



(formerly, Endeavour Gold Corp.)

**Consolidated Financial Statements**

**Third Quarter Report**

**November 30, 2004 and 2003**

**(Unaudited – Prepared by Management)**

## SHAREHOLDER UPDATE

### Third Quarter Review of Fiscal 2005

Bradford Cooke, President and CEO of Endeavour Silver Corp. (EDR: TSX-V), provides the following review of the third quarter of fiscal 2005 and the outlook for the fourth quarter and the upcoming fiscal year.

In the first two quarters of fiscal 2005, the Company accomplished important strategic milestones in its transition from an explorer to a top primary silver producer, and in the realization of increased shareholder value.

The Company signed formal option 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, for US\$7 million in cash payments over a 4 year period of which US\$1 million have already been paid. To facilitate this key acquisition, the Company completed a \$9.9 million equity financing from brokered and non-brokered private placements. A cash payment of US\$2 million on January 28, 2005 will earn the Company a 51% interest in the producing Santa Cruz silver-gold mine and Guanacevi mineral processing plant.

In the third quarter of fiscal 2005, the Company continued with its US\$1.1 exploration program at the Santa Cruz silver-gold mine. Two prospective ore zones, North Porvenir and San Guillermo, were being explored for mineable resources to prepare these zones for production by February 2005. Consistently high-grade silver vein mineralization has been outlined and extended by underground sampling in the North Porvenir zone. Two sill levels 2308 and 2310 (horizontal tunnels driven along the mineralized vein in preparation for production) returned an average 689 gpt silver (20.1 opt) and 1.30 gpt gold (0.04 opt) over an average 2.97 metre (9.7 feet) horizontal width along a 140 metre (459 feet) strike length, still open to the northwest.

By the end of December 2004, a total of 1,160 metres of underground development was completed, including 410 metres of a new access ramp, a 161 metre ventilation raise, eleven crosscuts into the vein totalling 141 metres, two sill levels totalling 135 metres and related underground workings. Moreover, an exploration program of 4,160 metres of diamond drilling in 12 holes was completed at the North Porvenir mine; the results are not yet available.

Subsequent to the end of the third quarter, trial mining is underway at North Porvenir in order to assess the potential production rate, mining method and metallurgical recovery of this exciting new discovery. A small private placement financing announced in December 2004 will provide further financial resources for the Company to realize its operating, mining and exploration objectives in the coming fiscal year for its mine and mill in Mexico.

Our bullish outlook in the commodity market for silver is reflected by the Company's policy to acquire silver doré bars produced from the Santa Cruz mine and the Guanacevi mill. To date, the Company has acquired 180.5 kg of doré silver bars.

The Company continues to actively evaluate new mining and exploration opportunities in the Guanacevi district and throughout Mexico.

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

On Behalf Of The Board Of Directors

**ENDEAVOUR SILVER CORP.**

*/s/ Bradford J. Cooke*

Bradford J. Cooke  
President

January 25, 2005

**Notice to Readers of the Interim Unaudited Consolidated Financial Statements**  
**For the Nine Months Ended November 30, 2004**

The interim unaudited consolidated financial statements of Endeavour Silver Corp. (formerly, Endeavour Gold Corp.) (the “Company”) for the nine months ended November 30, 2004 (“Financial Statements”) have been prepared by management and have not been reviewed by the Company’s auditors. The Financial Statements should be read in conjunction with the Company’s audited financial statements for the year ended February 29, 2004 which are available at the SEDAR website at [www.sedar.com](http://www.sedar.com). The Financial Statements are stated in terms of Canadian dollars, unless otherwise indicated, and are prepared in accordance with Canadian generally accepted accounting principles.

# ENDEAVOUR SILVER CORP.

(formerly, Endeavour Gold Corp.)

## CONSOLIDATED BALANCE SHEETS

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

	Notes	November 30, 2004 (Unaudited)	February 29, 2004 (Audited)
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash and cash equivalents		\$ 6,511,326	\$ 542,868
Receivables and prepaids		211,419	56,349
Due from related parties	6(d)	152,082	-
		<b>6,874,827</b>	<b>599,217</b>
<b>NON-CURRENT</b>			
Loan receivable	3	504,050	-
Resource properties	4	729,591	29,097
Advance on acquisition	4(a)	1,186,000	132,824
		<b>2,419,641</b>	<b>161,921</b>
		<b>\$ 9,294,468</b>	<b>\$ 761,138</b>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities		\$ 179,958	\$ 55,932
Due to related parties	6(d)	-	14,232
		<b>179,958</b>	<b>70,164</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	5(a)	15,028,024	5,461,867
Contributed surplus	5(c)	975,100	201,720
Deficit		(6,888,614)	(4,972,613)
		<b>9,114,510</b>	<b>690,974</b>
		<b>\$ 9,294,468</b>	<b>\$ 761,138</b>

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 SILVER CORP.

(formerly, Endeavour Gold Corp.)

## CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

	Notes	Three Months Ended November 30,		Nine Months Ended November 30,	
		2004	2003	2004	2003
<b>EXPENSES</b>					
Accounting and audit		\$ 15,364	\$ -	\$ 41,117	\$ 4,900
Amortization		-	-	-	318
Consulting		(68,181)	7,620	22,020	37,620
Filing and regulatory		4,203	697	22,064	10,217
Financing and foreign exchange		177,577	4,051	235,412	5,254
Legal		25,591	7,707	107,944	23,497
Office and sundry		9,544	5,291	47,791	15,070
Salaries and management	6(a), (e)	83,802	-	190,872	-
Shareholder relations		61,774	17,246	134,578	17,246
Stock-based compensation		111,500	-	784,700	-
Travel		(11,192)	3,233	21,332	3,233
Loss before the undernoted		(409,982)	(45,845)	(1,607,830)	(117,355)
Interest income		3,366	-	40,578	-
Property investigations	6(a)	(48,211)	(38,317)	(305,176)	(95,186)
Write-off of resource properties		-	-	(43,573)	-
<b>LOSS FOR THE PERIOD</b>		<b>(454,827)</b>	<b>(84,162)</b>	<b>(1,916,001)</b>	<b>(212,541)</b>
Deficit, beginning of the period		(6,433,787)	(4,322,291)	(4,972,613)	(4,193,912)
<b>DEFICIT, END OF PERIOD</b>		<b>\$ (6,888,614)</b>	<b>\$ (4,406,453)</b>	<b>\$ (6,888,614)</b>	<b>\$ (4,406,453)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.02)</b>	<b>\$ (0.01)</b>	<b>\$ (0.11)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of shares outstanding</b>		<b>18,512,279</b>	<b>6,340,671</b>	<b>16,906,828</b>	<b>6,248,095</b>

Refer to accompanying notes to the consolidated financial statements.

# ENDEAVOUR SILVER CORP.

(formerly, Endeavour Gold Corp.)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2004	2003	2004	2003
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>				
<b>OPERATING</b>				
Loss for the period	\$ (454,827)	\$ (84,162)	\$ (1,916,001)	\$ (212,541)
Items not affecting cash:				
Amortization	-	-	-	316
Financing costs	-	595	-	1,798
Stock-based compensation	111,500	-	784,700	-
Write-off of resource properties	-	-	43,573	-
	(343,327)	(83,567)	(1,087,728)	(210,427)
Net changes in non-cash working capital items:				
Receivables and prepaids	194,660	(9,942)	(155,070)	(12,759)
Due from (to) related parties	(128,737)	-	(166,314)	-
Accounts payable and accrued liabilities	96,137	31,407	124,025	21,418
	(181,267)	(62,102)	(1,285,087)	(201,768)
<b>FINANCING</b>				
Loans receivable	(44,500)	-	(504,050)	-
Issuance of common shares	273,151	20,500	9,554,838	26,500
Subscriptions for common shares	-	832,855	-	832,855
	228,651	853,355	9,050,788	859,355
<b>INVESTING</b>				
Acquisition and exploration of resource properties	(729,591)	(8,483)	(744,067)	(12,774)
Advance for acquisition	127,000	-	(1,053,176)	-
	(602,591)	(8,483)	(1,797,243)	(12,774)
<b>NET CASH INFLOWS (OUTFLOWS)</b>	<b>(555,207)</b>	<b>782,770</b>	<b>5,968,458</b>	<b>644,813</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>7,066,533</b>	<b>13,617</b>	<b>542,868</b>	<b>151,574</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 6,511,326</b>	<b>\$ 796,387</b>	<b>\$ 6,511,326</b>	<b>\$ 796,387</b>

Refer to accompanying notes to the consolidated financial statements.

# ENDEAVOUR SILVER CORP.

(formerly, Endeavour Gold Corp.)

## Notes to the Consolidated Financial Statements

Nine Months Ended November 30, 2004 and 2003

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

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### 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. On September 13, 2004, the Company changed its name to Endeavour Silver Corp.

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

These interim consolidated financial statements are unaudited and have been prepared by management and have not been reviewed by the Company's auditors.

#### (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 if 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 SILVER CORP.

(formerly, Endeavour Gold Corp.)

## Notes to the Consolidated Financial Statements

Nine Months Ended November 30, 2004 and 2003

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

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### 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. All significant intercompany transactions and balances have been eliminated.

The accompanying unaudited interim consolidated financial statements are prepared in accordance with generally accepted accounting principles (“GAAP”) in Canada with respect to the preparation of interim financial statements. Accordingly, they do not include all of the information and disclosures required by Canadian GAAP in the preparation of annual consolidated financial statements. The accounting policies used in the preparation of the accompanying unaudited interim consolidated financial statements are the same as those described in the annual financial statements and the notes thereto for the year ended February 29, 2004. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements including the notes thereto for the year ended February 29, 2004.

#### (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.

# ENDEAVOUR SILVER CORP.

(formerly, Endeavour Gold Corp.)

## Notes to the Consolidated Financial Statements

Nine Months Ended November 30, 2004 and 2003

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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.

### 3. LOAN RECEIVABLE

At November 30, 2004, the Company advanced US\$425,000 to Minera Santa Cruz y Garibaldi, S.A de C.V., a company in which the Company has the right to acquire up to a 100% interest (Note 4(a)). The loan is repayable on demand and bears an interest rate of 9% per annum beginning January 28, 2005.

### 4. RESOURCE PROPERTIES

At November 30, 2004, the Company's resource properties are comprised of properties located in Mexico. Expenditures incurred on resource properties during the six-month period then ended are as follows:

	Santa Cruz (Mexico)	El Taco (Mexico)	San Jose (Mexico)	Total
Balance, February 29, 2004	\$ -	\$ 21,569	\$ 7,528	\$ 29,097
Additions during the period:				
Acquisition costs	-	-	13,284	13,284
Exploration costs:				
Assays and survey	10,311	-	1,192	11,503
Camp and camp supplies	52,481	-	-	52,481
Drilling	387,055	-	-	387,055
Equipment and machinery	99,751	-	-	99,751
Geologists, consultants and engineers	142,907	-	-	142,907
Maintenance and sundry	10,665	-	-	10,665
Transportation and travel	26,421	-	-	26,421
Resource properties written-off	-	(21,569)	(22,004)	(43,573)
Balance, November 30, 2004	\$ 729,591	\$ -	\$ -	\$ 729,591

# ENDEAVOUR SILVER CORP.

(formerly, Endeavour Gold Corp.)

## Notes to the Consolidated Financial Statements

Nine Months Ended November 30, 2004 and 2003

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

### 4. RESOURCE PROPERTIES (continued)

#### (a) **Santa Cruz property and plant** (Durango, Mexico)

In May 2004, the Company signed formal option 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 agreements 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.

#### (b) **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.

#### (c) **San Jose property** (Sinaloa, Mexico)

In July 2003, the Company entered into 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. The property was written off in the second quarter of fiscal 2005.

#### (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 unlimited 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	9,070,189
For cash from exercise of stock options (Note 5(c))	220,000	41,720
For cash from exercise of warrants (Note 5(d))	1,950,000	383,500
For agents' fee and corporate finance fees (Note 5(b))	44,219	70,748
Balance, November 30, 2004	19,543,269	\$ 15,028,024

# ENDEAVOUR SILVER CORP.

(formerly, Endeavour Gold Corp.)

## Notes to the Consolidated Financial Statements

Nine Months Ended November 30, 2004 and 2003

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

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### 5. SHARE CAPITAL (continued)

#### (a) **Authorized and issued** (continued)

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 November 30, 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(a)). 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 for working capital.

#### (c) **Share options**

Options to purchase common shares have been granted to directors, officers, employees and consultants pursuant to the Company's stock option plan approved by the Company's shareholders in August 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 plan as at November 30, 2004, and changes during the period ended on that date:

	November 30, 2004	
	Number of Shares	Weighted Average Exercise Prices
Outstanding at beginning of period	860,000	\$0.36
Granted	880,000	\$1.55
Exercised	(220,000)	\$0.14
Forfeited	(50,000)	\$1.41
Outstanding at end of period	<u>1,470,000</u>	\$1.07
Options exercisable at end of period	<u>1,470,000</u>	\$1.07

# ENDEAVOUR SILVER CORP.

(formerly, Endeavour Gold Corp.)

## Notes to the Consolidated Financial Statements

Nine Months Ended November 30, 2004 and 2003

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

### 5. SHARE CAPITAL (continued)

#### (c) **Share options** (continued)

The following table summarizes information about stock options outstanding at November 30, 2004:

Exercise Prices	Options Outstanding and Exercisable	
	Number Outstanding and Exercisable at November 30, 2004	Weighted Average Remaining Contractual Life
\$0.22	270,000	0.7 Year
\$0.45	100,000	1.1 Years
\$0.66	260,000	4.2 Years
\$1.60	640,000	4.5 Years
\$1.20	50,000	2.0 Years
\$1.45	150,000	2.0 Years
	<u>1,470,000</u>	

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 nine months ended November 30, 2004 is \$784,700. The fair values of stock options granted during the nine months ended November 30, 2004 have been estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	Month in which Options Granted
Risk-free interest rate	3.13% and 1.53%
Expected dividend yield	-
Expected stock price volatility	118%, 77% and 75%
Expected option life in years	4 and 1.5 years

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.

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## Notes to the Consolidated Financial Statements

Nine Months Ended November 30, 2004 and 2003

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

### 5. SHARE CAPITAL (continued)

#### (d) Warrants

At November 30, 2004, the Company had outstanding warrants to purchase an aggregate 4,598,559 common shares as follows:

Exercise Prices	Expiry Dates	Outstanding at February 29, 2004	Issued	Exercised	Expired	Outstanding at November 30, 2004
\$0.12	November 29, 2004	1,300,000	-	(1,300,000)	-	-
\$0.35	October 6, 2005	1,525,000	-	(650,000)	-	875,000
\$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	(1,950,000)	-	4,598,559

#### (e) Shares reserved for issuance

	Number of Shares
Issued and outstanding, November 30, 2004	19,543,269
Stock options (Note 5(c))	1,470,000
Warrants (Note 5(d))	4,598,559
Fully diluted, November 30, 2004	25,611,828

### 6. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the nine months ended November 30, 2004:

- Management compensation of \$83,604 was paid to the President of the Company and \$55,200 in fees were charged by a director.
- Rent of \$13,500 was incurred and paid to a company with certain common directors.
- 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.
- The amounts due from (to) related parties as at November 30, 2004 represents amounts owed by (to) companies with certain common director(s), which do not bear any interest and provide for no specific terms of repayment.
- At November 30, 2004, the Company paid \$4,000 to directors as compensation to them for being members of the Board of Directors in which each director of the Company is paid a fee of \$1,000 per quarter.

# **ENDEAVOUR SILVER CORP.**

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## **Notes to the Consolidated Financial Statements**

**Nine Months Ended November 30, 2004 and 2003**

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

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### **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)

### **8. SUBSEQUENT EVENTS**

In December 2004, the Company announced a private placement for up to \$1.16 million. The financing includes a best efforts brokered private placement for up to 312,500 units at \$1.60 per unit for proceeds of \$500,000 and a non-brokered private placement for up to 412,500 units at \$1.60 per unit for proceeds of \$660,000. Each unit is comprised of one common share and one share purchase warrant; each warrant is exercisable to acquire one common share for a two year period at \$2.10 in the first twelve months and at \$2.30 in the following twelve months thereafter. As at January 25, 2005, the Company had received proceeds of \$709,600 from the non-brokered private placement. This private placement, including the proposed increase in the amount of the non-brokered private placement, has not closed and is subject to the prior approval of the TSX Venture Exchange.

## **CORPORATE INFORMATION**

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### **HEAD OFFICE**

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### **DIRECTORS**

Bradford Cooke  
Godfrey Walton  
Leonard Harris  
Mario Szotlender

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Bradford Cooke ~ President  
Stewart Lockwood ~ Secretary

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TSX Venture Exchange  
Trading Symbol ~ EDR

**ENDEAVOUR SILVER CORP.**  
(formerly, Endeavour Gold Corp.)

**Management's Discussion and Analysis**  
**For the Nine Months Ended November 30, 2004**

**Preliminary Information**

The following Management's Discussion and Analysis ("MD&A") of Endeavour Silver Corp. (formerly, Endeavour Gold Corp.) (the "Company") should be read in conjunction with the accompanying interim unaudited consolidated financial statements for the nine months ended November 30, 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](http://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 January 26, 2005 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 to develop resource targets. 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 option 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. The acquisitions of the silver-gold mine and the processing plant should allow the Company to become one of the top primary silver producers in the world. An equity financing in the first quarter of fiscal 2005 was completed to 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**

In May 2004, the Company signed formal option 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, in May 2004, paid US\$900,000 to the vendors upon signing of the agreements.

In the second quarter of fiscal 2005, the Company implemented its US\$1.1 million Phase 1 exploration program for the Santa Cruz silver-gold mine on two prospective ore zones, North Porvenir and San Guillermo, which are being explored using underground ramps and diamond drilling for the purpose of outlining mineable resources in each zone and to prepare them for production by February 2005. At that time, approximately 2,800 metres of underground development, including 1,000 metres of ramp access plus related crosscuts, sublevels and raises were expected to be completed in order to explore and to prepare the North Porvenir mine for production. The Company advanced US\$425,000 as a loan for the ramp development. To complement the underground exploration program, a 6,000 metre surface drilling program was also implemented for the North Porvenir zone and focused on outlining the mineralization on 50 metre centres so as to better guide the underground development program.

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In early December 2004, consistently high-grade silver vein mineralization had been outlined by underground sampling in the North Porvenir zone of the Santa Cruz mine. Two sill levels 2308 and 2310 (horizontal tunnels driven along the mineralized vein in preparation for production) returned an average 689 gpt silver (20.1 opt) and 1.30 gpt gold (0.04 opt) over an average 2.97 metre (9.7 feet) horizontal width along a 140 metre (459 feet) strike length, still open to the northwest.

This work is part of the Company's Phase 1, US\$1.1 million exploration program of 14 surface diamond drill holes and 600 metres of underground development to establish an initial resource at, and early cash flows from, the newly discovered North Porvenir mineralized zone. The Company plans to complete this first phase of exploration and development work by January 28, 2005, at which time the Company can acquire a 51% interest in the high grade Santa Cruz mine and the 1,400 tpd Guanacevi processing plant by paying US\$2 million.

By the end of December 2004, a total of 1,160 metres of underground development was completed, including 410 metres of a new access ramp, a 161 metre ventilation raise, eleven crosscuts into the vein totalling 141 metres, two sill levels totalling 135 metres and related underground workings. Moreover, an exploration program of 4,160 metres of diamond drilling in 12 holes was completed at the North Porvenir mine; the results are not yet available.

Trial mining is now underway at North Porvenir in order to assess the potential production rate, mining method and metallurgical recovery of this exciting new discovery and to repay the Company's US \$ 425,000 loan, which was used by the current Santa Cruz mine owners to drive the access ramp and related underground workings down into the North Porvenir Zone.

As for the San Guillermo zone, about 100 metres of access ramp were completed and sampling is underway in two prospective ore shoots. This zone is currently producing 50 to 100 tonnes per day of moderate grade ore to the Guanacevi plant.

In addition to the Phase 1 exploration program, the Company also implemented metallurgical testing and mill optimization programs at the Guanacevi processing plant in order to improve recoveries of silver and gold. RDI Resource Development Inc, metallurgical consultants, completed a millsite tour and concluded that the mill and processing equipment was in good condition, plant personnel are highly experienced operators, and a third pump station plus expansion of the tailings pond should increase the reprocessing of old oxidized tailings from 450 tonnes per day to 750 tonnes per day.

### **Selected Financial Performance**

The following table presents selected financial information of the Company for the third quarter ended November 30, 2004:

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	Fiscal 2005			Fiscal 2004				Fiscal 2003
	Nov 30, 2004	Aug 31, 2004	May 31, 2004	Feb 29, 2004	Nov 30, 2003	Aug 31, 2003	May 31, 2003	Feb 28, 2003
Total revenues	\$ 3,366	\$ 24,381	\$ 12,831	\$ -	\$ -	\$ -	\$ -	\$ -
Loss before discontinued operations and extraordinary items:								
(i) Total	\$ (454,827)	\$ (402,895)	\$ (1,058,279)	\$ (566,160)	\$ (84,162)	\$ (62,255)	\$ (66,125)	\$ (85,374)
(ii) Basic per share	\$ (0.02)	\$ (0.08)	\$ (0.07)	\$ (0.08)	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.03)
(iii) Fully diluted per share	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.04)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Net loss:								
(i) Total	\$ (454,827)	\$ (402,895)	\$ (1,058,279)	\$ (566,160)	\$ (84,162)	\$ (62,255)	\$ (66,125)	\$ (85,374)
(ii) Basic per share	\$ (0.02)	\$ (0.08)	\$ (0.07)	\$ (0.08)	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.03)
(iii) Fully diluted per share	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.04)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

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 for the nine months ended November 30, 2004. The lower level of business activities for the same period in the prior fiscal year was attributed to its lack of financial resources which restricted its ability to seek and to research projects of merit.

## Results of Operations

### *Third Quarter of Fiscal 2005 – Nine months ended November 30, 2004 compared with November 30, 2003*

The Company incurred a net loss of \$1.9 million for the nine months ended November 30, 2004 in contrast to the net loss of \$212,500 for the same period in fiscal 2004. In almost all expense categories for the third quarter of fiscal 2005, the Company incurred higher expenses relative to the third 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. In the second quarter of fiscal 2005, the Company developed and implemented its Phase 1 US\$1.1 million exploration program which continued into the third quarter for its optioned Santa Cruz silver mine which contributed to higher operating expenses for staff and support services. Stock-based compensation expense reflects the granting of 680,000 stock options in the first quarter of fiscal 2005 and a further granting of 200,000 stock options in the third quarter of fiscal 2005. The Company's property investigation expenses were incurred essentially for seeking properties of merit and further concessions in Mexico. However, lower property investigation efforts were expended in the third quarter of fiscal 2005 than in each of the first two quarters, as the Company focused more on exploration efforts to outline mineable resources in two prospective ore zones in the optioned Santa Cruz mine and to prepare them for production by year-end, rather than just seeking additional properties of merit. The Company incurred a foreign exchange loss of \$235,000 in the nine months ended November 30, 2004 of which \$177,600 was incurred within the third quarter. Certain accounts of the Company's wholly owned subsidiary are stated in U.S. dollars, and the U.S. dollar depreciated significantly relative to the Canadian dollar during the nine-month period. The Bank of Canada closing exchange rate for the U.S. dollar was 1.3357 in February 2004, which then depreciated to 1.3130 in August 2004 and then to 1.1860 in November 2004.

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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. Also, expenses were attributable to implementing the Company's Phase 1 exploration program. As at November 30, 2004, the Company incurred and deferred \$729,591 in exploration expenditures to identify mineable resources in two ore zones in the Santa Cruz property.

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 property was written off in the second quarter of fiscal 2005.

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 November 30, 2004 and November 30, 2003, the Company has resource properties which were comprised of the following:

	November 30, 2004			November 30, 2003		
	Acquisition Costs	Exploration/ Development	Total	Acquisition Costs	Exploration/ Development	Total
Mexico:						
Santa Cruz	\$ -	\$ 729,591	\$ 729,591	\$ -	\$ -	\$ -
San Jose	-	-	-	-	1,760	1,760
El Taco	-	-	-	-	1,399	1,399
Canada:						
Otish Mountain	-	-	-	47,750	3,350	51,100
Other	-	-	-	-	9,615	9,615
	\$ -	\$ 729,591	\$ 729,591	\$ 47,750	\$ 16,124	\$ 63,874

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 executed formal option agreements. The operating mine and processing plant would allow the Company to become a silver producer, and such operations should realize revenues and generate cash flows to sustain operations in the near future. The Company is currently implementing its US\$1.1 million Phase 1 exploration program to identify potential silver-gold resources in Mexico.

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### Liquidity and Capital Resources

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

	Nine Months Ended		Year Ended
	November 30, 2004	November 30, 2003	February 29, 2004
Cash and cash equivalents	\$ 6,511,326	\$ 796,387	\$ 542,868
Working capital	\$ 6,694,869	\$ 735,095	\$ 529,053

The Company had significantly more cash and cash equivalents and working capital at November 30, 2004 than at February 29, 2004 and November 30, 2003. In May 2004, the Company completed a major financing comprised of brokered and non brokered 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 for working capital.

In addition to a US\$1 million investment in mine exploration and development within one year, the Company must make a US\$2 million cash payment on January 28, 2005 in order to earn a 51% interest in the producing Santa Cruz silver-gold mine and Guanacevi mineral processing plant. 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 December 2004, the Company announced a private placement for up to \$1.16 million. The financing includes a best efforts brokered private placement for up to 312,500 units at \$1.60 per unit for proceeds of \$500,000 and a non-brokered private placement for up to 412,500 units at \$1.60 per unit for proceeds of \$660,000. Each unit is comprised of one common share and one share purchase warrant; each warrant is exercisable to acquire one common share for a two year period at \$2.10 in the first twelve months and at \$2.30 in the following twelve months thereafter. As at January 25, 2005, the Company had received proceeds of \$709,600 from the non-brokered private placement for 443,500 units. This private placement, including the proposed increase in the amount of the non-brokered private placement, has not closed and is subject to the prior approval of the TSX Venture Exchange.

As at November 30, 2004, the Company acquired silver doré bars at a cost of US\$50,000 representing about 5,990 ounces of silver and 42 ounces of gold. At January 25, 2005, the silver doré bars have a market value of about US\$57,700.

### Transactions with Related Parties

For nine months ended November 30, 2004, the following transactions involve related parties:

- (a) Management compensation of \$83,604 was paid to the President of the Company and \$55,200 in fees were charged by a director.

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- (b) Rent of \$13,500 was incurred and paid to a company with certain common directors.
- (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 amounts due from (to) related parties as at November 30, 2004 represents amounts owed by (to) companies with certain common director(s), which do not bear any interest and provide for no specific terms of repayment.
- (e) At November 30, 2004, the Company paid \$4,000 to directors as compensation to them for being members of the Board of Directors in which each director of the Company is paid a fee of \$1,000 per quarter.

### Outstanding Share Data

The Company's authorized share capital comprises of unlimited common shares without par value.

Changes in the Company's share capital for nine months ended November 30, 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	9,070,189
For cash from exercise of stock options	220,000	41,720
For cash from exercise of warrants	1,950,000	383,500
For agents' fee and corporate finance fees	44,219	70,748
Balance, November 30, 2004	19,543,269	\$ 15,028,024

### 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 as it becomes an operating entity as opposed to an exploration one. The Company now has the financial resources to satisfy commitments pursuant to the option 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, in which such exploration is currently being undertaken.

The equity capital provided from the brokered and non-brokered private placement as announced in December 2004 will provide further financial resources to the Company to realize its operating, mining and exploration objectives in the coming fiscal year for its mine and mill in Mexico.

These acquisitions and equity financings will allow the Company to proceed towards becoming a primary silver producer in the world.