



ENDEAVOUR MINING CAPITAL CORP.

**Second Quarter Report
February 28, 2005**

(Expressed in Thousands of United States Dollars)

ENDEAVOUR MINING CAPITAL CORP.

Management's Discussion and Analysis of
Results of Operations and Financial Condition
Second Quarter Report – February 28, 2005

Introduction

This discussion and analysis should be read in conjunction with the financial information included in the 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 March 25, 2005.

Endeavour Mining Capital Corp. ("Endeavour" or "Corporation") is a merchant banking company focused on the global natural resources sector. 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 its investment advisor, Endeavour Financial. The Corporation actively manages its investment capital base and earnings are generated through capital appreciation, fees, and interest.

Second quarter highlights

- Net income of \$2.0 million or \$0.09 per share for the quarter
- Net income of \$21.8 million or \$0.94 per share for the six month period
- Net asset value per share of \$4.09 (CDN\$5.06) at February 28, 2005, a record high
- Semi-annual cash dividend of CDN\$0.035 paid

Critical Accounting Policies

Effective September 1, 2004, the Company adopted the amended recommendations of the CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments". Under the amended standards of this Section, the fair value of all stock-based awards granted are estimated using the Black-Scholes model and are recorded in operations over the vesting periods. The compensation cost related to stock options granted after September 1, 2004 is recorded in operations.

Previously, the Company provided note disclosure of pro forma net earnings per share as if the fair value based method had been used to account for share purchase options granted to employees, directors and officers after September 1, 2002. The amended recommendations have been applied retroactively from September 1, 2002 without restatement of prior periods. As a result, as of September 1, 2004, retained earnings decreased by \$0.5 million and contributed surplus increased by \$0.5 million.

There were no options granted by the Company in the three or six months ended February 28, 2005 and therefore no compensation expense for share purchase options is included in the statement of operations. Had the same basis been applied to 2004 share purchase options granted, net income for the three and six months ended February 29, 2004 would have been as follows:

(in thousands, except per share amounts)	Three Months Ended February 29, 2004	Six Months Ended February 29, 2004
Net income	\$ (2,435)	\$ 24,501
Additional compensation expense for options	(151)	(301)
Pro forma net income	\$ (2,586)	\$ 24,200
Pro forma basic earnings per share	\$ (0.11)	\$ 1.19
Pro forma diluted earnings per share	\$ (0.11)	\$ 1.19

ENDEAVOUR MINING CAPITAL CORP.

Management's Discussion and Analysis of Results of Operations and Financial Condition Second Quarter Report – February 28, 2005

Compensation expense was determined using an option pricing model assuming no dividends were to be paid, a weighted average volatility of the Corporation's share price of 61.2%, an annual risk free interest rate of 4.3% and expected lives of five years.

Results from Operations

(in thousands, except per share amounts)	Q2 2005	Q1 2005	Q4 2004	Q3 2004
Total investment income	\$ 3,479	\$ 22,616	\$ (4,381)	\$ (6,693)
Net income (loss)	2,006	19,797	(3,999)	(5,833)
Basic earnings (loss) per share	\$ 0.09	\$ 0.86	\$ (0.17)	\$ (0.25)
Diluted earnings (loss) per share	\$ 0.09	\$ 0.85	\$ (0.17)	\$ (0.25)

	Q2 2004	Q1 2004	Q4 2003	Q3 2003
Total investment income	\$ (2,317)	\$ 32,492	\$ 15,530	\$ 2,045
Net income (loss)	(2,435)	26,936	12,132	1,406
Basic earnings (loss) per share	\$ (0.11)	\$ 1.54	\$ 0.78	\$ 0.09
Diluted earnings (loss) per share	\$ (0.10)	\$ 1.54	\$ 0.78	\$ 0.09

During the three month period ended February 28, 2005, investment income totaled \$3.5 million and net income totaled \$2.0 million (or \$0.09 per share), which compares to an investment loss of \$2.3 million and net loss of \$2.4 million (or \$0.11 per share) during the three month period ended February 29, 2004. The higher earnings in the current quarter are due to relatively stronger mining equity market valuations during the period.

During the six month period ended February 28, 2005, investment income totaled \$26.1 million and net income totaled \$21.8 million (or \$0.94 per share), which compares to investment income of \$30.2 million and net income of \$24.5 million (or \$1.21 per share) during the six month period ended February 29, 2004.

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 depreciation 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 core 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 sold.

Endeavour employs an operating style that has shown strong 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. During the second quarter, the Corporation's historic merchant banking investments continued to perform well, and certain of these holdings were liquidated. While the core merchant banking positions remain metals-based, the Corporation

ENDEAVOUR MINING CAPITAL CORP.

Management's Discussion and Analysis of Results of Operations and Financial Condition Second Quarter Report – February 28, 2005

invested in a number of early stage opportunities and also increased its exposure to platinum, nickel and oil and gas.

Endeavour operates in a highly competitive financial marketplace that demands the utmost discretion and confidentiality. Accordingly, our 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 their investment advisor, Endeavour Financial, 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 investment advisory agreement has 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, 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. 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.

During the three month period ended February 28, 2005, the investment advisor received an investment advisory fee totaling \$0.4 million and a performance fee of \$0.5 million was accrued. During the comparative three month period ended February 29, 2004, the investment advisor received an investment advisory fee totaling \$0.4 million and the performance fee accrual decreased by \$0.9 million. The increase in the performance fee accrual during the three month period ended February 28, 2005 compared to the decrease in the accrual during the three month period ended February 29, 2004 is a direct result of the income generated in the current quarter, while a loss was recorded in the comparative quarter last year. The combined investment advisory fee and performance fee accrued represent the most significant expenses incurred during the three and six month period ended February 28, 2005. In aggregate, other operating expenses which consist of general administrative costs and professional fees were consistent with the comparative three and six month periods in the prior year.

Liquidity and Capital Resources

At February 28, 2005 the Corporation held assets totalling \$97.7 million comprised mainly of investments (92%) and cash and cash equivalents (8%) compared to assets held at August 31, 2004 of \$75.3 million comprised mainly of investments (93%) and cash and cash equivalents (7%). The increase in the total value of cash and cash equivalents at February 28, 2005 is a result of the strong mining resource markets during the quarter which allowed the Corporation to realize gains on some of their merchant banking investments.

The liabilities of the Corporation totalled \$3.0 million as of February 28, 2005 of which \$2.7 million was the performance fee accrual, \$0.1 million was payable to the investment advisor, and \$0.2 million was for other accrued expenses. At August 31, 2004 total liabilities were \$1.8 million of which \$1.6 million was the performance fee accrual, \$0.1 million was payable to the investment advisor, and \$0.1 million was for other accrued expenses. The Corporation had adequate cash resources as at February 28, 2005 to settle the liabilities.

The increase of \$21.2 million in Shareholders' Equity in the Corporation to \$94.7 million at February 28, 2005 from \$73.5 million as at August 31, 2004 is attributable to operations that generated \$21.8 million of net income. The income was offset by the dividend payment in February 2005 of \$0.6 million.

ENDEAVOUR MINING CAPITAL CORP.

Management's Discussion and Analysis of
Results of Operations and Financial Condition
Second Quarter Report – February 28, 2005

Outstanding Share Data as at March 25, 2005

(a) Voting shares

Authorized

100,000,000 voting shares of \$0.01 par value

100,000,000 undesignated shares

	Six month period ended February 28, 2005		Year ended August 31, 2004	
	Number of Shares	Amount	Number of Shares	Amount
Issued				
Opening balance	23,120,578	\$ 51,745	15,592,868	\$ 33,623
Issued, for cash	-	-	7,250,000	19,071
Share issue costs	-	-	-	(1,504)
Contingent Value Rights exercised	-	-	87,710	235
Stock options exercised for cash	-	-	190,000	320
Closing balance	23,120,578	\$ 51,745	23,120,578	\$ 51,745

Share capital includes \$51,514 (August 31, 2004 - \$51,514) of additional paid in capital.

The following table summarizes information about the warrants outstanding as at March 25, 2005:

Warrants outstanding & exercisable	Weighted average exercise price (CDNS)	Weighted average remaining contractual life
362,500	\$ 4.50	0.70 years
3,625,000	5.50	3.70 years
3,987,500	\$ 5.41	3.43 years

(b) Stock Options

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 March 25, 2005 there were 1,576,286 options available for grant under the plan (August 31, 2004 - 1,576,286).

The following table summarizes information about the options outstanding as at March 25, 2005:

Options outstanding	Weighted average exercise price (CDNS)	Weighted average remaining contractual life
375,000	\$ 2.55	2.53 years
100,000	3.50	3.69 years
100,000	4.20	3.76 years
575,000	\$ 3.00	2.94 years

ENDEAVOUR MINING CAPITAL CORP.

Management's Discussion and Analysis of
Results of Operations and Financial Condition
Second Quarter Report – February 28, 2005

Outlook

Our continued financial achievements confirm the effectiveness of our merchant banking business strategy. They also have provided us the confidence and the financial resources to augment our strategy to take advantage of growth opportunities in a broader range of natural resource sectors.

Our view is that strong, positive forces will continue driving the natural resources sector, sustaining and possibly increasing high commodity prices. We see the sector's favourable economic drivers creating opportunities in a broader range of minerals and in energy, and we are confident that Endeavour Mining's core strengths are well suited to capitalizing on these emerging opportunities.

Endeavour Mining will remain focused on metals and mining. But we are well positioned to apply our business approach and investment strategies to other facets of the natural resources sector, which also depend on capital markets for growth. Our growing reputation as a capable investor and our international network across financial markets provide us with an expanding flow of transactions. All indicators suggest that the time is right for us to evolve our growth strategy by deploying our investment capital base into other natural resource sectors while continuing to be highly selective in our investment decisions.

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 Corporation's web site at www.endeavourminingcapital.com and in the Corporation's Annual Information Form for the period ending August 31, 2004 on SEDAR at www.sedar.com.

ENDEAVOUR MINING CAPITAL CORP.

Consolidated Balance Sheet

(Expressed in Thousands of United States Dollars)

	February 28, 2005 (Unaudited)	August 31, 2004
ASSETS		
Cash and cash equivalents	\$ 7,728	\$ 5,301
Investments (cost: Feb. 28, 2005 \$55,541; Aug 31, 2004 \$45,995) (Note2)	89,858	69,871
Receivables and other assets	124	119
	<u>\$ 97,710</u>	<u>\$ 75,291</u>
LIABILITIES		
Investment advisor fees payable	\$ 143	\$ 115
Performance fees accrued	2,693	1,551
Accrued expenses and other liabilities	208	104
	<u>3,044</u>	<u>1,770</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 3)	51,745	51,745
Warrants (Note 3)	240	240
Contributed surplus	536	84
Retained earnings	42,145	21,452
	<u>94,666</u>	<u>73,521</u>
	<u>\$ 97,710</u>	<u>\$ 75,291</u>

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)**

	Three Months Ended		Six Months Ended	
	February 28, 2005 (Unaudited)	February 29, 2004 (Unaudited)	February 28, 2005 (Unaudited)	February 29, 2004 (Unaudited)
INVESTMENT INCOME				
Net realized gain on investments	\$ 3,703	\$ 2,892	\$ 15,179	\$ 8,756
Change in net unrealized appreciation/depreciation of investments and foreign currencies	(371)	(5,596)	10,512	21,013
Interest	141	155	364	174
Dividends, net of withholding taxes	6	8	11	8
Loan facility fees	-	225	27	225
	3,479	(2,316)	26,093	30,176
EXPENSES				
Performance fee	501	(871)	2,694	4,130
Investment advisory fee	409	394	813	706
General office and administrative	384	488	566	688
Professional fees	180	108	218	151
	1,474	119	4,291	5,675
NET INCOME (LOSS)	2,005	(2,435)	21,802	24,501
RETAINED EARNINGS, BEGINNING OF PERIOD, as previously reported	40,797	34,939	21,452	8,003
ADJUSTMENT FOR STOCK-BASED COMPENSATION (Note 1(a))	-	-	(452)	-
DIVIDENDS PAID	(657)	(604)	(657)	(604)
RETAINED EARNINGS, END OF PERIOD	\$ 42,145	\$ 31,900	\$ 42,145	\$ 31,900
BASIC EARNINGS (LOSS) PER SHARE	\$ 0.09	\$ (0.11)	\$ 0.94	\$ 1.21
DILUTED EARNINGS (LOSS) PER SHARE	\$ 0.09	\$ (0.11)	\$ 0.94	\$ 1.20
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING	23,120,578	23,120,578	23,120,578	20,283,261
DILUTED WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING	23,209,015	23,279,898	23,202,731	20,390,627

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)**

	Three Months Ended		Six Months Ended	
	February 28, 2005 (Unaudited)	February 29, 2004 (Unaudited)	February 28, 2005 (Unaudited)	February 29, 2004 (Unaudited)
OPERATING ACTIVITIES				
Net income (loss)	\$ 2,005	\$ (2,435)	\$ 21,802	\$ 24,501
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:				
Net realized gain on investments	(3,703)	(2,892)	(15,179)	(8,756)
Change in net unrealized appreciation/depreciation of investments and foreign currencies	371	5,596	(10,512)	(21,013)
Decrease (increase) in receivables and other assets	193	(72)	(5)	(285)
Increase (decrease) in investment advisor fees payable	3	(5)	28	56
Increase (decrease) in accrued performance fees	501	(871)	1,142	693
Increase (decrease) in accrued expenses and other liabilities:	128	(1,820)	104	(1,144)
Purchase of investments	(14,898)	(13,871)	(25,572)	(32,855)
Proceeds from the sale of investments	10,908	7,017	31,276	24,174
	(4,492)	(9,353)	3,084	(14,629)
FINANCING ACTIVITIES				
Received from the issue of common shares	-	-	-	19,626
Share issue costs	-	(15)	-	(1,264)
Dividends paid to shareholders	(657)	(604)	(657)	(604)
	(657)	(619)	(657)	17,758
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,149)	(9,972)	2,427	3,129
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	12,877	18,941	5,301	5,840
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 7,728	\$ 8,969	\$ 7,728	\$ 8,969

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

ENDEAVOUR MINING CAPITAL CORP.
Notes to the Unaudited Consolidated Financial Statements
February 28, 2005
(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, 2004 except as noted below. 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.

(a) Stock-based compensation

Effective September 1, 2004, the Company adopted the amended recommendations of the CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments". Under the amended standards of this Section, the fair value of all stock-based awards granted are estimated using the Black-Scholes model and are recorded in operations over the vesting periods. The compensation cost related to stock options granted after September 1, 2004 is recorded in operations.

Previously, the Company provided note disclosure of pro forma net earnings per share as if the fair value based method had been used to account for share purchase options granted to employees, directors and officers after September 1, 2002. The amended recommendations have been applied retroactively from September 1, 2002 without restatement of prior periods. As a result, as of September 1, 2004, retained earnings decreased by \$452 and contributed surplus increased by \$452.

There were no options granted by the Company in the six months ended February 28, 2005 and therefore no compensation expense for share purchase options is included in the statement of operations. Had the same basis been applied to 2004 share purchase options granted, net income for the three and six months ended February 29, 2004 would have been as follows:

(in thousands, except per share amounts)	Three Months Ended February 29, 2004	Six Months Ended February 29, 2004
Net income	\$ (2,435)	\$ 24,501
Additional compensation expense for options	(151)	(301)
Pro forma net income	\$ (2,586)	\$ 24,200
Pro forma basic earnings per share	\$ (0.11)	\$ 1.19
Pro forma diluted earnings per share	\$ (0.11)	\$ 1.19

Compensation expense was determined using an option pricing model assuming no dividends were to be paid, a weighted average volatility of the Corporation's share price of 61.2%, an annual risk free interest rate of 4.3% and expected lives of five years.

ENDEAVOUR MINING CAPITAL CORP.
Notes to the Unaudited Consolidated Financial Statements
February 28, 2005
(Expressed in Thousands of United States Dollars, except per share amounts)

2. INVESTMENTS

Investments are comprised of the following:

Investments by location	February 28, 2005		August 31, 2004	
	Value	% of Investments	Value	% of Investments
Equities:				
North America	\$ 12,024	13.4%	\$ 17,529	25.0%
South America	34,124	38.0%	19,751	28.3%
Europe and Asia	19,671	21.9%	9,383	13.4%
Africa	7,674	8.5%	2,559	3.7%
Oceania	2,077	2.3%	2,074	3.0%
Total equities	75,570	84.1%	51,296	73.4%
Convertible Loans and Debentures				
North America	5,508	6.1%	6,130	8.8%
South America	1,620	1.8%	1,592	2.3%
Africa	-	0.0%	2,500	3.5%
Total Convertible Loans and Debentures	7,128	7.9%	10,222	14.6%
Warrants				
North America	140	0.1%	1,334	1.9%
South America	4,200	4.7%	5,497	7.9%
Europe and Asia	2,409	2.7%	1,125	1.6%
Africa	411	0.5%	50	0.1%
Oceania	-	0.0%	347	0.5%
Total Warrants	7,160	8.0%	8,353	12.0%
Total Investment Portfolio	\$ 89,858	100.0%	\$ 69,871	100.0%

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 \$15,446 at February 28, 2005 (August 31, 2004 - \$15,609).

* Included in equities are written covered call options. As at February 28, 2005, the market value of these options totaled \$Nil (August 31, 2004 - \$Nil).

ENDEAVOUR MINING CAPITAL CORP.
Notes to the Unaudited Consolidated Financial Statements
February 28, 2005
(Expressed in Thousands of United States Dollars, except per share amounts)

3. SHARE CAPITAL

(a) Voting shares

Authorized

100,000,000 voting shares of \$0.01 par value

100,000,000 undesignated shares

	Six month period ended February 28, 2005		Year ended August 31, 2004	
	Number of Shares	Amount	Number of Shares	Amount
Issued				
Opening balance	23,120,578	\$ 51,745	15,592,868	\$ 33,623
Issued, for cash	-	-	7,250,000	19,071
Share issue costs	-	-	-	(1,504)
Contingent Value Rights exercised	-	-	87,710	235
Stock options exercised for cash	-	-	190,000	320
Closing balance	23,120,578	\$ 51,745	23,120,578	\$ 51,745

Share capital includes \$51,514 (August 31, 2004 - \$51,514) of additional paid in capital.

The following table summarizes information about the warrants outstanding as at February 28, 2005:

Warrants outstanding & exercisable	Weighted average exercise price (CDN\$)	Weighted average remaining contractual life
362,500	\$ 4.50	0.70 years
3,625,000	5.50	3.70 years
3,987,500	\$ 5.41	3.43 years

ENDEAVOUR MINING CAPITAL CORP.
Notes to the Unaudited Consolidated Financial Statements
February 28, 2005
(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 February 28, 2005 there were 1,576,286 options available for grant under the plan (August 31, 2004 - 1,576,286).

In accordance with the Corporation's stock option plan, the Corporation issued 200,000 stock options to directors during the year ended August 31, 2004. Of the 200,000 stock options issued, 100,000 are exercisable into common shares at a price of CDN\$3.50 (\$2.67) per share expiring November 6, 2008 and 100,000 are exercisable into common shares at a price of CDN\$4.20 (\$3.20) per share expiring December 1, 2008.

A summary of the changes in stock options is presented below:

	Options outstanding & exercisable	Weighted average exercise price (CDN\$)
At August 31, 2003	575,000	2.46
Granted	200,000	3.85
Exercised	(190,000)	2.30
Expired	(10,000)	2.30
<hr/>		
At February 28, 2005 and August 31, 2004	575,000	\$ 3.00

The following table summarizes information about the options outstanding as at February 28, 2005:

Options outstanding	Weighted average exercise price (CDN\$)	Weighted average remaining contractual life
375,000	\$ 2.55	2.53 years
100,000	3.50	3.69 years
100,000	4.20	3.76 years
<hr/>		
575,000	\$ 3.00	2.94 years
