements which are or will become applicable to the Company in 2005. In addition, certain securities regulatory authorities are considering the implementation of other requirements inspired by SOX such as reporting on internal controls, a clearer definition of what constitutes an independent director and the adoption of a code of ethics by listed companies. As such proposed policies and requirements come into effect, the Company's corporate governance practices will be reassessed and any necessary changes will be made.

The following disclosure sets out the Company's approach to corporate governance in response to the TSX By-law which is still in effect and, in certain cases, addresses the proposed TSX amendments and the proposed National Instrument 58-101 and National Policy 58-201:

1. The Board should explicitly assume responsibility for stewardship of the Company and, as part of the overall stewardship responsibility, should assume responsibility for certain matters which are noted below:

The Board, directly and through its committees, carries out its functions as proxy for the shareholders and stakeholders of the Company with the objective of enhancing shareholder value consistent with its social responsibilities. The Board operates pursuant to the mandate set out in the Business Corporations Act (Ontario), which is to institute and monitor the policies and procedures by which the Company operates its business and to act with a view to the best interests of the Company and its shareholders. The Board, together with management of the Company, establishes these policies and procedures and the Board reviews and assesses the execution by management of the Company's objectives and the results obtained. The Board does not believe that it is appropriate for it to be involved in the daily management and functioning of the Company. The Board expects that management of the Company will be responsible for the effective, efficient and prudent management of the Company subject to the Board's overall stewardship responsibilities.

To facilitate the fulfillment of certain of its responsibilities and to assist its decision making, the Board has formed the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee of the Board to review in greater depth and to fulfill specific areas of the Board's mandate. The Corporate Governance and Nominating Committee acts as the nominating committee of the Board. These committees are appointed annually and function in accordance with written mandates approved annually by each of the specific committees and the Board. In addition, the Board may appoint from time to time other committees as may be necessary.

Statement of Corporate Governance Practices cont'd

1. (a) adoption of a strategic planning process;

Management of the Company reviews with the Board on a periodic basis its strategic plan and direction for the Company. At each meeting of the Board, the Board receives from management of the Company update reports on the status of the business and operations of the Company including the principal opportunities and financial risks of the Company's business and plans. In addition, the Audit Committee reviews the principal financial risks of the Company's business on a quarterly basis. The Board approves all major undertakings of the Company and receives updates and reports with respect to how such undertakings fit into the strategic plan of the Company. The Corporate Governance and Nominating Committee reviews succession planning matters with the President and Chief Executive Officer of the Company. Succession planning and the strategic plan were discussed at the Board's succession planning and strategic sessions held in August 2004.

1. (b) the identification of the principal risks of the Company's business and ensuring the implementation of appropriate systems to manage these risks;

Inherent in the Board's supervision of the strategic direction and operating performance of the Company is the identification, understanding and monitoring of the principal risks of the Company's business, the integrity of corporate internal control procedures and the overview of management's implementation of systems to manage and minimize those risks. The Audit Committee reviews periodically and reports to the Board on financial risk management and internal control policies and procedures.

1. (c) succession planning, including appointing, training and monitoring senior management;

The President and Chief Executive Officer of the Company evaluates senior management on an ongoing basis and reports to the Board when necessary. The Corporate Governance and Nominating Committee reviews succession planning matters with the President and Chief Executive Officer of the Company. Succession planning was discussed at the Board's succession planning and strategic sessions held in August 2004. In 2005, the Company appointed an independent Chairman of the Board.

1. (d) a communications policy for the Company; and

The Board reviews and approves the contents of the Company's major disclosure documents including audited and unaudited financial statements, management's discussion and analysis, annual information form and management proxy circular.

The Board has established that communications with the stakeholders of the Company is to be undertaken solely by the Chief Executive Officer of the Company or as delegated by him. The Board does not communicate with either the investment community or stakeholders directly. The Corporate Governance and Nominating Committee and, where necessary, the Board, reviews this communications policy of the Company with its stakeholders, as necessary, to ensure its effectiveness. Procedures are in place to ensure that timely, factual and accurate information is provided by the consolidated subsidiaries of the Company to the senior management of the Company and by the Company to the public. The Company and the Board believe that such disclosure controls and procedures are effective.

The Company endeavours to keep its shareholders informed of its progress through its annual report, quarterly interim reports and periodic press releases. The Company also maintains a website (www.dundeewealth.com) that provides investor relations information including summary information on the Company and ready access to press releases and other regulatory filings. All shareholder or investment community inquiries received by phone, fax, email (inquiries@dundeewealth.com) or through the Company's website are directed to the Corporate Secretary and Chief Financial Officer of the Company. It is the Company's policy that every shareholder inquiry is responded to promptly by the appropriate officer of the Company. Presentations at conferences or on investors' calls have been promptly made available to the public on the Company's website.

Since 2003, the Company has made available electronic and telephone voting for all registered and non-registered shareholders, in addition to the previously available alternative of voting in writing through proxy forms, in order to ensure that shareholders have the greatest number of flexible alternatives to vote at the Company's annual meeting.

In 2005, at the recommendation of the Audit Committee and the Corporate Governance and Nominating Committee, the Board approved the implementation of a Whistleblower Policy, in accordance with SOX requirements that Dundee Corporation, the principal shareholder of the Company, must comply with and Multilateral Instrument 52-110 Audit Committees of certain Canadian securities regulatory authorities.

1. (e) the integrity of the Company's internal control and management information systems.

Management of the Company is responsible for the design, implementation and maintenance of effective internal controls and information systems and for reporting to the Audit Committee and the Board with respect to the adequacy and effectiveness of such systems. The Board is responsible for ensuring that management of the Company has fulfilled this responsibility.

Rules have been published for comment by certain regulatory authorities in Canada dealing, among other things, with the requirement for management including the Chief Executive Officer and the Chief Financial Officer of the Company to report on the establishment, maintenance, design and evaluation of the effectiveness of internal controls over financial reporting and for the external auditors of the Company to attest to this report. These proposed rules are similar to the internal control rules introduced under SOX in the United States which are not yet in effect in respect of certain issuers. Dundee Corporation and certain of its subsidiaries, including the Company, are subject to these provisions of SOX which will come into effect in respect of financial years ending on or after July 15, 2006. Management, together with the Audit Committee and the external auditors of the Company, are reviewing the SOX rules and the proposed Canadian rules and will make appropriate changes, if necessary, with the approval of the Audit Committee.

2. The Board should be constituted with a majority of individuals who qualify as "unrelated" directors.

At December 31, 2004, the Board was composed of nine members. The Board has reviewed its composition and concluded that, as of December 31, 2004, six of the nine members were "unrelated" directors of the Company. The analysis of the application of the definition of "unrelated" director is described in guideline 3 below. Pursuant to, and in compliance with proposed National Policy 58-201, the Board is composed of a majority of independent directors and the Chairman is now independent. The independent directors of the Board meet regularly without management.

3. The Board has responsibility for applying the definition of "unrelated" director to each individual director and disclosing on an annual basis the analysis of the application of the principles supporting the conclusion in guideline 2 above.

Three officers of the Company are members of the Board, being the President and Chief Executive Officer, Ned Goodman, Donald K. Charter, an Executive Vice President, and David Goodman, an Executive Vice President. The Board believes that it is important for these senior executives of the Company to be members of the Board and be involved in Board deliberations and to have the same obligations, responsibilities and liabilities as the rest of the directors of the Company. The other six of the nine directors of the Company represent a wide variety of business and academic sectors and are considered to be independent of management and free from any interest or other business relationship that may interfere with a director's ability to act with a view to the best interests of the Company and are, therefore, "unrelated". Mr. MacRae, one of the six unrelated directors of the Company, was the Vice Chairman of Dundee Corporation (formerly Dundee Bancorp Inc.), the principal shareholder of the Company, until March 22, 2004. In accordance with the guidelines set out in the TSX By-law, a director associated with a significant shareholder is not, and during 2004 was not, considered to be a related director solely as a result of his relationship with the significant shareholder. Mr. MacRae received no compensation in 2004 from the Company other than directors' fees and is not involved in the day-to-day business and affairs of the Company. For these reasons, the Board has determined that Mr. MacRae is an "unrelated" director of the Company.

By the definition contained in the TSX By-law, the Company's significant shareholder is Dundee Corporation as its holdings represented, at April 30, 2005, an equity interest of 63.5%. The Board is of the view that the Company satisfies the requirement for fairly reflecting the investment of the minority shareholders in the Company on the basis that (i) the Board is comprised of outside and "unrelated" directors exceeding a majority of the Board, (ii) each of the committees of the Board is comprised solely of "unrelated" directors, (iii) the Chairman of each committee of the Board is an "unrelated" director, and (iv) the Board has now appointed an "unrelated" director as the Chairman of the Company.

Statement of Corporate Governance Practices cont'd

4. **The Board should appoint a committee of directors composed exclusively of outside directors, a majority of whom are unrelated directors with the responsibility for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis.**

The written mandate of the Corporate Governance and Nominating Committee includes reviewing the size and overall composition of the Board with a view to assisting the Board in determining whether it is appropriate to undertake a program to increase or decrease the number of directors of the Company, reviewing proposed new nominees to the Board and reviewing and assessing, on a periodic basis, the directors of the Company. It is the mandate of the Corporate Governance and Nominating Committee to identify, evaluate and recommend nominees for the Board in consultation with the Chairman and the Chief Executive Officer of the Company. The Corporate Governance and Nominating Committee has reviewed the size and composition of the Board and has determined that the Board's size of nine members and the current composition of the Board are appropriate.

All of the members of the Corporate Governance and Nominating Committee are outside, independent and "unrelated" directors.

5. **The Board should implement a process to be carried out by the nominating committee or other appropriate committee for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.**

The written mandate of the Corporate Governance and Nominating Committee includes reviewing and assessing, on a periodic basis, the directors of the Company, the effectiveness of the Board as a whole and the contribution of each individual director of the Company. The Board reviews the size and the composition of the committees of the Board on an annual basis. Each of the committees of the Board and the full Board reviews the appropriateness of the mandates of the committees of the Board on an annual basis. The Corporate Governance and Nominating Committee also reviews and assesses the quality of the relationship between management and the Board and recommends improvements where necessary. The Corporate Governance and Nominating Committee, with the approval of the Board, has approved and implemented a more formal process relating to the evaluation of the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors. Directors complete Self-Evaluation, Corporate Governance Evaluation and Assessment of Board Performance Evaluation forms in this regard.

6. **The Company, as an integral element of the process for appointing new directors, should provide an orientation and education program for new recruits to the Board.**

The Company has a practice with respect to the orientation and education of new directors of the Company. New directors of the Company are given the opportunity to meet with senior management and other directors of the Company to familiarize themselves with the business and activities of the Company and their responsibilities as directors of the Company. Directors are provided with a Directors' Information Guide updated on a periodic basis which contains certain information about the Company and its affiliates, certain of the Company's recent regulatory filings such as its annual information form and proxy material, the regulatory environment applicable to the Company and its subsidiaries, the reporting requirements of the directors of the Company, information with respect to the committees of the Board and the written mandates of each such committee and certain policies and procedures of the Board. Reports are presented on a regular basis by senior management of the Company to the Board on the main areas of the Company's business. The Company, at the recommendation of the Corporate Governance and Nominating Committee and with the approval of the Board, is making available to directors of the Company certain third-party professional development courses for outside directors to further enhance the education of the Company's directors. The Company reimburses Board members for their participation at such courses. The Company, with the assistance of the Corporate Governance and Nominating Committee, is continuing the process of formalizing its orientation and education program for new directors.

7. The Board should examine its size and undertake where appropriate, a program to establish a Board size which facilitates effective decision-making.

One of the mandates of the Corporate Governance and Nominating Committee is to review the size of the Board to determine the impact of the number of directors of the Company upon the effectiveness of the Board with a view to assist the Board in determining whether it is appropriate to undertake a program to increase or decrease the number of directors of the Company.

The Board is currently made up of nine individuals who have diverse backgrounds bringing great functional expertise and experience to the Board for the assistance of management. Currently, it is the view of the Corporate Governance and Nominating Committee and the Board that the current size and representation of the Board is appropriate in order for the Board to perform its duties and responsibilities effectively and efficiently.

8. The Board should review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities and risk involved in being a director.

The Compensation Committee periodically reviews the adequacy and form of compensation of directors of the Company. In making recommendations to the Board for appropriate adjustments, the Compensation Committee considers the time commitment, risks and responsibilities of directors as well as comparative data derived from surveys of directors' compensation at other companies. In recommending the form of directors' compensation, the Compensation Committee seeks to align the interests of directors and shareholders of the Company. Upon these considerations and based on the recommendations of the Compensation Committee, the Board, in May, 2003, (i) introduced a deferred share unit plan which encourages equity participation by the directors by permitting directors to receive their directors' fees in deferred share units and better aligns the interests of directors and shareholders of the Company, (ii) introduced written directors' equity ownership guidelines requiring ownership of shares or deferred share units by each director equal to three times the ongoing annual retainer paid to a director of the Company, and (iii) in 2005 reviewed, based on market surveys and in order to ensure that the compensation of the directors of the Company realistically reflects the increased responsibilities and risks involved in being a director, the directors' fees payable to the Chairman, the directors of the Company as an annual retainer and the annual retainer of the Chair of the Audit Committee and the members thereof. Currently, a number of the directors of the Company receive all or substantially all of their directors' fees in common shares or deferred share units of the Company (see the Company's Management Proxy Circular in respect of the financial year ended December 31, 2004 for a description of the deferred share unit plan of the Company).

9. Committees of the Board should generally be composed of outside directors, a majority of whom are unrelated directors, although some Board committees may include one or more inside directors.

Each of the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee is composed solely of outside directors of the Company, all of whom are "unrelated". All of the committees meet separately and with management.

Statement of Corporate Governance Practices cont'd

10. The Board should expressly assume responsibility for, or assign to a committee of directors the general responsibility for, developing the Company's approach to governance issues.

The Corporate Governance and Nominating Committee is responsible for, among other things, overseeing and making recommendations to the directors of the Company on developing the approach of the Company to corporate governance issues. The Corporate Governance and Nominating Committee also reviews with the Board the application of corporate governance principles and practices and tracks developments in corporate governance. The Corporate Governance and Nominating Committee is also responsible, together with the Company, for formulating the response of the Company to the applicable corporate governance guidelines and disclosure requirements which is then reviewed and approved by the Board. The Corporate Governance and Nominating Committee had previously made a number of changes to the Company's corporate governance structure which are discussed herein. In addition, the Corporate Governance and Nominating Committee had previously enhanced the Company's disclosure as it pertains to corporate governance by (i) including a directors' attendance record and all securities holdings of directors in the Company's management proxy circular and including directors' biographies in the Company's management proxy circular and annual report, (ii) including additional information relating to the Company's outstanding options in the Company's management proxy circular, and (iii) including disclosure relating to fees paid to the Company's external auditors for audit and non-audit services.

11. (a) The Board, together with the CEO, should develop position descriptions for the Board and for the CEO, involving the definition of limits to management's responsibilities.

(i) the Board:

The Board operates pursuant to the mandate set out in the Business Corporations Act (Ontario), which is to supervise the management of the business and affairs of the Company. The Board also seeks to act with a view to the best interests of the Company and the shareholders thereof. Although the Board has no formal policy nor grant of authority setting out what specific matters must be brought by management to the Board for approval, there are certain matters such as approval of financial statements and declaration of dividends that must be approved by the Board in accordance with corporate and/or securities laws requirements. In addition, the Board approves the Company's major disclosure documents and there is a clear understanding between management of the Company and the Board through general and historical Board practice and accepted legal practice that all transactions or matters of a material nature must be presented by management for approval by the Board. The Corporate Governance and Nominating Committee is responsible for monitoring the nature of the information requested and provided to the Board by management of the Company to determine if the Board can be more effective in identifying opportunities and risks for the Company and to ensure that the Board can effectively review and approve the matters presented to the Board. It has been the experience to date of the members of the Board that they have been kept well informed as to the business and affairs of the Company and that the matters which have been brought forward to the Board for approval have been appropriate.

(ii) the CEO:

The objectives of the Chief Executive Officer follow from his role and responsibilities in connection with the application of the strategic plan and the corporate objectives of the Company which are reviewed by the Board.

11. (b) The Board should approve or develop the corporate objectives which the CEO is responsible for meeting.

The strategic plan and corporate objectives derived therefrom are reviewed by the Board on a periodic basis. The role and responsibilities of the Chief Executive Officer include the implementation of the Company's strategic plan and corporate objectives and the general mandate to manage the Company and to maximize shareholder value. The Compensation Committee, when reviewing the compensation of the Chief Executive Officer, makes an overall assessment of the performance by the Chief Executive Officer in achieving such objectives and in directing the Company to meeting its strategic plan and corporate objectives.

12. The Board should implement structures and procedures which ensure that the Board can function independently of management. An appropriate structure would be to appoint a Chairman who is not a member of management with responsibility to ensure that the Board discharges its responsibilities or assign this responsibility to an outside director referred to as a "Lead Director".

Mr. Ned Goodman is the President and Chief Executive Officer of the Company. The Board views the involvement of Mr. Goodman, the controlling shareholder of the Company, in the business and affairs of the Company, including the day-to-day operations of the Company, as being important.

Mr. Robert McLeish who is an outside, independent and "unrelated" director, was the "Lead Director" of the Board in 2004 and has recently been appointed as the Chairman of the Board. A written position description was developed for the "Lead Director" which was reviewed and approved by the Corporate Governance and Nominating Committee and the Board. The Board has adopted a policy pursuant to which independent members of the Board meet, on a regular basis usually at the conclusion of Board meetings, without the management directors and without management of the Company.

The Board has established an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee which function pursuant to written mandates and whose roles and responsibilities are described in this report. All of the members of such committees are "unrelated" directors of the Company. The composition and the mandates of each of the committees are reviewed and approved annually by the full Board. When necessary or desirable, the Board will establish other committees composed of directors of the Company who are considered to be independent with respect to the issues to be reviewed and determined.

13. (a) The roles and responsibilities of the Audit Committee should be specifically defined so as to provide appropriate guidance to Audit Committee members as to their duties.

The roles and responsibilities of the Audit Committee are set forth in the written mandate of the Audit Committee which the Audit Committee as well as the Board reviews and approves on an annual basis. Such roles and responsibilities include reviewing the Company's financial reporting procedures and overseeing the Company's continuing compliance with financial disclosure obligations. The Audit Committee reports to the Board on an ongoing basis with respect to these matters as well as with respect to the financial statements of the Company prepared by the Company. The Audit Committee also discusses with management the Company's policies and procedures for risk management and credit and operational risk, where applicable, reviews audit plans, meets with the external auditors of the Company, with and without management, and reviews the performance of and communication with the external auditors of the Company. The management's discussion and analysis and the annual audited financial statements of the Company are reviewed by the Audit Committee on an annual basis prior to their review and approval, on recommendation by the Audit Committee, by the full Board and the management's discussion and analysis and interim unaudited financial statements of the Company are reviewed by the Audit Committee on a quarterly basis prior to their review and approval, on recommendation by the Audit Committee, by the full Board.

Subject to the powers of the shareholders of the Company with respect to the appointment of the external auditors of the Company, the Audit Committee has the authority and responsibility to recommend the appointment and the revocation of the appointment of the external auditors of the Company and to fix their remuneration. The Audit Committee reviews the independence and objectivity of the external auditors including reviewing relationships and other non-audit services which may be provided by the external auditors to the Company which may impact on their independence. The Audit Committee pre-approves all audit and non-audit services provided by the independent auditors of the Company and has determined that the Company shall not engage the independent auditors to perform certain specific non-audit services proscribed by regulations in the United States even though such regulations are not applicable in Canada.

Statement of Corporate Governance Practices cont'd

Rules have been introduced by certain securities regulatory authorities in Canada dealing, among other things, with the composition of audit committees including specified independence requirements, the qualifications and financial literacy of audit committee members, the review of financial statements by audit committees, the responsibilities of audit committees and certain public disclosure documents of an issuer containing specific disclosure relating to audit committees. These rules are or will become applicable to the Company in 2005. The Audit Committee has extensively reviewed its composition, mandate and responsibilities in light of these new rules. As a result, the Audit Committee appointed an additional member to the Audit Committee in June 2004 and has extensively revised its mandate in November 2004 which was subsequently approved by the Board. The Audit Committee reviews and reassesses its mandate at least annually and such mandate is approved by the Board. A copy of the Audit Committee's Charter is attached to the Company's Annual Information Form for the financial year ended December 31, 2004 dated March 24, 2005 and can be found on www.sedar.com.

13. (b) The Audit Committee of the Board should be composed only of outside directors.

The Audit Committee is made up of four directors, all of whom are outside and "unrelated" directors of the Company. All of the members of the Audit Committee are financially literate and have accounting or related financial expertise. One member of the Audit Committee has a C.A. designation and one member has an F.C.A. designation. The Board, upon recommendation of the Audit Committee, has determined that each of the members of the Audit Committee has the necessary qualifications and has been designated as an "Audit Committee Financial Expert" of the Company as such term is defined under SOX. Each of the members of the Audit Committee has also been deemed, by the Board, upon recommendation of the Audit Committee, to be "independent" as defined under the rules of the New York Stock Exchange and "independent" and "financially literate" under Multilateral Instrument 52-110 of certain Canadian securities regulatory authorities. None of the members of the Audit Committee receives, directly or indirectly, any compensation from the Company other than directors' compensation.

In 2005, at the recommendation of the Audit Committee and the Corporate Governance and Nominating Committee, the Board approved the implementation of a Whistleblower Policy in accordance with the provisions of SOX and Multilateral Instrument 52-110 of certain Canadian securities regulatory authorities.

14. The Board should implement a system to enable an individual director to engage an outside advisor at the expense of the Company in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the Board.

The Company has a practice permitting the Board, any committee thereof and any individual director to engage independent external advisors at the expense of the Company when necessary. The mandate of the Corporate Governance and Nominating Committee includes determining if the Board, any committee thereof or an individual director of the Company should retain, at the expense of the Company, an independent external advisor and the terms and conditions of such retainer.

Corporate Directory

BOARD OF DIRECTORS

Ned Goodman

President and Chief Executive Officer, Dundee Wealth Management Inc. and Dundee Corporation; Chairman, President and Chief Executive Officer, DWM Inc. and Chairman, Goodman & Company, Investment Counsel Ltd.

Ned Goodman, B.Sc., MBA, CFA, LL.D., of Toronto, Ontario has served as a director of the Company since its incorporation in 1998. Mr. Goodman has almost four decades of investment experience and has recently returned to investment management as the lead portfolio manager for the Dynamic Focus+ family of funds. Mr. Goodman is President and Chief Executive Officer of the Company, President and Chief Executive Officer of Dundee Corporation, Chairman of Goodman & Company, Investment Counsel Ltd. and of the Board of Trustees of Dundee REIT. He is also Chairman Emeritus of the Canadian Council of Christians and Jews and a Governor of Junior Achievement of Canada. Mr. Goodman is also a director of Dundee Precious Metals Inc. and Eurogas Corporation.



Dr. Mohsen Anvari

Professor of Banking & Finance, Weatherhead School of Management, Case Western Reserve University

Mohsen Anvari, MBA, MS, PhD, of Bratenahl, Ohio has served as a director of the Company since December 1999. He has served as Dean of the John Molson School of Business at Concordia University in Montréal and the Dean of the Weatherhead School of Management at Case Western Reserve University in Cleveland where he is currently Professor of Banking & Finance. He is a member of the board of directors of Developers Diversified Realty Inc. of Beachwood, Ohio. He is also a member of the board of directors of the Cleveland Institute of Art and the Cleveland chapter of the National Conference for Community and Justice. While in Montréal, he served as director of the Canadian Federation of Deans of Business Schools, the Alzheimer Society of Montréal, and Montréal Children's Hospital Foundation.

Garth A.C. MacRae

Garth MacRae, C.A., of Toronto, Ontario has served as a director of the Company since its incorporation in 1998. Mr. MacRae has over 15 years of public accounting experience and has held executive positions with Hudson Bay Mining, Brinco Limited and Denison Mines Limited. Mr. MacRae joined the Dundee Group of Companies in 1987 and is currently a director of Dundee Corporation, a holding company dedicated to wealth management, real estate and resources. Mr. MacRae also sits on the boards of Glencairn Gold Corporation, Breakwater Resources Ltd., ChondroGene Limited, Dimethaid Research Inc., Dundee Precious Metals Inc., Eurogas Corporation, Torque Energy Inc. as well as the board of governors of Goodman & Company, Investment Counsel Ltd.



Judith Kavanagh

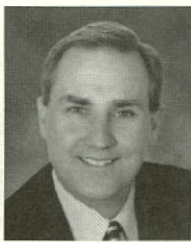
Consultant

Judith Kavanagh, of Montréal, Québec has served as a director of the Company since August 2000. Ms. Kavanagh has more than 25 years experience in the financial industry, especially in the mutual fund industry, with a focus on educating brokers and the general public on portfolio management, asset allocation and general financial planning. Ms. Kavanagh currently acts as a financial services industry consultant and is also a director of Concordia University and the Chair of its Pension and Benefit Committee, Chair of the Client Committee of the Kenneth Wood Portfolio Management Program at the John Molson School of Business, a member of Peak Financial Group's advisory committee, former director of the Royal Canadian Mint and the Chair of its Audit Committee, and former director of Fondation Richelieu Montréal.

Donald K. Charter

Chairman, President and Chief Executive Officer, Dundee Securities Corporation, Dundee Private Investors Inc. and Dundee Mortgage Services Inc.; Chairman and Chief Executive Officer, Dundee Insurance Agency Ltd.; Executive Vice President, Dundee Wealth Management Inc., DWM Inc. and Dundee Corporation

Donald Charter, of Toronto, Ontario has served as a director of the Company since its incorporation in 1998. Mr. Charter is an Executive Vice President of the Company, Executive Vice President of Dundee Corporation, Chairman, President and Chief Executive Officer of Dundee Securities Corporation, and Dundee Mortgage Services Inc. and Chairman and Chief Executive Officer of Dundee Insurance Agency Ltd. Prior to joining the Dundee Group of Companies in 1996, Mr. Charter was a partner in the law firm of Smith, Lyons now incorporated under the practice of Gowlings. Mr. Charter is also a director of Glencairn Gold Corporation, Breakwater Resources Ltd., Iamgold Corporation, and a member of the Board of Trustees of Dundee REIT.



Robert McLeish

Chairman

Robert McLeish, CFA, of Toronto, Ontario has served as a director of the Company since December 1999. Mr. McLeish is currently an investment management consultant who has over 34 years of experience in the investment business. Mr. McLeish retired as Vice Chairman and Director of Merrill Lynch Canada Inc. and has been a member of various committees of The Toronto Stock Exchange, including the Conflicts of Interest Committee. He is currently also a director of Airboss of America Corp., Dundee Corporation, Welton Energy Corporation, the Juvenile Diabetes Research Foundation and a number of private corporations.

Corporate Directory cont'd

BOARD OF DIRECTORS

Frank Anderson
President, LIN Solutions Inc.



Frank Anderson, FCA, of Toronto, Ontario has served as a director of the Company since June 2003. Mr. Anderson is currently President of LIN Solutions Inc., a consulting company, and was a senior partner in the Toronto office of a major accounting firm until his retirement in 1999. He also served as Executive Vice-President of Hy and Zel's from July 2002 until January 2003. He is currently a member of the Boards of Trustees and Chair of the Audit Committees of InnVest REIT and O&Y REIT, a director and Chair of the Audit Committee of Counsel Corporation, Chair and President of the Heart and Stroke Foundation of Ontario, a director of the Canadian Council of Christians and Jews, University of Toronto Press and Founding Chairman of Cornerstone 52 Foundation.

David Goodman
President and Chief Executive Officer, Goodman & Company, Investment Counsel Ltd.; Executive Vice-President, Dundee Wealth Management Inc., DWM Inc. and Dundee Corporation



David Goodman, CFA, of Toronto, Ontario has served as director of the Company since June 2003 and has been with the company for over 10 years. Mr. Goodman has been a portfolio manager and leader of the investment counseling division since 1998 and CEO of Goodman and Company, Investment Counsel Ltd. (formerly Dynamic Mutual Funds Ltd.) since 2001. Mr. Goodman is also a member of the Board of Trustees of the Dundee REIT.

Nancy Orr
President, Dynamis Group Inc.



Nancy Orr, of Montréal, Québec has served as a director of the Company since November 2003. Ms. Orr is President of Dynamis Group Inc., a company that has developed, built and owned plants in the congeneration power industry as well as in the paper and wood recycling sectors and pulp and paper industries in Europe and the U.S.A. Ms. Orr has served as a director of several organizations in the financial services industry, including a subsidiary of the Caisse de Dépôt et Placements du Québec, the investment Committee of the Canada Arts Council, the Bank of Canada and Marleau, Lemire Securities Inc. Ms. Orr graduated from the University of Western Ontario with a Bachelor of Arts degree in languages and from Queen's University with a Masters in Business Administration. She became a Chartered Accountant in 1977 and was awarded the title of Fellow by the Quebec Order of Chartered Accountants in 1988.

OFFICERS

Robert McLeish
Chairman

Ned Goodman
President and Chief Executive Officer

Donald K. Charter
Executive Vice President

David J. Goodman
Executive Vice President

Joanne Ferstman
Executive Vice President and Chief Financial Officer

Daniella E. Dimitrov
Vice President and General Counsel

Lucie Presot
Vice President and Controller

Amy Satov
Corporate Secretary

Lili Mance
Assistant Corporate Secretary

Code of Ethics

TRUST ONCE LOST IS SELDOM REGAINED

We recognize that our entire wealth management business rests on a foundation of trust. As professional investment managers and independent financial advisors, we abide by three sets of rules aimed at ensuring this trust is met.

The first set consists of the laws and regulations adopted by governments, securities commissions, The Investment Dealers Association of Canada and the Mutual Fund Dealers Association of Canada. The second set of rules resides in the Code of Ethics and Standards of Professional Conduct of the Association for Investment Management and Research (AIMR). Goodman & Company, Investment Counsel Ltd. and its divisions adhere wholeheartedly to this voluntary professional code. As do our individual portfolio managers who embraced it when they were granted their designations as Chartered Financial Analysts and who recommit themselves annually as part of their employment.

The government, regulatory and AIMR rules are minimum standards. We go beyond them by observing a third set of rules that includes an approval and monitoring system for personal investments of access employees of Goodman & Company, Investment Counsel Ltd., and a strict Code of Compliance for independent financial advisors. The rules are aimed at ensuring that all of our employees understand and uphold the fiduciary relationship we have with our investor clients.

As investment advisors and counsellors, our heritage is one of fair and honourable dealing. It is a heritage that consists of values handed down over hundreds of years by our professional predecessors – values that dominate our core values that we respect everyday and that we fully intend to hand down to those who follow.

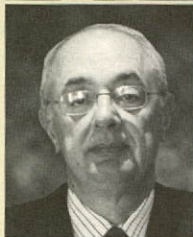
Dynamic Mutual Funds BOARD OF GOVERNORS

For more than four decades, Dynamic has maintained a high degree of consistency when it comes to dealing with its unitholders.

Dynamic Mutual Funds is proud to be among a small group of mutual fund companies that oversees the interests of unitholders by creating and empowering independent advisory boards. In fact, Dynamic is a leader in this area and was one of the first mutual fund companies in Canada to establish an independent governance board. Dynamic Mutual Funds' Board of Governors traces its roots to the Board of Directors which was first established as part of the corporate structure of what is now the Dynamic Value Fund of Canada. As Dynamic grew over the last four decades, it maintained a similar structure, even though new funds were established as trusts and do not legally require a board to represent unitholder interests.



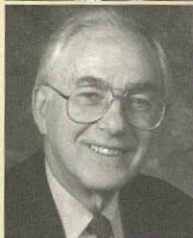
Ronald Singer
Chairman



Alain Benedetti
(at left)



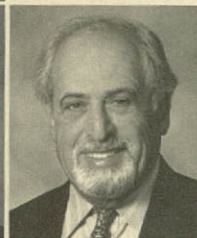
Brahm Gelfand



Garth MacRae



Robert Ruggles



Frank White

EXECUTIVE OFFICE

Scotia Plaza, 55th Floor
40 King Street West
Toronto, Ontario M5H 4A9

REGISTRAR AND
TRANSFER AGENT

Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Toll Free: 1.800.564.6253
Fax: 1.888.453.0330
Email: service@computershare.com

STOCK LISTING

The Toronto Stock Exchange

STOCK SYMBOL

DW

www.dundeewealth.com



DUNDEE
WEALTH MANAGEMENT
BLUE-CHIP GROWTH