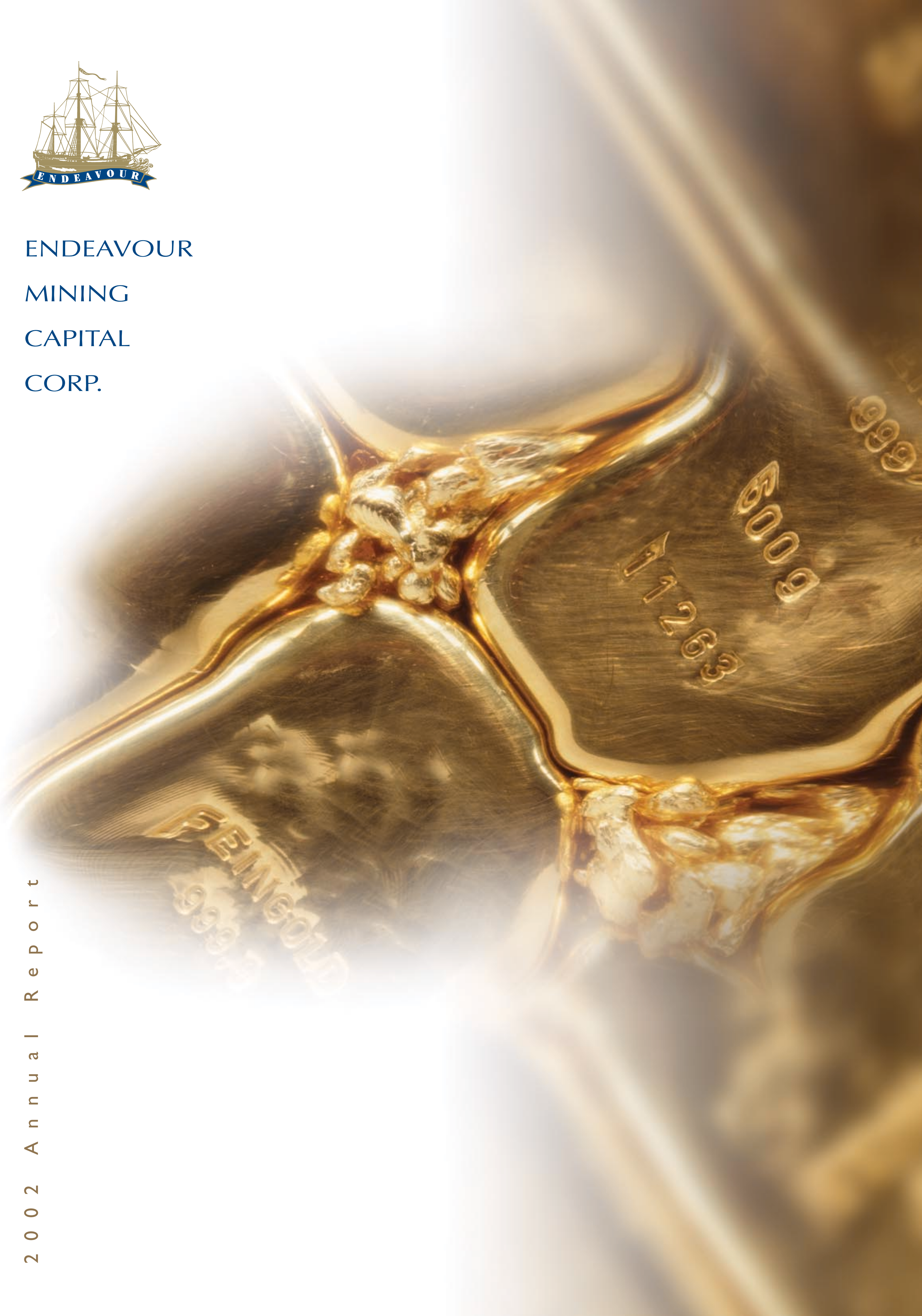
ENDEAVOUR

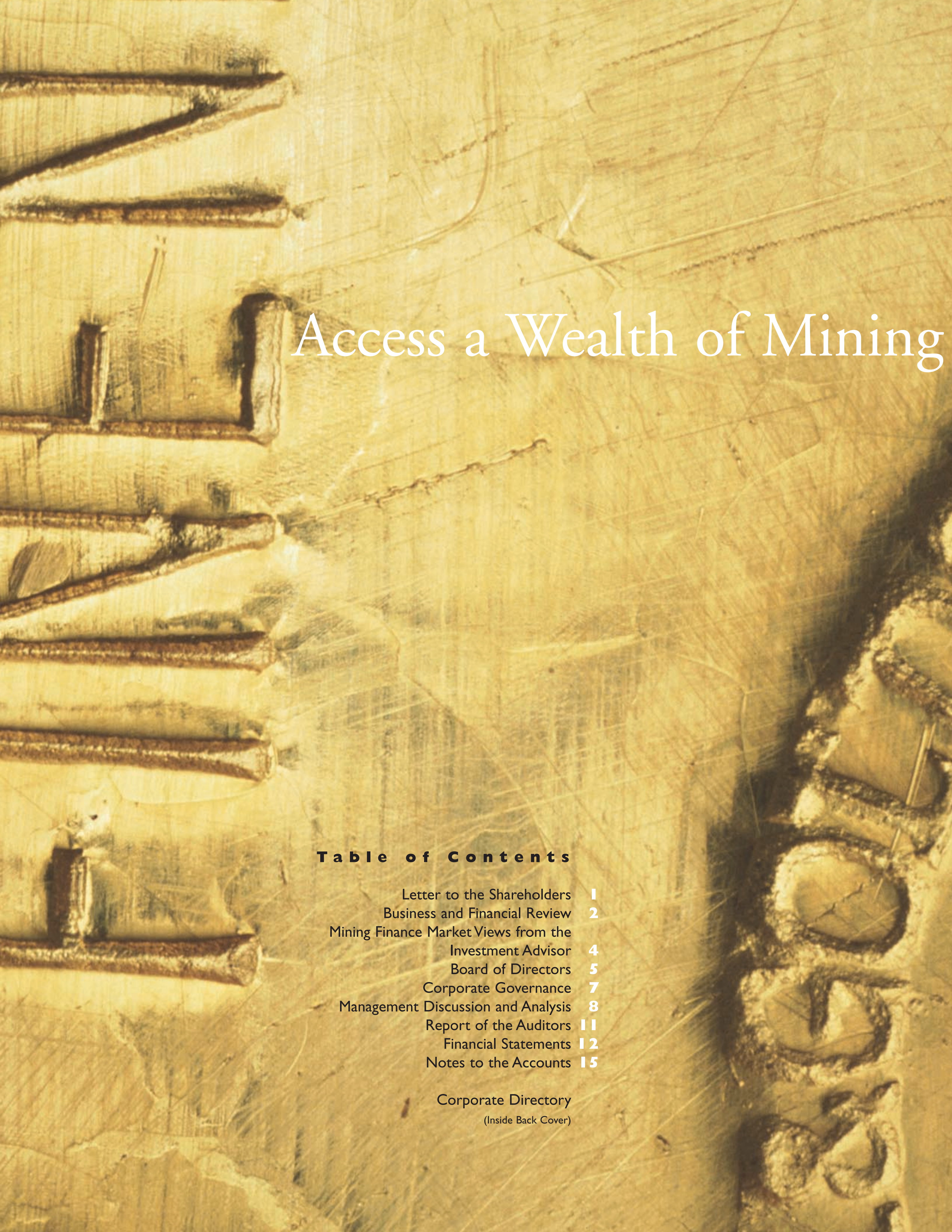
MINING

CAPITAL

CORP.



2002 Annual Report



Access a Wealth of Mining

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Letter
to Shareholders

Finance Experience

We are pleased to provide Endeavour Mining Capital's ("Endeavour") first annual report as a publicly listed company (TSXV – EDV) in which we report that the eight month period ended August 31, 2002 (fiscal 2002) was very successful. Net income was US$0.70 per share over this eight month period reflecting the improving mining finance markets and demonstrating the successful implementation of our mining merchant banking business strategy.

Fiscal 2002 is also marked with several corporate achievements, most notably our agreement to acquire Welcome Opportunities Ltd. to expand our investment capital base and gain a public listing of our shares on the TSX-Venture Exchange in Canada. This transaction closed on September 9, 2002 and therefore, is a subsequent event to the August 31, 2002 year end and our consolidated accounts do not include Welcome Opportunities Ltd.'s results. In anticipation of completing this transaction, Endeavour changed its year end from December 31 to August 31.

These results have validated Endeavour's mining merchant banking business strategy, which was implemented over two years ago. The Corporation focuses its activities primarily on established middle market companies where it is able to add operational value through its experienced management team and directors. This business strategy calls for the Corporation to make strategic, managed risk investments into mining companies to fund their project development, strategic initiatives and growth. We are active investors and we often originate the transactions in which we invest.

During fiscal 2002, Endeavour completed several highly profitable transactions - our three most successful were in gold. While volatility in our earnings should be anticipated, based on our ability to create deal flow and our belief in the strength of the gold cycle, the year ahead holds great promise.

Endeavour Mining Capital provides its shareholders a distinctly different way to invest in precious metals and mining operations. Looking forward, we will be working to translate our strong earnings potential into long-term value for our shareholders.

Sincerely,

NEIL WOODYER
Chief Executive Officer

Business
and Financial Review

Profile of the Company

An entrepreneurial mining merchant banking company

Originates and invests in mining transactions and companies

Merchant banking transactions are structured through equity investments or debt with equity rights attached to enhance returns

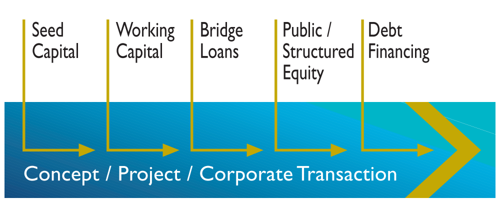
Global mining network generates proprietary deal flow and market intelligence

Established in the Cayman Islands; our shares are listed on the TSX-Venture Exchange in Canada (symbol: EDV)

In the mining finance environment, when traditional capital raising techniques may not suffice, Endeavour uses creativity, industry knowledge and decades of structuring experience to meet our partners' financing needs. And we succeed: in 2002 we completed several merchant banking transactions that generated superior returns on our capital.

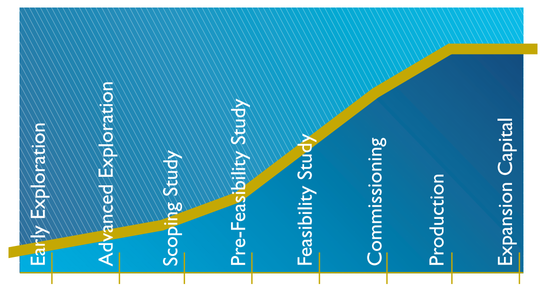
Endeavour is an entrepreneurial merchant banking company that creates and invests in opportunities in the mining sector – mergers, acquisitions, RTO's, financings – and guides them to a successful completion.

Our value-added financial solutions span all levels of capital structure, including senior and subordinated debt, royalties, structured equity and public equity.



While the range of investment instruments is wide, our focus is narrow as we limit our investments to mining and metal related opportunities. Currently, our emphasis is on gold.

Mining Investment Spectrum



While transactions are completed across the full spectrum of mining investment opportunities, we focus on junior producers and intermediate and senior companies. Our preferred investments are mine construction, optimization projects, asset acquisitions, and late stage economic evaluations where risk-reward outcomes matching our criteria are available. We are opportunistic and seek to add value in deals that "make sense" based on technical, operational and management reviews.

Often, mining companies at advanced development stages are constrained by capital. An appropriately structured capital injection can generate a substantial increase in value with limited downside risk.

In every relationship, we work closely with our partners to address specific considerations including future financing flexibility, market positioning, and optimizing the overall corporate financial structure. Often, for larger transactions, we are willing to join our partners' boards. This approach,

along with our ability to invest our own capital as part of the transaction, is designed to produce highly beneficial results and lasting investment relationships.

The Investment Advisor to the Corporation is Endeavour Financial, a leading international investment banking firm dedicated exclusively to the global mining industry. Endeavour Financial structures and arranges financing and provides strategic advice for its clients using its project finance, corporate finance and mergers & acquistions specialist teams. Endeavour Financial has offices in Vancouver, Toronto, Grand Cayman and London facilitating a dynamic and international professional staff of 15 active in the mining industry. Endeavour Financial identifies, analyses and recommends investment opportunities to the Corporation.

Endeavour offers its partners access to financial advisory and investment banking services through its close affiliation with Endeavour Financial. In an industry characterized by single, stand-alone transactions, Endeavour has a history of completing multiple transactions with its partners - testimony to our relationship building approach.

Some frequently asked questions

How does Endeavour Mining Capital generate earnings?

We add financial, strategic and operational value to our client-partners through our experienced management team and directors. Our earnings are generated by interest earned on loans, facility setup fees, and capital appreciation on investments.

How do you make investment decisions?

Investments are carried out according to an opportunistic and disciplined process. We expect to have an in-depth knowledge of the target opportunity and a sound understanding of the project and its management. The Investment Committee, according to criteria established by the Board of Directors, approves investments.

How do you manage risk?

We attempt to manage risk in many ways. First, we only invest in opportunities where the management team and its projects are well known to us. Secondly, we limit the size of individual transactions based on the overall investment capital base with a view to managing our liquidity and levels of diversification. And, the most important step in our decision making process, we identify investment exit strategies at the outset.

Mining
Finance Market Views from the Investment Advisor

Our business plan is currently emphasizing gold opportunities within the spectrum of mining merchant banking investment opportunities. Based on our belief in the strength of the gold cycle, we believe the year ahead holds great promise.

Much has been written about gold's recent upward move and the many dynamics driving this trend. In no particular order, that list includes:

- There is a widening demand/supply gap, currently at 1,500 tons per annum, due to a decline in production by the primary producers. At current gold prices and for too many industry reasons to list, production is expected to decline by up to 30% in the next eight years.

- The collapse of interest rates has effectively eliminated the once attractive spread that compelled both producers and institutional speculators to sell forward. They sold forward as much gold as the central banks would lend, and thereby capped the price.

- Ironically, in the face of a reversing tide, these same producers are now scrambling to cover the short positions created by years of indifference to gold as anything but a commodity. Due to lack of disclosure, the magnitude of these short positions is unknown but could be anywhere from 5,000-10,000 tonnes or two to four years of production.

- And finally, the last couple of years have witnessed the end to the "peace dividend." Instead, we are experiencing an ever-increasing series of geopolitical events. However, the most important dynamic affecting the gold price is, and will be, the fate of the U.S. dollar. The dynamics noted above will, for the most part, play but a supporting role to that of gold's inherent inverse relationship to the U.S. dollar.

The inverse relationship between gold and the U.S. dollar began with the dollar's ascent to supreme status as the world's reserve and trading currency, a role once played by gold. It stands to reason that when the U.S. dollar's value is challenged, investors turn to gold.

So why is the U.S. dollar's value being challenged today? Well, quite simply, its role has been abused. Since the U.S. closed the "gold window," the only "asset" backing the dollar has been faith in the U.S. system, which was entrusted to it by the global community.

The value of the U.S. dollar is impacted by many factors, including a) how much of it is printed, b) the rate of return it generates, c) the fiscal health of the government balance sheet sponsoring it and d) the general state of the economy it represents. As, one by one, the foundations supporting these pillars erode; this faith in the U.S. dollar can be expected to weaken dramatically. As the U.S. dollar has thus far declined a mere 15% of its recent peak, we believe we are only in the first couple innings of this game.

A tarnished dollar will put the shine on gold and we believe that Endeavour Mining Capital is exceptionally well positioned to profit from this move.

Endeavour offers investors a distinctly different way to invest in mining and precious metals

Board
of Directors

The Board of Directors and Executive Officers of the Corporation are, in alphabetical order:

MICHAEL E BECKETT, *Chairman*

Michael Beckett is the Chairman of several international public corporations, including Clarkson plc, Watts Blake Bearne & Company plc, Ashanti Goldfields Company Limited. In addition, he holds directorships with several diverse and international natural resource companies, including Northam Platinum Limited and EAGC Ventures Corp. Formerly, he was a Managing Director of Consolidated Goldfields plc, where one of his responsibilities included the management of its international investment portfolio.

FRANK GIUSTRA, *Director*

Frank Giustra joined Endeavour Financial in 2001 as Chairman. He began his career in the investment industry in 1978 with Merrill Lynch. In 1980, he joined Yorkton Securities and moved to Europe to establish the Natural Resources Group, opened the London office in 1984 and subsequently opened the Paris and Zurich offices. In 1990, he became President of Yorkton and in early 1995 was appointed Chairman and CEO. During his tenure at Yorkton, the firm established itself as a leading exploration and development financier to the mining community. In 1997, he founded and is currently the Chairman of Lions Gate Entertainment, a TSX and AMEX listed company.

BILL KOUTSOURAS, *Director, Chief Financial Officer, Secretary*

Bill Koutsouras is based in the Cayman Islands where he is primarily responsible for overseeing non-Canadian and non-UK merchant banking and financial advisory mandates, the financial operations of Endeavour Financial and the management of Endeavour Mining Capital Corp. Prior to joining Endeavour Financial, he was with PricewaterhouseCoopers, specializing in the Financial Services Industry. As a professional accountant, he has been based in Toronto and Grand Cayman and is a member of the Canadian Institute of Chartered Accountants.

WAYNE W MCMANUS, *Director*

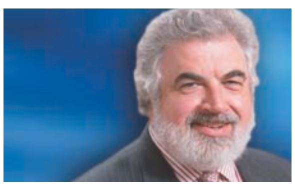
Wayne McManus is based in the Cayman Islands and has extensive work experience in the private banking sector, providing accounting and wealth management services for high net worth clients. He is currently a Manager with Barclays Private Bank. He has earned a LL.M. in taxation, a Juris Doctor degree, a MBA and has more than 15 years of college teaching experience. He is a Certified Public Accountant, holds the Chartered Financial Analyst designation and is a member of the Association for Investment Management and Research.

Board
of Directors

ANTHONY J WILLIAMS, *Director*

Tony Williams is the founder and Chairman of the Dragon Group, a privately owned group of companies with interests in international mining finance and project management. Prior to founding the Dragon Group, he spent nine years in investment banking where he co-founded and led the European Natural Resource Group at Yorkton Securities. He was integral in establishing the group as the leading exploration and development financiers worldwide. Earlier in his career, he held senior appointments in the mining industry and specialized in mineral valuation and acquisitions.

Mr. Williams has a BSc. (Hons) Degree in Mining Geology and associateship of the Royal School of Mines. He is also a Chartered Engineer, an Associate of the Royal Institute of Chartered Surveyors and a Member of the Institute of Quarrying.



NEIL WOODYER, *Director, Chief Executive Officer*

Neil Woodyer is a founding partner and Managing Director of Endeavour Financial and is responsible for coordinating financial advisory mandates and investment related services. His experience in natural resource marketing and finance spans thirty years, including Chief Executive Officer positions with Lloyds International Trading, a subsidiary of Lloyds Bank specializing in project and trade finance and commodity trading and Amalgamet's group of New York and Latin American based metal trading and mining finance companies.

Mr. Woodyer is currently a director of Bema Gold Corporation, Wheaton River Minerals Ltd., Apollo Gold Corporation, EAGC Ventures Corp. and Dunsmuir Ventures Ltd.
He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Corporate Governance

The Corporation and its Investment Advisor are both active market participants. As such, the Corporation has established policies for its Trading, Co-Investment and Advisory Mandates.

In summary, the trading policies require the Corporation to have priority when dealing in securities. The Corporation has the option to impose market "black out" periods on the Investment Advisor, employees and directors if it anticipates a conflict of interest. The Co-Investment policies ensure that the Corporation's participation allocation takes priority over the Investment Advisor, employees and directors. The Advisory Mandate policies require the Independent Directors Committee to manage the conflicts of interest that may arise between the Corporation and the Investment Advisor to ensure the Corporation's investment decision-making process operates with independence.

The Corporation has also established several committees, including Corporate Governance, Audit, Investment and Independent Directors.

Corporate Governance Committee

Michael Beckett

Frank Giustra

Wayne McManus

Investment Committee

Frank Giustra

Wayne McManus

Anthony Williams

Audit Committee

Michael Beckett

Wayne McManus

Anthony Williams

Independent Directors Committee

Michael Beckett

Wayne McManus

Management's
Discussion and Analysis of Financial Condition and Results of Operations

Introduction

This discussion and analysis should be read in conjunction with financial information included in the consolidated financial statements. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The functional currency of the business is the United States Dollar. All monetary values are expressed in United States Dollars, unless otherwise indicated.

Endeavour Mining Capital is a mining merchant banking company. It seeks to generate superior earnings by originating and investing in mining transactions and companies where it uses the experience of its management and directors to add value. Types of transactions undertaken include debt financing, equity linked investments or equity investments. The Corporation actively manages its investment capital base. Earnings are generated through interest, fees and capital appreciation.

During the 2002 fiscal year the Corporation changed its year end from December 31 to August 31. Therefore, the results of operations discussed here represent results for the period from January 1, 2002 to August 31, 2002.

Results from Operations

Over the eight month period ended August 31, 2002, investment income totaled $11.1 million which compares to investment losses of $1.5 million during the year ended December 31, 2001. The dramatic improvement in the investment income earned is attributable to the improving mining capital markets and effective implementation of the Corporation's business strategy.

The investment income achieved during the eight month period ended August 31, 2002 is related to 48 transactions of which 33 (69%) were profitable and 15 (31%) generated losses. Of these 48 transactions, Management has further classified 12 as significant merchant banking transactions. These 12 merchant banking transactions generated investment income of $9.8 million or 88% of the total investment income generated over the period of which 10 (83%) were profitable and 2 (17%) generated losses. Management intends to maintain the business focus on these significant merchant banking transactions which have demonstrated such high return potential.

During the eight month period ended August 31, 2002, three investments, all of which are classified as significant merchant banking transactions, generated investment income of $9.1 million or 93% of the merchant banking investment income generated over the period and 82% of the total investment income generated over the period. These positions are:

Wheaton River Minerals Ltd.

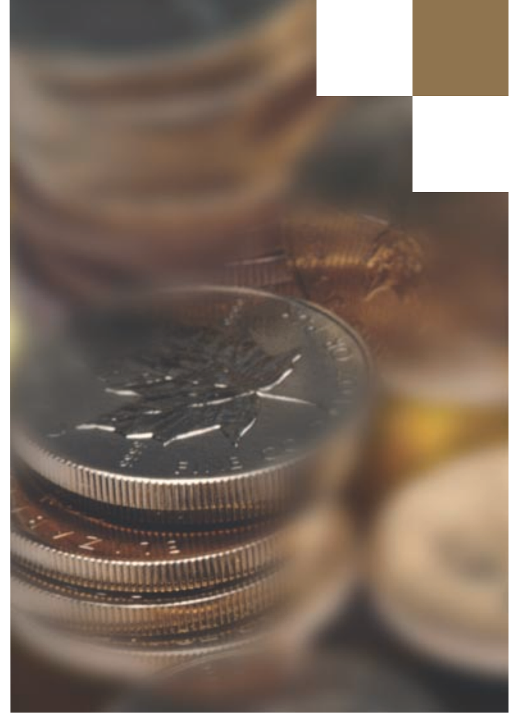
This transaction generated investment income of $4.0 million or 36% of the total investment income generated over the period.

Thistle Mining Inc.

This transaction generated investment income of $2.8 million or 25% of the total investment income generated over the period.

Bema Gold Corporation

This transaction generated investment income of $2.4 million or 21% of the total investment income generated over the period.



The Corporation generated net income of $8.73 million over the eight month period ended August 31, 2002 as compared to a net loss of $2.05 million during the year ended December 31, 2001. During the eight month period ended August 31, 2002, the Corporation generated a net income margin of 78%.

The Corporation relies on the Investment Advisor for new business recommendations, analytical support, and guidance for the optimal realization of existing investments. As such, the Corporation has a material agreement with the Investment Advisor that defines the services to be rendered and the compensation due. The primary terms of this Investment Advisory agreement are:

A term of 3 years to August 31, 2005 and the agreement is renewable by mutual consent.

The Investment Advisor is due an Investment Advisory Fee payable monthly, calculated as 1/12th of

- 2% on the first $50 million of net assets,
- 1.5% on the next $50 million of net assets, and
- 1% on net assets in excess of $100 million

The Investment Advisor also receives an annualized Performance Fee of 20% of the Corporation's net income from operations in excess of a 15% return on the weighted average Shareholders' Equity during the fiscal period.

The high net income margin of 78% was achieved during the period as a result of the Corporation's low overhead structure, which includes the Investment Advisor's "Success Fee" compensation structure. During the eight month period ended August 31, 2002, the Investment Advisor received Investment Advisory Fees totaling $0.26 million and a Performance Fee of $2.03 million. During the year ended December 31, 2001, the Investment Advisor received Investment Advisory Fees totaling $0.22 million and the Investment Advisor was not eligible for a Performance Fee. The increase in the Investment Advisory Fees paid to the Investment Advisor is a result of the growth of the net assets of the Corporation. The Performance Fee of $2.0 million paid to the Investment Advisor is a result of the significant investment income generated during the period. The combined Investment Advisory Fees and Performance Fee of $2.30 million represent the significant expenses incurred during the eight month period ended August 31, 2002.

Liquidity and Capital Resources

At August 31, 2002 the Corporation held assets totaling $22.4 million comprised mainly of cash and cash equivalents (38%) and investments (60%) compared to assets held at December 31, 2001 of $12.2 million comprised mainly of cash and cash equivalents (15%) and investments (84%).

The liabilities of the Corporation totaled $2.4 million as of August 31, 2002, of which $2.07 million was payable to the Investment Advisor. At December 31, 2001, total liabilities were $1.3 million of which $1.28 million was on account of an unsettled trade. The Corporation had adequate cash resources as at August 31, 2002 and December 31, 2001 to settle the liabilities.

Management's
Discussion and Analysis of Financial Condition and Results of Operations

The increase of $9.1 million in shareholders' equity in the Corporation to $20 million at August 31, 2002 from $10.9 million as at December 31, 2001 is mainly attributable to operations that generated $8.7 million of net income or 96% of the increase and financing activities that generated $0.4 million in shareholders' equity or 4% of the increase.

Subsequent Events

On September 9, 2002 the Corporation acquired Welcome Opportunities Ltd. ("Welcome"), a public company listed on the TSX Venture Exchange in Canada. The transaction was completed by way of a Plan of Arrangement under which the Corporation acquired 100% of the issued shares of Welcome and each shareholder of Welcome received a common share of the Corporation and one contingent value right. The net assets of Welcome at August 31, 2002 totaled $7.6 million. Therefore the combined value of both the Corporation and Welcome as at August 31, 2002 was $27.6 million. Welcome's net assets as at August 31, 2002 are comprised mainly of cash and cash equivalents (29%) and a portfolio of investments (68%). Welcome's investment portfolio is comprised principally of shareholdings in resource and technology companies. Welcome invested primarily in junior public and private companies in the early stages of exploration or technical advancement. The Corporation intends to redeploy Welcome's investment capital into its mining merchant banking business strategy.

Subsequent to the acquisition of Welcome, the Corporation issued 200,000 options to the independent directors of the Corporation. The Corporation does not plan to issue options or pay any fees to non-independent directors.

Subsequent to August 31, 2002 the following significant financing activities occurred:

As a condition precedent to the acquisition of Welcome, a shareholder redeemed $5.0 million of common shares in the Corporation (3,250,975 shares).

1,348,971 common shares of the Corporation were issued for net proceeds of $2.0 million. Proceeds for the subscription were received in kind in the form of securities issued by public companies.

Outlook

The Corporation will continue with its strategy of originating and investing in potentially high-return merchant banking and investment transactions focused on the mining industry.

At the present time, the Corporation is experiencing the benefits of its business strategy and the continued strength of the gold price. Management believes that its superior dealflow and access to potentially high return transactions will result in the continued growth of its investment capital base.

Auditors' Report

To the Shareholders of
Endeavour Mining Capital Corp.

We have audited the consolidated balance sheet of Endeavour Mining Capital Corp. as at August 31, 2002 and the related consolidated statements of operations and accumulated deficit and cash flows for the eight months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at August 31, 2002 and the results of its operations and its cash flows for the eight months then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at and for the year ended December 31, 2001 were prepared in accordance with International Accounting Standards which was substantially in accordance with Canadian generally accepted accounting principles. Those statements were audited by other auditors who performed their audit in accordance with International Standards on Auditing which are substantially equivalent to Canadian generally accepted auditing standards and expressed an opinion without reservation on those statements in their report dated June 12, 2002.

Deloitte & Touche

DELOITTE & TOUCHE
Chartered Accountants

Grand Cayman, Cayman Islands
October 11, 2002

Consolidated
Balance Sheet

(Expressed in Thousands of U.S. Dollars)

	August 31, 2002	December 31, 2001
ASSETS		
Cash and cash equivalents	$ 8,546	$ 1,846
Investments (cost $9,675; 2001 - $12,705) (Note 3)	13,499	10,349
Receivable for investments sold	18	22
Other assets	2	2
	22,065	12,219
Deferred acquisition costs (Note 7(a))	355	-
	$ 22,420	$ 12,219
LIABILITIES		
Payable for investments purchased	$ -	$ 1,282
Investment advisor fees payable (Note 5 (b))	37	18
Accrued performance fees (Note 5 (b))	2,032	-
Payable to related companies (Note 5 (d))	15	12
Accrued expenses and other liabilities	330	27
	2,414	1,339
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	29,411	29,017
Accumulated deficit	(9,405)	(18,137)
	20,006	10,880
	$ 22,420	$ 12,219

APPROVED BY THE BOARD

BILL KOUTSOURAS
Director

WAYNE MCMANUS
Director

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

Consolidated

Statement of Operations and Accumulated Deficit

(Expressed in Thousands of U.S. Dollars, except per share amounts.)

	Eight months ended August 31, 2002	Year ended December 31, 2001
INVESTMENT INCOME (LOSS)		
Net realized gain (loss) on investments	$ 4,963	$ (1,078)
Change in net unrealized appreciation (depreciation) of investments and foreign currencies	6,193	(629)
Interest	2	55
Dividends, net of withholding taxes	-	47
Loan facility fees	-	33
	11,158	(1,572)
EXPENSES		
Performance fee (Note 5 (b))	2,032	-
Investment advisory fee (Note 5 (b))	263	221
General office expenses	75	76
Professional fees	38	64
Computer software	4	41
Custodian's fee (Note 5 (c))	-	10
Administrator's fee (Note 5 (a))	-	40
Interest expense	1	-
Office equipment	-	6
Other administrative expenses	13	21
	2,426	479
NET INCOME (LOSS)	8,732	(2,051)
ACCUMULATED DEFICIT, BEGINNING OF PERIOD	(18,137)	(16,086)
ACCUMULATED DEFICIT, END OF PERIOD	$ (9,405)	$ (18,137)
BASIC EARNINGS (LOSS) PER SHARE	$ 0.70	$ (0.17)
DILUTED EARNINGS (LOSS) PER SHARE	$ 0.70	$ (0.17)
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING	12,475,537	12,379,331
DILUTED WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING	12,475,537	12,379,331

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

Consolidated
Statement of Cash Flows

(Expressed in Thousands of U.S. Dollars)

	Eight months ended August 31, 2002	Year ended December 31, 2001
OPERATING ACTIVITIES		
Net income (loss)	$ 8,732	$ (2,051)
Adjustments to reconcile net income (loss) to net cash provided from (used in) operating activities:		
Net realized (gain) loss on investments	(4,963)	1,078
Change in net unrealized (appreciation) depreciation of investments and foreign currencies	(6,193)	629
Decrease in receivable for investment sold	4	45
Decrease in interest and dividends receivable	-	36
Increase in other assets	-	(2)
Decrease in loan receivable	-	548
(Decrease) increase in payable for investments purchased	(1,282)	1,282
Increase (decrease) in investment advisor fees payable	19	(22)
Increase in accrued performance fees	2,032	-
Increase in payable to related companies	3	12
Increase (decrease) in accrued expenses and other liabilities	303	(36)
	(1,345)	1,519
INVESTING ACTIVITIES		
Purchase of investments*	(14,974)	(17,770)
Sale of investments	22,979	16,500
Deferred acquisition costs (Note 7 (a))	(355)	-
	7,650	(1,270)
FINANCING ACTIVITY		
Received from issuance of shares*	1,500	-
Paid on redemption of shares	(1,105)	(33)
	395	(33)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,700	216
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,846	1,630
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 8,546	$ 1,846

* See Note 4 for significant non-cash investing and financing activities.

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

Notes
to the Consolidated Financial Statements

August 31, 2002
(Expressed in Thousands of U.S. Dollars)

1. REORGANIZATION AND ACTIVITY

Endeavour Mining Capital Corp. ("EMCC" or the "Corporation") was incorporated under the Companies Law (2002 Revision) of the Cayman Islands on July 25, 2002, for the express purpose of completing the terms of the business combination with Welcome Opportunities Ltd. ("Welcome") (Note 7).

The Corporation acquired 99.6% of the issued and outstanding Endeavour Capital Corporation ("ECC") shares on August 28 and 29, 2002, whereby each shareholder of ECC received one share of the Corporation in exchange for every three shares held in the capital of ECC. A total of 12,978,124 shares of the Corporation were exchanged for 38,934,372 shares of ECC. Subsequent to August 31, 2002 the Corporation acquired the remaining 0.4% of the issued and outstanding ECC shares. This business combination has been accounted for as a continuity-of-interests, and as such, the assets, liabilities, equity and operations of ECC have been presented at their historical amounts in these financial statements.

The Corporation is a publicly traded mining merchant banking company. The Corporation, which operates in only one business segment, seeks mutually beneficial investments with mining companies to further their strategic initiatives. Types of transactions undertaken include debt financing, equity linked investments or equity investments. The Corporation actively manages its portfolio of publicly traded fixed income and equity securities ("portfolio investments"). Earnings are generated through interest, fees and capital appreciation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(a) Investments

(i) Portfolio investments

Securities, held in long or short positions, that are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at carrying values based on last quoted sales price at the balance sheet dates or the closing price on the last day the security traded if there were no trades at the balance sheet dates.

Securities that are traded on a recognized exchange but that are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value. In determining the discount for such investments, the Corporation considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility and any other factors that may be relevant to the ongoing and realizable value of the investments.

Notes
to the Consolidated Financial Statements

August 31, 2002
(Expressed in Thousands of U.S. Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Privately-held investments

Securities in privately-held companies are recorded at cost unless an upward adjustment is considered appropriate and supported by persuasive and objective evidence such as a significant subsequent equity financing by an unrelated, professional investor at a transaction price higher than the Corporation's carrying value. Downward adjustments to carrying value are made when there is evidence of a decline in value as indicated by the assessment of the financial condition of the investment based on operational results, forecasts, financing and other developments since acquisition.

(iii) Other forms of investment instruments

Included in the Corporation's investments are certain instruments that are accounted for as follows:

- Loans are valued at the lesser of the loan value amount plus accrued interest or the amount of the loan deemed to be recoverable.
- Convertible loans and debentures are valued at the greater of their loan value amount as described above or as though converted to common shares.
- Options and warrants for public companies which are not listed or traded on a national exchange are valued at the difference between the exercise price and the quoted market price of the underlying shares, plus an adjustment for time value.
- Options and warrants for private companies are valued at the difference between the exercise price and the carrying value of the underlying shares.

At each financial reporting period, the Corporation's management determines the valuation of investments based on the criteria above and reflects such valuations as corporate investments in the consolidated financial statements. The resulting values may differ from values that would be realized had a ready market existed. The amounts at which the Corporation's privately-held investments could be disposed of currently may differ from the carrying value assigned as a substantial period of time may have elapsed since the latest adjustment in valuation. The amounts at which the Corporation's publicly-traded investments could be disposed of currently may differ from the carrying value based on market quotes as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity.

(b) Investment transactions and income

Investment transactions are accounted for on the day that a buy or sell order is executed. Dividend income, including stock dividends, is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Realized gains and losses on investment income are recorded on the accrual basis. Realized gains and losses on the investment transactions and the unrealized appreciation or depreciation of investments are computed on an average cost basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Translation of foreign currencies

Where applicable, foreign currency assets and liabilities are translated into United States dollars at the rate of exchange prevailing on the balance sheet date except for the historical costs of investments which are translated at the rate of exchange prevailing on the date of purchase. The proceeds from sale of investments and investment income in foreign currencies are translated into United States dollars at the approximate rate of exchange prevailing on the date of such transactions.

(d) Unrealized appreciation or depreciation of investments

The unrealized appreciation or depreciation of investments represents the aggregate of the difference between their average cost and market value at the balance sheet date.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances held with banks and brokers and treasury bills with original maturities of less than 90 days.

(f) Financial instruments and associated risks

(i) Credit risk

Financial assets which potentially expose the Corporation to credit risk consist primarily of cash and cash equivalents, receivables for investments sold, interest, dividends and convertible loans and debentures. The extent of the Corporation's exposure to credit risk in respect of these financial assets approximates their carrying value as recorded in the Corporation's balance sheet.

(ii) Currency risk

The Corporation may invest in securities denominated in currencies other than its reporting currency. Consequently, the Corporation is exposed to risks that the exchange rate of its currency relative to other currencies may change in a manner which has an adverse effect on the value of that portion of the Corporation's assets which are denominated in currencies other than its own currency. In addition, the Corporation may make investments which could result in restrictions on the repatriation of funds.

(iii) Short sales

The Corporation may engage in selling securities short, which creates an obligation of the Corporation to buy the security back at a future date or make future delivery of the specific security. The Corporation generally will short securities for which they hold a long position that is restricted for resale until a later date. This practice allows the Corporation to shelter unrealized gains on particular securities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Mining development risk

Mining development involves a high degree of risk which cannot be avoided, even with a combination of careful evaluation, experience and knowledge. Although the Corporation will typically be investing in projects in later stages of development, there is no assurance that such projects will prove to be economically feasible and there is also no assurance that the properties owned by companies in which the funds of the Corporation will be invested will be brought into, or continue to be in, commercial production.

(v) Security interests

Although it is intended that the investments the Corporation makes in the form of loans will normally be secured, there can be no assurance that such security will completely protect the value of the Corporation's investments. As the assets securing the Corporation's loans will usually be subject to senior indebtedness, the Corporation's security will generally have second or third priority. The equity investments which the Corporation may make will generally be unsecured.

(vi) Fair values

The carrying amounts of the Corporation's financial assets and liabilities approximate their fair values.

(g) Stock-based compensation

As of January 1, 2002, the Corporation adopted the standard in Section 3870 "Stock-based Compensation and Other Stock-based Payments", of the Canadian Institute of Chartered Accountants Handbook to be applied prospectively. This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for good and services. The standard requires that all stock-based awards made to non-employees be measured and recognized using a fair value based method. The standard encourages the use of a fair value based method for all awards granted to employees, but only requires the use of a fair value based method for direct awards of stock, stock appreciation rights, and awards that call for settlement in cash or other assets. Awards that a company has the ability to settle in stock are recorded as equity, whereas awards that the entity is required to or has a practice of settling in cash are recorded as liabilities. For stock options granted to employees, the Corporation has adopted the disclosure-only provisions of the new standard whereby pro forma net income and pro forma earnings per share are disclosed in the notes to the financial statements, as if the fair value based method of accounting had been used. At August 31, 2002 no employee stock options were issued or outstanding.

(h) Use of estimates

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Comparative figures

Certain comparative figures have been reclassified to be consistent with the current period's presentation.

3. INVESTMENTS

Investments are comprised of the following:

	August 31, 2002		December 31, 2001	
Investments by Location	Value	% of Investments	Value	% of Investments
Equities				
Australia	$ -	- %	$ 81	0.8%
Canada	4,179	31%	4,199	40.6%
Canada (short position)	(23)	-0.2%	-	- %
United Kingdom	3,166	23.5%	2,590	25.0%
United States of America	1,496	11.1%	397	3.8%
United States of America (short position)	(40)	-0.3%	-	- %
Total Equities	8,778	65.1%	7,267	70.2%
Convertible Loans and Debentures (Note 2 (a) (iii))				
Canada	128	1.0%	-	- %
United States of America	870	6.4%	539	5.2%
South Africa	572	4.2%	539	5.2%
Total Convertible Loans and Debentures	1,570	11.6%	1,078	10.4%
Warrants (Note 2 (a) (iii))				
Canada	2,214	16.4%	2,004	19.4%
United Kingdom	869	6.4%	-	- %
United States of America	68	0.5%	-	- %
Total Warrants	3,151	23.3%	2,004	19.4%
Total Investment Portfolio	$ 13,499	100.0%	$ 10,349	100.0%

Consistent with the Corporation's merchant banking business plan, the Corporation appoints directors to some of the companies in which it invests.

Investments for which the Corporation has directors in common totaled $8,148 at August 31, 2002 (December 31, 2001 - $5,032).

August 31, 2002
(Expressed in Thousands of U.S. Dollars)

4. SHARE CAPITAL

(a) Voting shares

Authorized
100,000,000 voting shares of $0.01 par value
100,000,000 undesignated shares

	August 31, 2002		December 31, 2001	
	Number of Shares	Amount	Number of Shares	Amount
Issued				
Opening balance	12,958,058	$ 29,017	12,290,252	$ 28,478
Issued during period	1,052,631	1,500	701,139	572
Redeemed during period	(982,560)	(1,105)	(33,333)	(33)
Closing balance	13,028,129	$ 29,411	12,958,058	$ 29,017

As described in Note 1, as at August 31, 2002, 99.6% of ECC's shareholders exchanged every three shares held in ECC for one share of the Corporation. As a result, all share and per share amounts have been restated to give effect to this effective share consolidation on a three-for-one basis.

As at August 31, 2002, one shareholder owned 8,843,039 shares (December 31, 2001 - 9,825,600 shares) or 68% of the total shares outstanding.

During the eight months ended August 31, 2002, the Corporation issued 1,052,631 shares for net cash proceeds of $1,500.

During the year ended December 31, 2001, the Corporation issued 701,139 shares. Proceeds for the subscription were received in kind in the form of shares in a public company with a fair value of $572 on the applicable subscription rate.

4. SHARE CAPITAL (continued)

(b) Stock-based compensation

Pursuant to the Corporation's acquisition of Welcome (Note 7) in September 2002, the Corporation signed an option surrender agreement with the employees of Welcome whereby each of the share purchase options of Welcome, of which 300,000 were outstanding, would be exchanged with one share purchase option of the Corporation, subject to the completion of the acquisition of Welcome. Each of the 300,000 share purchase options would vest immediately, have an exercise price of C$2.30, and expire as follows:

December 2002	50,000
February 2003	50,000
September 2003	180,000
October 2003	20,000
	300,000

These options were issued, subsequent to August 31, 2002, upon completion of the Corporation's acquisition of Welcome.

5. EXPENSES

(a) Administration Agreements

Under an Administration Agreement with Fortis Fund Services (Cayman) Limited (the "Administrator"), the Corporation paid the Administrator a fee based on the month end net asset value of the Corporation calculated at the following rates: 0.15% of the first $75 million, 0.125% of $75 million to $150 million, and 0.06% over $150 million, subject to a minimum monthly payment of six thousand six hundred dollars. Upon establishing an office in Grand Cayman, the Corporation gave notice to the Administrator for termination of the Administration Agreement. Upon expiry of the three month notice period, the Administration Agreement terminated on July 23, 2001.

(b) Investment Advisor Agreement

The Corporation has an Investment Advisory Agreement with Endeavour Securities Corporation (the "Investment Advisor"). The Corporation pays a monthly investment advisory fee to the Investment Advisor at the annual rate of 2% of the first $50 million of the net asset value of the Corporation, 1.5% on the next $50 million up to $100 million and 1% on the excess over $100 million. The investment advisory fee payable at August 31, 2002 is $37 (December 31, 2001 - $18). In addition, the Investment Advisor is entitled to a performance fee calculated as 20% of the amount by which the net asset value per share as at the end of the current fiscal year exceeds 115% of the net asset value per share as at the end of the immediately preceding fiscal year. The performance fee payable as at August 31, 2002 is $2,032 (December 31, 2001 - $Nil).

(Expressed in Thousands of U.S. Dollars)

5. EXPENSES (continued)

(c) Custodian Agreement

The Custodian was entitled to a fee of 0.05% of the gross asset value of the Corporation, subject to a minimum monthly payment of one thousand five hundred dollars. In addition, the Custodian was entitled to a transaction fee of sevently five dollars in respect of each purchase or sale of a security and twenty five dollars in respect of each cash transaction, both payable monthly in arrears. On March 31, 2001, the Corporation gave notice to the Custodian that the Corporation would be terminating the Custodian Agreement. Upon expiry of the three month notice period the Custodian Agreement terminated on June 30, 2001. As at August 31, 2002 and December 31, 2001, the investments of the Corporation were held with brokers directly or in the Corporation's safekeeping box held with a reputable financial institution.

(d) Operating expenses

Upon establishing an office in Grand Cayman, the Corporation entered into a Cost Share Agreement (the "Cost Share Agreement"), with the Investment Advisor and other related companies with whom the Corporation shares its premises and resources. In establishing the office and conducting its day-to-day operations, the Corporation incurs costs benefiting specifically the Corporation ("specific costs") and costs benefiting both the Corporation, the Investment Advisor and other related companies ("general costs"). Under the Cost Share Agreement, specific costs are recovered in full from the Corporation. General costs are shared among the respective beneficiaries in accordance with a ratio, based on a use of premises and resources estimate, which is agreed in writing by representatives of all parties and may be amended from time to time in accordance with the Cost Share Agreement. The ratio during the period ended August 31, 2002 and the year ended December 31, 2001 has been set at 50/50 whereby 50% of general costs will be charged to the Corporation and 50% to the Investment Advisor and other related companies. The amount of $15 remains payable under the Cost Share Agreement to the Investment Advisor and other related companies at August 31, 2002 (December 31, 2001 - $12).

6. TAXATION

There is presently no taxation imposed by the Government of the Cayman Islands on income or capital gains. If any form of taxation were to be enacted, the Corporation has been granted an exemption there from until August 6, 2022. The Corporation is subject to withholding taxes on dividend income.

7. SUBSEQUENT EVENTS

The following summarizes the significant subsequent events of the Corporation:

Balance of voting shares, August 31, 2002	13,028,129	$	29,411
Issued in connection with acquisition of			
Welcome Opportunities Ltd. (a)	4,466,748		6,655
Redeemed, for cash (b)	(3,250,975)		(5,000)
Issued, for shares (c)	1,348,971		2,000
	15,592,873	$	33,066

7. SUBSEQUENT EVENTS (continued)

(a) On September 9, 2002 the Corporation acquired Welcome Opportunities Ltd., a public company listed on the TSX Venture Exchange. The transaction was completed by way of a Plan of Arrangement (the "Plan") under which the Corporation acquired all the 4,466,748 issued shares of Welcome and each shareholder of Welcome received a common share of the Corporation and one contingent value right ("CVR").

The CVRs are intended to provide the holders with their proportionate share in the aggregate value as at August 31, 2003, of certain securities held by Welcome that are not publicly traded ("CVR Securities"). Each CVR will entitle the holder thereof to receive from EMCC, at any time from September 30, 2003 to the sixth anniversary of completion of the Plan, that number of whole EMCC shares equal to the proportionate share of the aggregate value of the CVR Securities as of August 31, 2003, to a maximum of two dollars per CVR, divided by the Net Asset Value per EMCC share as of August 31, 2003.

Prior to August 31, 2002, the Corporation had incurred $355 of acquisition costs related to this acquisition. These costs will be added to the cost of the acquisition.

This business combination will be accounted for under the purchase method and results of Welcome's operations will be included in the Corporation's results of operations as of September 9, 2002. The purchase price can be summarized as follows:

In exchange for 4,466,748 common shares of Welcome:

4,466,748 common shares of EMCC	$	6,655
Acquisition costs		355
	$	7,010

Notes
to the Consolidated Financial Statements

August 31, 2002
(Expressed in Thousands of U.S. Dollars)

7. SUBSEQUENT EVENTS (continued)

The Corporation became the sole shareholder of all of the shares of Welcome, with the result that the Corporation will have two subsidiaries, Welcome as of September 9, 2002 and ECC as of August 29, 2002. Pro forma consolidated balance sheet (unaudited) as at August 31, 2002 giving effect to the acquisition of Welcome by the Corporation is as follows:

	Endeavour Mining Capital Corp. August 31, 2002	Welcome Opportunities Ltd. August 31, 2002	Endeavour Mining Capital Corp. Pro Forma
ASSETS			(Unaudited)
Cash and cash equivalents	$ 8,546	$ 2,200	$ 10,746
Investments	13,499	5,146	18,645
Receivable for investments sold	18	-	18
Income taxes recoverable	-	832	832
Other assets	2	5	7
	22,065	8,183	30,248
LIABILITIES			
Investment advisor fees payable	37	-	37
Accrued performance fees	2,032	-	2,032
Payable to related companies	15	-	15
Accrued expenses and other liabilities	330	100	430
Future income tax liability	-	490	490
	2,414	590	3,004
NET ASSETS	$ 19,650	$ 7,593	$ 27,244
Common shares outstanding	13,028,129	4,466,748	17,494,877

(b) Subsequent to August 31, 2002, as a condition precedent to the acquisition of Welcome (Note 7 (a)) a shareholder redeemed $5,000 of shares in the Corporation.

(c) Subsequent to August 31, 2002, 1,348,971 of common shares of the Corporation were issued to a non-related party for net proceeds of $2,000. Proceeds for the subscription were received in kind in the form of shares in public companies.

Corporate Directory

Board of Directors

Michael E Beckett
Chairman & Director

Frank Giustra
Director

Bill Koutsouras
Director, Chief Financial Officer & Secretary

Wayne W McManus
Director

Anthony J Williams
Director

Neil Woodyer
Director & Chief Executive Officer

Investor Contact

Vanguard Shareholder Solutions
1-866-801-0779 (Canada)

Bill Koutsouras
(345) 946-7603 (International)

Corporate Web Site

www.endeavourminingcapital.com

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Annual Meeting

Friday, February 28, 2003
10:00 AM
George Town, Grand Cayman

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Stock Symbol

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