



Consolidated Financial Statements

First Quarter Report

May 31, 2004 and 2003

(Unaudited – Prepared by Management)

SHAREHOLDER UPDATE

First Quarter Review of Fiscal 2005

Bradford Cooke, President and CEO of Endeavour Gold Corp. (EDR: TSX-V), provides the following review of the first quarter of fiscal 2005 and the outlook for the second quarter.

The Company's raised \$9.9 million in the first quarter ended May 31, 2004 in order to acquire and develop silver projects in Mexico. The Company's efforts culminated in the signing of preliminary acquisition agreements in February 2004 and formal purchase agreements in May 2004 to acquire up to a 100% interest in the producing Santa Cruz silver-gold mine and Guanacevi mineral processing plant in Durango, Mexico.

Terms of the agreement give the Company the option to pay US\$3 million to the vendors and to invest US\$1 million in mine exploration and development within one year in order to earn a 51% interest in these operating assets. The remaining 49% interest can be earned by paying a further US\$4 million over the remaining 3 years thereafter to January 2008. In February 2004, the Company advanced US\$100,000 to the vendors and paid US\$900,000 to the vendors on signing the agreements in May 2004.

This first material acquisition by the Company offers many advantages. The mine is currently producing only 300,000 ounces of silver per year, but the plant has the capacity of producing up to 4 million ounces per year of silver and equivalents. A cash investment by the Company will provide an opportunity to triple production at minimal capital costs. Historic and recent drill results indicate high silver grades averaging +500 gpt Ag which would suggest that high profit margins are possible. Also, vein widths from 1m to 10m and averaging 3+m mean lower than average mining costs. Paved road access, good local infrastructure and an experienced local labour force all contribute to lower costs and the potential to increase capacity of the mining operations.

In the first quarter of fiscal 2005, the Company continued to actively evaluate mining and exploration opportunities in Mexico. The acquisitions in Mexico coupled with the completion of the \$9.9 million equity financing in May 2004 have provided exciting opportunities for the Company in becoming a primary silver producer.

We wish to thank our shareholders for their continued support as the Company enters this new stage in its development.

On Behalf Of The Board Of Directors

ENDEAVOUR GOLD CORP.

/s/ Bradford J. Cooke

Bradford J. Cooke
President

July 30, 2004

ENDEAVOUR GOLD CORP.

CONSOLIDATED BALANCE SHEETS

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

	Notes	May 31, 2004 (Unaudited)	February 29, 2004 (Audited)
ASSETS			
CURRENT			
Cash and cash equivalents		\$ 7,615,105	\$ 542,868
Accounts receivable		247,644	10,059
Prepaid expenses		6,644	46,290
		7,869,393	599,217
NON-CURRENT			
Loan receivable	3	477,190	-
Resource properties	4	49,272	29,097
Advance on acquisition	4(c)	1,346,524	132,824
		1,872,986	161,921
		\$ 9,742,379	\$ 761,138
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		\$ 152,199	\$ 55,932
Due to related party	6(d)	14,232	14,232
		166,431	70,164
SHAREHOLDERS' EQUITY			
Share capital	5(a)	14,738,892	5,461,867
Contributed surplus	5(c)	867,947	201,720
Deficit		(6,030,891)	(4,972,613)
		9,575,948	690,974
		\$ 9,742,379	\$ 761,138

Nature of operations 1
Commitments and contingencies 4

Refer to accompanying notes to the consolidated financial statements.

Approved on behalf of the Board

/s/ *Bradford Cooke*

Director

/s/ *Godfrey Walton*

Director

ENDEAVOUR GOLD CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

	Notes	For the Three Months Ended	
		May 31, 2004	May 31, 2003
EXPENSES			
Accounting and audit		\$ 7,615	\$ -
Amortization		-	318
Consulting		43,127	-
Filing and regulatory		5,252	3,455
Financing and foreign exchange		(13,871)	601
Legal fees		39,013	3,043
Office and sundry		10,666	191
Rent		4,500	4,500
Salaries and management	6(a)	34,490	20,000
Shareholder relations		30,349	-
Stock-based compensation	5(c)	673,200	-
Travel		17,923	-
Loss before the undernoted		(852,264)	(32,108)
Interest income		12,831	-
Property investigations	6(a)	(197,276)	(34,017)
Write-off of resource properties	4	(21,569)	-
LOSS FOR THE PERIOD		(1,058,279)	(66,125)
Deficit, beginning of the period		(4,972,613)	(4,193,911)
DEFICIT, END OF PERIOD		\$ (6,030,892)	\$ (4,260,036)
Basic and diluted loss per share		\$ (0.07)	\$ (0.01)
Weighted average number of shares outstanding		14,144,180	6,191,550

Refer to accompanying notes to the consolidated financial statements.

ENDEAVOUR GOLD CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

	For the Three Months Ended	
	May 31, 2004	May 31, 2003
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Loss for the period	\$ (1,058,278)	\$ (66,125)
Items not affecting cash:		
Amortization	-	318
Financing costs	-	601
Stock-based compensation	673,200	-
Write-off of resource properties	21,569	-
	(363,509)	(65,206)
Net changes in non-cash working capital items:		
Accounts receivable	(237,585)	3,614
Prepaid expenses and deposits	39,646	(5,471)
Accounts payable and accrued liabilities	96,267	(22,015)
	(465,181)	(89,078)
FINANCING		
Loans receivable	(477,190)	-
Issuance of common shares	9,270,052	-
	8,792,862	-
INVESTING		
Acquisition and exploration of resource properties	(41,744)	-
Advance for acquisition	(1,213,700)	-
	(1,255,444)	-
NET CASH INFLOWS (OUTFLOWS)	7,072,237	(89,078)
CASH, BEGINNING OF PERIOD	542,868	151,574
CASH, END OF PERIOD	\$ 7,615,105	\$ 62,496

Refer to accompanying notes to the consolidated financial statements.

ENDEAVOUR GOLD CORP.

Notes to the Consolidated Financial Statements

Three Months Ended May 31, 2004 and 2003

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

1. NATURE OF OPERATIONS

The Company was incorporated under the laws of the Province of British Columbia on March 11, 1981 and its principal business activities are the acquisition, exploration, development and exploitation of resource properties.

The Company is in the process of exploring and developing its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts capitalized for resource properties is dependent upon the existence of economically recoverable reserves in its resource properties, the ability of the Company to arrange appropriate financing to complete the development of its properties, confirmation of the Company's interest in the underlying properties, the receipt of necessary permitting and upon future profitable production or proceeds from the disposition thereof.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred significant operating losses and currently has no significant source of revenue. The Company has financed its activities principally by the sale of equity securities. The Company's ability to continue as a going concern is dependent on continued financial support from its shareholders and other related parties, the ability of the Company to raise equity financing, and the attainment of profitable operations to fund its operations. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Resource properties

Amounts shown as resource properties have been capitalized on an area of interest basis and include direct costs of acquiring, maintaining and exploring properties, the costs of structures and equipment which are employed directly in the exploration process and other direct costs related to specific properties. All other costs, including administrative overhead, are expensed as incurred.

Management periodically reviews the carrying value of its resource properties with internal and external mining related professionals. A decision to abandon, reduce or expand a specific project is based upon many factors including general and specific assessments of reserves, anticipated future prices, anticipated future costs of exploring, developing and operating a producing mine, expiration term and ongoing expense of maintaining leased resource properties and the general likelihood that the Company will continue exploration. The Company does not set a pre-determined holding period for properties with unproven reserves. However, properties which have not demonstrated suitable resource concentrations at the conclusion of each phase of an exploration program are re-evaluated to determine if future exploration is warranted and their carrying values are appropriate.

If any area of interest is abandoned or it is determined that its carrying value cannot be supported by future production or sale, the related costs are charged against operations in the period of abandonment or determination of value. The amounts recorded as resource properties represent costs incurred to date and do not necessarily reflect present or future values.

The accumulated costs of resource properties that are developed to the stage of commercial production will be amortized to operations through unit of production depletion.

ENDEAVOUR GOLD CORP.

Notes to the Consolidated Financial Statements

Three Months Ended May 31, 2004 and 2003

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of financial statement presentation

These accompanying consolidated financial statements give effect to the incorporation by the Company of its wholly-owned subsidiary, Endeavour Gold Corporation S.A. de C.V., and include the accounts of the subsidiary.

(c) Cash and cash equivalents

Cash and cash equivalents consist of deposits in banks and highly liquid investments with an original maturity of ninety days or less.

(d) Stock-based compensation

Effective March 1, 2002, the Company adopted the new accounting standard of the Canadian Institute of Chartered Accountants (“CICA”), Section 3870 “Stock-Based Compensation and Other Stock-Based Payments” (“HB 3870”) for accounting for stock-based compensation expense. Under this standard, stock-based payments to non-employees, and employee awards that are direct awards of stock, call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments, granted on or after March 1, 2002, are accounted for using the fair value based method, and are recorded as an expense in the period the stock-based payments are vested or the awards or rights are granted.

On adoption of HB 3870, the Company elected to use the settlement method of accounting for stock options granted to employees, and to disclose the pro forma effect of accounting for these awards under the fair value method. Effective March 1, 2003, in connection with amendments to HB 3870, the Company changed the method of application of its stock-based compensation accounting policy so as to measure all stock options granted at fair value and to recognize the compensation expense over the vesting period, with a corresponding credit to contributed surplus. This change has been applied prospectively for options granted on or after March 1, 2003, as allowed under the transitional provisions of HB 3870.

(e) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of the assets, particularly the valuation of resource properties, and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

(f) Loss per share

Basic loss per share is calculated based on the weighted average number of shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings per share. However, diluted loss per share presented is the same as basic loss per share as the effect of options and warrants would be anti-dilutive.

(g) Comparative figures

Certain of the prior periods’ comparative figures have been reclassified to conform to the presentation adopted in the current period.

ENDEAVOUR GOLD CORP.**Notes to the Consolidated Financial Statements**

Three Months Ended May 31, 2004 and 2003

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

3. LOAN RECEIVABLE

In May 2004, the Company advanced US\$350,000 to Minera Santa Cruz y Garibaldi, S.A de C.V., a company which the Company will be acquiring a 100% interest (Note 4(c)). The loan is repayable on demand and bears an interest rate of 9% per annum beginning January 28, 2005.

4. RESOURCE PROPERTIES

At May 31, 2004, the Company's resource properties are comprised of properties located in Mexico. Expenditures incurred on resource properties during the three month period then ended are as follows:

	El Taco (Mexico)	San Jose (Mexico)	Other (Mexico)	Total
Balance, February 29, 2004	\$ 21,569	\$ 7,528	\$ -	\$ 29,097
Additions during the period:				
Acquisition costs	-	13,284	27,268	40,552
Exploration costs:				
Assays	-	1,192	-	1,192
Resource properties written-off	(21,569)	-	-	(21,569)
Balance, May 31, 2004	\$ -	\$ 22,004	\$ 27,268	\$ 49,272

(a) El Taco property (Sonora, Mexico)

In August 2003, the Company entered into an option agreement for the El Taco property located in Sonora, Mexico. The Company can earn a 100% interest in the property by making cash payments of US\$100,000 and issuing 200,000 common shares over a 4 year period, subject to 2% net smelter return royalty. In fiscal 2004, the Company paid US\$5,000 and issued 25,000 common shares to the vendor. The property was written off in the first quarter of fiscal 2005.

(b) San Jose property (Sinaloa, Mexico)

In July 2003, the Company entered an agreement to acquire a 100% interest in the San Jose property located in Sinaloa, Mexico, for cash payments of US\$300,000 over a four year period, of which US\$10,000 was paid in the first quarter of fiscal 2005.

(c) Santa Cruz property and plant (Durango, Mexico)

In May 2004, the Company signed formal purchase agreements to acquire up to a 100% interest in the producing Santa Cruz silver-gold mine and Guanacevi mineral processing plant in Durango, Mexico, on completion of due diligence based on an agreement dated January 23, 2004. Terms of the agreement give the Company the option to pay US\$3 million to the vendors and to invest US\$1 million in mine exploration and development within one year in order to earn a 51% interest in these operating assets. The balance of the 49% interest can be earned by paying a further US\$4 million over the remaining 3 years thereafter to January 2008. In February 2004, the Company advanced US\$100,000 to the vendors and paid US\$900,000 to the vendors on signing the agreements in May 2004.

ENDEAVOUR GOLD CORP.
Notes to the Consolidated Financial Statements
Three Months Ended May 31, 2004 and 2003
(Unaudited – Prepared by Management)
(expressed in Canadian dollars)

4. RESOURCE PROPERTIES (continued)

(d) **Resource property contingencies**

The Company has diligently investigated rights of ownership of all of the resource properties to a level which is acceptable by prevailing industry standards with respect to the current stage of development of each property in which it has an interest and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, all properties may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

5. SHARE CAPITAL

(a) **Authorized and issued**

Authorized share capital consists of 100,000,000 common shares without par value.

Details of shares issued are as follows:

	Number of Shares	Amount
Balance, February 29, 2004	11,131,550	\$ 5,461,867
Issued during the period:		
For cash from private placements (Note 5(b))	6,197,500	9,073,304
For cash from exercise of stock options (Note 5(c))	140,000	26,973
For cash from exercise of warrants (Note 5(d))	500,000	106,000
For agents' fee and corporate finance fees (Note 5(b))	44,218	70,748
Balance, May 31, 2004	18,013,268	\$ 14,738,892

Common shares issued for consideration other than cash are recorded at the quoted market value of the shares as of the agreement date.

As at May 31, 2004, a total of 93,750 common shares are held in escrow, the release of which is subject to regulatory approval.

(b) **Private placements**

In May 2004, the Company completed private placements for \$9.9 million to finance the acquisition of the operating Santa Cruz silver-gold mine and the Guanacevi mill (Note 4(c)). The Company engaged Canaccord Capital Corporation and Dundee Securities Corporation to act as Agents in a brokered private placement for 5,022,500 units at \$1.60 per unit for gross proceeds of \$8 million. Each unit consisted of one common share and one half of one share purchase warrant, with each full warrant giving the holder the right to purchase an additional common share at \$2 by October 22, 2005. The Company also completed a non-brokered private placement for 1,175,000 units at the same price and the same terms as the brokered placement for an additional \$1.9 million in gross proceeds. The net proceeds from both placements will be used towards the costs of acquisition of the Santa Cruz mine and Guanacevi processing plant, exploration drilling, underground development and production optimization, as well as working capital.

ENDEAVOUR GOLD CORP.**Notes to the Consolidated Financial Statements**

Three Months Ended May 31, 2004 and 2003

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

5. SHARE CAPITAL (continued)**(c) Share options**

Options to purchase common shares have been granted to directors, employees and consultants pursuant to the Company's stock option plan approved by the Company's shareholders in fiscal 2004, at exercise prices determined by reference to the market value on the date of the grant. The following table summarizes the status of the Company's stock option plans as at May 31, 2004, and changes during the period ended on that date:

	<u>May 31, 2004</u>	
	<u>Number of Shares</u>	<u>Weighted Average Exercise Prices</u>
Outstanding at beginning of period	860,000	\$0.36
Granted	680,000	\$1.60
Exercised	(140,000)	\$0.14
Forfeited	<u>-</u>	<u>-</u>
Outstanding at end of period	<u>1,400,000</u>	\$0.99
Options exercisable at end of period	<u>1,400,000</u>	\$0.99

The following tables summarizes information about stock options outstanding at May 31, 2004:

	<u>Options Outstanding and Exercisable</u>	
<u>Exercise Prices</u>	<u>Number Outstanding and Exercisable at May 31, 2004</u>	<u>Weighted Average Remaining Contractual Life</u>
\$0.10	60,000	0.3 Year
\$0.22	290,000	1.2 Years
\$0.50	100,000	1.6 Years
\$0.66	270,000	4.6 Years
\$1.60	680,000	4.9 Years

ENDEAVOUR GOLD CORP.**Notes to the Consolidated Financial Statements**

Three Months Ended May 31, 2004 and 2003

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

5. SHARE CAPITAL (continued)**(c) Share options (continued)**

Pursuant to the CICA standard of accounting for stock-based compensation (Note 2(d)), the fair value of stock options granted to directors, officers, consultants and employees during the first quarter of fiscal 2005 is \$673,200. The fair values of stock options granted during the first quarter of fiscal 2005 have been estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	<u>Month in which Options Granted</u> <u>May 2004</u>
Risk-free interest rate	3.13%
Expected dividend yield	-
Expected stock price volatility	117.86%
Expected option life in years	4

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

(d) Warrants

At May 31, 2004, the Company had outstanding warrants to purchase an aggregate 6,048,559 common shares as follows:

Exercise Prices	Expiry Dates	Oustanding at February 29, 2004	Issued	Exercised	Expired	Oustanding at May 31, 2004
\$0.12	November 29, 2004	1,300,000	-	(300,000)	-	1,000,000
\$0.35	October 6, 2005	1,525,000	-	(200,000)	-	1,325,000
\$2.00	October 22, 2005	-	587,500	-	-	587,500
\$2.00	October 22, 2005	-	2,888,059	-	-	2,888,059
\$2.00	October 28, 2005	-	248,000	-	-	248,000
		2,825,000	3,723,559	(500,000)	-	6,048,559

(e) Shares reserved for issuance

	<u>Number of Shares</u>
Issued and outstanding, May 31, 2004	18,013,268
Stock options (Note 5(c))	1,400,000
Warrants (Note 5(d))	6,048,559
Fully diluted, May 31, 2004	25,461,827

ENDEAVOUR GOLD CORP.

Notes to the Consolidated Financial Statements

Three Months Ended May 31, 2004 and 2003

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

6. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during first quarter of fiscal 2005:

- (a) Management fees of \$2,500 and salaries of \$15,000 were paid to the President of the Company and \$20,241 in consulting fees were charged by a director.
- (b) Rent of \$4,500 was incurred and paid to a company with certain common directors and an officer.
- (c) In May 2004, two directors of the Company participated in the private placement (Note 5(b)) for a total of 480,000 units, and a company with a common director and a common officer participated in the private placement for 400,000 units.
- (d) The amount due to a related party as at May 31, 2004 represents amounts owed to a company with a common director and a common officer, which do not bear any interest and provide for no specific terms of repayment.

7. SEGMENT DISCLOSURES

The Company has one operating segment, being the exploration and development of resource properties. All of the Company's assets are located in Mexico and Canada. (Note 4)

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SHARES LISTED

TSX Venture Exchange
Trading Symbol ~ EDR

ENDEAVOUR GOLD CORP.

Management's Discussion and Analysis For the Three Months Ended May 31, 2004

Preliminary Information

The following Management's Discussion and Analysis ("MD&A") of Endeavour Gold Corp. (the "Company") should be read in conjunction with the accompanying interim unaudited consolidated financial statements for the three months ended May 31, 2004 and the audited financial statements for the years ended February 29, 2004 and February 28, 2003, which are available at the SEDAR website at www.sedar.com.

All financial information in this MD&A is prepared in accordance with Canadian generally accepted accounting principles ("CAD GAAP"), and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

All information contained in the MD&A is as of July 29, 2004 unless otherwise indicated.

Background

The Company is a natural resource company engaged in the evaluation, acquisition, exploration, development and exploitation of resource properties. The exploration philosophy of the Company has historically been to identify and develop resource targets. The Company is in the process of exploring and developing its resource properties, and no ore reserves have yet been defined, and none of its properties have reached commercial production. The Company financed its operating and exploration activities principally by the issuance of common shares.

Previously the Company focused its activities principally in Canada but in fiscal 2004 the Company was more active in seeking properties of merit in Mexico. This culminated in the Company entering into formal purchase agreements to acquire up to a 100% interest in the producing Santa Cruz silver-gold mine and Guanacevi mineral processing plant in Durango, Mexico, and their resource properties in Mexico. Also the Company decided not to pursue further exploration work on its remaining exploration property in Canada in fiscal 2004. The acquisitions of the silver-gold mine and the processing plant will allow the Company to become one of the primary silver producers in the world. Equity financing of \$9.9 million was completed in the first quarter of fiscal 2005 and will provide the financial resources needed for the Company to further develop its business and realize its objectives for its projects and properties in Mexico.

Overall Performance

As the Company has previously focused on exploration activities, there was no production, sales or inventory in the conventional sense. The recoverability of costs capitalized to mineral properties and the Company's future financial success is dependent upon the extent to which it can discover mineralization and the economic viability of developing such properties. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine with any certainty. Many of the key factors are beyond the Company's control. The sales value of any mineralization discovered by the Company is largely dependent upon factors beyond the Company's control such as the market value of the metals produced. As the carrying value and amortization of mineral properties and capital assets are, in part, related to the Company's mineral reserves, the estimation of such reserves is significant to the Company's position and results of operations.

In accordance with CAD GAAP, all costs related to investments in resource properties are capitalized on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries and write-downs.

The Company's ability to continue as a going concern is dependent on the ability of the Company to raise equity financing, and the attainment of profitable operations, external financings and further share issuances to meet the Company's liabilities as they became payable.

ENDEAVOUR GOLD CORP.

Management's Discussion and Analysis

For the Three Months Ended May 31, 2004

(expressed in Canadian dollars)

The Company knows of no trends, demands, commitments, events or uncertainties outside of the normal course of business that may result in the Company's liquidity either materially increasing or decreasing at the present time or in the foreseeable future, with the exception of the Company completing its private placements for \$9.9 million in May 2004. Material increases or decreases in the Company's liquidity were substantially determined by the success or failure of the Company's exploration programs and overall market conditions for smaller resource companies. The Company is not aware of any seasonality in the business that have a material effect upon its financial condition, results of operations or cash flows other than those normally encountered by public reporting junior resource companies. The Company is not aware of any changes in the results of its operations that are other than those normally encountered in its ongoing business.

In May 2004, the Company signed formal purchase agreements to acquire up to a 100% interest in the producing Santa Cruz silver-gold mine and Guanacevi mineral processing plant in Durango, Mexico. Terms of the agreement give the Company the option to pay US\$3 million to the vendors and to invest US\$1 million in mine exploration and development within one year in order to earn a 51% interest in these operating assets. The balance of the 49% interest can be earned by paying a further US\$4 million over the remaining 3 years thereafter to January 2008. In February 2004, the Company advanced US\$100,000 to the vendors and paid US\$900,000 to the vendors on signing the agreements in May 2004.

The mine is currently producing only 300,000 ounces of silver per year, but the plant has the capacity of producing up to 4 million ounces per year of silver and equivalents.

The Company completed private placements for \$9.9 million in the first quarter of fiscal 2005 in which such equity financing is for the acquisition of the operating Santa Cruz silver-gold mine and the Guanacevi mill, exploration drilling, underground development and production optimization, as well as for working capital purposes.

These acquisitions and equity financings will allow the Company to proceed towards becoming one of the primary silver producers in the world.

Selected Financial Performance

The following table presents selected financial information of the Company for the three months ended May 31, 2004 and May 31, 2003:

	<u>May 31, 2004</u>	<u>May 31, 2003</u>
Total revenues	\$ 12,831	\$ -
Net loss before discontinued operations and extraordinary items:		
Total	\$ (1,058,278)	\$ (66,125)
Basic	\$ (0.07)	\$ (0.01)
Fully diluted	\$ (0.04)	\$ (0.01)
Net loss:		
Total	\$ (1,058,278)	\$ (66,125)
Basic	\$ (0.07)	\$ (0.01)
Fully diluted	\$ (0.04)	\$ (0.01)
Total assets	\$ 9,742,379	\$ 121,946
Total long-term financial liabilities	\$ -	\$ -
Dividends per share	\$ -	\$ -

The Company significantly increased its operating and due diligence activities in seeking and acquiring projects in Mexico, as can be supported by commensurate increases in total assets and net losses in the first quarter of fiscal 2005, given it was in the exploration stage and had no advanced stage resource properties. The lower level of

ENDEAVOUR GOLD CORP.

Management's Discussion and Analysis

For the Three Months Ended May 31, 2004

(expressed in Canadian dollars)

business activities in same quarter in fiscal 2004 was attributed to its lack of financial resources which restricted its ability to seek and research projects of merit.

Results of Operations

First Quarter of Fiscal 2005 – Three months ended May 31, 2004 compared with May 31, 2003

The Company incurred a net loss of \$1.06 million in the first quarter of fiscal 2005 in contrast to the net loss of \$66,125 for the same period in fiscal 2004. In most expense categories for the first quarter of fiscal 2005, the Company incurred higher expenses relative to the first quarter of fiscal 2004 reflecting the operating, due diligence and property investigation efforts and other ancillary functions to support the increased corporate and financing and exploration activities of the Company. Stock-based compensation expense reflects the granting of 680,000 stock options in the first quarter of fiscal 2005; no stock options were granted during the same quarter in the prior fiscal year. The Company's property investigation expenses were incurred essentially for seeking property and further concessions in Mexico.

Through its subsidiary in Mexico, the Company incurred further operating expenses attributable to preliminary ongoing activities related to its acquisition of the Santa Cruz silver-gold mine and Guanacevi mineral processing plant in Durango, Mexico. Such expenses include Mexican consulting and professional fees incurred in the acquisitions and in obtaining mining and exploration concessions.

In July 2003, the Company entered into an agreement to acquire a 100% interest in the San Jose property in Mexico for cash payments of US\$300,000 over a four year period. In March 2004, the Company made a cash payment of US\$10,000 and incurred \$1,192 in exploration related expenditures.

The Company also advanced US\$20,000 for various property acquisitions in the first quarter of fiscal 2005, of which US\$15,000 have been refunded to the Company subsequent to the quarter.

The Company's El Taco property in Mexico was written off in first quarter of fiscal 2005 as the Company determined not to pursue further work on the property.

As at May 31, 2004 and May 31, 2003, the Company has resource properties which were comprised of the following:

	May 31, 2004			May 31, 2003		
	Acquisition Costs	Exploration/ Development	Total	Acquisition Costs	Exploration/ Development	Total
Mexico:						
San Jose	\$ 13,284	\$ 8,720	\$ 22,004	\$ -	\$ -	\$ -
Property advances	27,268	-	27,268	-	-	-
Canada:						
Otish Mountain	-	-	-	47,750	3,350	51,100
	<u>\$ 40,552</u>	<u>\$ 8,720</u>	<u>\$ 49,272</u>	<u>\$ 47,750</u>	<u>\$ 3,350</u>	<u>\$ 51,100</u>

In February 2004, the Company signed initial agreements for the acquisitions of the producing Santa Cruz silver-gold mine and Guanacevi mineral processing plant in Durango, Mexico, and in May 2004 formal purchase agreements were signed. The operating mine and processing plant would allow the Company to become a silver producer, and such operations would realize revenues and generate cash flows to sustain operations in the near future. In fiscal 2005, the Company will be developing and implementing exploration programs to identify potential silver-gold resources in Mexico.

ENDEAVOUR GOLD CORP.

Management's Discussion and Analysis

For the Three Months Ended May 31, 2004

(expressed in Canadian dollars)

Liquidity and Capital Resources

The Company was in the development stage and had not yet determined whether its resource properties contained reserves that were economically recoverable. The recoverability of amounts capitalized for resource properties was entirely dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production. The Company knows of no trends, demands, commitments, events or uncertainties that may result in the Company's liquidity either materially increasing or decreasing at the present time or in the foreseeable future, with the exception of the Company completing its private placements in May 2004 which totalled \$9.9 million. Material increases or decreases in the Company's liquidity were substantially determined by the success or failure of the Company's exploration programs and overall market conditions for smaller resource companies. Since its incorporation in 1987, the Company had endeavored to secure valuable mineral properties that in due course could be brought into production to provide the Company with cash flow which would be used to undertake work programs on other projects. To that end, the Company had expended its funds on mineral properties that it believed had the potential to achieve cash flow within a reasonable time frame. As a result, the Company had incurred losses during each of its fiscal years since incorporation. This result is typical of smaller mining companies and will continue unless positive cash flow is achieved.

The following table contains selected financial information of the Company's liquidity:

	Three Months Ended		Year Ended
	May 31, 2004	May 31, 2003	February 29, 2004
Cash and cash equivalents	\$ 7,615,105	\$ 62,496	\$ 542,868
Working capital	\$ 7,702,962	\$ 34,931	\$ 529,053

The Company had significantly more cash and cash equivalents and working capital at May 31, 2004 than at February 29, 2004 and May 31, 2003. The Company completed a major financing comprised of brokered and non-brokered private placements. In May 2004, the Company completed private placements for \$9.9 million to finance the acquisition of the operating Santa Cruz silver-gold mine and the Guanacevi mill. The Company engaged Canaccord Capital Corporation and Dundee Securities Corporation to act as Agents in a brokered private placement for 5,022,500 units at \$1.60 per unit for gross proceeds of \$8 million. Each unit consisted of one common share and one half of one share purchase warrant, with each full warrant giving the holder the right to purchase an additional common share at \$2 by October 22, 2005. The Company also completed a non-brokered private placement for 1,175,000 units at the same price and the same terms as the brokered placement for an additional \$1.9 million in gross proceeds. The net proceeds from both placements will be used towards the costs of acquisition of the Santa Cruz mine and Guanacevi processing plant, exploration drilling, underground development and production optimization, as well as working capital.

Transactions with Related Parties

For three months ended May 31, 2004, the following transactions involve related parties:

- (a) Management fees of \$2,500 and salaries of \$15,000 were paid to the President of the Company and \$20,241 in consulting fees were charged by a director.
- (b) Rent of \$4,500 was incurred and paid to a company with certain common directors and an officer.

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(expressed in Canadian dollars)

- (c) In May 2004, two directors of the Company participated in the private placement for a total of 480,000 units, and a company with a common director and a common officer participated in the private placement for 400,000 units.
- (d) The amount due to a related party of \$14,232 as at May 31, 2004 represents amounts owed to a company with a common director and a common officer, which do not bear any interest and provide for no specific terms of repayment.

Outstanding Share Data

The Company's authorized share capital comprises 100,000,000 common shares without par value.

Changes in the Company's share capital for three months ended May 31, 2004 were as follows:

	Number of Shares	Amount
Balance, February 29, 2004	11,131,550	\$ 5,461,867
Issued during the period:		
For cash from private placements	6,197,500	9,073,304
For cash from exercise of stock options	140,000	26,973
For cash from exercise of warrants	500,000	106,000
For agents' fee and corporate finance fees	44,218	70,748
Balance, May 31, 2004	18,013,268	\$ 14,738,892

Outlook

The acquisitions in Mexico coupled with the completion of the \$9.9 million financing in May 2004 have provided exciting opportunities for the Company to becoming one of the primary silver producers worldwide. The Company now has the financial resource to satisfy commitments pursuant to the purchase agreements in the acquisition of the operating Santa Cruz silver-gold mine and the Guanacevi mill, and for exploration drilling, underground development and production optimization.