



ENDEAVOUR MINING CAPITAL CORP.

**Second Quarter Report
February 29, 2004**

(Expressed in United States Dollars)

ENDEAVOUR MINING CAPITAL CORP.

Management's Discussion and Analysis of
Results of Operations and Financial Condition
Second Quarter Report – February 29, 2004

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.

Endeavour Mining Capital Corp. ("Endeavour" or "Corporation") 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 equity investments, equity linked investments and debt financing. The Corporation actively manages its investment capital base and earnings are generated through capital appreciation, fees, and interest.

Second quarter highlights

- Net loss of \$2.4 million or \$0.10 per share for the quarter
- Net income of \$24.5 million or \$1.21 per share for the six month period
- First regular semi-annual cash dividend of CDN\$0.035 paid

Results from Operations

During the three month period ended February 29, 2004, the net investment loss totaled \$2.3 million which compares to net investment income of \$8.3 million during the three month period ended February 28, 2003. The decrease in the investment income earned is attributable to soft market conditions in the metals markets during the three month period ended February 29, 2004.

During the six month period ended February 29, 2004, net investment income totaled \$30.2 million which compares to net investment income of \$4.6 million during the six month period ended February 28, 2003. The increase in the investment income earned reflects the longer term upward trends in the metals markets and the effective implementation of the Corporation's business strategy. The increase in the investment income earned also reflects the benefits of an increased investment capital base which has expanded the Corporation's investment capabilities.

The Corporation experienced a net loss of \$2.4 million (or \$0.11 per share) over the three month period ended February 29, 2004 as compared to net income of \$7.9 million (or \$0.51 per share) during the three month period ended February 28, 2003.

During the six month period ended February 29, 2004 the Corporation generated earnings of \$24.5 million (or \$1.21 per share) as compared to earnings of \$3.9 million (or \$0.25 per share) during the same period last year.

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 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 as 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, payable as to 1/12th monthly. 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.

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During the three month period ended February 29, 2004 the investment advisor received an investment advisory fee totaling \$0.4 million and the performance fee accrued decreased by \$0.8 million. During the comparative three month period ended February 29, 2003, the investment advisor received an investment advisory fee totaling \$0.1 million and a performance fee of \$0.07 million was accrued. The increase in the investment advisory fee paid to the investment advisor during the current period is a direct result of the growth of the net assets of the Corporation. The decrease in the accrued performance fee of \$0.8 million during the current period is the result of the net loss during the period.

Other operating expenses increased in aggregate by \$0.4 million when compared to the same period in the prior year. The increase is attributable to an increase in general office and administration expenses as a result of increased shareholder and public relations costs.

Liquidity and Capital Resources

At February 29, 2004 the Corporation held assets totalling \$88.3 million comprised mainly of investments (89%) and cash and cash equivalents (10%) compared to assets held at August 31, 2003 of \$46.5 million comprised mainly of investments (87%) and cash and cash equivalents (13%).

The liabilities of the Corporation totalled \$4.3 million as of February 29, 2004 of which \$4.1 million was the performance fee accrual, \$0.1 million was payable to the investment advisor, and \$0.1 million was for other accrued expenses. At August 31, 2003 total liabilities were \$4.8 million of which \$3.5 million was payable to the investment advisor, \$1.0 million was an unsettled trade and \$0.3 million was for other accrued expenses. The Corporation had adequate cash resources as at February 29, 2004 and August 31, 2003 to settle the liabilities.

The increase of \$42.3 million in Shareholders' Equity in the Corporation to \$84.0 million at February 29, 2004 from \$41.7 million as at August 31, 2003 is attributable to operations that generated \$24.5 million of net income or 58% of the increase, and net financing activities that generated \$17.8 million in Shareholders' Equity or 42% of the increase.

During the six month period ended February 29, 2004 the Corporation received net proceeds of CDN\$23.5 million (\$18.1 million) from a private placement of 7.25 million units at CDN\$3.45 per unit. Each unit consisted of one common share and one-half of a common share purchase warrant. Each whole common share purchase warrant entitles its holder to acquire one common share of Endeavour at a price of CDN\$5.50 per common share on or before November 10, 2008. On March 23, 2004, the purchase warrants were listed for trading on the Toronto Stock Exchange.

On February 27, 2004, the Corporation paid its first regular semi-annual cash dividend of CDN\$0.035 per share.

Outlook

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

As shown by the Corporation's fiscal 2002, fiscal 2003 and six-months to February 29, 2004 financial performance, Endeavour has produced strong results. While earnings volatility should be anticipated, management believes that the long-term upwards trends in the metal and commodity markets remain favorable and 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.

ENDEAVOUR MINING CAPITAL CORP.
Unaudited Consolidated Balance Sheets
(Expressed in United States Dollars)

	February 29, 2004	August 31, 2003 (Audited)
ASSETS		
Cash and cash equivalents	\$ 8,968,502	\$ 5,840,737
Investments (cost: Feb/04 - \$39,058,524, Aug/03 - \$21,521,557) (Note 2)	79,024,468	40,599,598
Receivables and other assets	346,976	62,078
	<u>\$ 88,339,946</u>	<u>\$ 46,502,413</u>
LIABILITIES		
Investment advisor fees payable	\$ 131,121	\$ 75,415
Performance fees accrued	4,129,831	3,437,313
Accrued expenses and other liabilities	109,463	1,253,396
	<u>4,370,415</u>	<u>4,766,124</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 3)	51,745,068	33,623,561
Warrants (Note 3)	240,234	-
Contributed surplus (Note 3)	83,844	83,844
Accumulated earnings	31,900,385	8,003,203
Currency translation reserve	-	25,681
	<u>83,969,531</u>	<u>41,736,289</u>
	<u>\$ 88,339,946</u>	<u>\$ 46,502,413</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.**Unaudited Consolidated Statements of Operations & Accumulated Earnings (Deficit)****(Expressed in United States Dollars)**

	Three Months Ended		Six Months Ended	
	February 29, 2004	February 28, 2003	February 29, 2004	February 28, 2003
INVESTMENT INCOME				
Net realized gain on investments	\$ 2,891,978	\$ 3,100,093	\$ 8,756,285	\$ 4,170,038
Change in net unrealized appreciation/depreciation of investments and foreign currencies	(5,596,157)	4,938,931	21,012,609	(24,791)
Interest	154,507	39,691	173,546	135,871
Dividends, net of withholding taxes	8,154	-	8,154	8,770
Loan facility fees	225,000	175,000	225,000	350,000
	(2,316,518)	8,253,715	30,175,594	4,639,888
EXPENSES				
Performance fee accrual	(871,374)	71,335	4,129,831	71,335
Investment advisory fee	394,327	135,654	705,713	241,807
General office and administrative	488,058	92,089	688,083	206,995
Professional fees	107,555	67,646	150,889	249,538
	118,566	366,724	5,674,516	769,675
NET (LOSS) INCOME	(2,435,084)	7,886,991	24,501,078	3,870,213
ACCUMULATED EARNINGS (DEFICIT), BEGINNING OF PERIOD	34,939,365	(13,422,741)	8,003,203	(9,405,963)
DIVIDENDS PAID	603,896	-	603,896	-
ACCUMULATED EARNINGS (DEFICIT), END OF PERIOD	\$31,900,385	\$ (5,535,750)	\$31,900,385	\$ (5,535,750)
BASIC (LOSS) EARNINGS PER SHARE	\$ (0.11)	\$ 0.51	\$ 1.21	\$ 0.25
DILUTED (LOSS) EARNINGS PER SHARE	\$ (0.11)	\$ 0.49	\$ 1.20	\$ 0.24
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING	23,120,578	15,592,868	20,283,261	15,584,535
DILUTED WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING	23,279,898	16,201,201	20,390,627	16,226,201

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

ENDEAVOUR MINING CAPITAL CORP.
Unaudited Consolidated Statements of Cash Flows
(Expressed in United States Dollars)

	Three Months Ended		Six Months Ended	
	February 29, 2004	February 28, 2003	February 29, 2004	February 28, 2003
OPERATING ACTIVITIES				
Net (loss) income	\$ (2,435,084)	\$ 7,886,991	\$ 24,501,078	\$ 3,870,213
Items not affecting cash:				
Non-cash stock-based compensation (Note 3 (b))	-	20,961	-	41,922
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:				
Net realized gain on investments	(2,891,978)	(3,100,093)	(8,756,285)	(4,170,038)
Change in net unrealized appreciation/depreciation of investments and foreign currencies	5,596,157	(4,938,931)	(21,012,609)	24,791
Increase in receivables and other assets	(72,330)	(200,046)	(284,898)	(374,032)
(Decrease) increase in investment advisor fees payable	(4,913)	14,690	55,706	10,388
(Decrease) increase in accrued performance fees	(871,374)	71,335	692,517	(1,960,860)
Decrease in accrued expenses and other liabilities	(1,819,843)	(30,565)	(1,143,933)	(329,355)
Purchase of investments	(13,871,652)	(4,056,000)	(32,855,634)	(10,073,330)
Sale of investments	7,016,907	8,309,146	24,173,978	14,572,796
	(9,354,110)	3,977,488	(14,630,080)	1,612,495
INVESTING ACTIVITIES				
Deferred acquisition costs	-	-	-	30,000
Cash acquired on the acquisition of Welcome Opportunities Ltd.	-	-	-	1,962,042
	-	-	-	1,992,042
FINANCING ACTIVITIES				
Received from the issue of common shares (Note 3 (a))	-	-	19,626,226	-
Share issue costs (Note 3 (a))	(14,909)	-	(1,264,485)	-
Dividends paid to shareholders	(603,896)	-	(603,896)	-
Paid on redemption of shares	-	-	-	(5,000,000)
	(618,805)	-	17,757,845	(5,000,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9,972,915)	3,977,488	3,127,765	(1,395,463)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	18,941,417	3,172,531	5,840,737	8,545,482
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 8,968,502	\$ 7,150,019	\$ 8,968,502	\$ 7,150,019

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

ENDEAVOUR MINING CAPITAL CORP.
Notes to the Unaudited Consolidated Financial Statements
February 29, 2004 and 2003
(Expressed in United States Dollars)

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 and 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, 2003. 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 and the notes below.

2. INVESTMENTS

Investments are comprised of the following:

Investments by location	February 29, 2004		August 31, 2003	
	Market Value	% of Investments	Market Value	% of Investments
Equities:				
North America *	\$ 17,238,864	21.81%	\$ 7,353,573	18.11%
South America	18,634,552	23.58%	13,684,095	33.71%
Europe and Asia	17,093,377	21.63%	6,712,856	16.53%
Africa	2,552,417	3.23%	4,632,729	11.41%
Oceania	2,385,160	3.02%	1,640,796	4.04%
Total equities	57,904,370	73.27%	34,024,049	83.80%
Convertible Loans and Debentures				
North America	1,406,073	1.78%	458,325	1.13%
South America	1,498,969	1.90%	1,000,000	2.46%
Europe and Asia	5,000,000	6.32%	-	-
Total Convertible Loans and Debentures	7,905,042	10.00%	1,458,325	3.59%
Warrants				
North America	2,395,335	3.03%	822,332	2.02%
South America	7,571,982	9.58%	2,186,346	5.39%
Europe and Asia	2,144,942	2.71%	884,113	2.18%
Africa	686,491	0.88%	1,089,096	2.69%
Oceania	416,306	0.53%	135,337	0.33%
Total Warrants	13,215,056	16.73%	5,117,224	12.61%
Total Investment Portfolio	\$ 79,024,468	100.00%	\$ 40,599,598	100.00%

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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 \$39,435,065 at February 29, 2004 (August 31, 2003 - \$18,678,000).

* Included in equities are written covered call options. As at February 29, 2004, the market value of these options totaled \$27,731 (August 31, 2003 - \$96,460).

3. SHARE CAPITAL

(a) Voting shares

Authorized

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

	Six months ended		Year ended	
	February 29, 2004		August 31, 2003	
	Number of Shares	Amount	Number of Shares	Amount
Issued				
Opening balance	15,592,868	\$ 33,623,561	13,028,129	\$ 29,411,370
Issued, for cash	7,250,000	19,070,990	-	-
Share issue costs	-	(1,504,719)	-	-
Contingent Value Rights exercised	87,710	234,778	-	-
Stock options exercised for cash	190,000	320,458	-	-
Issued in connection with acquisition of Welcome	-	-	4,466,748	7,140,172
Issued, for shares	-	-	1,348,966	2,072,019
Redeemed, for cash	-	-	(3,250,975)	(5,000,000)
Closing balance	23,120,578	\$ 51,745,068	15,592,868	\$ 33,623,561

In November, 2003, the Corporation completed a unit private placement consisting of 7,250,000 units at a price of CDN\$3.45 per unit for gross proceeds of CDN\$25,012,500; (\$19,070,990). Each unit consisted of one common share and one half of one share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of CDN\$5.50 per share on or before November 10, 2008. As part of this offering, the Corporation paid the agent a commission equal to 6% of the gross proceeds raised,

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3. SHARE CAPITAL (continued)

(a) *Voting shares (continued)*

and issued the agent 362,500 warrants exercisable into common shares at a price of CDN\$4.50 per share expiring November 10, 2005. The fair value of the warrants was \$240,234, which has been recorded as a credit to Warrants as a component of Shareholders' Equity.

(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. 1,576,286 options were available for grant under the plan at February 29, 2004. (August 31, 2003 - 1,559,000)

In accordance with Corporation's stock option plan, the Corporation issued 200,000 stock options to directors during the six months ended February 29, 2004. Of the 200,000 stock options issued, 100,000 are exercisable into common shares at a price of CDN\$3.50 per share expiring November 6, 2008 and 100,000 are exercisable into common shares at a price of CDN\$4.20 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 September 1, 2002	-	\$	-
Granted	675,000		2.44
Exercised	-		-
Expired	(100,000)		2.30
At August 31, 2003	575,000	\$	2.46
Granted	200,000		3.85
Exercised	(190,000)		2.30
Expired	(10,000)		2.30
At February 29, 2004	575,000	\$	3.00

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3. SHARE CAPITAL (continued)

(b) Stock option plan (continued)

The following tables summarize information about the options and warrants outstanding as at February 29, 2004:

	Options outstanding & exercisable	Weighted average exercise price (CDN\$)	Weighted average remaining contractual life
	200,000	\$ 2.30	0.04 years
	375,000	2.55	4.02 years
At August 31, 2003	575,000	\$ 2.46	2.64 years
	375,000	2.55	3.52 years
	100,000	3.50	4.69 years
	100,000	4.20	4.75 years
At February 29, 2004	575,000	\$ 3.00	3.94 years

	Warrants outstanding & exercisable	Weighted average exercise price (CDN\$)	Weighted average remaining contractual life
	362,500	\$ 4.50	1.70 years
	3,625,000	5.50	4.70 years
At February 29, 2004	3,987,500	\$ 5.41	4.43 years

At August 31, 2003, no warrants were issued or outstanding.

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3. SHARE CAPITAL (continued)

(b) *Stock option plan (continued)*

Pro forma compensation expense

If the Corporation had included stock options granted to directors in the calculation of compensation expense, net earnings would be as follows:

	Three Months Ended		Six Months Ended	
	February 29, 2004	February 28, 2003	February 29, 2004	February 28, 2003
Net (loss) income for the period ended	\$ (2,435,084)	\$ 7,886,991	\$24,501,078	\$ 3,870,213
Pro forma compensation expense related				
to directors' options	(150,759)	-	(300,904)	(150,926)
Pro forma income for the period	\$ (2,585,843)	\$ 7,886,991	\$24,200,174	\$ 3,719,287
Pro forma basic earnings per share	\$ (0.11)	\$ 0.51	\$ 1.19	\$ 0.24
Pro forma diluted earnings per share	\$ (0.11)	\$ 0.49	\$ 1.19	\$ 0.23

Compensation expense is determined using an option pricing model assuming no dividends are 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 (2003 - weighted average volatility of 48%, an annual risk free interest rate of 3.5% and expected lives of five years).

During the six month period ended February 29, 2003, stock options with a fair value of \$83,844 were granted to non-employees. The non-cash compensation was amortized over the one year life of the service contract. Accordingly during the period ended February 29, 2003, \$41,922 of compensation expense has been recorded in the statement of operations as professional fees.

4. WELCOME OPPORTUNITIES LTD.

As at February 29, 2004, Welcome Opportunities Ltd. ("WOL") has no assets or independent operations. On February 11, 2004, the Corporation resolved to perform a statutory wind up of WOL.
