

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2001-08-03** | Period of Report: **2001-06-30**
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FILER

ECHO BAY MINES LTD

CIK: **722080** | State of Incorpor.: **A0** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-08542** | Film No.: **1697001**
SIC: **1040** Gold and silver ores

Mailing Address	Business Address
6400 S FIDDLERS GREEN CIRCLE STE 1000 ENGLEWOOD CO 80111-4957	6400 S FIDDLERS GREEN CIRCLE STE 1000 ENGLEWOOD CO 80111-4957 3037148600

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 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 540, 6400 S. Fiddlers Green Circle
Englewood, CO

80111-4957

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (303) 714-8600

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 No
--- ---

Title of Class

Shares Outstanding as of
August 1, 2001

Common Shares
without nominal or par value

140,607,145

ECHO BAY MINES LTD.

INDEX

<TABLE>
<CAPTION>

Page

<S>

<C>

PART I - FINANCIAL INFORMATION

ITEM 1.	Condensed Financial Statements (Unaudited).....	1
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	11

PART II - OTHER INFORMATION

ITEM 1.	Legal Proceedings.....	25
ITEM 4.	Submission of Matters to a Vote of the Security Holders.....	25
ITEM 6.	Exhibits and Reports on Form 8-K.....	25

ECHO BAY MINES LTD.

PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED FINANCIAL STATEMENTS (Unaudited)

<TABLE> <CAPTION> CONSOLIDATED BALANCE SHEET thousands of U.S. dollars			June 30 2001	December 31 2000
<S>	<C>	<C>		
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 9,957	\$ 14,269		
Short-term investments	2,058	2,186		
Interest and accounts receivable	2,599	3,022		
Inventories (note 2)	40,780	39,443		
Prepaid expenses and other assets	6,068	14,031		
	61,462	72,951		
Plant and equipment (note 3)	133,719	138,527		
Mining properties (note 3)	54,033	63,499		
Long-term investments and other assets	20,703	20,868		
	\$ 269,917	\$ 295,845		
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 24,091	\$ 26,073		
Income and mining taxes payable	3,701	5,780		
Debt and other financings (notes 1 and 4)	19,000	26,500		
Deferred income (note 5)	4,888	9,651		
	51,680	68,004		
Debt and other financings (note 4)	6,364	6,032		
Deferred income (note 5)	38,693	50,698		
Other long-term obligations	50,950	49,632		
Deferred income taxes	2,936	4,694		
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	713,343		
Capital securities (note 6)	148,766	140,076		
Deficit	(716,946)	(711,680)		
Foreign currency translation	(25,869)	(24,954)		
	119,294	116,785		
	\$ 269,917	\$ 295,845		

</TABLE>

See accompanying notes to interim consolidated financial statements.

1

ECHO BAY MINES LTD.

<TABLE> <CAPTION> CONSOLIDATED STATEMENT OF OPERATIONS thousands of U.S. dollars, except for per share data					Three months ended June 30		Six months ended June 30	
<S>	<C>	<C>	<C>	<C>				
	\$	63,652	\$	84,293	\$	128,113	\$	136,090
Expenses:								
Operating costs		46,521		48,880		91,144		79,089
Royalties		2,383		2,440		3,686		4,002
Production taxes		158		807		271		1,332
Depreciation and amortization		11,371		14,231		22,269		25,929
Reclamation and mine closure		1,622		2,979		3,265		5,248

General and administrative	1,237	2,043	2,840	3,629
Exploration and development	1,161	1,407	2,012	7,430
Interest and other (note 7)	542	1,613	832	3,636
	64,995	74,400	126,319	130,295
Earnings (loss) before income taxes	(1,343)	9,893	1,794	5,795
Income tax expense (recovery):				
Current	(101)	25	83	100
Deferred	(839)	(300)	(1,679)	(1,800)
	(940)	(275)	(1,596)	(1,700)
Net earnings (loss)	\$ (403)	\$ 10,168	\$ 3,390	\$ 7,495
Net earnings (loss) attributable to common shareholders (note 6)	\$ (4,729)	\$ 6,320	\$ (5,266)	\$ 22
Earnings (loss) per share	\$ (0.03)	\$ 0.04	\$ (0.04)	\$ --
Weighted average number of shares outstanding (thousands)	140,607	140,607	140,607	140,607

<CAPTION>
CONSOLIDATED STATEMENT OF DEFICIT
thousands of U.S. dollars

	Three months ended		Six months ended	
	June 30		June 30	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Balance, beginning of period	\$ (712,217)	\$ (721,142)	\$ (711,680)	\$ (714,844)
Net earnings (loss)	(403)	10,168	3,390	7,495
Interest on capital securities, net of nil tax effect (note 6)	(4,326)	(3,848)	(8,656)	(7,473)
Balance, end of period	\$ (716,946)	\$ (714,822)	\$ (716,946)	\$ (714,822)

</TABLE>

See accompanying notes to interim consolidated financial statements.

2

ECHO BAY MINES LTD.

<TABLE>
<CAPTION>
CONSOLIDATED STATEMENT OF CASH FLOW
thousands of U.S. dollars

	Three months ended		Six months ended	
	June 30		June 30	
	2001	2000	2001	2000
CASH PROVIDED FROM (USED IN):				
<S>	<C>	<C>	<C>	<C>
OPERATING ACTIVITIES				
Net cash flows provided from operating activities	\$ 176	\$ 18,613	\$ 10,670	\$ 14,480
INVESTING ACTIVITIES				
Mining properties, plant and equipment	(986)	(3,113)	(7,730)	(7,775)
Long-term investments and other assets	3	(150)	13	(545)
Proceeds on the sale of plant and equipment	152	291	368	335
Other	(207)	41	(133)	1,308
	(1,038)	(2,931)	(7,482)	(6,677)
FINANCING ACTIVITIES				
Currency borrowings	--	2,000	--	12,000
Debt repayments	(3,750)	(9,125)	(7,500)	(12,250)
	(3,750)	(7,125)	(7,500)	(250)
Net increase (decrease) in cash and cash equivalents	(4,612)	8,557	(4,312)	7,553
Cash and cash equivalents, beginning of period	14,569	2,397	14,269	3,401
Cash and cash equivalents, end of period	\$ 9,957	\$ 10,954	\$ 9,957	\$ 10,954

</TABLE>

See accompanying notes to interim consolidated financial statements.

3

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 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 June 30, 2001 and December 31, 2000 and the consolidated results of operations and cash flow for the three and six months ended June 30, 2001 and 2000. 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.

Basis of Presentation

The Company is in discussions with lenders to arrange a new borrowing facility but has not yet entered into a final agreement. The Company's ability to borrow is constrained by conditions in the gold mining industry and its recent and currently expected future operating results. Should the Company be unable to arrange a new borrowing facility to replace its maturing facility, it is unlikely that the Company would be able to settle its existing loan with cash from operations or other sources and there would be substantial doubt about the Company's ability to continue its operations in the normal course of business. These financial statements are prepared on a going concern basis, which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Consequently, they do not include any adjustments to the carrying amounts and classifications of assets and liabilities, which may be necessary should the Company not be able to continue to operate in the normal course of business. The Company's current revolving credit facility has been extended from August 9, 2001 to September 5, 2001. The Company expects to finalize terms and have agreements to a refinancing with the current bank syndicate on or before that date.

2. INVENTORIES

	June 30 2001	December 31 2000

<S>	<C>	<C>
Precious metals -- bullion	\$ 13,097	\$ 18,357
-- in-process	9,323	8,293
Materials and supplies	18,360	12,793
	-----	-----
	\$ 40,780	\$ 39,443
=====		
</TABLE>		

3. PROPERTY, PLANT AND EQUIPMENT

	June 30 2001	December 31 2000

<S>	<C>	<C>
Cost	\$ 658,886	\$ 653,653
Less accumulated depreciation	525,167	515,126
	-----	-----
	\$ 133,719	\$ 138,527
=====		
Mining properties	June 30 2001	December 31 2000

Producing mines' acquisition and development costs	\$ 278,795	\$ 276,951
Less accumulated amortization	254,319	248,792
	-----	-----
	24,476	28,159
Development properties' acquisition and development costs	13,376	13,532
Deferred mining costs	16,181	21,808
	-----	-----
	\$ 54,033	\$ 63,499
=====		

ECHO BAY MINES LTD.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2001

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

4. DEBT AND OTHER FINANCINGS

<TABLE>

<CAPTION>

	June 30 2001	December 31 2000
<S>	<C>	<C>
Currency loans	\$ 19,000	\$ 26,500
Capital securities (note 6)	6,364	6,032
	25,364	32,532
Less current portion	19,000	26,500
	\$ 6,364	\$ 6,032

</TABLE>

5. DEFERRED INCOME

<TABLE>

<CAPTION>

	June 30 2001	December 31 2000
<S>	<C>	<C>
Modification of hedging contracts	\$ 28,748	\$ 39,336
Premiums received on gold and silver option contracts	14,833	20,310
Other	--	703
	43,581	60,349
Less current portion	4,888	9,651
	\$ 38,693	\$ 50,698

</TABLE>

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 \$52.1 million at June 30, 2001 and is payable no later than April 1, 2003 together with any additional compounded or deferred interest up to that date. 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.

7. INTEREST AND OTHER

<TABLE>

<CAPTION>

	Three months ended June 30		Six months ended June 30	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Interest income	\$ (141)	\$ (154)	\$ (499)	\$ (386)
Interest expense	616	1,546	1,411	2,954
Unrealized loss on share investments	102	--	102	--
Other	(35)	221	(182)	1,068

</TABLE>

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.

5

ECHO BAY MINES LTD.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 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 statement of operations would have been as follows.

<TABLE>
<CAPTION>

	Three months ended June 30		Six months ended June 30	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Net earnings (loss) under Canadian GAAP	\$ (403)	\$ 10,168	\$ 3,390	\$ 7,495
Unrealized loss on share investments	102	--	102	--
Change in market value of foreign exchange contracts	(461)	(919)	(1,940)	(633)
Change in market value of option contracts	217	(636)	(791)	(639)
Transition adjustment on adoption of FAS 133	--	--	(3,090)	--
Additional interest expense on capital securities	(4,326)	(3,848)	(8,656)	(7,473)
Amortization of deferred financing on capital securities	(159)	(159)	(317)	(317)
Net earnings (loss) under U.S. GAAP	\$ (5,030)	\$ 4,606	\$ (11,302)	\$ (1,567)
Earnings (loss) per share under U.S. GAAP	\$ (0.04)	\$ 0.03	\$ (0.08)	\$ (0.01)

</TABLE>

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

<TABLE>
<CAPTION>

June 30, 2001	Canadian GAAP	Capital Securities	Derivative Contracts	Other	U.S. GAAP
<S>	<C>	<C>	<C>	<C>	<C>
Short-term investments	\$ 2,058	\$ --	\$ --	\$ 1,088	\$ 3,146
Long-term investments and other assets	20,703	475	(13,258)	--	7,920
Debt and other financings	25,364	96,636	--	--	122,000
Deferred income	43,581	--	(43,581)	--	--
Other long-term obligations	50,950	52,130	1,326	--	104,406
Common shares	713,343	--	--	36,428	749,771
Capital securities	148,766	(148,766)	--	--	--
Deficit	716,946	(475)	2,442	36,298	755,211
Shareholders' equity	119,294	(148,291)	28,997	1,088	1,088

</TABLE>

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

<TABLE>
<CAPTION>

	Three months ended June 30		Six months ended June 30	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Net earnings (loss) under U.S. GAAP	\$ (5,030)	\$ 4,606	\$ (11,302)	\$ (1,567)
Other comprehensive income (loss), after a nil income tax effect:				
Unrealized gain on share investments arising during period	67	--	356	--
Modification of derivative contracts realized in net income	(5,497)	--	(7,794)	--
Foreign currency translation adjustments	2,502	(1,539)	(915)	(1,835)
Transition adjustment on adoption of FAS 133	--	--	39,234	--

Other comprehensive income (loss)	(2,928)	(1,539)	30,881	(1,835)
Comprehensive income (loss)	\$ (7,958)	\$ 3,067	\$ 19,579	\$ (3,402)

</TABLE>

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

	June 30 2001	December 31 2000
Unrealized gain on share investments	\$ 958	\$ 732
Modification of derivative contracts	31,439	--
Foreign currency translation	(25,869)	(24,954)
Accumulated other comprehensive income (loss)	\$ 6,528	\$ (24,222)

</TABLE>

6

ECHO BAY MINES LTD.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2001

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

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 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, 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 June 30		Six months ended June 30	
	2001	2000	2001	2000
Gold Production (ounces)				
Round Mountain (50%)	97,770	76,408	198,138	148,362
McCoy/Cove	27,385	49,448	49,688	92,594
Lupin	34,756	38,359	72,710	38,359
Kettle River	16,373	24,260	29,218	49,330
Total gold	176,284	188,475	349,754	328,645
Silver Production (ounces) - all from McCoy/Cove	1,738,056	3,581,898	3,296,585	7,424,844

<CAPTION>

Three months ended Six months ended

Cash Operating Costs per Ounce of Gold Produced	June 30		June 30	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Round Mountain	\$ 194	\$ 202	\$ 190	\$ 194
McCoy/Cove	234	163	245	156
Lupin	230	213	223	213
Kettle River	274	201	260	214
Company consolidated weighted average	\$ 218	\$ 186	\$ 215	\$ 179

</TABLE>

7

ECHO BAY MINES LTD.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 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		Six months ended	
	2001	June 30 2000	2001	June 30 2000
<S>	<C>	<C>	<C>	<C>
Operating costs by minesite:				
Round Mountain	\$ 20,025	\$ 15,074	\$ 38,260	\$ 26,560
McCoy/Cove	13,956	23,218	28,974	37,179
Lupin	8,035	5,441	15,854	5,441
Kettle River	4,505	5,147	8,056	9,909
Total operating costs per financial statements	46,521	48,880	91,144	79,089
Change in finished goods inventories and other	(1,434)	(3,214)	(2,365)	656
Co-product cost of silver produced	(6,657)	(10,602)	(13,582)	(20,864)
Cash operating costs	\$ 38,430	\$ 35,064	\$ 75,197	\$ 58,881
Gold ounces produced	176,284	188,475	349,754	328,645
Cash operating costs per ounce	\$ 218	\$ 186	\$ 215	\$ 179

</TABLE>

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

	Three months ended		Six months ended	
	2001	June 30 2000	2001	June 30 2000
<S>	<C>	<C>	<C>	<C>
Total gold and silver revenues	\$ 63,652	\$ 84,293	\$ 128,113	\$ 136,090
Average gold price realized per ounce	\$ 298	\$ 322	\$ 304	\$ 321
Average silver price realized per ounce	\$ 4.52	\$ 5.23	\$ 4.93	\$ 5.42

</TABLE>

10. HEDGING ACTIVITIES AND COMMITMENTS

Gold commitments

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

	Forward Sales (ounces)	Price of Forward Sale (per ounce)
Remainder of 2001	30,000	\$ 302
2002	60,000	302
2003	60,000	302
2004	60,000	302
2005	15,000	302
	225,000	\$ 302

The Company's gold option positions at June 30, 2001 were as follows.

	Call Options Purchased		Call Options Sold	
	Ounces	Strike Price per Ounce	Ounces	Strike Price per Ounce
Remainder of 2001	30,000	\$ 360	--	\$ --
2002	60,000	360	--	--
2003	60,000	360	--	--
2004	60,000	360	--	--
2005	120,000	395	105,000	340
	330,000	\$ 373	105,000	\$ 340

8

ECHO BAY MINES LTD.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 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 June 30, 2001, the Company had an obligation under foreign currency exchange contracts to purchase C\$6 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 June 30, 2001 and December 31, 2000.

<TABLE>

<CAPTION>

	June 30, 2001		December 31, 2000	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
Gold forward sales	\$ --	\$ 4,600	\$ --	\$ 5,700
Silver forward sales	--	--	--	1,800
Gold options - puts purchased	--	--	--	--
- calls sold	(3,000)	(1,200)	(3,000)	(2,200)
- puts sold	--	--	--	--
- calls purchased	6,000	1,000	6,800	2,400
Silver options - puts purchased	--	--	1,200	1,400
- puts sold	--	--	(1,300)	(400)
- calls purchased	--	--	700	--
Foreign currency contracts	--	(200)	--	(300)
		\$ 4,200		\$ 8,400

</TABLE>

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 case was decided 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 defences 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.

9

ECHO BAY MINES LTD.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2001

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

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.

10

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

June 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 \$266 per ounce during the first six 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 June 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 30,000 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 June 30, 2001, totaling \$52.1 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.

11

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

June 30, 2001
(U.S. dollars)

LIQUIDITY AND CAPITAL RESOURCES

Net cash flow provided from operating activities was \$10.7 million for the first six months of 2001 compared to \$14.5 million for the first six months of 2000. The 2001 results compared to 2000 reflect decreased silver cash revenue (\$19.0 million) and increased operating costs in 2001 (\$12.1 million) related to Lupin operations and increased fuel and related costs. These factors were partially offset by increased gold cash revenue (\$10.4 million), Lupin start-up costs in 2000 (\$4.8 million) and increases in inventories in 2000 (\$12.1 million).

Net cash used in investing activities was \$7.5 million in the first six months of 2001, primarily related to mining properties, plant and equipment.

Net cash used in financing activities included \$7.5 million for loan repayments in the first six months of 2001.

At June 30, 2001, the Company had \$10.0 million in cash and cash equivalents and \$2.1 million in short-term investments.

At June 30, 2001, the Company's current debt was \$19.0 million and its long-term debt was \$6.4 million.

The Company's syndicated bank debt, which had a balance of \$19.0 million at June 30, 2001, has been extended to September 5, 2001. The Company expects to finalize terms and have agreements to a refinancing with the current syndicate on or before that date. The Company is not permitted to make further draws under the current facility. The Company's ability to borrow is constrained by conditions in the gold mining industry and its recent and currently expected future operating results. Should the Company be unable to arrange a new borrowing facility to replace its maturing facility, it is unlikely that the Company would be able to settle its existing loan with cash from operations or other sources and there would be substantial doubt about the Company's ability to continue its operations in the normal course of business.

At June 30, 2001, the fair value of the Company's hedge portfolio was \$4.2 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 \$13 million has been incurred in the first six 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 its five most recent fiscal years (1995 to 1999) 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.

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

For the Three and Six Months Ended June 30, 2001
(U.S. dollars)

FINANCIAL REVIEW

Three month results

The Company reported a net loss of \$0.4 million (\$0.03 per share) in the second quarter of 2001, compared to net earnings of \$10.2 million (\$0.04 per share) in the second quarter of 2000. The 2001 results compared to 2000 reflect decreased gold and silver sales volume (\$14.9 million) and lower prices realized (\$5.7 million), partially offset by decreased operating costs (\$2.4 million) and depreciation and amortization (\$2.9 million).

Gold production decreased 6% to 176,284 ounces in the second quarter of 2001 compared to 188,475 ounces in the second 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 second quarter of 2001 was 1.7 million ounces, 51% lower than the 3.6 million ounces produced in the second quarter of 2000.

Cash operating costs were \$218 per ounce of gold in the second quarter of 2001, versus \$186 in the second quarter of 2000. The increase was primarily a result of decreased grades and lower production at McCoy/Cove. Total production costs were \$291 per ounce in the second quarter of 2001, versus \$262 per ounce in the second quarter of 2000.

Six month results

The Company reported net earnings of \$3.4 million (\$0.04 loss per share) in the first six months of 2001, compared to net earnings of \$7.5 million (\$0.00 per share) in the first six months of 2000. The 2001 results compared to 2000 reflect decreased gold and silver sales prices realized (\$8.2 million) and six months of Lupin operations in 2001 compared to three months in 2000 (\$10.4 million). These factors were partially offset by decreased exploration and development spending (\$5.4 million), depreciation and amortization (\$3.7 million), interest and other expenses (\$2.8 million) and reclamation and mine closure (\$2.0 million).

Gold production increased 6% to 349,754 ounces in the first six months of 2001 compared to 328,645 ounces in the first six 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 3.3 million ounces, 56% lower than the 7.4 million ounces produced in 2000.

Cash operating costs were \$215 per ounce of gold in the first six months of 2001, versus \$179 in the first six months of 2000. The increase was primarily a result of decreased grades and lower production at McCoy/Cove. Total production costs were \$285 per ounce in the first six months of 2001, versus \$257 per ounce in the first six 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 Six Months Ended June 30, 2001
(U.S. dollars)

Revenue

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

<TABLE>
<CAPTION>

	Three months ended		Six months ended	
	June 30	June 30	June 30	June 30
Revenue Data	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Gold				

Ounces sold		185,825	182,372	357,910	299,166
Average price realized/ounce -- revenue basis	\$	298	\$ 322	\$ 304	\$ 321
Average price realized/ounce -- cash basis (1)	\$	273	\$ 302	\$ 281	\$ 301
Average market price/ounce	\$	268	\$ 280	\$ 266	\$ 285
Revenue (millions of U.S. \$)	\$	55.4	\$ 58.7	\$ 108.8	\$ 96.1
Percentage of total revenue		87%	70%	85%	71%
Silver					

Ounces sold		1,824,329	4,886,675	3,918,144	7,374,682
Average price realized/ounce -- revenue basis	\$	4.52	\$ 5.23	\$ 4.93	\$ 5.42
Average price realized/ounce -- cash basis (1)	\$	4.30	\$ 5.18	\$ 5.22	\$ 5.35
Average market price/ounce	\$	4.40	\$ 5.06	\$ 4.48	\$ 5.13
Revenue (millions of U.S. \$)	\$	8.2	\$ 25.6	\$ 19.3	\$ 40.0
Percentage of total revenue		13%	30%	15%	29%

Total revenue (millions of U.S. dollars)	\$	63.6	\$ 84.3	\$ 128.1	\$ 136.1
=====					

</TABLE>

(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.

<TABLE>			
<CAPTION>			
Revenue Variance Analysis			
2001 vs. 2000		Three months ended	Six months ended
(millions of U.S. dollars)		June 30	June 30

<S>	<C>		<C>
Lower gold prices	\$	(4.4)	\$ (6.3)
Lower silver prices		(1.3)	(1.9)
Change in volume		(14.9)	0.2

Decrease in revenue	\$	(20.6)	\$ (8.0)
=====			

</TABLE>

14

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

For the Three and Six Months Ended June 30, 2001
(U.S. dollars)

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

<TABLE>					
<CAPTION>					
Production Costs per			Three months ended		Six months ended
Ounce of Gold Produced		2001	June 30	2001	June 30
-----			2000		2000
<S>	<C>		<C>	<C>	<C>
Direct mining expense	\$	209	\$ 190	\$ 208	\$ 190
Deferred stripping and mine development costs		9	(3)	11	(8)
Inventory movements and other		--	(1)	(4)	(3)

Cash operating costs		218	186	215	179
Royalties		12	10	9	9
Production taxes		1	3	1	3

Total cash costs		231	199	225	191
Depreciation		38	31	38	34
Amortization		14	20	14	21
Reclamation and mine closure		8	12	8	11

Total production costs	\$	291	\$ 262	\$ 285	\$ 257
=====					

</TABLE>

Expenses
Operating costs per ounce vary with the quantity of gold and silver sold and with the cost of operations. Cash operating costs were \$218 per ounce of gold in the second quarter of 2001 and \$186 in the second 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 June 30		Six months ended June 30	
	2001	2000	2001	2000	
Operating costs per financial statements	\$ 46,521	\$ 48,880	\$ 91,144	\$ 79,089	
Change in finished goods inventory and other	(1,434)	(3,214)	(2,365)	656	
Co-product cost of silver produced	(6,657)	(10,602)	(13,582)	(20,864)	
Cash operating costs	\$ 38,430	\$ 35,064	\$ 75,197	\$ 58,881	
Gold ounces produced	176,284	188,475	349,754	328,645	
Cash operating costs per ounce	\$ 218	\$ 186	\$ 215	\$ 179	

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.

15

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

For the Three and Six Months Ended June 30, 2001
(U.S. dollars)

OPERATIONS REVIEW

Operating data by mine is set out below.

Operating Data by Mine		Three months ended June 30		Six months ended June 30	
	2001	2000	2001	2000	
Gold production (ounces)					
(a) Round Mountain (50%)	97,770	76,408	198,138	148,362	
(b) McCoy/Cove	27,385	49,448	49,688	92,594	
(c) Lupin	34,756	38,359	72,710	38,359	
(d) Kettle River	16,373	24,260	29,218	49,330	
Total gold	176,284	188,475	349,754	328,645	
Silver production (ounces)					
(b) McCoy/Cove	1,738,056	3,581,898	3,296,585	7,424,844	
Total silver	1,738,056	3,581,898	3,296,585	7,424,844	

Gold production decreased 6% to 176,284 ounces in the second quarter of 2001 compared to 188,475 ounces in the second quarter of 2000. Decreased production reflects the reducing production profile from the McCoy/Cove mine offset by an increase in gold production at the Round Mountain mine. Silver production from McCoy/Cove was 1.7 million ounces, 51% less than the 3.6 million ounces produced in 2000, reflecting decreased grades and recoveries. With the better than anticipated gold production achieved during the first half of 2001, production for the full year is now expected to total 670,000 ounces, 18% higher than originally forecast primarily due to better grades at Round Mountain and more production from McCoy/Cove.

<TABLE>
<CAPTION>

Operating Data by Mine	Three months ended		Six months ended	
	2001	June 30 2000	2001	June 30 2000
<S>	<C>	<C>	<C>	<C>
Cash operating costs (per ounce of gold)				
(a) Round Mountain	\$ 194	\$ 202	\$ 190	\$ 194
(b) McCoy/Cove	234	163	245	156
(c) Lupin	230	213	223	213
(d) Kettle River	274	201	260	214
Company average	\$ 218	\$ 186	\$ 215	\$ 179

</TABLE>

Cash operating costs were \$218 per ounce of gold in the second quarter of 2001, versus \$186 in the second quarter of 2000. The increase was primarily a result of lower production at McCoy/Cove and higher fuel and related 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.

16

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

For the Three and Six Months Ended June 30, 2001
(U.S. dollars)

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

<TABLE>
<CAPTION>

OPERATING DATA	Three months ended		Six months ended	
	2001	June 30 2000	2001	June 30 2000
<S>	<C>	<C>	<C>	<C>
Gold produced (ounces):				
Heap leached -- reusable pad (50%)	30,572	18,452	57,822	36,220
Heap leached -- dedicated pad (50%)	58,118	41,114	98,805	73,487
Milled (50%)	9,080	16,842	41,511	36,720
Other (50%)	--	--	--	1,935
Total (50%)	97,770	76,408	198,138	148,362
Mining cost/ton of ore and waste	\$ 0.88	\$ 0.82	\$ 0.86	\$ 0.82
Heap leaching cost/ton of ore	\$ 0.81	\$ 0.63	\$ 0.75	\$ 0.60
Milling cost/ton of ore	\$ 3.18	\$ 2.80	\$ 3.09	\$ 2.85
Production cost per ounce of gold produced:				
Direct mining expense	\$ 173	\$ 206	\$ 169	\$ 211
Deferred stripping cost	20	(4)	21	(11)
Inventory movements and other	1	--	0	(6)
Cash operating cost	194	202	190	194
Royalties	22	23	16	17
Production taxes	1	1	1	1
Total cash cost	217	226	207	212
Depreciation	40	45	38	46
Amortization	15	18	15	18
Reclamation and mine closure	9	9	9	9
Total production costs	\$ 281	\$ 298	\$ 269	\$ 285
Heap leached -- reusable pad:				
Ore processed (tons/day) (100%)	26,844	27,630	27,303	27,784
Total ore processed (000 tons) (100%)	2,443	2,514	4,969	5,057
Grade (ounce/ton)	0.031	0.030	0.034	0.028
Recovery rate (%)	72.9	58.1	78.0	59.9
Heap leached -- dedicated pad:				
Ore processed (tons/day) (100%)	128,231	145,198	137,819	145,236
Total ore processed (000 tons) (100%)	11,669	13,213	25,083	26,433
Grade (ounce/ton)	0.011	0.011	0.011	0.011
Recovery rate (1)				
Milled:				
Ore processed (tons/day) (100%)	10,097	8,581	9,989	8,322
Total ore processed (000 tons) (100%)	919	781	1,818	1,515
Grade (ounce/ton)	0.040	0.051	0.064	0.049
Recovery rate (%)	80.5	82.9	84.0	83.9

</TABLE>

- (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 Company's share of mine production was 97,770 ounces for the second quarter compared with 76,408 ounces in 2000. The mine continues to have an excellent year, which is attributable to better heap leach recoveries as well as the benefit of higher grade ore having been placed on the pads during the first quarter of the year. Cash

17

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

For the Three and Six Months Ended June 30, 2001
(U.S. dollars)

operating costs for the second quarter were \$194 per ounce, compared to \$202 in the second quarter of 2000. The higher production helped offset increased reagent and power costs.

With the improved operating performance during the first half of the year, the Company has revised its total year production forecast to 370,000 ounces from 300,000 ounces (the Company's share) at cash operating costs of \$200 per ounce.

A \$1.2 million exploration program is underway which includes further drilling, target identification and other activity in the large area of mutual interest surrounding Round Mountain.

18

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

For the Three and Six Months Ended June 30, 2001
(U.S. dollars)

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

<TABLE>
<CAPTION>

OPERATING DATA	Three months ended		Six months ended	
	2001	June 30 2000	2001	June 30 2000
<S>	<C>	<C>	<C>	<C>
Gold produced (ounces):				
Milled	19,746	33,005	37,724	61,703
Heap leached	7,639	16,443	11,964	30,891
Total gold	27,385	49,448	49,688	92,594
Silver produced (ounces):				
Milled	1,636,147	3,229,514	3,131,456	6,844,790
Heap leached	101,909	352,384	165,129	580,054
Total silver	1,738,056	3,581,898	3,296,585	7,424,844
Mining cost/ton of ore and waste	\$ --	\$ 0.70	\$ --	\$ 0.72
Milling cost/ton of ore	\$ 7.29	\$ 6.75	\$ 6.84	\$ 6.77
Heap leaching cost/ton of ore	\$ --	\$ 1.91	\$ --	\$ 1.80
Production cost per ounce of gold produced:				
Direct mining expense	\$ 245	\$ 155	\$ 250	\$ 160
Deferred stripping cost	(10)	5	(2)	(3)
Inventory movements and other	(1)	3	(3)	(1)
Cash operating cost	234	163	245	156
Royalties	1	3	1	3
Production taxes	--	6	--	5
Total cash cost	235	172	246	164
Depreciation	44	22	47	23
Amortization	8	28	8	28
Reclamation and mine closure	--	11	--	11
Total production costs	\$ 287	\$ 233	\$ 301	\$ 226

	-----	-----	-----	-----
Average gold-to-silver price ratio (1)	61.1:1	55.1:1	59.4:1	55.5:1
Milled:				
Ore processed (tons/day)	11,209	11,313	11,523	11,257
Total ore processed (000 tons)	1,020	1,029	2,097	2,049
Gold grade (ounce/ton)	0.043	0.054	0.043	0.057
Silver grade (ounce/ton)	2.69	3.78	2.63	4.44
Gold recovery rate (%)	45.7	52.2	45.1	54.0
Silver recovery rate (%)	66.1	72.7	65.5	72.5
Heap leached:				
Ore processed (tons/day)	--	9,010	--	9,942
Total ore processed (000 tons)	--	820	--	1,809
Gold grade (ounce/ton)	--	0.019	--	0.024
Silver grade (ounce/ton)	--	0.83	--	0.96
Recovery rates (2)				

</TABLE>

- (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.

19

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

For the Three and Six Months Ended June 30, 2001
(U.S. dollars)

At McCoy/Cove in Nevada, gold production was 27,385 ounces for the second quarter compared with 49,448 ounces in the second quarter of 2000. Silver production amounted to 1.7 million ounces in the second quarter compared with 3.6 million ounces in the second quarter of 2000. The lower production level reflects the processing of low grade stockpiles as mining was completed last year. With the lower production, cash operating costs for the quarter were \$234 per ounce, compared to \$163 per ounce in 2000.

The Company had been concerned about its ability to ensure the processing of stockpiled concentrates, given the shutdown of a major smelter which had been contracted to handle this material. During the quarter, however, alternate arrangements were secured and the processing challenge has been overcome. Therefore, the Company has revised its production forecast upward for the full year to 90,000 ounces of gold from 60,000 ounces and 6.5 million ounces of silver from the previous 5.0 million ounces. Cash operating costs per ounce for the year are now expected to be \$250 compared with \$275 per ounce previously disclosed.

Reclamation activities continued during the quarter with contouring of rock stockpiles, infiltration basins, and leach pads. Contouring of slopes, application of an alluvial growth media, and seeding with a mixture of native plant species has been accomplished on 1,571 acres. Reclamation will be underway on an additional 500 acres by the end of the year.

20

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

For the Three and Six Months Ended June 30, 2001
(U.S. dollars)

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

<TABLE>
<CAPTION>

OPERATING DATA	Three months ended			Six months ended		
	2001	June 30 2000		2001	June 30 2000	
<S>	<C>	<C>	<C>	<C>	<C>	
Gold produced (ounces)		34,756	38,359	72,710	38,359	
Mining cost/ton of ore	C	\$ 48.14	C \$ 38.50	C \$ 46.47	C \$ 38.50	

Milling cost/ton of ore	C	\$ 13.54	C	\$ 14.45	C	\$ 13.97	C	\$ 14.45
Production cost per ounce of gold produced:								
Canadian dollars:								
Direct mining expense	C	\$ 400	C	\$ 341	C	\$ 389	C	\$ 341
Deferred mine development cost	C	\$ (18)	C	\$ (4)	C	\$ (15)	C	\$ (4)
Inventory movements and other	C	\$ 2	C	\$ --	C	\$ 1	C	\$ --
Cash operating cost	C	\$ 384	C	\$ 337	C	\$ 375	C	\$ 337
U.S. dollars								
Cash operating costs	US	\$ 230	US	\$ 213	US	\$ 223	US	\$ 213
Royalties		--		--		--		--
Production taxes		--		--		--		--
Total cash cost		230		213		223		213
Depreciation		30		28		29		28
Amortization		7		9		7		9
Reclamation and mine closure		14		17		14		17
Total production costs	US	\$ 281	US	\$ 267	US	\$ 273	US	\$ 267
Milled:								
Ore processed (tons/day)		1,818		1,934		1,834		1,934
Total ore processed (000 tons)		165		176		334		176
Grade (ounce/ton)		0.226		0.235		0.234		0.235
Recovery rate (%)		92.9		92.9		93.2		92.9

</TABLE>

Gold production for the quarter was 34,756 ounces compared with 38,359 ounces in the second quarter of 2000. Cash operating costs were \$230 per ounce compared to \$213 per ounce in the second quarter of 2000. Mining costs were higher and grades lower than in 2000 due to the sequencing of production areas in the mine. Production rates are expected to improve in the second half of the year with Lupin meeting its 2001 production target of 150,000 ounces. The cash operating costs include a \$0.7 million benefit (\$19 per ounce) in the second quarter from hedging Canadian dollars for Lupin expenditures. A \$6.0 million gain was realized when certain contracts were closed during the first quarter of 1997. The gain was deferred and will be recognized through the third quarter of 2001.

The internal hoisting system (winze) was commissioned during the quarter and is operating well, allowing a more cost effective method of transporting ore and waste from the lower levels of the mine.

21

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

For the Three and Six Months Ended June 30, 2001
(U.S. dollars)

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

<TABLE>

<CAPTION>

OPERATING DATA	Three months ended		Six months ended	
	2001	June 30 2000	2001	June 30 2000
<S>	<C>	<C>	<C>	<C>
Gold produced (ounces)	16,373	24,260	29,218	49,330
Mining cost/ton of ore	\$ 23.37	\$ 20.01	\$ 23.58	\$ 21.06
Milling cost/ton of ore	\$ 10.15	\$ 11.15	\$ 10.91	\$ 11.51
Production cost per ounce of gold produced:				
Direct mining expense	\$ 192	\$ 238	\$ 201	\$ 238
Deferred mine development cost	--	--	--	--
Inventory movements and other	82	(37)	59	(24)
Cash operating cost	274	201	260	214
Royalties	12	13	12	13
Production taxes	1	1	1	1
Total cash cost	287	215	273	228
Depreciation	7	10	7	10
Amortization	40	8	40	8
Reclamation and mine closure	15	15	15	15
Total production costs	\$ 349	\$ 248	\$ 335	\$ 261
Milled:				
Ore processed (tons/day)	1,303	1,378	1,102	1,443

Total ore processed (000 tons)	119	125	201	263
Grade (ounce/ton)	0.167	0.223	0.176	0.221
Recovery rate (%)	82.7	86.9	82.7	85.0

</TABLE>

Production for the second quarter was 16,373 ounces, down from 24,260 ounces in the second quarter of 2000. Production in 2001 was from existing stockpiles and the K-2 mine and, as anticipated, was lower than 2000 production, due to the completion of mining at the Lamfoot deposit in the fourth quarter of 2000. Cash operating costs per ounce were \$274 in the second quarter of 2001 compared to \$201 per ounce in the second quarter of 2000, reflecting the lower production. Kettle River is expected to produce 60,000 ounces with cash operating costs of \$240 per ounce in 2001.

Underground exploration and development of the previously reported north east extension to the K-2 mine is currently being conducted.

22

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

For the Three and Six Months Ended June 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 second quarter of 2001, the Company spent \$1.1 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 second quarter of 2001, the Company expensed \$0.1 million in holding costs related to Aquarius.

Other

See note 11 to the interim consolidated financial statements.

23

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

For the Three and Six Months Ended June 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; 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

ECHO BAY MINES LTD.

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 4. SUBMISSION OF MATTERS TO A VOTE OF THE SECURITY HOLDERS

(a) The Company's Annual General Meeting was held June 15, 2001.

(c) (1) Election of Directors

Nominee -----	Votes For -----	Votes Against or Withheld -----
John Norman Abell	69,747,510	985,907
Latham Cawthra Burns	69,710,331	1,023,086
John Gilray Christy	69,810,255	923,162
Peter Clarke	69,761,268	972,149
Robert Leigh Leclerc, Q.C.	69,816,834	916,583
John Frederick McOuat	69,747,506	985,911
Monica Elizabeth Sloan	69,701,288	1,032,129

(c) (2) Appointment of Ernst & Young LLP as Auditors of the Company.

	Votes For -----	Votes Against or Withheld -----
Appointment of Ernst & Young LLP	70,016,826	368,854

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Reports on Form 8-K None.

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)

August 3, 2001

Date

/s/ David A. Ottewell

DAVID A. OTTEWELL
Controller and Principal
Accounting Officer

