



# **Moydow Mines**

## **INTERNATIONAL INC.**

**First Quarter**

**Interim Report**

**Three Months Ended March 31, 2004**

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## **Message to our Shareholders,**

Following the sale of Moydow's interest in the Ntotoroso property to Newmont, a special distribution and dividend were paid in January of 2004. This consisted of a Can\$1.15 return of capital per share, as well as a special dividend of Can\$0.10 per share.

Work on our exploration properties gained new impetus and drilling recommenced on our True Grit project in southern Newfoundland. We continue to intersect good widths of mineralization, although the grades encountered thus far are sub-economic. Drilling has been stopped following the spring thaw and it is expected that a new phase will begin in the coming weeks.

At Hwidem, our project situated beside Ntotoroso in Ghana, we have undertaken mapping, geochemical and geophysical studies with a view to lining up drill targets. A program of up to 300 short RAB (rotary air blast) holes is planned to further enhance our knowledge of this very prospective area. Based on the results from this series of holes a program of deeper drilling will follow in the summer.

At Kanyankaw, a review of the available data has been undertaken and follow up work is currently being planned for the area. This will include trenching and drilling.

Moydow retains 200,000 shares of Newmont Mining Corporation which have a current value in excess of US\$7 million. This gives a strong underpinning to the valuation of your Company.

The year 2004 will see a renewed and aggressive exploration campaign by Moydow. We have been actively seeking new ventures and opportunities and are currently following up on the most promising of these.

We again thank you for your strong support and we look forward to continued success in enhancing the value of your Company.

Signed on behalf of the Board

Brian Kiernan  
President and Chief Executive Officer

May 14, 2004

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

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

## **General**

Moydow's management discussion and analysis of financial condition and operating results should be read in conjunction with the unaudited consolidated financial statements of the Company and notes thereto for the three months ended March 31, 2004 and with the audited consolidated financial statements of the Company and notes thereto for the year ended December 31, 2003. This discussion covers the three months to March 31, 2004 and is compared to those of the three months to March 31, 2003. The management discussion and analysis has been prepared as at May 11, 2004.

## **Company Overview**

Moydow Mines International Inc. ("Moydow" or the "Company") is an international exploration and development company with primary interests in precious metals. Exploration and development activities are focused principally in Ghana, West Africa and Newfoundland, Canada. Moydow Mines common shares are listed on the Toronto Stock Exchange (symbol "MOY"). Subsidiaries and affiliated companies of Moydow are organized internationally so that each has a specific geographic area or mineral project interest. Moydow provides administrative, technical and financial assistance to these companies.

## **Forward-Looking Statements**

Certain statements contained or incorporated in this management discussion and analysis of financial condition and operating results, including information as to the future or operating performance of the Company, its subsidiaries and its projects, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results implied or expressed in such forward-looking statements.

## **Selected Annual Information**

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The reporting currency for the Company is the United States dollar, and all amounts in the following discussion are in United States dollars unless otherwise noted.

## **Overview of Performance**

On December 12, 2003, the Board of Directors declared a distribution to the shareholders of the Company in the amount of \$27.7 million or Can\$1.25 per common share, comprising a return of capital of Can\$1.15 per common share for income tax and legal purposes and a special dividend of Can\$0.10 per common share. The distribution was paid January 6, 2004 to holders of common shares of record as at December 23, 2003. To facilitate this distribution, on December 30, 2003, the Company sold 600,000 Newmont Mining Corporation common shares and received cash of \$27.6 million.

## **Mineral Properties**

In March 2004, the Company recommenced drilling on the True Grit project, with a program of 3,000 metres of diamond drilling. The joint venture between Moydow and Cornerstone Capital Resources Inc (“Cornerstone”), which originally comprised 356 claims, has been enlarged to 799 claims. Moydow is the operator of the joint venture. The Company is required to incur exploration expenditures on these claims of not less than Can\$0.80 million 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. totaling Can\$0.08 million over a period of four years. 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 additional exploration costs of Can\$1.2 million.

Also in March 2004, the Company signed an agreement with Altius Resources Inc. (“Altius”) for an option to earn up to an 80% interest in the Altius Baie d’Espoir property located in south-central Newfoundland by issuing 165,000 common shares over a period of 24 months and by funding exploration and development expenditures of at least Can\$0.10 million in each and every calendar year commencing in 2004. Thereafter, Altius shall maintain a 10% carried interest and a further 10% contributing interest. Altius may also elect to convert its interest to a net smelter royalty.

In April 2004, the Company commenced initial exploration work on its prospecting licence on the Hwidem gold property in Ghana, which is adjacent to the Ahafo project which is owned by Newmont. It is anticipated that a drill program will commence on the property within the near future.

## **Segmented Information**

The Company has one reportable operating segment, being exploration of mineral properties in geographic areas.

## **Results of Operations**

Net loss for the first quarter of 2004 was \$0.76 million or \$0.026 per share compared to a loss of \$0.18 million in the same period in 2003 or \$0.006 per share.

During the first quarter of 2004, the Company wrote off expenditures incurred on several minor projects in the amount of \$0.02 million compared to \$0.01 million in the same period of 2003.

General and administrative expenses were \$0.34 million in the first quarter of 2004 as compared with \$0.20 million in the same period 2003. The increase in 2004 compared with 2003 is a result of the operating currencies strengthening against the United States dollars together with increased travel cost associated with property appraisals, investor relations cost and professional fees associated with the conclusion of the sale of Moydow Limited (Isle of Man) to Newmont.

The Company received operator and advisory service fees of \$nil and \$0.01 million in the first quarter of 2004 and 2003 respectively. During 2004, there were no such fees as the Ntotoroso property was sold to Newmont.

The foreign exchange loss in the first three months of 2004 was \$0.01 million compared to a gain of \$0.02 million in the same period of 2003. The foreign exchange gain resulted from the movements in exchange rates between operating currencies and the United States dollar.

The Company earned dividend income of \$0.01 million and \$nil million during the first three month of 2004 and 2003 respectively. The dividend income was received from the Company's shareholding in Newmont.

The Company earned deposit interest income of \$0.01 million and \$0.01 million during the first quarter of 2004 and 2003 respectively.

The Company's revenues are derived from: interest income, which is dependent on available cash balances and prevailing interest rates; management and advisory service fees, which are dependent on the level of exploration expenditures managed by the Company; dividend income and returns on investments, which are dependent on the prevailing market at the time of sale.

### **Liquidity and Capital Resources**

At March 31, 2004, the Company had working capital of \$9.54 million (December 31, 2003 - \$10.44 million). Cash and cash equivalents at March 31, 2004 amounted to \$0.84 million compared to cash and cash equivalents as at the end of December 31, 2003 of \$1.11 million.

At March 31, 2003, the Company held 200,000 Newmont common shares amounting to \$9.33 million, recorded at their market value as of March 31, 2004. The primary factor that could potentially adversely affect our liquidity is the realised value of the Newmont common shares.

### **Cash Flow Statements**

Cash flow from operating activities for the year ended March 31, 2004 including changes in non-cash working capital of \$0.24 million, totalled \$0.10 million as compared to \$0.15 million as at March 31, 2003. In the three months ended March 31, 2004 cash used in investing activities was \$0.17 million of which \$0.17 million (March 31, 2003 - 0.10 million) was expended on exploration of mineral properties incurred mainly in Newfoundland.

Cash flow from financing activities for the period ended March 31, 2004 was \$nil million (2003 - \$0.01 million from the issuance of flow through common shares).

The Company has minimum lease payments in 2004 of \$0.003 million which are due under a vehicle-operating lease.

### **Use of Financial Instruments**

The Company has not entered into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk. There are no off-balance sheet arrangements.

### **Changes in Accounting Policies**

In 2003, the Company changed its accounting policies relating to the accounting for stock-based compensation for employees. Since the Company did not issue any stock based compensation, the amendment had no impact on the consolidated balance sheets, or net results of the Company.

### **Outstanding Share Data**

As at May 11, 2004, the Company has 28,784,382 common shares in issue. Holders of common shares are entitled to one vote on any ballot at meetings in respect of each common share held. The Company has 1,255,000 stock options outstanding at a weighted average price of Can\$1.79.

The Company has committed to the issuance of 165,000 common shares pursuant to a joint venture exploration agreement, subject to regulatory approval.

### **Transactions with Related Parties**

Related party transactions relate primarily to the payment of fees under contracts for services with companies in which the major shareholder is a significant shareholder and director of the Company. The Company was charged a total of \$0.08 million during the first quarter of 2004 with respect to these services (March 31, 2003 - \$0.07 million). Included in accounts payable and accrued liabilities at March 31, 2004 is \$0.04 million (March 31, 2003 - \$0.07 million) payable to these related parties for such services.

The Company's primary legal counsel is with a firm in which a director of the Company is a partner. The Company was charged \$nil million during the first quarter of 2004 ( March 31, 2003 - \$nil million) for legal services provided by this firm. Included in accounts payable and accrued liabilities as at March 31, 2004 is \$0.25 million (March 31, 2003 - \$nil million) with respect to such services.

The remuneration of executive directors comprises all of the fees, salaries, other benefits and emoluments paid to executive directors under employment contracts and consulting agreements. The remuneration of the executive directors is fixed by the Compensation Committee, which is comprised solely of non-executive directors of the Company. The Company was charged \$0.06 million during the first quarter of 2004 (March 31, 2003 - \$0.06 million) pursuant to such agreements with three executive directors. Included in accounts payable and accrued liabilities as at March 31, 2004 is \$0.08 million (March 31, 2003 - \$0.02 million) with respect to such remuneration.

As at March 31, 2004, an officer currently owes the Company \$0.07 million pursuant to a loan. The loan bears interest at the same rate as Unites States dollar government funds and is due in full on May 19, 2004.

## Quarterly Information

The following table summarizes the results of the Company for each of the most recent nine quarters:

	March 2004	March 2003	March 2002	June 2003	June 2002	Sept 2003	Sept. 2002	Dec 2003	Dec. 2002
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	nil	3,635	38,164	5,989	2,590	-	13,062	(9,624)	13,869
Net profit/(loss)	(758,992)	(163,157)	(136,176)	(1,491,877)	(165,148)	(184,894)	(670,397)	32,748,121	(115,531)
Basic and diluted loss per Common share	(0.026)	(0.006)	(0.005)	(0.054)	(0.006)	(0.007)	(0.024)	1.16	(0.004)
Total assets	11,247,041	5,405,574	6,264,674	3,965,960	6,152,200	4,359,320	5,785,881	39,712,942	5,533,940

## Regulatory, Environmental and Other Risk Factors

The Company intends to fulfil all statutory commitments on its current licences over the next year and will apply for licence renewals in the normal course of business.

The Company's operating income and cash flow are affected by changes in the U.S./Canadian dollar exchange rate together with movement in the local currencies in Ghana and Ireland, as a portion of the Company's costs are incurred in these currencies.

The profitability of any gold mining operation will be significantly affected by changes in the market price of gold. Gold prices fluctuate on a daily basis and are affected by numerous factors such as world supply of gold, Central Bank selling, stability of exchange rates, forward sales and inflationary forces, among other factors beyond Moydow's control.

Moydow has sufficient cash and marketable securities to conduct its operations for the foreseeable future. No exploration company can guarantee that the current or proposed exploration or development programs on properties will result in the discovery of gold mineralization or will result in a profitable commercial mining operation. It is the opinion of management that the Company has sufficient funds to enable it to continue an active exploration program in Newfoundland and Ghana and to seek out new opportunities and satisfy all of its obligations for the foreseeable future.

In addition, exploration companies are subject to various laws and regulations including but not limited to environmental and, health and safety matters together with political risks which are outside the Company's control. Moydow is committed to a program of environmental protection at all of its projects and exploration sites.

## Outlook

Moydow is in a strong financial and technical position with a proven track record to actively explore its existing projects and to evaluate new opportunities in selected countries where the geological potential, economic and political climates are considered attractive, with the objective of continuing to build value for its shareholders.

**MOYDOW MINES INTERNATIONAL INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(expressed in United States dollars, unless otherwise stated)**

	<b>March 31, 2004 (unaudited)</b>	<b>December 31, 2003 (audited)</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$843,787	\$1,114,070
Newmont common shares (note 2)	9,326,000	9,722,000
Loan receivable	70,445	200,000
Accounts receivable and prepaid expenses	100,888	27,920,450
<b>Total current assets</b>	<b>10,341,120</b>	<b>38,956,520</b>
<b>Mineral properties</b>	<b>872,371</b>	<b>726,582</b>
<b>Other assets</b>	<b>33,550</b>	<b>29,840</b>
<b>Total assets</b>	<b>\$11,247,041</b>	<b>\$39,712,942</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Distribution payable	-	27,752,267
Accounts payable and accrued liabilities	804,872	759,514
<b>Future income taxes</b>	<b>2,816,578</b>	<b>2,816,578</b>
	<b>3,621,450</b>	<b>31,328,359</b>
<b>Shareholders' equity</b>		
Capital stock	16,425,950	16,425,950
Deficit	(8,800,359)	(8,041,367)
<b>Total shareholders' equity</b>	<b>7,625,591</b>	<b>8,384,583</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$11,247,041</b>	<b>\$39,712,942</b>

**MOYDOW MINES INTERNATIONAL INC.**  
**CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT**  
**(expressed in United States dollars, unless otherwise stated)**

<b>For the three months ended March 31, (unaudited)</b>	<b>2004</b>	<b>2003</b>
<b>Revenues</b>		
Operator's fees	-	\$3,635
	-	3,635
<b>Expenses</b>		
General and administrative expenses	336,803	199,521
Write down of mineral properties	22,001	4,783
Amortization of plant and equipment	1,663	2,837
Foreign exchange loss (gain)	14,790	(22,193)
	375,257	184,948
<b>Other income and expenses</b>		
Interest income	3,766	3,751
Loss on Newmont common shares	(396,000)	-
Dividend income	8,499	-
	(383,735)	3,751
Net loss for the period	(758,992)	(177,562)
<b>Consolidated statements of deficit</b>		
Deficit, beginning of period	(8,041,367)	(10,126,092)
Net loss for the period	(758,992)	(177,562)
<b>Deficit, end of period</b>	<b>\$(8,800,359)</b>	<b>\$(10,303,654)</b>
<b>Basic and diluted loss per common share</b>	<b>\$(0.026)</b>	<b>\$(0.006)</b>
<b>Weighted average number of common shares outstanding</b>	<b>28,784,382</b>	<b>27,715,125</b>

**MOYDOW MINES INTERNATIONAL INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(expressed in United States dollars, unless otherwise stated)**

<b>For the three months ended March 31,(unaudited)</b>	<b>2004</b>	<b>2003</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss for the period	\$(758,992)	\$(177,562)
Adjustments for non-cash items:		
Write down of mineral properties	22,001	4,783
Amortization of plant & equipment	1,663	2,837
Loss on Newmont common shares	396,000	-
Loss on other assets	390	-
	(338,938)	(169,942)
Changes in non-cash working capital:		
Accounts receivable and prepaid expenses	67,295	(6,776)
Accounts payable and accrued liabilities	45,358	28,850
Loan receivable	129,555	-
	242,208	22,074
<b>Cash flow used in operating activities</b>	<b>(96,730)</b>	<b>(147,868)</b>
<b>Investing activities</b>		
Exploration of mineral properties	(167,790)	(99,891)
Fixed assets	(5,763)	-
<b>Cash flow used in investing activities</b>	<b>(173,553)</b>	<b>(99,891)</b>
<b>Financing activities</b>		
Issue of shares	-	5,941
<b>Cash flow from financing activities</b>	<b>-</b>	<b>5,941</b>
<b>Decrease in cash and cash equivalents</b>	<b>(270,283)</b>	<b>(241,818)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,114,070</b>	<b>1,072,837</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$843,787</b>	<b>\$831,019</b>

**MOYDOW MINES INTERNATIONAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in United States dollars, unless otherwise stated)**

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**1) 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 March 31, 2004 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2004. For further information, see the Company's consolidated financial statements including the notes thereto included in the Annual Report for the year ended December 31, 2003.

**2) Accounting Policies-Financial instruments**

As at March 31, 2004 and 2003, the carrying values of the Company's cash and cash equivalents, loan receivable, investment in Newmont common shares, accounts receivable and accounts payable and accrued liabilities approximate their fair market value.

## **Corporate Information.**

### **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*

Norman D. A. Hardie - *Director, Member of the Audit Committee*

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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Accra, Ghana

Tel: (233) 21 772516 Fax: (233) 21 777247

### **Transfer Agent**

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Toronto, Ontario

Canada, M5J 2Y1

### **Exchange Listing**

The Toronto Stock Exchange

Symbol: MOY

CUSIP: 62472V 100

Shares outstanding: 28,784,382

Shares fully diluted: 30,039,382

### **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)