ECHO BAY MINES LTD
Form 10-Q
November 02, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2001

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-8542

ECHO BAY MINES LTD.
(Exact name of registrant as specified in its charter)

Incorporated under the laws of Canada	None
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Suite 1210, 10180-101 Street Edmonton, Alberta	T5J 3S4
(Address of principal executive offices)	(Postal Code)

Registrant's telephone number, including area code (780) 496-9002

Former address, Suite 540, 6400 S. Fiddlers Green Circle, Englewood, CO 80111-4957

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

Title of Class	Shares Outstanding as of October 31, 2001
Common Shares without nominal or par value	140,607,145

ECHO BAY MINES LTD.

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ECHO BAY MINES LTD.

PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED FINANCIAL STATEMENTS (Unaudited)

CONSOLIDATED BALANCE SHEET thousands of U.S. dollars	September 30 2001
ASSETS	
Current assets:	
Cash and cash equivalents	$ 10,889
Short-term investments	1,976
Interest and accounts receivable	1,979
Inventories (note 2)	36,137
Prepaid expenses and other assets	6,525
	57,506
Plant and equipment (note 3)	128,958
Mining properties (note 3)	49,381
Long-term investments and other assets	21,376

	$ 257,221
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Accounts payable and accrued liabilities	$ 24,346
Income and mining taxes payable	3,818
Debt and other financings (notes 1 and 4)	17,000
Deferred income (note 5)	3,158
	48,322
Debt and other financings (note 4)	6,348
Deferred income (note 5)	33,711
Other long-term obligations	50,450
Deferred income taxes	1,833
Commitments and contingencies (notes 1, 10 and 11)	
Common shareholders' equity:	
Common shares, no par value, unlimited number authorized; 140,607,145 shares issued and outstanding	713,343
Capital securities (note 6)	153,037
Deficit	(721,198)
Foreign currency translation	(28,625)
	116,557
	$ 257,221

See accompanying notes to interim consolidated financial statements.

ECHO BAY MINES LTD.

CONSOLIDATED STATEMENT OF OPERATIONS thousands of U.S. dollars, except for per share data	Three months ended September 30 2001	2000	Nine months Septem 2001	
Revenue	$ 58,545	$ 76,415	$186,658	$2
Expenses:				
Operating costs	42,173	47,642	133,317	1
Royalties	2,284	1,840	5,970	
Production taxes	178	137	449	
Depreciation and amortization	10,182	13,150	32,451	
Reclamation and mine closure	1,578	2,770	4,843	
General and administrative	1,476	1,055	4,316	
Exploration and development	1,199	1,548	3,211	
Interest and other (note 7)	454	(1,028)	1,286	
	59,524	67,114	185,843	1
Earnings (loss) before income taxes	(979)	9,301	815	

Income tax expense (recovery):				
Current	48	603	131	
Deferred	(840)	(300)	(2,519)	
	(792)	303	(2,388)	
Net earnings (loss)	$ (187)	$ 8,998	$ 3,203	$
Net earnings (loss) attributable to common shareholders (note 6)	$ (4,252)	$ 5,154	$ (9,518)	$
Earnings (loss) per share	$ (0.03)	$ 0.04	$ (0.07)	$
Weighted average number of shares outstanding (thousands)	140,607	140,607	140,607	1

CONSOLIDATED STATEMENT OF DEFICIT thousands of U.S. dollars	Three months ended September 30 2001	2000	Nine 2001
Balance, beginning of period	$(716,946)	$(714,822)	$(711,680)
Net earnings (loss)	(187)	8,998	3,203
Interest on capital securities, net of nil tax effect (note 6)	(4,065)	(3,844)	(12,721)
Balance, end of period	$(721,198)	$(709,668)	$(721,198)

See accompanying notes to interim consolidated financial statements.

ECHO BAY MINES LTD.

CONSOLIDATED STATEMENT OF CASH FLOW thousands of U.S. dollars	Three months ended September 30 2001	2000	Nine months e Septembe 2001	
CASH PROVIDED FROM (USED IN):				
OPERATING ACTIVITIES				
Net cash flows provided from operating activities	$ 8,778	$ 19,974	$ 19,448	$ 34
INVESTING ACTIVITIES				
Mining properties, plant and equipment	(3,168)	(1,650)	(10,898)	(9
Long-term investments and other assets	(2,177)	20	(2,164)	
Short-term investments	--	182	--	
Proceeds on the sale of plant and equipment	5	22	373	
Other	(506)	(371)	(639)	
	(5,846)	(1,797)	(13,328)	(8

FINANCING ACTIVITIES				
Currency borrowings	--	--	--	12
Debt repayments	(2,000)	(16,750)	(9,500)	(29
	(2,000)	(16,750)	(9,500)	(17
Net increase (decrease) in cash and cash equivalents	932	1,427	(3,380)	8
Cash and cash equivalents, beginning of period	9,957	10,954	14,269	3
Cash and cash equivalents, end of period	$10,889	$ 12,381	$ 10,889	$ 12

See accompanying notes to interim consolidated financial statements.

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ECHO BAY MINES LTD

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2001

Tabular dollar amounts in thousands of U.S. dollars, except amounts per share and per ounce or unless otherwise noted

1. GENERAL

In the opinion of management, the accompanying unaudited consolidated balance sheet, consolidated statement of operations, consolidated statement of deficit, and consolidated statement of cash flow contain all adjustments, consisting only of normal recurring accruals, necessary to present fairly in all material respects the consolidated financial position of Echo Bay Mines Ltd. (the "Company") as of September 30, 2001 and December 31, 2000 and the consolidated results of operations and cash flow for the three and nine months ended September 30, 2001 and 2000. These financial statements do not include all disclosures required by generally accepted accounting principles for annual financial statements. For further information, refer to the financial statements and related footnotes included in the Company's annual report on Form 10-K for the year ended December 31, 2000. Except as otherwise noted in this report, the accounting policies described in the annual report have been applied in the preparation of these financial statements.

Basis of Presentation

On October 5, 2001, a new $17 million revolving credit and $4 million letter of credit facility was established with HSBC Bank USA. The new facility has been guaranteed by an affiliate of Franco-Nevada Mining Corporation Limited, which holds approximately 72.4% of the Company's capital securities. The Company has drawn down on the revolving credit facility to repay bank debt of $17 million and has replaced the $4 million letter of credit issued under the syndicated facility. The principal amount of the new credit facility matures on September 30, 2002 and interest is payable quarterly. The Company's ability to borrow has been constrained by conditions in the gold mining industry, the capital securities obligation (note 6) and its recent and currently expected future operating results. The establishment of the new credit facility has resolved these uncertainties for the term of the facility.

2. INVENTORIES

	September 30	December 31

	2001	2000
Precious metals -- bullion	$ 13,950	$ 18,357
-- in-process	6,825	8,293
Materials and supplies	15,362	12,793
	$ 36,137	$ 39,443

3. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment	September 30 2001	December 31 2000
Cost	$ 656,554	$ 653,653
Less accumulated depreciation	527,596	515,126
	$ 128,958	$ 138,527

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ECHO BAY MINES LTD

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2001

Tabular dollar amounts in thousands of U.S. dollars, except amounts per share and per ounce or unless otherwise noted

Mining properties	September 30 2001	Decembe
Producing mines' acquisition and development costs	$279,475	$276
Less accumulated amortization	256,939	248
	22,536	28
Development properties' acquisition and development costs	12,856	13
Deferred mining costs	13,989	21
	$ 49,381	$ 63

4. DEBT AND OTHER FINANCINGS

	September 30 2001	Decembe
Currency loans	$ 17,000	$ 26
Capital securities (note 6)	6,348	6
	23,348	32
Less current portion	17,000	26
	$ 6,348	$ 6

Tabular dollar amounts in thousands of U.S. dollars, except amounts per share and per ounce or unless otherwise noted

5. DEFERRED INCOME

	September 30 2001	Decembe
Modification of hedging contracts	$ 24,123	$ 39
Premiums received on gold and silver option contracts	12,746	20
Other	--	
	36,869	60
Less current portion	3,158	9
	$ 33,711	$ 50

6. CAPITAL SECURITIES

In 1997, the Company issued $100.0 million of 11% capital securities due in April 2027. The Company has the right to defer interest payments on the capital securities for a period not to exceed 10 consecutive semi-annual periods. During a period of interest deferral, interest accrues at a rate of 12% per annum, compounded semi-annually, on the full principal amount and deferred interest. The Company, at its option, may satisfy its deferred interest obligation by delivering common shares to the indenture trustee for the capital securities. The trustee would sell the Company's shares and remit the proceeds to the holders of the securities in payment of the deferred interest obligation. Deferred interest obligations not settled with proceeds from the sale of shares remain an unsecured liability of the Company. Since April 1998, the Company has exercised its right to defer its interest payments to holders of the capital securities. Interest deferred to date amounts to $59.4 million at September 30, 2001 and is payable no later than March 31, 2003 together with any additional compounded or deferred interest up to that date. Interest on the debt portion of the capital securities has been classified as interest expense on the consolidated statement of earnings, and interest on the equity portion of the capital securities has been charged directly to deficit on the consolidated balance sheet. For purposes of per share calculations, interest on the equity portion decreases the earnings attributable to common shareholders. See note 8 for a discussion of differences in treatment of the capital securities under generally accepted accounting principles in the United States.

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On September 5, 2001, the Company announced that it had reached an agreement with significant holders of the capital securities to exchange their capital securities for common shares. The Company proposes to issue up to 361.5 million common shares in exchange for the outstanding principal and accrued interest of the capital securities. Holders representing 98% of the capital securities have agreed to the exchange and have entered into support and lockup agreements. The share issuance will be presented to shareholders for their consideration and approval will be recommended by the Board of Directors. If shareholders approve, and all other transaction conditions are satisfied, the exchange of capital securities for common shares is expected to be completed in the first quarter of 2002. Any gain or loss arising from the transaction will be recorded at the closing date.

7. INTEREST AND OTHER

	Three months ended September 30 2001	2000	Nine months en September 2001	2
Interest income	$(163)	$ (214)	$ (662)	$ (
Interest expense	551	1,334	1,962	4,
Alaska-Juneau reclamation	--	(2,048)	--	(2,
Unrealized loss on share investments	2	--	104	
Other	64	(100)	(118)	
	$ 454	$(1,028)	$1,286	$ 2,

8. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

U.S. GAAP financial statements
The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in Canada. These differ in some respects from those in the United States, as described below and in the footnotes to the financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2000.

The effects of the GAAP differences on the consolidated statement of operations would have been as follows.

	Three months ended September 30 2001	2000	Nine months Septemb 2001	
Net earnings (loss) under Canadian GAAP	$ (187)	$ 8,998	$ 3,203	$ 1
Unrealized loss on share investments	2	--	104	
Change in market value of foreign exchange contracts	(780)	(1,117)	(2,720)	(
Change in market value of option contracts	345	--	(446)	
Transition adjustment on adoption of FAS 133	--	--	(3,090)	
Additional interest expense on capital securities	(4,065)	(3,844)	(12,721)	(1
Unrealized gain (loss) on call options	--	1,799	--	
Amortization of deferred financing on capital securities	(158)	(158)	(475)	
Net earnings (loss) under U.S. GAAP	$(4,843)	$ 5,678	$(16,145)	$
Earnings (loss) per share under U.S. GAAP	$ (0.03)	$ 0.04	$ (0.11)	$

ECHO BAY MINES LTD

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2001

Tabular dollar amounts in thousands of U.S. dollars, except amounts per share and per ounce or unless otherwise noted

The effects of the GAAP differences on the consolidated balance sheet would have been as follows.

September 30, 2001	Canadian GAAP	Capital Securities	Derivative Contracts	Other	
Short-term investments	$ 1,976	$ --	$ --	$ 1,830	$
Long-term investments and other assets	21,376	317	(4,137)	(6,559)	1
Debt and other financings	23,348	93,652	--	--	11
Deferred income	36,869	--	(3,036)	(33,833)	
Other long-term obligations	50,450	59,385	1,617	159	11
Common shares	713,343	--	--	36,428	74
Capital securities	153,037	(153,037)	--	--	
Deficit	721,198	(317)	2,718	36,454	76
Shareholders' equity (deficit)	116,557	(152,720)	(2,718)	28,945	(

The following statement of comprehensive income (loss) would be disclosed in accordance with U.S. GAAP.

	Three months ended September 30 2001	2000	Nine mont Sept 2001
Net earnings (loss) under U.S. GAAP	$ (4,843)	$ 5,678	$(16,145)
Other comprehensive income (loss), after a nil income tax effect:			
Unrealized gain on share investments arising during period	742	1,460	1,098
Modification of derivative contracts realized in net income	(4,166)	--	(11,960)
Foreign currency translation adjustments	(2,756)	(1,407)	(3,671)
Transition adjustment on adoption of FAS 133	--	--	39,234
Other comprehensive income (loss)	(6,180)	53	24,701
Comprehensive income (loss)	$(11,023)	$ 5,731	$ 8,556

Additionally, under U.S. GAAP, the equity section of the balance sheet would present a subtotal for accumulated other comprehensive income (loss), as follows.

	September 30 2001	December 31 2000

Tabular dollar amounts in thousands of U.S. dollars, except amounts per share and per ounce or unless otherwise noted

Unrealized gain on share investments	$ 1,697	$ 732
Modification of derivative contracts	27,274	--
Foreign currency translation	(28,625)	(24,954)
Accumulated other comprehensive income (loss)	$ 346	$(24,222)

Derivative instruments and hedging activities
On January 1, 2001, the Company implemented FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" and Statement No. 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities." The Company has designated its gold forward contracts as normal sales as defined by Statement No. 138 and these contracts are therefore excluded from the scope of Statement No. 133. Foreign exchange contracts and gold put and call options have not been designated as hedges for U.S. GAAP purposes and are

recognized at fair value on the balance sheet with changes in fair value recorded in earnings. Gains and losses on the early termination or other restructuring of gold, silver and foreign currency hedging contracts are deferred in accumulated other comprehensive income until the formerly hedged items are recorded in earnings. The transition adjustment recorded under U.S. GAAP at January 1, 2001 decreased assets by $18.3 million, liabilities by $54.4 million and net earnings by $3.1 million, and increased accumulated other comprehensive income by $39.2 million.

9. SEGMENT INFORMATION
The Company's management regularly evaluates the performance of the Company by reviewing operating results on a minesite by minesite basis. As such, the Company considers each producing minesite to be an operating segment. The Company has four operating mines: Round Mountain in Nevada, USA; McCoy/Cove in Nevada, USA; Kettle River in Washington, USA; and Lupin in the Nunavut Territory of Canada. All of the Company's mines are 100% owned except for Round Mountain, which is 50% owned.

In making operating decisions and allocating resources, the Company's management specifically focuses on the production levels and cash operating costs generated by each operating segment, as summarized in the following tables.

	Three months ended September 30	
Gold Production (ounces)	2001	2000
Round Mountain (50%)	102,883	79,987

McCoy/Cove	23,450	39,362
Lupin	33,000	40,696
Kettle River	12,200	24,404
Total gold	171,533	184,449
Silver Production (ounces) - all from McCoy/Cove	1,731,444	2,724,463

	Three months ended September 30	
Cash Operating Costs per Ounce of Gold Produced	2001	2000
Round Mountain	$ 191	$ 201
McCoy/Cove	239	189
Lupin	241	199
Kettle River	278	206
Company consolidated weighted average	$ 217	$ 197

ECHO BAY MINES LTD.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2001

Tabular dollar amounts in thousands of U.S. dollars, except amounts per share and per ounce or unless otherwise noted

Reconciliation of Cash Operating Costs per Ounce to Financial Statements	Three months ended September 30		Nine months e Septembe	
	2001	2000	2001	
Operating costs by minesite:				
Round Mountain	$ 20,052	$ 17,216	$ 58,312	$ 43
McCoy/Cove	11,663	16,693	40,637	53
Lupin	6,943	8,268	22,797	13
Kettle River	3,515	5,465	11,571	15
Total operating costs per financial statements	42,173	47,642	133,317	126
Change in finished goods inventories and other	1,543	(2,070)	(657)	(1
Co-product cost of silver produced	(6,493)	(9,236)	(20,062)	(30
Cash operating costs	$ 37,223	$ 36,336	$112,598	$ 94
Gold ounces produced	171,533	184,449	521,287	513
Cash operating costs per ounce	$ 217	$ 197	$ 216	$

The Company's management generally monitors revenue on a consolidated basis. Information regarding the Company's consolidated revenue is provided below.

	Three months ended September 30 2001	Three months ended September 30 2000	
Total gold and silver revenues (millions)	$ 58.5	$ 76.4	$ 1
Average gold price realized per ounce	$ 298	$ 313	$
Average silver price realized per ounce	$ 4.43	$ 5.13	$

10. HEDGING ACTIVITIES AND COMMITMENTS

Gold commitments

The Company's gold forward sales and option positions at September 30, 2001 were as follows.

	Forward Sales (ounces)	Price of Forward Sale (per ounce)	Call Options Purchased Ounces	Call Options Purchased Strike Price per Ounce	Call Optio Ounces	Strik pe
Remainder of 2001	15,000	$ 302	15,000	$ 360	--	
2002	60,000	302	60,000	360	--	
2003	60,000	302	60,000	360	--	
2004	60,000	302	60,000	360	--	
2005	15,000	302	120,000	395	105,000	
	210,000	$ 302	315,000	$ 373	105,000	

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ECHO BAY MINES LTD.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2001

Tabular dollar amounts in thousands of U.S. dollars, except amounts per share and per ounce or unless otherwise noted

Currency position

At September 30, 2001, the Company had an obligation under foreign currency exchange contracts to purchase C$3 million in the remainder of 2001 at an exchange rate of C$1.46 to U.S.$1.00.

Shown below are the carrying amounts and estimated fair values of the Company's hedging instruments at September 30, 2001 and December 31, 2000.

September 30, 2001

Tabular dollar amounts in thousands of U.S. dollars, except amounts per share and per ounce or unless otherwise noted

	Carrying Amount	Estimated Fair Value
Gold forward sales	$ --	$ 700
Silver forward sales	--	--
Gold options - puts purchased	--	--
- calls sold	(3,000)	(1,600)
- puts sold	--	--
- calls purchased	5,700	1,600
Silver options - puts purchased	--	--
- puts sold	--	--
- calls purchased	--	--
Foreign currency contracts	--	(200)
		$ 500

Fair values are estimated based upon market quotations of various input variables. These variables were used in valuation models that estimate the fair market value.

11. OTHER COMMITMENTS AND CONTINGENCIES

Summa

In September 1992, Summa Corporation commenced a lawsuit against Echo Bay Exploration Inc. and Echo Bay Management Corporation, indirect subsidiaries of the Company, alleging improper deductions in the calculation of royalties payable over several years of production at the McCoy/Cove and Manhattan mines. The matter was tried in the Nevada State Court in April 1997, with Summa claiming more than $13 million in damages, and, in September 1997, judgement was rendered for the Echo Bay companies, with the Nevada State Court finding that the Echo Bay companies had calculated the royalties correctly, in compliance with an agreement which the court found unambiguous.

The decision was appealed by Summa to the Supreme Court of Nevada and on April 26, 2000, the court reversed the decision of the trial court and remanded the case back to the trial court for "a calculation of the appropriate [royalties] in a manner not inconsistent with this order". The decision was made by a panel comprised of three of the seven Justices of the Supreme Court of Nevada and the Echo Bay defendants petitioned that panel for a rehearing. The petition was denied by the three member panel on May 15, 2000. The Echo Bay defendants then filed for a petition for review of the panel decision by the full Court. On April 3, 2001, the full court issued an order reversing the decision of the panel. The full court noted, however, that the trial court had failed to consider the testimony of one of Summa's trial witnesses and remanded the case to the trial court for a redetermination of the meaning of the contract. The other defenses and arguments put forth by the Echo Bay defendants, which the

trial court originally elected not to consider, may now also be considered. The

Echo Bay defendants disagree that the trial court failed to consider the testimony in question. The evidence was in fact considered and addressed in an alternate finding of that court. Accordingly, the Supreme Court is now being asked to review this one matter and reinstate the decision of the trial court. It is not known when the Supreme Court will rule on this request.

The Company has $1.5 million accrued related to the Summa matter. If Summa were ultimately to prevail, the royalty calculation at McCoy/Cove would change and additional royalties would be payable.

Handy and Harman
On March 29, 2000 Handy & Harman Refining Group, Inc., which operated a facility used by the Company for the refinement of dore bars, filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The outcome of these proceedings is uncertain at this time. The Company has a claim for gold and silver accounts at this refining facility with an estimated market value of approximately $2.4 million.

Security for reclamation
Certain of the Company's subsidiaries have provided corporate guarantees and other forms of security to regulatory authorities in connection with future reclamation activities. Early in 2001, regulators formally called upon two of the Company's subsidiaries to provide other security to replace corporate guarantees that had been given in respect of the Round Mountain and McCoy/Cove operations. The subsidiaries disagree with the regulators' position and believe that they qualify under the criteria set out for corporate guarantees and will oppose the regulatory decision. Although the outcome cannot be predicted, the Company and its counsel believe that the Company will prevail.

ECHO BAY MINES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FINANCIAL CONDITION

September 30,2001
(U.S. dollars)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL
The Company's profitability is determined in large part by gold and silver prices. Market prices of gold and silver are determined by factors beyond the Company's control. The Company's operations continue to be materially affected by the depressed price of gold, which averaged $279 per ounce in 2000 and $269 per ounce during the first nine months of 2001.

The Company reduces the risk of future gold and silver price declines by hedging a portion of its production. The principal hedging tools used are gold and silver loans, fixed and floating forward sales contracts, spot-deferred contracts, swaps and options.

The Company's hedge position as of September 30, 2001 partially protects the Company against gold price declines in the years 2001 through 2005. For the remainder of 2001, this position includes forward sales of approximately 15,000 ounces at a forward price of $302 per ounce. For the years 2002 through 2005, the Company has forward sales totaling 195,000 ounces of gold at a forward price of $302 per ounce. See note 10 to the interim consolidated financial statements.

The Company continues to defer a final construction decision on Aquarius, a planned gold mine in Ontario, Canada. The Company's exploration efforts are focused on projects principally located in North America where the Company already has extensive gold mining infrastructure.

In March 1997, the Company issued $100.0 million of 11% capital securities due 2027 (see note 6 to the interim consolidated financial statements). The Company has the right to defer interest payments on the capital securities for a period not to exceed 10 consecutive semi-annual periods. During a period of interest deferral, interest accrues at a rate of 12% per annum, compounded semi-annually, on the full principal amount and deferred interest. The Company, at its option, may satisfy its deferred interest obligation by delivering common shares to the indenture trustee for the capital securities. The trustee would sell the Company's shares and remit the proceeds to the holders of the securities in payment of the deferred interest obligation. Deferred interest obligations not settled with proceeds from the sale of shares remain an unsecured liability of the Company. Since April 1998, the Company has exercised its right to defer its semi-annual interest payments to holders of the capital securities. The deferred interest accrued at September 30, 2001, totaling $59.4 million, has been classified within the equity component of the capital securities obligation on the balance sheet as the Company has the option to satisfy the deferred interest by delivering common shares. Although the Company has the contractual right to issue shares in settlement of this obligation, market conditions in 2003 will determine the Company's ability to settle through the delivery and sale of common shares.

On September 5, 2001, the Company announced that it had reached an agreement with significant holders of the capital securities to exchange their capital securities for common shares. The Company proposes to issue up to 361.5 million common shares in exchange for the outstanding principal and accrued interest of the capital securities. Holders representing 98% of the capital securities have agreed to the exchange and have entered into support and lockup agreements. The share issuance will be presented to shareholders for their consideration and approval will be recommended by the Board of Directors. If shareholders approve, and all other transaction conditions are satisfied, the exchange of capital securities for common shares is expected to be completed in the first quarter of 2002. Any gain or loss arising from the transaction will be recorded at the closing date.

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ECHO BAY MINES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FINANCIAL CONDITION

September 30,2001
(U.S. dollars)

LIQUIDITY AND CAPITAL RESOURCES

Net cash flow provided from operating activities was $19.4 million for the first nine months of 2001 compared to $34.5 million for the first nine months of 2000. The 2001 results compared to 2000 reflect decreased silver cash revenue ($26.0 million) and increased operating costs in 2001 ($6.6 million) related to Lupin operations and increased reagent and power costs at Round Mountain. These factors were partially offset by Lupin start-up costs in 2000 ($4.8 million) and increases in inventories in 2000 ($5.0 million) and reduced spending for production taxes, exploration and interest ($5.4 million).

Net cash used in investing activities was $13.3 million in the first nine months of 2001, primarily related to mining properties, plant and equipment.

Net cash used in financing activities included $9.5 million for loan repayments in the first nine months of 2001.

At September 30, 2001, the Company had $10.9 million in cash and cash equivalents and $2.0 million in short-term investments.

At September 30, 2001, the Company's current debt was $17.0 million and its long-term debt was $6.3 million.

The Company's syndicated bank debt had a balance of $17.0 million at September 30, 2001. During the third quarter, the Company repaid debt of $2.0 million. On October 5, 2001, a new $17 million revolving credit and $4 million letter of credit facility was established with HSBC Bank USA, one of the Company's syndicated bankers. The new facility has been guaranteed by an affiliate of Franco-Nevada Mining Corporation Limited, which holds approximately 72.4 percent of the Company's capital securities. The Company has drawn down on the revolving credit facility to repay bank debt of $17 million and has replaced the $4 million letter of credit issued under the syndicated facility. The principal amount of the new credit facility matures on September 30, 2002 and interest is payable quarterly.

At September 30, 2001, the fair value of the Company's hedge portfolio was $0.5 million, which is within the predetermined margin limits. Margin deposits could be required by certain counterparties if the fair value of the hedge portfolio were less than the predetermined margin threshold.

For the full year 2001, the Company expects to incur $22 million in capital expenditures, of which $18.7 million has been incurred in the first nine months of 2001. The Company will rely on its operating cash flow to fund the remainder of its planned 2001 capital expenditures. The Company continues to monitor its discretionary spending in view of the depressed gold price and the cost structure at the Company's operating mines.

Early in 2000, The American Stock Exchange advised the Company that its listing eligibility was under review. The review was undertaken because the Company had fallen below two of the Exchange's continued listing guidelines. The Company had sustained net losses in the 1995 to 1999 fiscal years and in the Exchange's view, the Company's shareholders' equity under generally accepted accounting principles in the United States is inadequate. The Company is addressing the Exchange's concerns through periodic progress reviews and currently the matter is in abeyance.

See note 11 to the interim consolidated financial statements, "Other Commitments and Contingencies".

ECHO BAY MINES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
RESULTS OF OPERATIONS

For the Three and Nine months ended September 30, 2001
(U.S. dollars)

FINANCIAL REVIEW

Three month results

The Company reported a net loss of $0.2 million in the third quarter of 2001, compared to net earnings of $9.0 million in the third quarter of 2000. The loss per share was $0.03 in the third quarter of 2001, compared to earnings per share of $0.04 in the third quarter of 2000. The per share amount includes the equity portion of the interest on the Company's capital securities, $4.1 million ($0.03

per share) in the third quarter of 2001 and $3.8 million ($0.03 per share) in the third quarter of 2000. The 2001 results compared to 2000 reflect decreased gold and silver sales volume ($14.0 million) and lower prices realized ($3.9 million), partially offset by decreased operating costs ($5.4 million) and depreciation and amortization ($3.0 million).

Gold production decreased 7% to 171,533 ounces in the third quarter of 2001 compared to 184,449 ounces in the third quarter of 2000. This year's quarter reflects the reducing production profile from the McCoy/Cove mine, partially offset by an increase in gold production at the Round Mountain mine. Silver production from McCoy/Cove in the third quarter of 2001 was 1.7 million ounces, 36% lower than the 2.7 million ounces produced in the third quarter of 2000.

Cash operating costs were $217 per ounce of gold in the third quarter of 2001, versus $197 in the third quarter of 2000. The increase was primarily a result of lower grades and production at McCoy/Cove. Total production costs were $289 per ounce in the third quarter of 2001, versus $274 per ounce in the third quarter of 2000.

Nine month results

The Company reported net earnings of $3.2 million in the first nine months of 2001, compared with net earnings of $16.5 million in the same period in 2000. The loss per share was $0.07 in the first nine months of 2001, compared with earnings per share of $0.04 in the first nine months of 2000. The per share amount includes the equity portion of the interest on the Company's capital securities, $12.7 million ($0.09 per share) in the first nine months of 2001 and $11.3 million ($0.08 per share) in the first nine months of 2000. The 2001 results compared to 2000 reflect decreased silver sales volume ($24.3 million), decreased gold and silver sales prices realized ($11.7 million) and increased operating costs ($6.6 million). These factors were partially offset by increased gold sales volume ($10.2 million), decreased depreciation and amortization ($6.6 million), exploration and development spending ($5.8 million), reclamation and mine closure ($3.2 million), income and production taxes ($2.0 million) and interest and other expenses ($1.3 million).

Gold production increased 2% to 521,287 ounces in the first nine months of 2001 compared to 513,094 ounces in the first nine months of 2000 reflecting increased production at Round Mountain and the re-commissioned Lupin mine offset by the reduced production from McCoy/Cove. Silver production from McCoy/Cove was 5.0 million ounces, 50% lower than the 10.1 million ounces produced in 2000.

Cash operating costs were $216 per ounce of gold in the first nine months of 2001, versus $185 in the first nine months of 2000. The increase was primarily a result of decreased grades and lower production at McCoy/Cove. Total production costs were $287 per ounce in the first nine months of 2001, versus $260 per ounce in the first nine months of 2000.

The term ounce as used in this Form 10-Q means "troy ounce".

ECHO BAY MINES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
RESULTS OF OPERATIONS

For the Three and Nine months ended September 30,2001
(U.S. dollars)

Revenue

Statistics for gold and silver ounces sold and other revenue data are set out below.

Revenue Data	Three months ended September 30 2001	Three months ended September 30 2000	Nine months end September 2001	Nine months end September 20
Gold				
Ounces sold	169,804	196,460	527,714	495,6
Average price realized/ounce - revenue basis	$ 298	$ 313	$ 302	$ 3
Average price realized/ounce - cash basis (1)	$ 279	$ 290	$ 280	$ 2
Average market price/ounce	$ 274	$ 277	$ 269	$ 2
Revenue (millions of U.S. $)	$ 50.6	$ 61.9	$ 159.4	$ 157
Percentage of total revenue	86%	81%	85%	
Silver				
Ounces sold	1,790,375	2,893,295	5,708,519	10,267,9
Average price realized/ounce - revenue basis	$ 4.43	$ 5.13	$ 4.77	$ 5.
Average price realized/ounce - cash basis (1)	$ 4.24	$ 5.06	$ 4.91	$ 5.
Average market price/ounce	$ 4.29	$ 4.96	$ 4.42	$ 5.
Revenue (millions of U.S. $)	$ 7.9	$ 14.5	$ 27.3	$ 55
Percentage of total revenue	14%	19%	15%	
Total revenue (millions of U.S. dollars)	$ 58.5	$ 76.4	$ 186.7	$ 212

(1) Excludes non-cash items affecting gold and silver revenues, such as the recognition of deferred income or deferral of revenue to future periods for hedge accounting purposes.

The effects of changes in sales prices and volume were as follows.

REVENUE VARIANCE ANALYSIS 2001 VS. 2000 (millions of U.S. dollars)	Three months ended September 30
Lower gold prices	$ (2.6)
Lower silver prices	(1.3)
Change in volume	(14.0)
Decrease in revenue	$ (17.9)

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ECHO BAY MINES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
RESULTS OF OPERATIONS

For the Three and Nine months ended September 30,2001

Production Costs
Production cost data per ounce of gold is set out below.

PRODUCTION COSTS PER OUNCE OF GOLD PRODUCED	Three months ended September 30 2001	2000
Direct mining expense	$ 197	$ 195
Deferred stripping and mine development costs	19	2
Inventory movements and other	1	--
Cash operating costs	217	197
Royalties	11	8
Production taxes	1	1
Total cash costs	229	206
Depreciation	38	37
Amortization	14	19
Reclamation and mine closure	8	12
Total production costs	$ 289	$ 274

Expenses

Operating costs per ounce vary with the quantity of gold and silver sold and with the cost of operations. Cash operating costs were $ 217 per ounce of gold in the third quarter of 2001 and $197 in the third quarter of 2000. See "Operations Review."

RECONCILIATION OF CASH OPERATING COSTS PER OUNCE TO FINANCIAL STATEMENTS thousands of U.S. dollars, except per ounce amounts	Three months ended September 30 2001	2000	Nine months ended September 30 2001	2000
Operating costs per financial statements	$ 42,173	$ 47,642	$133,317	$126,731
Change in finished goods inventory and other	1,543	(2,070)	(657)	(1,666)
Co-product cost of silver produced	(6,493)	(9,236)	(20,062)	(30,143)
Cash operating costs	$ 37,223	$ 36,336	$112,598	$ 94,922
Gold ounces produced	171,533	184,449	521,287	513,094
Cash operating costs per ounce	$ 217	$ 197	$ 216	$ 185

Reserve estimates

The prices used in estimating the Company's ore reserves at December 31, 2000 were $300 per ounce of gold and $5.00 per ounce of silver. The market price for gold has for more than three years traded, on average, below the level used in estimating reserves at December 31, 2000. If the market price for gold were to continue at such levels and the Company determined that its reserves should be estimated at a significantly lower gold price than that used at December 31, 2000, there would be a reduction in the amount of gold reserves. The Company estimates that if reserves at December 31, 2000 were based on $275 per ounce of gold, reserves would decrease by approximately 10% at Round Mountain, 3% at

Kettle River and 2% at the Aquarius development property. There would be no impact on reserves at Lupin and McCoy/Cove. The estimates are based on extrapolation of information developed in the reserve calculation, but without the same degree of analysis required for reserve estimation. Should any significant reductions in reserves occur, material write-downs of the Company's investment in mining properties and/or increased amortization, reclamation and closure charges may be required.

ECHO BAY MINES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
RESULTS OF OPERATIONS

For the Three and Nine months ended September 30,2001
(U.S. dollars)

OPERATIONS REVIEW
Operating data by mine is set out below.

	Three months ended September 30		
Operating Data by Mine	2001	2000	
Gold production (ounces)			
(a) Round Mountain (50%)	102,883	79,987	301
(b) McCoy/Cove	23,450	39,362	73
(c) Lupin	33,000	40,696	105
(d) Kettle River	12,200	24,404	41
Total gold	171,533	184,449	521
Silver production (ounces)			
(b) McCoy/Cove	1,731,444	2,724,463	5,028
Total silver	1,731,444	2,724,463	5,028

Gold production decreased 7% to 171,533 ounces in the third quarter of 2001 compared to 184,449 ounces in the third quarter of 2000. Decreased production reflects the reducing production profile from the McCoy/Cove and Kettle River mines and lower grades mined at Lupin partially offset by an increase in gold production at the Round Mountain mine. Silver production from McCoy/Cove was 1.7 million ounces, 36% less than the 2.7 million ounces produced in 2000, reflecting decreased grades and recoveries. Production for the year is expected to total approximately 650,000 ounces of gold and 6.5 million ounces of silver.

	Three months ended September 30		N
Operating Data by Mine	2001	2000	2001
Cash operating costs (per ounce of gold)			

(a) Round Mountain	$ 191	$ 201	$ 190
(b) McCoy/Cove	239	189	243
(c) Lupin	241	199	228
(d) Kettle River	278	206	265
Company average	$ 217	$ 197	$ 216

Cash operating costs were $217 per ounce of gold in the third quarter of 2001, versus $197 in the third quarter of 2000. The increase was primarily a result of lower production at McCoy/Cove and Lupin and higher reagent and power costs at Round Mountain. The Company expects to achieve the planned cash operating costs of $225 per ounce of gold produced for the full year 2001.

ECHO BAY MINES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
RESULTS OF OPERATIONS

For the Three and Nine months ended September 30, 2001
(U.S. dollars)

(a) Round Mountain, Nevada (50% owned)

OPERATING DATA	Three months ended September 30 2001	2000	Nine months ended September 30 2001	2000
Gold produced (ounces):				
Heap leached - reusable pad (50%)	27,610	17,747	85,432	53,967
Heap leached - dedicated pad (50%)	50,425	49,686	149,230	123,173
Milled (50%)	24,607	12,257	66,118	48,977
Other (50%)	241	297	241	2,232
Total (50%)	102,883	79,987	301,021	228,349
Mining cost/ton of ore and waste	$ 0.77	$ 0.82	$ 0.83	$ 0.82
Heap leaching cost/ton of ore	$ 0.97	$ 0.77	$ 0.81	$ 0.65
Milling cost/ton of ore	$ 2.72	$ 2.81	$ 2.95	$ 2.83
Production cost per ounce of gold produced:				
Direct mining expense	$ 156	$ 203	$ 165	$ 208
Deferred stripping cost	25	2	22	(6)
Inventory movements and other	10	(4)	3	(5)
Cash operating cost	191	201	190	197
Royalties	21	16	18	17
Production taxes	2	--	1	1
Total cash cost	214	217	209	215
Depreciation	35	44	37	45
Amortization	15	18	15	18
Reclamation and mine closure	9	9	9	9
Total production costs	$ 273	$ 288	$ 270	$ 287

Heap leached - reusable pad:				
Ore processed (tons/day) (100%)	22,174	20,280	25,593	25,283
Total ore processed (000 tons) (100%)	2,018	1,845	6,987	6,902
Grade (ounce/ton)	0.032	0.030	0.034	0.028
Recovery rate (%)	79.8	58.7	78.1	59.1
Heap leached - dedicated pad:				
Ore processed (tons/day) (100%)	97,022	136,275	124,220	142,249
Total ore processed (000 tons) (100%)	8,829	12,401	33,912	38,834
Grade (ounce/ton)	0.011	0.012	0.011	0.011
Recovery rate /(1)/				
Milled:				
Ore processed (tons/day) (100%)	11,226	9,359	10,401	8,668
Total ore processed (000 tons) (100%)	1,022	852	2,840	2,366
Grade (ounce/ton)	0.036	0.045	0.054	0.047
Recovery rate (%)	82.8	82.8	83.7	83.5

/(1)/ Recovery rates on dedicated pads can only be estimated, as actual recoveries will not be known until leaching is complete. At the Round Mountain mine, the gold recovery rate on the dedicated heap leach pad is estimated at 50%.

The Company has a 50% ownership interest in, and is the operator of, the Round Mountain mine in Nevada. The mine continues to have an excellent year. The Company's share of mine production was 102,883 ounces for the third quarter of 2001 compared with 79,987 ounces in the third quarter of 2000. The increase in production is attributable to an increase in mill tonnage, reduction of in-process inventory and the dual processing of high grade oxide material. Dual processing means the material is first leached on the reusable pad and then processed

through the mill allowing coarse gold to be recovered and increasing the ultimate recovery. Cash operating costs per ounce for the quarter were $191, compared with $201 in the third quarter of 2000. Revenues from higher production offset increased reagent and power costs resulting in the lower cash cost per ounce.

(b) McCoy/Cove, Nevada (100% owned)

OPERATING DATA	Three months ended September 30 2001	2000	Nine months e Septembe 2001	
Gold produced (ounces):				
Milled	16,780	28,937	54,504	90
Heap leached	6,670	10,425	18,634	41
Total gold	23,450	39,362	73,138	131
Silver produced (ounces):				
Milled	1,654,811	2,505,429	4,786,267	9,350
Heap leached	76,633	219,034	241,762	799
Total silver	1,731,444	2,724,463	5,028,029	10,149
Mining cost/ton of ore and waste	n/a	$ 0.79	n/a	$
Milling cost/ton of ore	$ 7.83	$ 5.90	$ 7.13	$
Heap leaching cost/ton of ore	n/a	n/a	n/a	$
Production cost per ounce of gold produced:				
Direct mining expense	$ 223	$ 173	$ 241	$
Deferred stripping cost	27	11	7	
Inventory movements and other	(11)	5	(5)	
Cash operating cost	239	189	243	
Royalties	1	3	1	
Production taxes	--	1	--	
Total cash cost	240	193	244	
Depreciation	49	28	47	
Amortization	9	28	8	
Reclamation and mine closure	--	11	--	
Total production costs	$ 298	$ 260	$ 299	$
Average gold-to-silver price ratio /(1)/	63.8:1	55.7:1	60.9:1	55
Milled:				
Ore processed (tons/day)	9,612	11,594	10,886	11
Total ore processed (000 tons)	875	1,055	2,972	3
Gold grade (ounce/ton)	0.051	0.050	0.045	0
Silver grade (ounce/ton)	2.44	3.16	2.57	
Gold recovery rate (%)	47.3	46.8	45.9	
Silver recovery rate (%)	56.4	68.8	63.0	
Heap leached:				
Ore processed (tons/day)	n/a	n/a	n/a	6
Total ore processed (000 tons)	n/a	n/a	n/a	1
Gold grade (ounce/ton)	n/a	n/a	n/a	0
Silver grade (ounce/ton)	n/a	n/a	n/a	
Recovery rates /(2)/				

/(1)/ To convert costs per ounce of gold into comparable costs per ounce of co-product silver, divide the production cost per ounce of gold by the period's average gold-to-silver price ratio.

/(2)/ Recovery rates on dedicated pads can only be estimated, as actual recoveries will not be known until leaching is complete. At the McCoy/Cove mine, the gold recovery rate is estimated at 68% for crushed ore and 48% for uncrushed, run-of-mine ore, while the silver recovery rate is estimated at 35% for crushed ore and 10% for uncrushed, run-of-mine ore.

ECHO BAY MINES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
RESULTS OF OPERATIONS

For the Three and Nine months ended September 30, 2001
(U.S. dollars)

At McCoy/Cove in Nevada, gold production was 23,450 ounces for the third quarter compared with 39,362 ounces in the third quarter of 2000. Silver production amounted to 1.7 million ounces in the third quarter compared with 2.7 million ounces in the third quarter of 2000. The lower production level reflects the processing of low grade stockpiles as open pit mining was completed in 2000. With the lower production, cash operating costs for the quarter were $239 per ounce, compared to $189 per ounce in third quarter of 2000.

Reclamation activities continued during the quarter with contouring of rock stockpiles, infiltration basins, and leach pads. Work is on track to have significant acreage available for the fall/winter planting season and earthwork activities will proceed through the winter.

ECHO BAY MINES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
RESULTS OF OPERATIONS

For the Three and Nine months ended September 30, 2001
(U.S. dollars)

(c) Lupin, Nunavut, Canada (100% owned)

	Three months ended September 30		Nine month Septe	
OPERATING DATA	2001	2000	2001	
Gold produced (ounces)	33,000	40,696	105,710	
Mining cost/ton of ore	C $ 43.77	C $ 43.18	C $ 45.56	C
Milling cost/ton of ore	C $ 12.83	C $ 13.18	C $ 13.58	C
Production cost per ounce of gold produced:				
Canadian dollars:				
Direct mining expense	C $ 422	C $ 325	C $ 399	C
Deferred mine development cost	C $ (19)	C $ (7)	C $ (16)	C
Inventory movements and other	C $ 1	C $ --	C $ 1	C
Cash operating cost	C $ 404	C $ 318	C $ 384	C
U.S. dollars				
Cash operating costs	US $ 241	US $ 199	US $ 228	US
Royalties	--	--	--	
Production taxes	--	--	--	
Total cash cost	241	199	228	
Depreciation	33	26	30	
Amortization	7	9	7	
Reclamation and mine closure	14	17	14	

Total production costs	US $ 295	US $ 251	US $ 279	US
Milled:				
Ore processed (tons/day)	1,884	1,785	1,850	
Total ore processed (000 tons)	171	162	505	
Grade (ounce/ton)	0.205	0.267	0.224	
Recovery rate (%)	93.7	93.8	93.3	

Gold production for the quarter was 33,000 ounces compared with 40,696 ounces in the third quarter of 2000. Cash operating costs were $241 per ounce for the quarter compared to $199 per ounce in the third quarter of 2000. Mining costs were higher and grades lower than in 2000 due to the sequencing of production areas in the mine. The cash operating costs include a $0.7 million benefit ($21 per ounce) in the third quarter from hedging Canadian dollars for Lupin expenditures. A $6.0 million gain, realized when certain contracts were closed during the first quarter of 1997, has now been fully amortized.

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ECHO BAY MINES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
RESULTS OF OPERATIONS

For the Three and Nine months ended September 30, 2001
(U.S. dollars)

(d) Kettle River, Washington (100% owned)

	Three months ended September 30		Nine months ended September 30	
OPERATING DATA	2001	2000	2001	2000
Gold produced (ounces)	12,200	24,404	41,418	73,734
Mining cost/ton of ore	$ 23.63	$ 19.46	$ 23.59	$ 20.49
Milling cost/ton of ore	$ 12.93	$ 11.35	$ 11.47	$ 11.45
Production cost per ounce of gold produced:				
Direct mining expense	$ 225	$ 214	$ 208	$ 230
Deferred mine development cost	--	--	--	--
Inventory movements and other	53	(8)	57	(19)
Cash operating cost	278	206	265	211
Royalties	7	12	11	13
Production taxes	1	1	1	1
Total cash cost	286	219	277	225
Depreciation	10	10	8	10
Amortization	40	8	40	8
Reclamation and mine closure	15	15	15	15
Total production costs	$ 351	$ 252	$ 340	$ 258
Milled:				
Ore processed (tons/day)	856	1,575	1,020	1,487
Total ore processed (000 tons)	78	143	278	406
Grade (ounce/ton)	0.188	0.205	0.179	0.215
Recovery rate (%)	83.5	83.1	82.9	84.4

Production for the third quarter was 12,200 ounces, down from 24,404 ounces in the third quarter of 2000. Mining at the Lamefoot deposit was completed in the fourth quarter of 2000 meaning that production in 2001 has been solely from existing stockpiles and the K-2 mine and, as anticipated, was lower than 2000 production. Cash operating costs per ounce were $278 in the third quarter of 2001 compared to $206 per ounce in the third quarter of 2000, reflecting the lower production.

Underground exploration and development of an extension to the K-2 mine is currently underway.

ECHO BAY MINES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
RESULTS OF OPERATIONS

For the Three and Nine months ended September 30, 2001
(U.S. dollars)

RECENT DEVELOPMENTS

Exploration and development programs

With the ongoing low gold price environment, the Company continues its focused approach to exploration and development activities primarily within close proximity to the existing mine sites as well as in the Western United States and in the Timmins area of Ontario. For the third quarter of 2001, the Company spent $0.8 million on exploration activities. Exploration costs are expensed as incurred.

In 1997, the Company deferred a final construction decision on its planned gold mine, the 100% owned Aquarius in Ontario, Canada. Development holding costs are expensed as incurred. During the third quarter of 2001, the Company expensed $0.4 million in holding costs related to Aquarius.

Other

See note 11 to the interim consolidated financial statements.

ECHO BAY MINES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
RESULTS OF OPERATIONS

For the Three and Nine months ended September 30, 2001
(U.S. dollars)

CAUTIONARY "SAFE HARBOR" STATEMENT UNDER THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

With the exception of historical matters, the matters discussed in this report are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from targeted or projected results. Such forward-looking statements include statements regarding targets for gold and silver production, cash operating costs and certain significant expenses, percentage increases and decreases in production from the Company's principal mines, schedules for completion of detailed feasibility studies and initial feasibility studies, potential changes in reserves and production, the timing and scope of future drilling and other exploration activities, expectations regarding receipt of permits and commencement of mining or production, anticipated grades and recovery rates, the ability to secure financing, and potential acquisitions or increases, divestitures or decreases in property interests. Factors that could cause actual results to differ materially include, among others: changes in gold and silver prices; fluctuations in grades and recovery rates; geological, metallurgical, processing, access, transportation or other problems; results of exploration activities, pending and future feasibility studies; changes in project parameters as plans continue to be refined; political, economic and operational risks; availability of materials and equipment; regulatory risks, including but not limited to reclamation security requirements and the timing for the receipt of governmental permits; force majeure events; the failure of plant, equipment or processes to operate in accordance with specifications or expectations; accidents, labor relations; delays in start-up dates for projects; environmental costs and risks; the possibility that the exchange of the capital securities for common shares will not be completed, and other factors described herein or in the Company's filings with the U.S. Securities and Exchange Commission. Many of these factors are beyond the Company's ability to predict or control. Readers are cautioned not to put undue reliance on forward-looking statements.

ECHO BAY MINES LTD.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information about market risks for the three months ended September 30, 2001 does not differ materially from that discussed under Item 7A of the registrant's Annual Report on Form 10-K for 2000.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Summa

See note 11 to the interim consolidated financial statements.

Other

The Company is also engaged in routine litigation incidental to its business.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Reports on Form 8-K	Filed on September 12, 2001, related to the proposed conversion of capital securites into common shares.
	Filed on September 20, 2001, related to the deferral of the October 2001 interest payment on the capital securities.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ECHO BAY MINES LTD.

(Registrant)

November 2, 2001

Date

/s/ David A. Ottewell

DAVID A. OTTEWELL
Controller and Principal
Accounting Officer

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