ENDEAVOUR MINING CAPITAL CORP.

Third Quarter Report
May 31, 2006

(Expressed in Thousands of United States Dollars)

Introduction

This discussion and analysis should be read in conjunction with the financial information included in the accompanying unaudited consolidated financial statements. The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The functional currency of the business is the United States Dollar. All monetary values are expressed in United States Dollars, unless otherwise indicated. This discussion and analysis is prepared as of June 23, 2006.

Endeavour Mining Capital Corp. ("Endeavour" or "Corporation") is a merchant banking company focused on the global natural resources sector. As a venture-capitalist for resource based companies, the Corporation originates and invests in equity, equity-linked and debt transactions where it can generate value by using the extensive international expertise of its Board of Directors and investment advisors. The Corporation actively manages its investment capital base and earnings are generated through capital appreciation, fees, and interest.

Overall performance highlights

- Net income for the quarter of $35.6 million or $1.53 per share, compared to a loss of $11.9 million or $0.52 per share for the restated quarter ended May 31, 2005.
- Net income for the nine month period of $79.6 million or $3.44 per share, compared to $11.3 million or $0.49 per share for the restated nine month period ended May 31, 2005.
- Book value per share of $7.66 (CDN$8.43) at May 31, 2006.

Restatement

In January 2006, it was ascertained that two security holdings, both of which are exchange traded warrants, were undervalued by the Corporation. The undervaluation was the result of an incorrect consolidation of two warrant positions where the underlying company's common shares were consolidated but its exchange-traded warrants were not. The financials statements have been restated and the impact of the restatement is summarized in the following tables:

	Year Ended August 31, 2005		
	As Reported	Restated	Change
Balance Sheet			
Investments	$ 90,664	$ 92,895	$ 2,231
Performance fees payable	3,470	3,917	447
Total assets	100,752	102,983	2,231
Total shareholder's equity	97,045	98,829	1,784

Restatement (continued)

	Quarter Ended May 31, 2005		
	As Reported	Restated	Change
Income Statement			
Change in net unrealized appreciation of investments and foreign currencies	(17,430)	(17,511)	(81)
Performance fee	(2,694)	(2,978)	(284)
Net income	(12,147)	(11,944)	203
Earnings per share	$ (0.53)	$ (0.52)	$ 0.01

	Nine Months Ended May 31, 2005		
	As Reported	Restated	Change
Income Statement			
Change in net unrealized appreciation of investments and foreign currencies	(6,919)	(5,258)	1,661
Performance fee	-	64	64
Net income	9,655	11,251	1,596
Earnings per share	$ 0.42	$ 0.49	$ 0.07

Critical accounting policies and estimates

A detailed description of all the Corporation's significant accounting policies is included in Note 2 to the annual consolidated financial statements for the year ended August 31, 2005.

The Corporation's investment valuation policy is critical to the understanding of results described below. For 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 the 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.

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.

Critical accounting policies and estimates (continued)

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 the underlying securities.
- 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 quarterly 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 due to changes in valuation assumptions resulting from current market conditions. 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.

Risks and Uncertainties

Management is unaware of any trends, commitments, events or uncertainties that can reasonably be expected to have a material effect on the Corporation's business, except the general risk factors and investment considerations relating to investments in Common Shares disclosed below:

Speculative Nature of Common Shares

The Corporation's Common Shares are speculative in nature and suitable only for investors able to sustain a total loss of their investment. Shareholders should not rely upon realizing any significant returns from Common Shares and should be aware that the value of Common Shares and the income from them could, in common with other shares and bonds, fluctuate. There is no assurance that the investment objectives of the Corporation will actually be achieved.

Risk of Limited Number of Investments

The Corporation intends to participate in a limited number of investments and, as a consequence, the aggregate return of the Corporation may be adversely affected by the unfavourable performance of even a single investment. In addition, as the Corporation's investments are concentrated in the resource sector, their performance will be disproportionately subject to adverse developments in the resource sector.

Mining Development Risks

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, or companies having 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 projects owned by companies in which the funds of the Corporation may be invested will be brought into, or continue to be in, commercial production. Investee companies are also subject to government and political risk as well as volatility in commodity prices that can affect the economic feasibility of projects.

Risks and Uncertainties (continued)

Currency and Foreign Exchange Rate Risks

It is anticipated that a substantial proportion of the Corporation's investments will be made in securities denominated or quoted in foreign currencies. Therefore, changes in currency exchange rates as well as associated transaction costs could adversely affect the value of the Common Shares during any period. In addition, the Corporation could also make investments in jurisdictions which may place restrictions on the repatriation of funds. The Corporation does not enter into hedging or derivative arrangements to manage its foreign exchange risk.

Summary of Quarterly Results

The following table summarizes the Corporation's results of the last eight quarters.

	Q3 2006	Q2 2006	Q1 2006 Restated	Q4 2005 Restated
Total assets	$ 195,210	$ 149,838	$ 111,647	$ 102,983
Shareholder's Equity	178,073	142,223	110,960	98,829
Total investment income	46,186	40,094	12,873	19,922
Net income	35,599	31,898	12,131	15,393
Basic earnings per share	$ 1.53	$ 1.38	$ 0.52	$ 0.67
Diluted earnings per share	$ 1.45	$ 1.37	$ 0.52	$ 0.67
	Q3 2005 Restated	**Q2 2005 Restated**	**Q1 2005**	**Q4 2004**
Total assets	$ 84,423	$ 99,452	$ 95,730	$ 75,291
Shareholder's Equity	84,115	96,059	93,318	73,521
Total investment income	(14,248)	5,220	22,616	(4,382)
Net income (loss)	(11,944)	3,398	19,796	(4,000)
Basic earnings (loss) per share	$ (0.52)	$ 0.15	$ 0.86	$ (0.17)
Diluted earnings (loss) per share	$ (0.52)	$ 0.15	$ 0.85	$ (0.17)

Results of Operations

The Corporation marks its investments to market at each reporting period, and as highlighted in the above table, the Corporation experiences significant fluctuations in its quarterly results which are substantially driven by changes in the unrealized appreciation and deprecation of its investments. The mark to market value of the Corporation's investments is affected by many factors but the primary forces include metal prices and investor sentiment. The Corporation is highly leveraged to its merchant banking investments and, in certain periods, these unrealized movements have been very dramatic. In each of the last 8 consecutive quarters the Corporation has generated net realized gains on investments.

Results of Operations (continued)

During the three month period ended May 31, 2006 investment income totaled $46.2 million and net income totalled $35.6 million (or $1.53 per share), which compares to an investment loss of $14.3 million and a net loss of $11.9 million (or $0.52 per share) during the three month period ended May 31, 2005. The higher earnings in the current quarter compared to the comparative quarter in the prior year is primarily due to the Corporation having realized gains on a number of the mature merchant banking positions during the quarter. Realized gains totaled $62.6 million in the current quarter compared to $2.8 million during the three month period ended May 31, 2005. The mark to market of the portfolio at May 31, 2006 resulted in a loss of $16.4 million during the quarter compared to a loss of $17.5 million during the three month period ended May 31, 2005.

During the nine month period ended May 31, 2006 investment income totaled $99.2 million and net income totaled $79.6 million (or $3.44 per share), which compares to investment income of $13.6 million and net income of $11.3 million (or $0.49 per share) during the nine month period ended May 31, 2005. As noted above the higher earnings in the nine month period compared to the comparative nine month period in the prior year is primarily due to the Corporation having realized gains on a number of the mature merchant banking positions during the period resulting in higher realized gains. Realized gains totalled $69.5 million in the nine month period ended May 31, 2006 compared to realized gains of $18.0 million for the nine months ended May 31, 2005. The mark to market gain in the nine month period ended May 31, 2006 was $28.9 million compared to a loss of $5.3 million during the nine month period ended May 31, 2005.

Endeavour employs an operating style that has shown excellent results and allows it to add value quickly and efficiently. The Corporation offers a unique combination of financial and intellectual capital to help build companies and generate shareholder value. It invests in companies with the potential for significant future growth with aggressive management teams either in-place or brought in as part of the transaction.

Endeavour operates in a highly competitive financial marketplace that demands the utmost discretion and confidentiality. Accordingly, its practice is not to disclose sensitive details regarding individual transactions. This practice has been carefully considered with the primary objective of maximizing our potential returns by limiting the possibility of adverse market impacts caused by inopportune disclosure.

The Corporation relies on its investment advisors for new business recommendations, analytical support and guidance for the optimal realization of existing investments. As such, the Corporation has material agreements with the investment advisors that define the services to be rendered and the compensation due.

Endeavour Securities Corporation ("ESC") performed the role of investment advisor for the six month period ended February 28, 2006. Commencing in March 2006 US Global Investors Inc. ("US Global") has assumed the role of Equity Investment Advisor and ESC has assumed the role of Manager. US Global's mandate is to handle the overall portfolio management and equity investment opportunities while ESC will focus on their area of expertise including debt and structured investment opportunities.

The aggregate fees payable to investment advisors are: (1) an investment advisory fee, calculated and payable monthly as 1/12th of 2% on the first $50 million of net assets, 1/12th of 1.5% on the next $50 million of net assets, and 1/12th of 1% on net assets in excess of $100 million, and (2) 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.

During the three month period ended May 31, 2006 the investment advisors received investment advisory fees totaling $0.7 million and a performance fee of $9.5 million was accrued. During the comparative three month period ended May 31, 2005 the investment advisor received an investment advisory fee totaling $0.4 million and the performance fee accrual was reduced by $3.0 million. The increase in the investment advisory fee paid to the investment advisors is a

Results of Operations (continued)

direct result of the growth of the net assets of the Corporation. The increase in the performance fee accrual is primarily due to the significant realized gains during the current quarter which resulted in significant net income. The combined investment advisory fee and performance fee accrued represent the most significant expenses incurred during the three month period ended May 31, 2006 and May 31, 2005. Other operating expenses which consist of general administrative costs and professional fees totaled $0.4 million in the three month period ended May 31, 2006 compared to $0.3 million in the three month period ended May 31, 2005. The higher expense in the current period is a result of higher professional fees in connection with the short form prospectus filed by the Corporation on May 5, 2006.

Liquidity and Capital Resources

At May 31, 2006 the Corporation held assets totalling $195.2 million comprised mainly of investments (67%) and cash and cash equivalents (33%) compared to assets held at August 31, 2005 of $103 million comprised mainly of investments (90%), cash and cash equivalents (9%) and other assets (1%). The higher cash balance at May 31, 2006 is a result of the Corporation having realized gains on several of its mature merchant banking positions during the period.

The liabilities of the Corporation totalled $17.1 million as of May 31. 2006 of which $16.8 million is the accrued performance fee. At August 31, 2005 total liabilities were $4.1 million of which $4.0 million was payable to the investment advisor, and $0.1 million was for other accrued expenses. The Corporation had adequate cash resources as at May 31, 2006 to settle the liabilities.

The increase of $79.2 million in Shareholders' Equity in the Corporation to $178.1 million at May 31, 2006 from $98.8 million as at August 31, 2005 is attributable to (1) operations that generated $79.6 million of net income, and (2) proceeds from stock options exercised of $0.3 million. The increases noted above were offset by the dividend payment of $0.7 million at February 28, 2006.

The Corporation has no long term debt, capital lease obligations, operating leases, purchase obligations or other long term obligations outstanding.

Outstanding Share Data at May 31, 2006 and June 23, 2006

The Corporation has 1,000,000,000 voting shares of $0.01 par value and 1,000,000,000 undesignated shares authorized. The Corporation also had 23,241,878 issued and outstanding shares with share capital of $52,164. Share capital includes $51,932 (August 31, 2005 - $51,514) of additional paid in capital. During the quarter ended May 31, 2006, 47,000 options were exercised at a price of CDN$2.55 per share; 6,800 options were exercised at a price of CDN$3.50 per share and 35,000 options were exercised at a price of CDN$4.20.

The Corporation has 3,625,500 outstanding and exercisable warrants with a weighted average exercise price of CDN$5.50 and a weighted average remaining contractual life of 2.45 years. At August 31, 2005, 3,987,500 warrants were outstanding.

Stock option plan

The Corporation has established a stock option plan whereby the Corporation's directors may from time to time grant options to directors, employees or consultants. The maximum term of any option is five years. The exercise price of an option is not less than the closing price on the exchange on the last trading day preceding the grant date. At May 31, 2006 there were 2,324,188 options available for grant under the plan (August 31, 2005 - 1,576,286).

Outstanding Share Data at May 31, 2006 and June 23, 2006 (continued)

The following table summarizes information about the options outstanding as at May 31, 2006:

	Options outstanding & exercisable	Weighted average exercise price (CDN$)	Weighted average remaining contractual life
	295,500	$ 2.55	1.28 years
	93,200	3.50	2.44 years
	65,000	4.20	2.51 years
May 31, 2006	453,700	$ 3.03	1.69 years

Outlook

The Corporation's view is that natural resources sector will continue to be strong which is expected to benefit the Corporation's merchant banking positions and aid the creation of new opportunities within specific commodity and resource sectors, and certain geographic regions, where we can add value through our unique business approach and expertise. The strong economic performance of the capital intensive resource sector has and is expected to continue attracting capital from multiple sources. In this increasingly competitive environment, the Corporation is focused on opportunities where it sees a path to value creation. Looking forward, the Corporation intends to add a venture-capital element to its merchant banking business plan whereby it may take direct project ownership or invest in private equity, royalties or commodity-specific revenue streams in addition to the value creation that will arise from its existing core merchant banking positions.

While earnings volatility should be anticipated, management believes that its superior deal flow and access to potentially high return transactions will result in the continued growth of the Corporation's investment capital base.

Additional information relating to the Corporation is available on the Corporations web site at www.endeavourminingcapital.com and in the Corporation's Annual Information Form for the period ending August 31, 2005 on SEDAR at www.sedar.com.

ENDEAVOUR MINING CAPITAL CORP.
Consolidated Balance Sheets

(Expressed in Thousands of United States Dollars)
(Unaudited)

		May 31, 2006		August 31, 2005 Restated
ASSETS				
Cash and cash equivalents	$	64,173	$	5,702
Restricted cash		-		3,500
Investments (cost: May 31, 2006 $67,934; Aug 31, 2005 $57,213) (Note 2)		131,004		92,895
Receivables and other assets		33		886
	$	195,210	$	102,983
LIABILITIES				
Investment advisor fees payable	$	225	$	146
Performance fees payable		16,823		3,917
Accrued expenses and other liabilities		89		91
		17,137		4,154
SHAREHOLDERS' EQUITY				
Share capital (Note 3)		52,164		51,745
Warrants (Note 3)		-		240
Contributed surplus (Note 3)		680		536
Retained earnings		125,229		46,308
		178,073		98,829
	$	195,210	$	102,983

Approved by the Board:

"Neil Woodyer" Director   "Wayne McManus" Director

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

ENDEAVOUR MINING CAPITAL CORP.
Consolidated Statements of Operations & Retained Earnings

(Expressed in Thousands of United States Dollars, except per share amounts)
(Unaudited)

	Three Months Ended May 31, 2006	Three Months Ended May 31, 2005 Restated	Nine Months Ended May 31, 2006	Nine Months Ended May 31, 2005 Restated
INVESTMENT INCOME				
Net realized gain on investments	$ 62,552	$ 2,782	$ 69,518	$ 17,961
Change in net unrealized appreciation of investments and foreign currencies	(16,443)	(17,511)	28,900	(5,258)
Interest	55	207	613	572
Dividends, net of withholding taxes	22	47	76	58
Loan facility fees	-	227	46	255
	46,186	(14,248)	99,153	13,588
EXPENSES				
Performance fee	9,522	(2,978)	16,823	64
Investment advisory fee	668	392	1,666	1,205
General office and administrative	194	191	679	758
Professional fees	203	91	357	310
	10,587	(2,304)	19,525	2,337
NET INCOME	35,599	(11,944)	79,628	11,251
RETAINED EARNINGS, BEGINNING OF PERIOD	89,630	43,538	46,308	21,000
DIVIDENDS	-	-	707	657
RETAINED EARNINGS, END OF PERIOD	$ 125,229	$ 31,594	$ 125,229	$ 31,594
BASIC EARNINGS PER SHARE	$ 1.53	$ (0.52)	$ 3.44	$ 0.49
DILUTED EARNINGS PER SHARE	$ 1.45	$ (0.52)	$ 3.38	$ 0.48
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING	23,206,491	23,120,578	23,151,435	23,120,578
DILUTED WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING	24,479,013	23,120,578	23,575,900	23,199,724

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

ENDEAVOUR MINING CAPITAL CORP.
Consolidated Statements of Cash Flows

(Expressed in Thousands of United States Dollars)
(Unaudited)

	Three Months Ended May 31, 2006	Three Months Ended May 31, 2005 Restated	Nine Months Ended May 31, 2006	Nine Months Ended May 31, 2005 Restated
OPERATING ACTIVITIES				
Net income	$ 35,599	$ (11,944)	$ 79,628	$ 11,251
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Net realized gain on investments	(62,552)	(2,782)	(69,518)	(17,961)
Change in net unrealized appreciation of investments and foreign currencies	16,443	17,511	(28,900)	5,258
Decrease (increase) in receivables and other assets	168	(866)	853	(871)
Increase (decrease) in investment advisor fees payable	38	(19)	79	9
Increase (decrease) in performance fees payable	9,522	(2,978)	12,906	(1,487)
(Decrease) increase in accrued expenses and other liabilities	(38)	(88)	(2)	15
Decrease in restricted cash	-	-	3,500	-
Purchase of investments	(36,886)	(7,494)	(52,749)	(33,065)
Proceeds from the sale of investments	88,419	7,855	113,057	39,130
	50,713	(805)	58,854	2,279
FINANCING ACTIVITIES				
Shares issued	251	-	324	-
Dividends paid to shareholders	-	-	(707)	(657)
	251	-	(383)	(657)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	50,964	(805)	58,471	1,622
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	13,209	7,728	5,702	5,301
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 64,173	$ 6,923	$ 64,173	$ 6,923

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

(Expressed in Thousands of United States Dollars, except per share amounts)

1. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. They follow the same accounting policies and methods of application as the audited consolidated financial statements of Endeavour Mining Capital Corp. (the "Corporation") for the year ended August 31, 2005. These unaudited interim consolidated financial statements do not include all the information and note disclosures required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the most recent annual audited consolidated financial statements.

2. INVESTMENTS

Investments are comprised of the following:

	May 31, 2006		August 31, 2005 (Restated - Note 4)	
Investments by location	**Value**	**% of Investments**	Value	% of Investments
Equities:				
North America	**$ 23,542**	**18.0%**	$ 18,441	19.8%
South America	**22,763**	**17.4%**	29,893	32.2%
Europe and Asia	**25,675**	**19.6%**	22,259	24.0%
Africa	**16,800**	**12.8%**	7,410	8.0%
Oceania	**270**	**0.2%**	1,099	1.2%
Total equities	**89,050**	**68.0%**	79,102	85.2%
Convertible Loans and Debentures				
North America	**-**	**0.0%**	7,442	8.0%
South America	**1,818**	**1.4%**	1,684	1.8%
Total Convertible Loans and Debentures	**1,818**	**1.4%**	9,126	9.8%
Warrants				
North America	**9,950**	**7.6%**	393	0.4%
South America	**21,848**	**16.6%**	2,818	3.0%
Europe and Asia	**6,817**	**5.2%**	984	1.1%
Africa	**1,057**	**0.8%**	472	0.5%
Oceania	**464**	**0.4%**	-	0.0%
Total Warrants	**40,136**	**30.6%**	4,667	5.0%
Total Investment Portfolio	**$ 131,004**	**100.0%**	$ 92,895	100.0%

(Expressed in Thousands of United States Dollars, except per share amounts)

2. INVESTMENTS (continued)

Consistent with the Corporation's merchant banking business plan, the Corporation appoints directors to some of the companies in which it invests. The market value of investments in companies for which the Corporation has directors in common totaled $28,056 at May 31, 2006 (August 31, 2005 - $10,323).

The carrying value of investments in privately-held companies totaled $1,648 at May 31, 2006 (August 31, 2005 - $7,890).

3. SHARE CAPITAL

(a) Voting shares

Authorized
1,000,000,000 voting shares of $0.01 par value
1,000,000,000 undesignated shares

	Number of Shares		Amount
Issued			
Opening balance, September 1, 2005	23,120,578	$	51,745
Stock options exercised	121,300		419
Closing balance, May 31, 2006	23,241,878	$	52,164

Share capital includes $51,932 (August 31, 2005 - $51,514) of additional paid in capital.

The following table summarizes information about the warrants outstanding as at May 31, 2006:

	Warrants outstanding & exercisable		Weighted average exercise price (CDN$)	Weighted average remaining contractual life
At May 31, 2006	3,625,000	$	5.50	2.45 years

At August 31, 2005, 3,987,500 warrants were issued or outstanding.

(Expressed in Thousands of United States Dollars, except per share amounts)

3. SHARE CAPITAL (continued)

(b) Stock option plan

The Corporation has established a stock option plan whereby the Corporation's directors may from time to time grant options to directors, employees or consultants. The maximum term of any option is five years, but generally options are granted for five years or less. The exercise price of an option is not less than the closing price on the exchange on the last trading day preceding the grant date. At May 31, 2006 there were 2,324,188 options available for grant under the plan (August 31, 2005 - 1,576,286).

During the three months ended May 31, 2006, 47,000 options were exercised at a price of CDN$2.55 per share; 6,800 options were exercised at a price of CDN$3.50 per share and 35,000 options were exercised at a price of CDN$4.20.

The following table summarizes information about the options outstanding as at May 31, 2006:

	Options outstanding & exercisable	Weighted average exercise price (CDN$)		Weighted average remaining contractual life
	295,500	$	2.55	1.28 years
	93,200		3.50	2.44 years
	65,000		4.20	2.51 years
May 31, 2006	453,700	$	3.03	1.69 years

4. RESTATEMENT

In January 2006 it was ascertained that two security holdings, both of which are exchange traded warrants, were undervalued by the Corporation. The undervaluation was the result of an incorrect consolidation of two warrant positions where the underlying company's common shares were consolidated but its exchange-traded warrants were not. The financials statements have been restated and the impact of the restatement is summarized in the following tables:

(Expressed in Thousands of United States Dollars, except per share amounts)

4. RESTATEMENT (continued)

	Quarter Ended May 31, 2005		
	As Reported	Restated	Change
Income Statement			
Change in net unrealized appreciation of investments and foreign currencies	(17,430)	(17,511)	(81)
Performance fee	(2,694)	(2,978)	(284)
Net income	(12,147)	(11,944)	203
Earnings per share	$ (0.53)	$ (0.52)	$ 0.01

	Nine Months Ended May 31, 2005		
	As Reported	Restated	Change
Income Statement			
Change in net unrealized appreciation of investments and foreign currencies	(6,919)	(5,258)	1,661
Performance fee	-	64	64
Net income	9,655	11,251	1,596
Earnings per share	$ 0.42	$ 0.49	$ 0.07

	Year Ended August 31, 2005		
	As Reported	Restated	Change
Balance Sheet			
Investments	$ 90,664	$ 92,895	$ 2,231
Performance fees payable	3,470	3,917	447
Total assets	100,752	102,983	2,231
Total shareholder's equity	97,045	98,829	1,784