



# **Moydow Mines**

## **INTERNATIONAL INC.**

### **Third Quarter Management's Discussion and Analysis of Financial Condition and Financial Statements**

**Three Months Ended September 30, 2003**

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## **Management's Discussion and Analysis of Financial Condition**

(All results are expressed in United States dollars unless otherwise stated.)

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### **The Company**

Moydow Mines International Inc. ("Moydow Mines" or "the Company") is engaged in the acquisition, exploration and development of gold properties, principally in Ghana, West Africa. Moydow Mines' common shares are listed on the Toronto Stock Exchange (symbol "Moy").

### **Overview**

#### **Ntotoroso Project**

On August 22, 2003, Moydow Mines and Newmont Mining Corporation ("Newmont") signed a definitive agreement which details the terms of the Company's agreement to sell its interest in the Ntotoroso project in Ghana to Newmont, its 50% partner in the project. The Company will receive 800,000 freely tradeable Newmont shares in consideration for the sale of its 50% interest in the Ntotoroso project.

In addition, the Company will receive a 2% net smelter return royalty in respect of all gold and silver production from the Ntotoroso project in excess of 1.2 million ounces. As part of the transaction Newmont has also agreed that its 1,325,882 Moydow shares will be cancelled at the time of closing.

#### **Newfoundland Project**

In February 2003 the Company signed an agreement with Cornerstone Capital Resources Inc. ("Cornerstone"), whereby the Company has the option to acquire a 51% interest in a group of claims located in south-central Newfoundland owned by Cornerstone. The Company is required to incur exploration expenditures on these claims of not less than Cdn\$800,000 on or before February 2007 in order to earn a 51% interest in these properties. In addition, the Company is required to make cash payments to Cornerstone Resources Inc. totalling Cdn\$80,000 over a period of four years. On March 21, 2003, under the terms of the agreement with Cornerstone, the Company issued 10,000 common shares of Moydow Mines at a price of Cdn\$0.88 per share and granted warrants for the purchase of 200,000 common shares at a price of Cdn\$0.90 per share to Cornerstone. The warrants were exercised on September 18, 2003. When the Company has earned its 51% interest, it will have an exclusive option to acquire an additional 29% interest in the claims by incurring further exploration costs of Cdn\$1,200,000.

In June 2003, the first phase of drilling was carried out to test a broad zone of low-grade gold mineralization. The program comprised 22 drill holes totaling 1,251 metres to a depth of approximately 50 metres. A second phase of drilling was carried out in September to follow up results from the first phase. Moydow is correlating the data at present. Moydow is the operators of the joint venture.

The joint venture between Moydow and Cornerstone, which originally comprised 356 claims, has been enlarged to 535 claims covering 134 square kilometres.

## **Segmented Information**

The Company does not segment information geographically as substantially all of its exploration and development operations to date have been located in West Africa.

## **Results of Operations**

Net losses for the three months to September 30, 2003 and 2002 were \$0.18 million or \$0.007 per share and \$0.67 million or \$0.024 per share, respectively.

During the third quarter of 2003, the Company wrote off mineral property expenditures incurred on a number of minor projects in the amount of \$0.07 million. During the three month ending September 30, 2002, the Company wrote off mineral property expenditures in the amount of \$0.53 million including its investments in the N'godiarala licence in southern Mali of \$0.31 million and the South Yamfo property in Ghana of \$0.08 million, as these properties did not merit any further work at this time.

General and administrative expenses were \$0.12 million in the third quarter of 2003 compared to \$0.13 million in the third quarter of 2002.

The Company received operator fees of \$nil in the third quarter of 2003 compared to \$0.01 million in the same period in 2002. The operator fees are calculated as a percentage of costs incurred on the Ntotoroso property.

The foreign exchange gain for three months ended September 30, 2003, was \$295 compared to a loss of \$0.025 million for the same period in 2002. The foreign exchange gain resulted from movements in exchange rates between operating currencies and the United States dollar.

The Company earned deposit interest income of \$426 and \$0.007 million during the third quarter of 2003 and 2002, respectively. Interest income is dependent on available cash balances and prevailing interest rates.

Net losses for the nine months to September 30, 2003, and 2002 were \$1.84 million or \$0.066 per share and \$0.97 million or \$0.036 per share, respectively.

During the nine months ended September 30, 2003, the Company wrote off its investment in the Kanyankaw Project in Ghana, in the amount of \$1.36 million together with expenditures incurred on a number of minor projects in the amount of \$0.07 million. In the nine months ended September 30, 2002, the Company wrote off mineral property expenditures in the amount of \$0.56 million including its investments in the N'godiarala licence in southern Mali of \$0.31 million and the South Yamfo property in Ghana of \$0.08 million as these properties did not merit any further work at this time.

General and administrative expenses for the first nine months of 2003 were \$0.49 million compared to \$0.47 million in the same period of 2002.

The Company received operator fees of \$0.01 million in the first nine months of 2003 compared to \$0.05 million in the same period in 2002. During this period of 2003, the level of work undertaken on the Ntotoroso project was significantly reduced compared to the same period in 2002. The operator fees are calculated as a percentage of costs incurred on the property.

The foreign exchange gain for nine months ended September 30, 2003, was \$0.08 million compared to a loss of \$0.01 million for the same period in 2002. The foreign exchange gain resulted from movements in exchange rates between operating currencies and the United States dollar.

The Company earned deposit interest income of \$0.01 million and \$0.02 million during the nine months ended September 30, 2003 and 2002, respectively. Interest income is dependent on available cash balances and prevailing interest rates.

### **Liquidity and Capital Resources**

At September 30, 2003, the Company had working capital of \$0.39 million (December 31, 2002 - \$0.92 million). Cash and cash equivalents at September 30, 2003 amounted to \$0.34 million compared to \$1.07 million at December 31, 2002.

Cash flow used in operating activities in the three months ended September 30, 2003, including changes in non-cash working capital of \$0.08 million, totaled \$0.03 million. In the three months ended September 30, 2003 cash used in investing activities (exploration of mineral properties incurred mainly in Newfoundland) was \$0.18 million (2002 - \$0.91 million).

Cash flow used in operating activities in the nine months ended September 30, 2003, including changes in non-cash working capital of \$0.20 million, totaled \$0.60 million (2002 - \$0.39 million). In the nine months ended September 30, 2003 cash used in investing activities (exploration of mineral properties incurred mainly in Newfoundland) was \$0.46 million (2002 - \$0.37 million).

Cash flow from financing activities in the nine months ended September 30, 2003 was \$0.33 million (2002 - \$0.30 million). During the third quarter of 2003, options were exercised in respect of 165,000 common shares at an average price Cdn\$1.32 per share for total proceeds of \$0.16 million. In addition warrants were exercised in respect of 256,031 common shares at an average price Cdn\$0.88 per share for total proceeds of \$0.16 million. During the three months ended September 30, 2003 total proceeds from issue of shares was \$0.32 million.

In July 2002, the Company closed a private placement consisting of 687,500 flow-through common shares at a price of Cdn\$0.80 per share for net proceeds of \$0.30

million. The proceeds were used for exploration of the Company's Botwood Basin property in central Newfoundland.

At September 30, 2003, the Company had stock options outstanding under its stock option plan for the purchase of an aggregate of 3,207,500 common shares, and warrants outstanding, for the acquisition of 12,719 common shares.

### **Subsequent events**

Subsequent to September 30, 2003, further options were exercised in respect of 1,802,500 common shares at an average price Cdn\$1.06 per share for total proceeds of \$1.44 million, leaving 1,405,000 options outstanding under the Company's stock option plan. In addition warrants were exercised in respect of 12,719 common shares at a price Cdn\$0.80 per share for total proceeds of \$0.008 million, leaving no warrants outstanding.

As of November 27, 2003, the Company has 29,960,263 common shares issued.

As previously announced, the Company intends to distribute to its shareholders the net proceeds resulting from the disposition of 600,000 Newmont common shares. The remaining 200,000 Newmont common shares will be available for working capital, after payment of fees and expenses in respect of the transaction, the payment of outstanding indebtedness of the Company to third parties and the setting aside of a reserve to pay taxes which may be owing as a result of the sale of Moydow's 50% interest in the Ntoroso project in Ghana.

**MOYDOW MINES INTERNATIONAL INC.**

**CONSOLIDATED BALANCE SHEETS**

(expressed in United States dollars, unless otherwise stated)

<b>As at</b>	<b>September 30, 2003 (unaudited)</b>	<b>December 31, 2002 (audited)</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$343,849	\$1,072,837
Loan receivable	200,000	-
Accounts receivable and prepaid expenses	372,332	36,620
	<hr/>	<hr/>
<b>Total current assets</b>	916,181	1,109,457
Mineral properties	3,412,918	4,384,057
Other assets	30,221	40,426
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$4,359,320</b>	<b>\$5,533,940</b>
	<hr/>	<hr/>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$528,969	\$193,799
	<hr/>	<hr/>
<b>Total liabilities</b>	528,969	193,799
<b>Shareholders' equity</b>		
Capital stock	15,796,371	15,466,233
Deficit	(11,966,020)	(10,126,092)
	<hr/>	<hr/>
<b>Total shareholders' equity</b>	3,830,351	5,340,141
	<hr/>	<hr/>
<b>Total liabilities and shareholders' equity</b>	<b>\$4,359,320</b>	<b>\$5,533,940</b>
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**MOYDOW MINES INTERNATIONAL INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT (UNAUDITED)**  
 (expressed in United States dollars, unless otherwise stated)

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30,</u> <u>2003</u>	<u>September 30,</u> <u>2002</u>	<u>September 30,</u> <u>2003</u>	<u>September 30,</u> <u>2002</u>
<b>Revenues</b>				
Operator's fees	-	<u>\$13,062</u>	<u>\$9,624</u>	<u>\$53,816</u>
	-	<u>13,062</u>	<u>9,624</u>	<u>53,816</u>
<b>Expenses</b>				
Write-down of mineral properties	67,663	529,945	1,433,379	559,014
General and administrative expenses	115,495	133,693	494,356	469,420
Amortization of plant & equipment	2,457	2,389	8,373	6,716
Foreign exchange (gain)/loss	<u>(295)</u>	<u>24,918</u>	<u>(80,262)</u>	<u>13,832</u>
	<u>185,320</u>	<u>690,945</u>	<u>1,855,846</u>	<u>1,048,982</u>
<b>Other income and expenses</b>				
Interest income	<u>426</u>	<u>7,486</u>	<u>6,294</u>	<u>23,445</u>
	<u>426</u>	<u>7,486</u>	<u>6,294</u>	<u>23,445</u>
<b>Net loss for period</b>	<u>(184,894)</u>	<u>(670,397)</u>	<u>(1,839,928)</u>	<u>(971,721)</u>
<b>Consolidated statements of Operations and deficit</b>				
Deficit, beginning of period	(11,781,126)	(9,340,164)	(10,126,092)	(9,038,840)
Net loss for period	<u>(184,894)</u>	<u>(670,397)</u>	<u>(1,839,928)</u>	<u>(971,721)</u>
	<u>\$(11,966,020)</u>	<u>\$(10,010,561)</u>	<u>\$(11,966,020)</u>	<u>\$(10,010,561)</u>
<b>Basic and diluted loss per common share</b>	<u>\$(0.007)</u>	<u>\$(0.024)</u>	<u>\$(0.066)</u>	<u>\$(0.036)</u>
<b>Weighted average number of common shares outstanding</b>	<u>27,763,630</u>	<u>27,631,813</u>	<u>27,730,361</u>	<u>27,230,498</u>

**MOYDOW MINES INTERNATIONAL INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)**

(expressed in United States dollars, unless otherwise stated)

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30,</u> <u>2003</u>	<u>September 30,</u> <u>2002</u>	<u>September 30,</u> <u>2003</u>	<u>September 30,</u> <u>2002</u>
<b>Operating activities</b>				
Net loss for the period	\$(184,894)	\$(670,397)	\$(1,839,928)	\$(971,721)
Adjustments for non-cash items:				
Write-down of mineral properties	67,663	529,945	1,433,379	559,014
Amortization of plant & equipment	<u>2,457</u>	<u>2,389</u>	<u>8,373</u>	<u>6,716</u>
	<u>(114,774)</u>	<u>(138,063)</u>	<u>(398,176)</u>	<u>(405,991)</u>
Changes in non-cash working capital:				
Loan receivable	-	-	(200,000)	-
Accounts receivable and prepaid expenses	(171,169)	(18,905)	(335,712)	(17,766)
Accounts payable and accrued liabilities	<u>254,057</u>	<u>3,235</u>	<u>335,170</u>	<u>34,649</u>
	<u>82,888</u>	<u>(15,670)</u>	<u>(200,542)</u>	<u>16,883</u>
<b>Cash flow used in operating activities</b>	<u>(31,886)</u>	<u>(153,733)</u>	<u>(598,718)</u>	<u>(389,108)</u>
<b>Investing activities</b>				
Exploration of mineral properties	<u>(180,080)</u>	<u>(91,337)</u>	<u>(460,408)</u>	<u>(369,974)</u>
<b>Cash flow used in investing activities</b>	<u>(180,080)</u>	<u>(91,337)</u>	<u>(460,408)</u>	<u>(369,974)</u>
<b>Financing Activities</b>				
Issue of Shares	<u>324,197</u>	<u>300,843</u>	<u>330,138</u>	<u>300,843</u>
<b>Cash flow from financing activities</b>	<u>324,197</u>	<u>300,843</u>	<u>330,138</u>	<u>300,843</u>
<b>Increase (Decrease) in cash and cash equivalents</b>	<u>112,231</u>	<u>55,773</u>	<u>(728,988)</u>	<u>(458,239)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>231,618</u>	<u>1,419,026</u>	<u>1,072,837</u>	<u>1,933,038</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$343,849</u>	<u>\$1,474,799</u>	<u>\$343,849</u>	<u>\$1,474,799</u>

**MYDOW MINES INTERNATIONAL INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in United States dollars, unless otherwise stated)**

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**Basis of presentation and consolidation**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include the accounts of the Company, its subsidiaries and a proportionate share of the Company's interests in joint ventures. Interests in associated companies, which are not controlled but over which the Company has the ability to exercise significant influence, are accounted for using the equity method. All significant inter-company accounts and transactions have been eliminated. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the periods ended September 30, 2003 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2003. The interim financial statements have been prepared in accordance with the accounting policies described in the consolidated financial statements for the year ended December 31, 2002. For further information, see the Company's consolidated financial statements including the notes thereto for the year ended December 31, 2002.

**Ntoroso Gold Project, Ghana**

On August 22, 2003, Moydow Mines and Newmont Mining Corporation ("Newmont") signed an Arrangement Agreement which details the terms of the Company's agreement to sell its interest in the Ntoroso project in Ghana to Newmont, its 50% partner in the project. The Company will receive 800,000 freely tradeable Newmont shares in consideration for the sale of its 50% interest in the Ntoroso project.

In addition, the Company will receive a 2% net smelter return royalty in respect of all gold and silver production from the Ntoroso property in excess of the currently defined reserve of 1.2 million ounces. As part of the transaction Newmont has also agreed that its 1,325,882 Moydow shares will be cancelled at the time of closing.

**Newfoundland Project**

In February 2003 the Company signed an agreement with Cornerstone Capital Resources Inc. ("Cornerstone"), whereby the Company has the option to acquire a 51% interest in a group of claims located in south-central Newfoundland owned by Cornerstone. The Company is required to incur exploration expenditures on these claims of not less than Cdn\$800,000 on or before February 2007 in order to earn a 51% interest in these properties. In addition, the Company is required to make cash payments to Cornerstone Resources Inc. totalling Cdn\$80,000 over a period of four years. On March 21, 2003, under the terms of the agreement with Cornerstone, the Company issued 10,000 common shares of Moydow Mines at a price of Cdn\$0.88 per share and granted warrants for the purchase of 200,000 common shares at a price of Cdn\$0.90 per share to Cornerstone. The warrants were exercised on September 18, 2003. When the Company has earned its

51% interest, it will have an exclusive option to acquire an additional 29% interest in the claims by incurring further exploration costs of Cdn\$1,200,000.

**Loan Receivable**

An officer currently owes the Company \$200,000 pursuant to a loan. The terms of the loan have been amended, the loan is repayable in full together with interest on or before December 31, 2003. No other officer of the Company or associate of any such director or officer is, or at any time since the beginning of the Company's financial year ended December 31, 2002 has been indebted to the Company or any of its subsidiaries.

## **MOYDOW MINES INTERNATIONAL INC.**

### **Corporate Information as at September 30, 2003**

#### **Directors and Officers**

Noel P. Kiernan - *Director, Chairman*  
Brian P. Kiernan - *Director, President & CEO*  
Sylvester P. Boland - *Director, Member of the Audit Committee*  
Albert C. Gourley – *Director, Member of the Audit Committee*  
Norman D. A. Hardie - *Director*  
Victor J. E. Jones - *Director, Member of the Audit Committee*  
Michael E. Power - *Director, Vice President & Secretary*  
J. Joseph Breen - *COO*  
Rosemary G. O'Mongain - *CFO*

#### **Registered Office**

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#### **Accra Office**

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East Cantonments  
Accra, Ghana  
Tel: (233) 21 772516 Fax: (233) 21 777247

#### **Transfer Agent**

Computershare Trust Company of Canada  
100 University Avenue, 8<sup>th</sup> Floor  
Toronto, Ontario  
Canada, M5J 2Y1

#### **Exchange Listing**

The Toronto Stock Exchange  
Symbol: MOY  
CUSIP: 62472V 100  
Shares outstanding: 29,960,263  
Shares fully diluted: 31,365,263

#### **To contact the Company**

In order to contact the company or to request to be added to our mailing list  
Please email [info@moydow.com](mailto:info@moydow.com) website: [www.moydow.com](http://www.moydow.com)