ENDEAVOUR MINING

Six Months Ended June 30, 2012 and 2011

(Expressed in Thousands of United States Dollars)

This Management's Discussion and Analysis should be read in conjunction with Endeavour Mining Corporation's ("Endeavour" or the "Corporation") unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2012 and 2011 and related notes thereto which have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. This Management's Discussion and Analysis contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. The reader is cautioned not to place undue reliance on forward-looking statements. All figures are in United States Dollars, unless otherwise indicated. Tabular amounts are in thousands of United States Dollars, except per share amounts. This Management's Discussion and Analysis is prepared as of August 7, 2012. Additional information relating to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com.

On December 5, 2011 the merger between the Corporation and Adamus Resources Limited ("Adamus"), which owned the Nzema Gold Mine in Ghana ("Nzema" or the "Nzema Gold Mine") became effective. As a result, Endeavour's comparative financial results for the three and six months ended June 30, 2011 do not include Adamus' results for the same operating period.

SECOND QUARTER 2012 FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Gold production[1] totaled 50,728 ounces, an increase of 29,153 ounces from 21,575 ounces in the same period in 2011, which included only the Youga Gold Mine production.

- The full year 2012 production guidance has been updated to between 187,000 and 202,000 ounces of gold, up from 170,000 to 190,000 ounces previously. Total cash cost per ounce produced from the two mines (excluding royalties and purchased ore) has been updated to $670 to $690 from $645 to $685 previously (refer to the Outlook section).

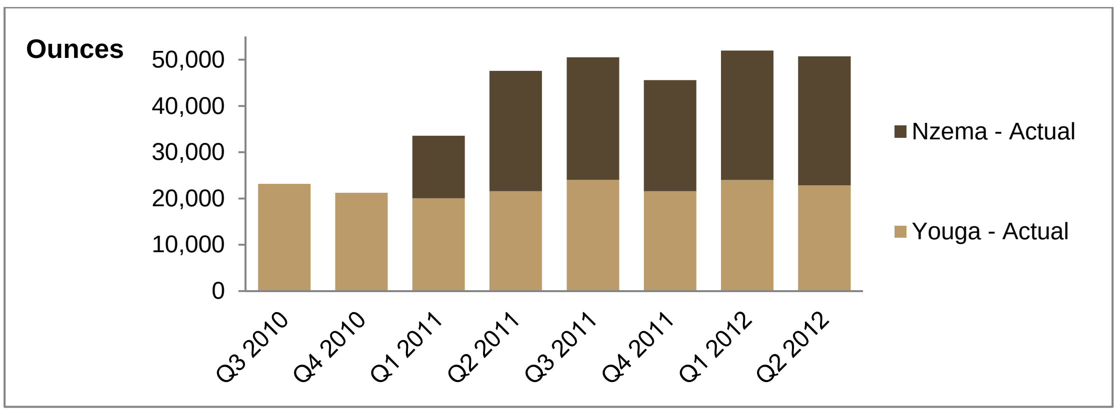

Figure 1: Quarterly production for past eight quarters (showing Nzema's full year production for 2011)

- Total cash cost[1,2] (excluding royalties) per gold ounce produced was $641 which is a decrease of $248 from $889 per gold ounce produced in the same period in 2011, which included only Youga mine production.

- Cash margin[3], which is revenues less cash costs and royalties, of $841 per ounce of gold sold or $84 million based on 99,974 ounces sold for the year to date, continues on plan to meet the Corporation's $150.0 million estimate at a gold sales price of $1,600 per ounce.

[1]Total gold production and total cash costs include gold ounces produced at Nzema from ore purchased from an independent producer. Refer to Nzema Gold Mine Operations on page 5.
[2]Total cash cost is a non-GAAP financial performance measure with no standard meaning under IFRS. Refer to Non-GAAP Measures on page 26.
[3]Cash margin is a non-GAAP financial performance measure with no standard meaning under IFRS.

SECOND QUARTER 2012 FINANCIAL AND OPERATIONAL HIGHLIGHTS (CONTINUED)

- Operating cash flow from mine operations of $56.1 million for the quarter, (includes approximately $8.5 million of cash for March production with cash proceeds received in early April), as compared to $13.3 million in the same period in 2011.

- Cash and cash equivalents and marketable securities totaled $143.9 million, which is $43.9 million net of $100.0 million of outstanding debt. In addition, the fair value of the Corporation's investment in Namibia Rare Earth Inc. ("NREI") is $7.1 million, as at June 30, 2012, which is not included in marketable securities.

- The 85% owned Agbaou Gold Project ("Agbaou") in Côte d'Ivoire entered the construction phase during the second quarter, with planned gold production of 103,000 ounces per year at a cash cost of $635 per ounce of gold beginning in the first quarter of 2014.

- Completion of the drill program at the Ouaré gold deposit in Burkina Faso and commencement of the updated mineral resource estimate in preparation for a Preliminary Economic Assessment ("PEA") by the end of 2012.

- Positive drill results announced from near-mine targets at both Youga and Nzema mines demonstrated potential to expand mine life at both operations.

SUBSEQUENT EVENT

On August 7, 2012, Endeavour entered into an arrangement agreement (the "Arrangement Agreement") with Avion Gold Corporation ("Avion") under which Avion will undertake a reorganization of its share capital via a court-approved plan of arrangement and, as a result Endeavour would acquire all of the issued and outstanding common shares of Avion.

Under the Arrangement Agreement, each Avion shareholder will receive in exchange for each Avion common share held 0.365 of an Endeavour common share via a court-approved plan of arrangement. The Arrangement Agreement will be subject to, among other things, approval of 66 2/3% of the Avion shareholder votes cast, approval of 50% of the Endeavour shareholder votes cast, and other customary conditions including court approvals. The two shareholder meetings are expected to occur on or about October 12, 2012 and the transaction is expected to close in October 2012.

GROWTH STRATEGY

Endeavour is a junior gold producer committed to becoming an intermediate producer. The Corporation owns the Nzema Gold Mine in Ghana and the Youga Gold Mine ("Youga" or the "Youga Gold Mine") in Burkina Faso, together producing approximately 195,000 ounces per year. This production generates significant operating cash flows to fund growth from our pipeline of development and exploration projects in West Africa. In Côte d'Ivoire, Endeavour owns the Agbaou Gold Project, which has now entered the construction phase and is expected to begin production in the first quarter of 2014 for an additional 103,000 ounces per year.

ınd projects

Endeavour is currently exploring in Burkina Faso, Côte d'Ivoire, Ghana, Liberia and Mali, with approximately 80% of the overall spend directed toward near-mine exploration to feed our mills and approximately 20% toward green fields exploration. Endeavour's land position is the third largest in West Africa and covers over 10,000 square kilometres. The 2012 exploration budget of $34.0 million is expected to include approximately 215,000 metres of drilling, of which approximately $21.6 million is directed towards extending mine life at the Nzema and Youga operations, $6.0 million towards increasing resources and reserves at Agbaou, $6.4 million toward delineating resources and conducting further metallurgical testing of the Nzema sulphides in Ghana, and the balance towards regional programs.

Endeavour's transition into an intermediate gold producer is demonstrated by:

- The acquisition of Adamus' Nzema Gold Mine;
- The extension of Youga's mine life;
- The construction of the Agbaou Gold Project;
- A $34.0 million exploration budget for 2012; and
- A disciplined acquisition program.

Endeavour is well positioned to achieve its goal, based on:

- Strong financial position of $143.9 million of cash and cash equivalents and marketable securities (not including the fair value of $7.1 million for our stake in NREI) or $43.9 million net of debt at June 30, 2012;
- Access to a current $200.0 million revolving credit facility of which $100.0 million is undrawn;
- Estimated cash margin (revenues less cash costs and royalties) of approximately $150.0 million per year (at $1,600 gold price) is expected to fund the construction of Agbaou and the exploration program;
- Highly skilled and motivated management team with demonstrated experience in mine building, exploration and operations, as well as company building and financing;
- Exclusive agreement to identify acquisition opportunities with Fiore Financial Capital, a boutique investment bank that is focused on creating, financing and launching investment opportunities in the resource sector;
- Strong "in-house" transaction team; and
- Management structure that allows for quick decisions.

GROWTH STRATEGY (CONTINUED)

Endeavour is committed to responsible and disciplined growth. Our corporate social and environmental responsibility objectives are to prevent pollution, minimize the impact operations may cause to the environment, practice progressive rehabilitation of areas impacted by our activities and provide enduring socio-economic benefits of our projects to stakeholders. The Corporation has a history of operating in a socially responsible and sustainable manner, and of following international guidelines. For details about our community and other programs, see operations review below for Nzema, Youga and Agbaou.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table summarizes the operating results of the mine operations for the three and six months ended June 30, 2012:

	Three Month Period Ended June 30,		Six Month Period Ended June 30,	
Operating Data:	2012	2011[3]	2012	2011[3]
Tonnes of ore mined (000's)	722	259	1,549	422
Tonnes of ore milled (000's)	804	234	1,573	446
Gold ounces produced:	50,728	21,575	102,691	41,631
Gold ounces sold:	52,415	24,697	99,974	44,091
Realized price				
Gold ($/ounce)[2]	1,601	1,458	1,566	1,409
Total cash cost per gold ounce produced (excluding royalties) ($/ounce)[1]	641	889	679	654
Financial Data (US dollars in thousands)				
Revenues	83,919	36,000	156,562	62,116
Earnings from mine operations	23,667	14,851	50,043	23,329

[1]Total cash cost is a non-GAAP financial performance measure with no standard meaning under IFRS. Refer to Non-GAAP Measures on page 26.
[2]The realized price is the average price received for all ounces sold including sales at the gold hedge price.
[3]Includes only the operations of the Youga Gold Mine.

OVERVIEW OF THE FINANCIAL RESULTS FOR THE SECOND QUARTER OF 2012

- Gold production increased by 29,513 ounces or 135% to 50,728 ounces from 21,575 ounces in the same period in 2011 due to the inclusion of Nzema from December 5, 2011.

- Gold sold increased by 27,718 ounces or 112% to 52,415 ounces from 24,697 ounces in the same period in 2011.

- Revenue increased $47.9 million or 133% to $83.9 million from $36.0 million in the same period in 2011. The increase in revenue is primarily a result of an additional 27,849 ounces of gold sold from Nzema coupled with an increase in the average realized price of gold from $1,458 per ounce to $1,601 per ounce in the same period in 2011. The increase in the average price of gold is due to the Youga gold hedge program having been closed out in 2011 and the average price of gold increasing from $1,509 per ounce to $1,612 per ounce in the same period in 2012.

OVERVIEW OF THE FINANCIAL RESULTS FOR THE SECOND QUARTER OF 2012 (CONTINUED)

- Total cash cost[1] (excluding royalties) per gold ounce produced decreased 28% to $641 from $889 per gold ounce in the same period in 2011.

- Operating cash flow from mine operations increased by $42.8 million or 322% to $56.1 million. The significant increase in quarterly cash flow is a direct result of the additional 27,849 ounces of gold sold from Nzema, coupled with a higher average price of gold. The two mine operations remain on plan to meet cash margin expectations of $150.0 million for 2012 (based on a $1,600 realized gold sales price).

- Earnings from operations increased by $4.8 million or 41% to $16.4 million from $11.6 million in the same period in 2011.

- Net earnings attributable to shareholders of Endeavour of $26.6 million, compared with $32.8 million, in the same period in 2011. 2011 included a one-off $22.1 million gain on the change of ownership of NREI.

OPERATIONS REVIEW

Nzema Gold Mine, Ghana

The following table, which includes the ounces produced from ore purchased from an independent producer, summarizes the operating results of the Nzema Gold Mine for the second quarter of 2012:

	Three Month Period Ended June 30,		Six Month Period Ended June 30,	
Operating Data:	2012	2011[3]	2012	2011[3]
Tonnes of ore mined (000's)	438	-	973	-
Average gold grade mined (grams/tonne)	1.53	-	1.58	-
Tonnes of ore milled (000's)	548	-	1,062	-
Average gold grade milled (grams/tonne)	1.78	-	1.78	-
Gold ounces produced (including purchased ore):	27,863	-	55,838	-
Gold ounces produced from purchased ore:	2,381		4,813	
Gold ounces sold:	27,849	-	55,812	-
Realized price				
Gold ($/ounce)[2]	1,658	-	1,566	-
Total cash cost per gold ounce produced				
(excluding royalties) ($/ounce)[1]	676	-	710	-
(excluding royalties and purchased ore)($/ounce)[1]	635	-	670	-
Financial Data (US dollars in thousands)				
Revenues	46,162	-	87,421	-
Earnings from mine operations	5,396	-	16,666	-

[1] Total cash cost is a non-GAAP financial performance measure with no standard meaning under IFRS. Refer to Non-GAAP Measures on page 26.
[2] The realized price is the average price received for all ounces sold including sales at the gold hedge price.
[3] Commercial production was declared on April 1, 2011, however the results are not included in the operating results of Endeavour because the merger was completed in December 2011.

OPERATIONS REVIEW (CONTINUED)

Nzema Gold Mine, Ghana *(continued)*

The highlights for the second quarter of 2012 for Nzema are as follows:

- Total mining volumes exceeded budget by 19%, despite heavy rains in June which slowed mining operations;
- The process plant treated 548,000 tonnes of ore;
- Gold production was 27,863 ounces and includes 2,381 ounces from ore purchased from an independent producer. This strong performance is due to improved gold grade and a modest improvement in gold recovery. Ounces produced exceeded budget by 3,718 ounces;
- Revenue was $46.2 million resulting from the sale of 27,849 ounces of gold at an average realised gold price[2] of $1,658 per ounce;
- Total cash cost[1] (excluding royalties) per gold ounce produced was $676 including purchased ore and $635 excluding purchased ore;
- Nzema generated $5.4 million in earnings from mine operations, which is net of one-off expenses of $4.7 million related primarily to withholding taxes for the pre-commercial production period, from the Ghanaian Tax Authority audit for its taxation years June 2007 to June 2011;
- Nzema generated $35.8 million of operating cash flow from mine operations.
- One lost time injury (LTI) was recorded in April, no LTIs were recorded in either May or June;
- No level two environmental incidents occurred;
- Phase 2 of the tailings storage facility ("TSF") raise was completed subsequent to the end of the quarter;
- In order to improve consistency of power supply, installation of a back-up diesel power generation plant was recently commenced, with completion expected by the end of the year; and
- Near-mine exploration made significant progress in both oxide and sulphide programs (refer to Exploration Review section).

Highlights for the six month period ended June 30, 2012 include:

- Total mining volumes exceeded budget by 7%;
- The process plant treated 1,062,000 tonnes of ore;
- Gold production was 55,838 ounces. Ounces produced exceeded budget by 7,079 ounces and includes 4,813 ounces from ore purchased from an independent producer, which were not budgeted;
- Revenue was $87.4 million resulting from the sale of 55,812 ounces of gold at an average realised gold price[2] of $1,566 per ounce;
- Total cash cost[1] (excluding royalties) per gold ounce produced was $710 including purchased ore and $670 excluding purchased ore;
- Nzema generated $16.7 million in earnings from mine operations; and
- Nzema generated $51.9 million of operating cash flow from mine operations.

The Corporation holds a 90% interest in the Nzema Gold Mine with the Government of Ghana holding the remaining 10%. The Nzema mining licences are valid for 10 years with the right to apply for an extension of the licenses. The first gold pour took place ahead of schedule on January 17, 2011 and commencement of commercial production was achieved on April 1, 2011. The focus since production has been on improving the mining productivity, increasing plant throughput and mineral reserve addition. Nzema has subsequently met its guidance targets and delivered consistent operational results.

[1] Total cash cost is a non-GAAP financial performance measure with no standard meaning under IFRS. Refer to Non-GAAP Measures on page 26.
[2] The realized price is the average price received for all ounces sold including sales at the gold hedge price.

OPERATIONS REVIEW (CONTINUED)

Nzema Gold Mine, Ghana *(continued)*

Nzema is situated in south-western Ghana, approximately 280 kilometres west of Ghana's capital city, Accra. The four Nzema mining licenses are located within a contiguous block of tenements and options covering approximately 665 square kilometres, located at the southern end of Ghana's Ashanti Gold Belt.

Nzema includes a series of shallow oxide pits along the Salman Trend, together with the Anwia and Bokrobo deposits located 8 kilometres west of the Salman Trend. The mine is accessible via 80 kilometres of sealed road from the major port city of Takoradi, and is in close proximity to the substantial mining centre at Tarkwa.

Mining during the second quarter of 2012 was from Salman Central, Salman North 4 and Salman South 1A pits. A total of approximately 881,333 BCM of material was mined during the second quarter of 2012 including 438,000 tonnes of ore.

Gold extracted from Nzema is processed at a rate of 1.6 million tonnes per annum to 2.1 million tonnes per annum (depending on ore type) in a conventional carbon-in-leach ("CIL") gold plant with a 3.5 megawatt semi-autogenous grinding ("SAG") mill, CIL and two tailings counter current decant thickeners. The processing plant is located to the west of the Salman Central pits and is connected to the national power grid via a dedicated 33.5 kV, 12.2 kilometre power line that connects the process plant site to the Volta River Authority (VRA) substation at Essiama, which is owned by the Corporation. Water is supplied by the Corporation's Ankobra River pipeline and stored in a water storage dam.

The process flow is based on single stage crushing, single stage SAG milling, gravity recovery of free gold from a portion of cyclone underflow and a six stage CIL circuit. Run of mine ("ROM") ore is loaded onto a single toggle jaw crusher via a static grizzly and hopper. The crusher discharge feeds the SAG mill via a transfer point where material can be scalped to a crushed ore stockpile to maintain feed while the crusher is non-operational.

Raising of the TSF embankment commenced during the first quarter of 2012 and was completed subsequent to the end of the second quarter of 2012, with Knight Piesold Engineers on site to review design, specifications and quality control. The dam wall will be progressively upgraded to match production from the plant.

Nzema employs approximately 770 workers, including 290 full time Endeavour employees and 480 contractors. Only five expatriates are employed at the mine, with most of the workers coming from local communities. There is extensive training provided for the local work force for both unskilled and skilled positions.

Endeavour sees itself as an integral part of the communities in which we operate and as a responsible development partner. Endeavour works in collaboration with and engages government, local communities and outside organizations to ensure it supports economic sustainability and social development, with projects including skills training and educational scholarship, healthcare, water and sanitation, public infrastructure maintenance, institutional capacity building and livelihood programs. In Ghana, the Corporation has provided training for more than 180 young people from local communities in a wide range of skills. This ongoing initiative within 16 communities has resulted in the majority of participants moving into work, either as self-employed tradespeople, or into positions within organizations including Endeavour and its contractors. Endeavour has also embarked on a water, sanitation and hygiene campaign in the local schools to create an improved learning environment.

OPERATIONS REVIEW (CONTINUED)

***Nzema Gold Mine, Ghana** (continued)*

During the second quarter of 2012, highlights from Endeavour's community projects include:

- Completion of three toilet blocks for local schools and two boreholes for local communities;
- An educational program focused on personal hygiene and cleanliness; and
- A further 50 local youths graduated from technical training in electrical, woodwork, plumbing, aluminum fabrication, computer hardware and mobile phone repairs and refrigeration and air conditioner repairs.

The Salman Village resettlement was completed in the first quarter of 2012 and was required in order to move forward with blasting fresh rock in the Salman pits. The resettlement involved over 2,200 people and 706 structures including dwellings, religious and commercial buildings and 29 public structures including schools, a healthcare centre, police station, teachers, nurses and police, all moved to a site approximately one kilometre to the east of planned mining at the Nzema Gold Mine's Salman Central pits. The Corporation is supporting vulnerable households to attain self-sufficiency under its Vulnerable Assistance Program, including initiation during the second quarter of 2012 of Alternate Livelihood projects such as poultry, pig-rearing and bakery training.

Youga Gold Mine, Burkina Faso

The following table summarizes the operating results of the Youga Gold Mine for the second quarter of 2012:

	Three Month Period Ended June 30,		Six Month Period Ended June 30,	
Operating Data:	2012	2011	2012	2011
Tonnes of ore mined (000's)	284	259	576	422
Average gold grade mined (grams/tonne)	2.24	2.56	2.97	3.00
Tonnes of ore milled (000's)	256	234	511	446
Average gold grade milled (grams/tonne)	3.05	2.93	2.90	3.11
Gold ounces produced:	22,865	21,575	46,853	41,631
Gold ounces sold:	24,566	24,697	44,162	44,091
Realized price				
Gold ($/ounce)[2]	1,537	1,458	1,566	1,409
Total cash cost per gold ounce produced[1] (excluding royalties) ($/ounce)	599	889	642	654
Financial Data (US dollars in thousands)				
Revenues	37,757	36,000	69,141	62,116
Earnings from mine operations	18,302	14,851	33,444	23,329

[1] Total cash cost is a non-GAAP financial performance measure with no standard meaning under IFRS. Refer to Non-GAAP Measures on page 26.
[2] The realized price is the average price received for all ounces sold including sales at the gold hedge price (for 2011 only).

OPERATIONS REVIEW (CONTINUED)

Youga Gold Mine, Burkina Faso *(continued)*

The highlights for the second quarter of 2012 for Youga are as follows:

- Total mining volumes were below budget by 11.7%;
- The process plant treated 284,000 tonnes of ore compared to 259,000 tonnes of ore treated for the same period in 2011;
- Gold production was 22,865 ounces compared to 21,575 ounces produced in the same period in 2011. Gold production was higher in the second quarter of 2012 compared to the same period in 2011 due to an increased percentage of ore milled and a more effective recovery on mined ore;
- Revenue was $37.8 million compared to $36.0 million in the same period in 2011. The change was attributable to an increase in gold prices, increase in ounces sold and the elimination of the gold hedge program in 2011. Gold ounces sold were 24,566 in 2012 compared to 24,697 ounces in 2011. The average realized gold price[2] per ounce during the second quarter of 2012 was $1,537 compared to $1,458 in the same period in 2011. The realized gold price for the second quarter of 2011 included the delivery of 9,418 ounces into the gold hedge program at $700 per ounce;
- Total cash cost[1] (excluding royalties) per gold ounce produced was $599 compared to $889 in the same period in 2011;
- Youga generated $18.3 million in earnings from mine operations;
- Youga generated $20.3 million of operating cash flow from mine operations.
- Youga reported a fatality in May; in April and June there were no lost time injuries or reportable environmental incidents;
- Phase II of the Ghana Grid Power project, which aims to improve grid power supply quality and availability, was advanced toward target completion during the fourth quarter of 2012;
- At the end of the second quarter of 2012, the second lift earthworks for the TSF was completed, preparing the TSF for continued production; and
- Positive exploration results were announced from both near-mine targets and the Ouaré deposit 40 km to the northeast of the Youga plant (for more details on Youga exploration, refer to the Exploration Review section).

The highlights for the six month period ended June 30, 2012 for Youga are as follows:

- Total mining volumes were below budget by 6.2%;
- The process plant treated 576,000 tonnes of ore compared to 422,000 tonnes of ore treated for the same period in 2011;
- Gold production was 46,853 ounces compared to 41,631 ounces produced in the same period in 2011. Gold production was higher in the second quarter of 2012 compared to the same period in 2011 due to an increased percentage of ore milled and a more effective recovery on mined ore;
- Revenue was $69.1 million compared to $62.1 million in the same period in 2011. The change was attributable to an increase in gold prices, increase in ounces sold and the elimination of the gold hedge program in 2011. Gold ounces sold were 44,162 in 2012 compared to 44,091 ounces in 2011. The average realized gold price[2] per ounce during the first six months of 2012 was $1,566 compared to $1,409 in the same period in 2011. The realized gold price for the six months of 2011 included the delivery of 18,352 ounces into the gold hedge program at $700 per ounce;
- Total cash cost[1] (excluding royalties) per gold ounce produced was $642 compared to $654 in the same period in 2011;

[1] Total cash cost is a non-GAAP financial performance measure with no standard meaning under IFRS. Refer to Non-GAAP Measures on page 26.
[2] The realized price is the average price received for all ounces sold including sales at the gold hedge price (for 2011 only).

OPERATIONS REVIEW (CONTINUED)

Youga Gold Mine, Burkina Faso *(continued)*

- Youga generated $33.4 million in earnings from mine operations; and
- Youga generated $33.1 million of operating cash flow from mine operations.

Youga is situated in the province of Boulgou, Burkina Faso approximately 180 kilometres southeast of Ouagadougou, the capital city of Burkina Faso and is accessible by paved and laterite roads. Endeavour holds a 90% interest in Burkina Mining Company SA ("BMC"), which in turn holds the Youga Gold Mine mining permit (the "Youga Mining Permit"). The Government of Burkina Faso holds the remaining 10% of BMC. The Youga Mining Permit covers 29 square kilometres, is valid until April 7, 2023 and is renewable for additional five year periods.

Youga is a hard rock, drill and blast mining operation and commenced commercial production in mid-2008. Drilling and blasting, and loading and hauling are carried out under contract by PW Mining International Limited. The ore is processed through a conventional gravity-CIL (carbon-in-leach) processing plant with a design capacity of one million tonnes per annum.

Grid power is delivered to site from Ghana via a 21 kilometre transmission line. A complete backup diesel generated power supply capable of delivering 8 megawatts is available on site and is being synchronized to the grid in order to improve quality and availability of power. A year round supply of water is obtained from the Nakambe River via an 11 kilometre long pipeline to a raw water storage pond. The tailings storage facility is designed to maximize water recovery in an effort to minimize the primary water demand.

Youga employs approximately 660 workers in total, with more than 350 full time employees plus approximately 300 contractors. Most of the work force is local, with less than 5% of the total being expatriate workers. There is extensive training available for the local work force for both unskilled and skilled positions. In the longer term, it is anticipated that Burkinabe nationals will fill the majority of the operating and management positions within BMC.

Community initiatives at Youga pertain to basic needs such as healthcare, food and drinking water supply, public infrastructure maintenance, education and skills development. Since 2006, our major contributions to the local communities have included: construction of a maternity clinic, expansion of an elementary school and renovation of a medical clinic. Ongoing programs include provision of medical, school and recreational supplies for the local community as well as maintenance of key facilities such as the schools and clinics. During the second quarter of 2012, road and bridge maintenance on the local road network was completed in preparation for the rainy season.

Work commenced in the first quarter of 2012 on the construction of the Youga high school project, which is scheduled for completion in the fourth quarter of 2012 at an estimated cost of $250,000. During the second quarter of 2012, substantial progress was achieved, with foundations completed and all of the buildings under construction, including four classrooms, teachers' accommodation, administrative, library, kitchen and ablution blocks. Tree-planting and pathway/perimeter construction also continued in the school compound and a water borehole was completed. The new high school is in close proximity to Youga village and will serve the village and other local communities within a 10 kilometre radius (approximately 240 students).

DEVELOPMENT PROJECT REVIEW

Agbaou Gold Project, Côte *d'Ivoire*

Agbaou is Endeavour's most advanced development project and is one of the largest undeveloped gold resources in Côte d'Ivoire. Endeavour will have an 85% interest in Agbaou Gold Operations which will develop Agbaou, while the State of Côte d'Ivoire and SODEMI (a State owned mining company) will have a 10% and a 5% free carried interest, respectively. Construction began late in the second quarter of 2012 after receipt of all necessary construction permits, with gold production expected to be achieved during the first quarter of 2014. The mining permit for Agbaou is pending, following receipt of a letter from the Ministry of Mines, Petroleum and Energy encouraging Endeavour to move forward with development of the project. The Corporation was recently informed by a senior member of the government that the Ivorian cabinet had approved Agbaou's Mining Permit and, accordingly, receipt of the signed official permit is expected shortly.

Agbaou is situated approximately 200 kilometres northwest of the port city of Abidjan in Côte d'Ivoire. The property covers 469 square kilometres, giving Endeavour control of the 40 kilometre strike length of the Agbaou gold belt. The concession is reached by paved highway and secondary gravel roads and is within 10 kilometres of the national power grid. Electrical power will be supplied from the national grid (91kV), and a 1.6 MW diesel power plant has been included in the mine plan for backup purposes.

On June 11, 2012 Endeavour announced an updated NI 43-101 compliant technical report (the "SENET Report") had been completed on the Agbaou Gold Project summarizing the geology, mineral resources and reserves and estimate, mining and mine production schedule, metallurgy, process plant design, infrastructure design, updated capital and operating cost estimates and financial evaluation, which is available on www.sedar.com

The highlights from the SENET Report, on a 100% basis include:

- Measured and indicated resources of 1.157 million ounces comprised of 14.970 million tonnes at 2.43 g/t (at 0.5 g/t cut-off);
- Proven and probable reserves of 0.905 million ounces comprised of 11.075 million tonnes at 2.54 g/t;
- Open pit mine and gold plant (Figure 3) designed to treat 1.6 Mtpa saprolite ore or 1.34 Mtpa bedrock ore. The plant design incorporates a conventional gravity and CIL circuit for a recovery rate of 92.5%;
- Average gold production of 103,000 ounces per year over an eight year mine life;
- A construction capital cost of $121.0 million, plus pre-production mining costs, working capital and contingencies of $38.0 million for a total upfront funding requirement of $159.0 million;
- Forecast life of mine direct cash cost of $635 per ounce, using contractor mining; and
- The project yields, on an after-tax basis an Internal Rate of Return ("IRR") of 28% at a gold price of $1,250. At a $1,625 gold price, the IRR increases to 48%.

Endeavour has selected Lycopodium Minerals Pty Ltd ("Lycopodium") as the Engineering, Procurement and Construction Manager ("EPCM") for the Agbaou Gold Project processing plant and certain other facilities. Purchasing of long-lead order items, including the mills, has begun. Lycopodium will work closely with Endeavour's engineering team, many of whom worked together on the successful construction of the Nzema Gold Mine processing plant.

The updated mineral resource estimate follows completion of a 7,000 metre infill drilling program at Agbaou and now includes 36% of the resource classified as Measured, where none was reported previously, and an overall increase of 14% to the Measured and Indicated resource. The updated mineral reserve reflects 43% of the ounces classified as Proven, where none was reported previously, an overall increase of 24% in total reserves, and a 21% increase in the reserve grade to 2.5 g/t gold. For more details, refer to the Reserves and Resources Update section.

DEVELOPMENT PROJECT REVIEW (CONTINUED)

Agbaou Gold Project,* Côte *d'Ivoire *(continued)*

A number of targets around the planned open pits are currently being drilled, with good potential to expand reserves and resources (targets shown on Figure 3). For more details refer to the Exploration Review section.

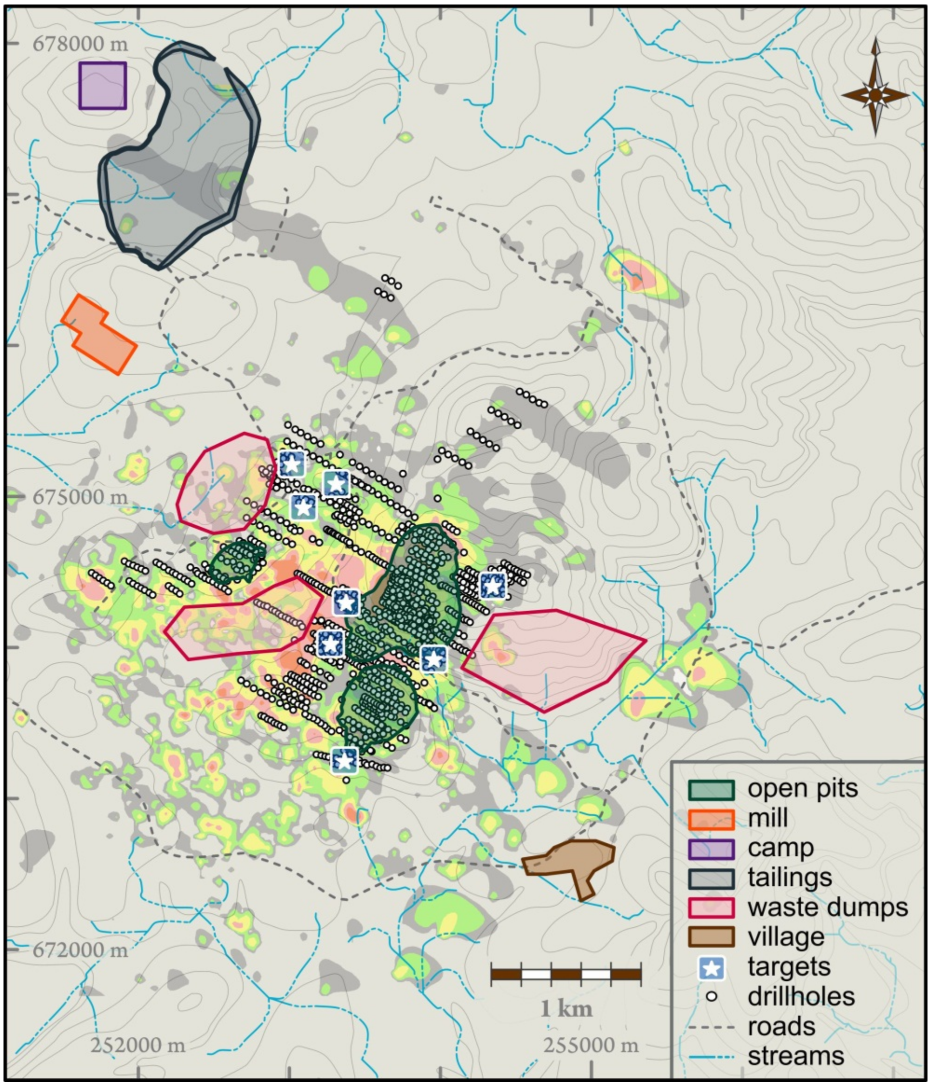

Figure 3: Agbaou mine site plan showing location of 3 pits, mill, tailings and drill targets

The Agbaou Gold Project is expected to generate several positive impacts on the social and local environment including;

- Creation of up to 850 jobs during construction and 650 during operations (including employees and contractors);
- Local infrastructure development and increased standard of living;
- Economic growth in local areas and Côte d'Ivoire through the provisions of services, construction and manufacturing sectors;

DEVELOPMENT PROJECT REVIEW (CONTINUED)

Agbaou Gold Project,* Côte *d'Ivoire *(continued)*

- Increased national income through taxes, royalties and fees;
- Training and essential skills to develop and promote local community members to be considered for employment opportunities; and
- Social and community development projects.

Endeavour has maintained its community engagement program since the start of exploration activities. In 2012, the most significant developments in the village of Agbahou have been the drilling of two water boreholes, refurbishment of three primary classrooms and the clearing of the new marketplace. During the second quarter of 2012, a ground-breaking ceremony took place on May 18, 2012 to launch the construction of an Endeavour sponsored community centre in the village, approximately 6 kilometres from the project. The centre is designed to hold 400 attendees for cultural or public events and completion of construction is expected by the end of September 2012.

Finkolo Project, Mali South

On March 6, 2012, the Corporation entered into a definitive agreement with Resolute Mining Ltd. for the sale and transfer of the licenses and associated property comprising the Finkolo JV for total consideration of $20.0 million in cash. The transaction is subject to a number of conditions, including approval from the Government of Mali for the transfer of the exploration permits, and therefore Endeavour anticipates the transaction to be completed in the second half of 2012.

EXPLORATION REVIEW

Overview

Endeavour has one of the largest land packages in West Africa; more than 10,000 km^2 across Côte d'Ivoire, Ghana, Burkina Faso, Mali and Liberia. Endeavour's 2012 exploration program totals $34.0 million and includes approximately 215,000 metres of reverse circulation (RC; 150,000 metres), core (45,000 metres), and rotary air blast (RAB; 20,000 metres) drilling. The program was increased from $30.0 million in March 2012 with an additional $4.0 million dedicated to drilling, metallurgical test work and engineering for the Nzema Sulphide program.

Approximately $20.0 million of the exploration program is directed towards increasing resources and reserves to extend mine lives at the Nzema and Youga operations, $6.0 million towards increasing resources and reserves at Agbaou, $6.4 million towards delineating resources and conducting further metallurgical testing of the Nzema Sulphides in Ghana, and the balance towards regional programs.

As of June 30, 2012 exploration spending totaled approximately $20.6 million, with a total of 138,000 metres of drilling having been completed. This progress to the end of June is in line with expectations for higher spending in the first half of the year before the rainy season.

Nzema Gold Mine and Region, Ghana

A comprehensive Nzema exploration campaign is planned for 2012 with a total budget of approximately $12.1 million. In addition to metallurgical testing and engineering studies, the program includes 62,000 metres of drilling comprised of 14,000 metres of core drilling and 48,000 metres of reverse circulation drilling mostly in the immediate mine areas, as well as auger, trench, and soil sampling programs to develop new targets. The exploration program objectives include:

EXPLORATION REVIEW (CONTINUED)

Nzema Gold Mine and Region, Ghana *(continued)*

- Delineating and exploring the oxides along the Salman Trend;
- Drilling of the Salman trend sulphides along with metallurgical testwork and engineering studies, with the goal of completing a resource update and a PEA by the end of the 2012;
- Drilling at Aliva and Nfutu to delineate additional resources and improve classification of resources for conversion to reserves; and
- Exploration drilling at Akropon, Avrebo, and Hotopo prospects.

Exploration highlights for the three month period ended June 30, 2012 include:

- Metallurgical samples of the Salman sulphide mineralization have been transported to Perth for testwork and GR Engineering Services of Perth has been awarded the contract to conduct the PEA and supervise the metallurgical testwork;
- RC drilling has continued across the site of the old Salman Village and surrounding areas following relocation of the Salman community. Initial results suggest oxide and sulphide mineralized zones may extend under this area;
- Wide-spaced traverses of shallow RC drilling were completed on the northern extension of the Avrebo prospect, testing part of a 4km long soil anomaly that incorporates the Avrebo and Awukyere prospects;
- Shallow reconnaissance RC drilling was completed at Hotopo to test a 6km by 3km soil anomaly; and
- Regional soil and auger sampling continued with the aim of completing reconnaissance level coverage over previously underexplored portions of the Nzema project area.

Youga Gold Mine and Youga Greenstone Belt, Burkina Faso

A comprehensive Youga exploration campaign is planned for 2012 with 51,000 metres of drilling comprised of 10,500 metres core drilling and 40,500 metres reverse circulation drilling planned for 19 targets within the mine permit area with a budget of approximately $7.5 million. The objectives are to increase mine reserves and develop additional resources within the Youga gold belt. The exploration program will test;

- Depth extent of the Main deposit to examine the possibility for pit expansion or underground potential;
- The East deposit on strike, exploring a possible fault offset area, and also to test below the planned pushback prior to commencement of mining;
- Strike extensions of A2NE, Zergoré, NTV deposits to add resources;
- Several prospects (LaForge, Castel, Beaufort) on the 3 kilometre long Brasserie Trend which extends north and south from the Zergoré deposit; and
- The Leduc deposit which will be examined for potential to add to resources in 2012.

Exploration along the Youga greenstone belt has a budget of approximately $3.7 million and includes work on the Bitou permits and also on the Zerbogo and Songo permits southwest of the Youga Gold Mine. The program for 2012 includes 22,500 metres of drilling comprised of 4,000 metres core drilling and 18,500 metres reverse circulation drilling planned with the majority of the drilling being resource delineation of the Ouaré deposit and also testing targets at Bitou and also southwest of Youga mine permit. Ouaré is being advanced towards a PEA and initial metallurgical testwork indicates the amenability of the mineralization as a feed to a conventional gravity/CIL plant such as at Youga.

Exploration highlights for the three month period ended June 30, 2012 include:

EXPLORATION REVIEW (CONTINUED)

Youga Gold Mine and Youga Greenstone Belt, Burkina Faso *(continued)*

- Drilling on the east wall of the Main pit and the north wall of the East pit continued into 2012 and assays were being received during the second quarter of 2012. Additional engineering studies for pushbacks in these areas will be required to assess whether additional mineral reserves can be added to the mine plan;
- Drilling beneath the Main pit has shown a continuation of the A2 Main deposit and highlighted the potential for further pit expansion. Drill intercepts included A2-11-220 with 52.5 m of 2.1 g/t gold which included 2.6 m of 5.2 g/t gold. Additional drilling was completed during the quarter and assays are still being received;
- Positive results were reported from drilling along the Brasserie trend including the Castel, Beaufort and LaForge targets as well as extensions to the Zergoré deposit. Drill intercepts from the southern extension of the Zergoré deposit included YZRC-201 with 42 m of 3.4 g/t gold which included 1 m of 14.5 g/t gold and 4 m of 6.3 g/t gold. Drill results from other targets on the trend included YCRC-001 with 26 m of 2.8 g/t on the Castel target, YBRC-014 with 5 m of 2.1 g/t gold which included 1 m of 5.4 g/t gold at the Beaufort target and YLFRC-006 with 7 m of 1.9 g/t gold, including 1 m of 3.0 g/t gold at the LaForge target;
- Grade control in West pit 3 showed better continuity of mineralization than was shown in the resource model and a drilling program was completed to test for depth extensions; assay results are pending;
- Drilling of five earlier-stage targets on the Songo and Zerbogo permits was completed; assay results are pending;
- Metallurgical test work was received for the A2NE, Nanga, Tail and Zergoré deposits and shows the mineralization is amenable to processing in the Youga plant; and
- Drilling was completed on the Ouaré deposit and an updated resource estimate is being completed in preparation for a PEA which will be delivered by year-end. Highlights of the infill drilling included BITDDH-11-024 with 9.2m of 6.6 g/t gold, which included 0.8m of 20.2 g/t gold and step-out drilling included BITRC-12-380 with 6m of 6.4 g/t gold, including 2m of 18.1 g/t gold.

Burkina North Project, Burkina Faso

Endeavour holds two contiguous permits (Boulounga and Minima), which cover 348 square kilometres in the Centre-Nord region of central Burkina Faso, on highly prospective ground within the Boromo greenstone belt. The permits are located near to High River Gold's Bissa Gold project, which is in construction with reserves of 1.8 million ounces of gold at 1.83 g/t (Source: High River Gold website, June 2012 http://www.hrg.ca/i/pdf/Presentation.pdf).

Within the strong versatile time domain electromagnetic surveying ("VTEM") geophysical anomaly on the property, two gold-in-soil anomalies have been identified for follow-up exploration in addition to the previously identified drill targets on the permits. A reverse circulation drill program is planned for late 2012 to follow up on the geochemical and geophysical anomalies and previous drill results.

Agbaou Exploration, Côte d'Ivoire

At the start of 2012, a $6 million exploration budget was established with the objective of increasing resources and reserves at Agbaou and lengthening the mine life. Accordingly, exploration activity in the first half of 2012 was focused on drilling eight mineralized targets that are located on the margins of the three pits. Refer to Figure 3 for target locations.

As of June 30, 2012, a total of 26,763 metres in 475 RC holes were completed and assays have been reported for less than 3% of the 2012 exploration program. Eight of the targets were drilled (P1 to P6, P8 and

EXPLORATION REVIEW (CONTINUED)

Agbaou Exploration, Côte d'Ivoire *(continued)*

P9) to delineate the mineralized zones. The majority of the intercepts are shallow, at depths of less than 100 metres. RC drilling results include 15 metres at 4.08 g/t gold including 6 metres at 7.63 g/t gold (P8 target).

Based on results received to date, the P1 zone is 300 metres long and is on the northeast edge of the Main pit. The mineralization is oriented approximately 30 degrees to the principal trend of the Main and South zone mineralization. P8 may be a similar orientation and is located on the southwest corner of the Main pit. P2 and P9 are at the south end of the Main and South pits respectively and represent strike extensions of the existing bodies. Interpretations are still in progress for P3 to P6. Drilling is continuing during the third quarter of 2012, with the focus shifting to diamond drilling below the final pit limits in areas where the pits were limited by a lack of drilling data.

An extensive geochemistry program and follow-up RC drilling on geochemical anomalies identified outside of the immediate mining footprint is mostly complete.

Côte *d'Ivoire, Regional*

Endeavour holds a total of 3,969 km^2 over four permits (Daoukrou, Agnibilekrou, Allangoua and Tanda) in eastern Côte d'Ivoire within the greenstone belts along major trends.

In order to follow up on earlier prospecting, geology, geochemical anomalies and RAB drilling results, an airborne geophysical survey was recently completed on these four properties. In addition, an exploration reverse circulation drill program is underway to follow up on RAB drill results by a previous operator on the Allangoua permit, including 2.4 g/t over 19 metres and 2.2 g/t over 21 metres in drilling along a 5.5 kilometre portion of a gold-in-soil geochemical anomaly that extends over 35 kilometres.

Liberia

Endeavour was granted three Mineral Reconnaissance Licences (Mambo, Bopulu and Fasama) in Liberia in April 2011 and applications have now been submitted to have the licenses converted to Mineral Exploration Licenses. The licences cover 3,107 km^2 in Archaen rocks in the western part of Liberia within a northeast trending belt that includes Aureus' New Liberty gold deposit, which contains 1.14 million ounces measured and indicated resource plus 0.6 million ounces inferred resource (Source: Aureus press release, May 30, 2012). Endeavour has largely completed the first pass geochemical surveys and geological mapping.

Exploration highlights:

- As at at June 30, 2,786 soil samples, 399 stream samples and 100 rock chip samples had been taken;
- A 12 kilometre long soil sample anomaly has been identified on the Bopulu licence coinciding with old alluvial and hardrock mining. Grab samples of quartz veins from the workings assayed up to 170 g/t of gold; and
- Float blocks of hydrothermal altered sediment were located within a group of alluvial workings on the northwest portion of the Mambo licence.

Mali

Endeavour holds 1,449 km^2 of exploration ground in Mali: 8 permits in western Mali covering a 17 km portion of the Senegalo-Malian fault and five permits in southern Mali covering 22 kilometres of the Syama Shear Zone. Exploration in Mali during the second quarter of 2012 included testing of several targets in Mali South

EXPLORATION REVIEW (CONTINUED)

Mali *(continued)*

with RC drilling on the Pitiangoma (82-hole program) and Bougoula (75-hole program) permits to follow up on positive auger results. In Mali West, a 76-hole auger program to test soil anomalies was completed on Badiazila and Kanda permits that border on the Sadiola mine property. In addition, a 41 hole auger program was completed on the Djelimangara Ouest permit. Assay results are pending for these programs.

RESERVES AND RESOURCES UPDATE

The Corporation's attributable proven and probable gold reserves were approximately 2.1 million ounces and attributable measured and indicated mineral resources (inclusive of reserves) were approximately 4.0 million ounces (reported as of December 31, 2011, and including Agbaou updated reserves and resources as of May 25, 2012).

This compares with attributable proven and probable gold reserves of approximately 2.0 million ounces and attributable measured and indicated mineral resources (inclusive of reserves) of approximately 3.8 million ounces. The increase is due to the updated mineral resource estimate for Agbaou released on May 25, 2012.

Nzema Gold Mine

As at December 31, 2011 the proven and probable mineral reserves were 14.6 million tonnes at 2.0 g/t of gold containing 0.964 million ounces. The measured and indicated mineral resources, inclusive of reserves, were 48.3 million tonnes at 1.3 g/t of gold containing 2.064 million ounces, plus inferred resources of 17.7 million tonnes at 1.1 g/t of gold containing 0.652 million ounces.

Nzema's attributable proven and probable mineral reserves net of 2011 mining depletion were 0.867 million ounces compared to 0.961 million ounces at December 31, 2010. The total attributable measured and indicated mineral resources, including reserves, were 1.8578 million ounces, plus 0.587 million inferred ounces.

Youga Gold Mine

As at December 31, 2011, the proven and probable mineral reserves were 7.3 million tonnes at 1.9 g/t of gold containing 0.448 million ounces. The measured and indicated mineral resources, inclusive of reserves, were 18.4 million tonnes at 1.6 g/t of gold containing 0.928 million ounces plus inferred resources of 4.7 million tonnes at 1.3 g/t of gold for 0.193 million ounces inferred.

Youga's attributable proven and probable mineral reserves increased to 0.403 million ounces from 0.326 million ounces at December 31, 2010. The total attributable measured and indicated mineral resources, including reserves, were 0.835 million ounces, plus 0.174 million inferred ounces.

The Agbaou Gold Project

As at May 25, 2012, the proven and probable mineral reserves were 11.1 million tonnes at 2.54 g/t of gold containing 0.905 million ounces. The measured and indicated mineral resources, inclusive of reserves, were 14.9 million tonnes at 2.4 g/t of gold containing 1.156 million ounces, plus inferred resources of 1.5 million tonnes at 1.5 g/t of gold for 0.073 million ounces inferred.

REVIEW OF QUARTERLY FINANCIAL RESULTS

The following tables summarize the Corporation's financial information for the last eight quarters.

(US dollars in thousands except per share amounts)	June 30, 2012	March 31, 2012	December 31, 2011[1]	September 30, 2011
Gold Revenues	$ 83,919	$ 72,643	$ 47,151	$ 37,960
Gold ounces produced	50,728	49,531	26,631	24,047
Gold ounces sold	52,415	45,127	30,440	22,845
Cash flows from mine operations	56,100	24,400	25,320	15,300
Net earnings (loss) attributable to shareholders of Endeavour Mining Corporation	26,641	(17,960)	(66,124)	9,625
Basic earnings (loss) per share	0.11	(0.07)	(0.48)	0.08
Diluted earnings (loss) per share	0.11	(0.07)	(0.48)	0.08
Cash and cash equivalents	136,110	110,831	115,279	181,297
Total assets	999,862	994,320	978,436	473,422

[1] Results include the 26 days of operations of the Nzema Gold Mine.

(US dollars in thousands except per share amounts)	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010
Gold Revenues	$ 36,000	$ 26,116	$ 31,050	$ 28,349
Gold ounces produced	21,575	20,056	21,234	23,173
Gold ounces sold	24,697	19,394	23,362	24,004
Cash flows from mine operations	13,309	6,555	11,514	10,646
Net earnings (loss) attributable to shareholders of Endeavour Mining Corporation	32,859	(136)	3,560	70,705
Basic earnings (loss) per share	0.29	-	0.03	0.70
Diluted earnings (loss) per share	0.28	-	0.03	0.69
Cash and cash equivalents	174,150	168,462	167,300	187,820
Total assets	468,556	453,475	455,027	491,421

REVIEW OF QUARTERLY FINANCIAL RESULTS

Three month period ended June 30, 2012 compared to the three months ended June 30, 2011

Net earnings attributable to shareholders of Endeavour for the quarter ended June 30, 2012 was $26.6 million, or a $0.11 per share, compared with net earnings of $32.8 million, or $0.29 per share, for the second quarter of 2011. The net earnings attributable to shareholders of Endeavour for the quarter ended June 30, 2012 was impacted by the following factors;

- Revenue increased by $47.9 million, or 133%, resulting from both a $143 per ounce increase in the average realized gold price[2] and the sale of 52,415 ounces of gold (June 30, 2011 – 24,697 ounces) or 112% more compared to the same period in 2011. The increased revenue and gold production is attributable to the addition of the Nzema Gold Mine operations. A total of 50,728 ounces of gold were produced during the three month period ended June 30, 2012 (June 30, 2011 – 21,575 ounces).

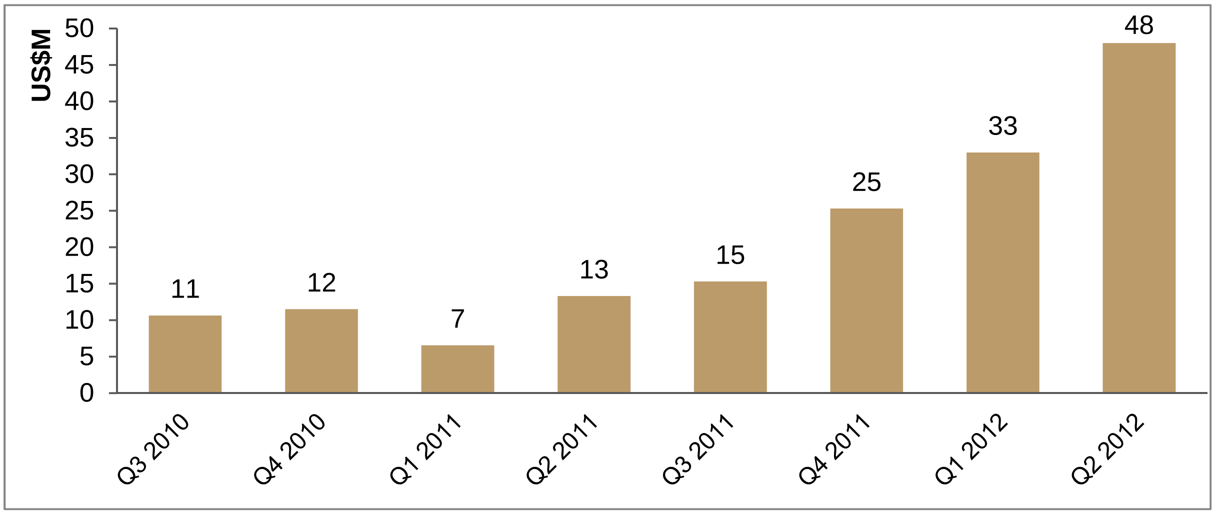

Figure 4: Quarterly cash flow in millions of dollars, last eight quarters, with Q1 and Q2 2012 adjusted for $8.5 million of cash for March production received in early April

- Operating expenses for the quarter increased by $25.7 million, or 153% due primarily to the recently acquired Nzema Gold Mine, a decrease in non-cash adjustments in respect of gold inventory level changes which were a result of increased sales of ounces and a purchase price allocation of $0.1 million relating to inventory. In addition, the Corporation also incurred $4.7 million of expenses related primarily to withholding taxes for the pre-commercial production period, from the Ghanaian Tax Authority audit for its taxation years June 2007 to June 2011.

- Depreciation and depletion increased by $13.4 million, or 312% due to the additional depreciation and depletion from the fair value increase of the Adamus mining interests at the time of the Adamus merger and the increase in ounces produced during the three month period ended June 30, 2012 compared to the three months ended June 30, 2011. The total depreciation and depletion attributable to the Adamus purchase price allocation value increase for the second quarter of 2012 was $8.1 million.

- Corporate costs increased by $2.3 million, or 89% compared to the second quarter of 2011. The increase relates to the recently acquired Nzema Gold Mine and the related transaction and restructuring costs that were incurred for the transaction and that have been incurred in 2012 (approximately $0.3 million). In addition, legal expenses related to Hightime cases were $0.5 million.

[2] The realized price is the average price received for all ounces sold including sales at the gold hedge price.

REVIEW OF QUARTERLY FINANCIAL RESULTS (CONTINUED)

Three month period ended June 30, 2012 compared to the three months ended June 30, 2011 (continued)

- Gains on financial instruments of $2.0 million compared to a loss of $0.9 million for the second quarter of 2011. The gain is due to a net gain of $12.3 million on the realized and change in unrealized loss on the gold hedge and the change in the unrealized loss for the share purchase warrants. Offsetting the net gain on the derivative financial instruments was a $9.5 million loss on marketable securities, a $1.0 million loss on foreign currency and interest income of $0.2 million. The loss on marketable securities is comprised of $7.0 million in realized losses from the write-down of marketable securities and $2.5 million of unrealized losses.

- Gain on derivative financial liabilities of $12.3 million compared to a gain of $5.9 million for the second quarter of 2011. The gain relates to the fair value change of share purchase warrants and the gold hedge. The realized and change in unrealized gain on the gold hedge totaled $5.5 million (June 30, 2011 – $3.2 million loss) and the change in the unrealized gain for the share purchase warrants totaled $6.8 million (June 30, 2011 - $9.1 million gain).

- Endeavour Capital's loss was $1.0 million for the quarter ended June 30, 2012 compared to a $0.5 million loss for the second quarter of 2011. The increase in loss is a result of providing for bad debts on the retainer revenue and interest income on the marketable securities that were written-down. The expenses are net of the overhead costs attributable to Endeavour Capital, including all performance related bonuses, stock compensation and amortization of intangible assets. Performance related bonuses are also attributable to the advisory income from internal and external fees and gains on marketable securities, if any. No bonuses were recorded during quarter ended June 30, 2012.

- Share of loss of investment in associate totaled $1.1 million for the quarter ended June 30, 2012 (June 30, 2011 – $0.3 million). The loss for the quarter ended June 30, 2012 pertains to Endeavour recording its non-cash share of the cost of NREI's further exploration of potential mineral property with no associated revenue. 25% of the shares in NREI remain held in escrow until October 2012.

- Finance costs totaled $1.1 million for the quarter ended June 30, 2012 compared to $0.1 million for the quarter ended June 30, 2011. The finance costs relate primarily to the commitment fees on the undrawn portion and interest on the drawn portion of the $200 million Corporate Facility.

- The current income tax expense totaled $2.7 million for the quarter ended June 30, 2012 compared to an income tax recovery of $0.1 million for the quarter ended June 30, 2011. The current income tax expense is due to current tax provisions for the Corporation's subsidiaries located in taxable jurisdictions, specifically in Burkina Faso.

- Deferred income taxes totaled $20.9 million for the quarter ended June 30, 2012 compared to $0.9 million for the quarter ended June 30, 2011. The increase in the deferred income tax recovery is non-cash in nature and is primarily from an increase in losses arising from a realized hedge loss. Deferred tax assets due to the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for unused tax losses and other income tax deductions have given rise to the deferred income tax recovery, primarily from the merger and acquisition of Adamus and Etruscan.

REVIEW OF QUARTERLY FINANCIAL RESULTS (CONTINUED)

Six month period ended June 30, 2012 compared to the six months ended June 30, 2011

Net earnings attributable to shareholders of Endeavour for the six months ended June 30, 2012 was $8.7 million, or $0.04 per share, compared with net earnings of $32.7 million, or $0.29 per share, for the six months ended June 30, 2011. The net earnings attributable to shareholders of Endeavour for the six months ended June 30, 2012 was impacted by the following factors;

- Revenue increased by $94.4 million, or 152%, resulting from both a $157 per ounce increase in the average realized gold price[2] and the sale of 99,974 ounces of gold (June 30, 2011 – 44,091 ounces) or 127% more compared to the same period in 2011. The increased revenue and gold production is attributable to the addition of the Nzema Gold Mine operations. A total of 102,691 ounces of gold were produced during the six months ended June 30, 2012 (June 30, 2011 – 41,631 ounces).

- Operating expenses for the six months ended June 30, 2012 increased by $41.7 million, or 136% primarily due to the recently acquired Nzema Gold Mine, a decrease in non-cash adjustments in respect of gold inventory level changes which were a result of increased sales of ounces and a purchase price allocation of $0.4 million relating to inventory. In addition, the Corporation incurred $4.7 million of expenses, relating primarily to withholding taxes for the pre-commercial production period, from the Ghanaian Tax Authority audit for its taxation years June 2007 to June 2011.

- Depreciation and depletion increased by $26.0 million, or 321% due to the additional depreciation and depletion from the fair value increase of the Adamus mining interests at the time of the Adamus merger and the increase in ounces produced during the six months ended June 30, 2012 compared to the six months ended June 30, 2011. The total depreciation and depletion attributable to the Adamus purchase price allocation value increase for the six months ended June 30, 2012 was $16.3 million.

- Corporate costs increased by $3.1 million, or 50% compared to the six months ended June 30, 2011. The increase relates to the recently acquired Nzema Gold Mine and the related transaction costs that were incurred for the transaction and that have been incurred in 2012 (approximately $0.7 million). In addition, legal expenses related to the Hightime case were $0.5 million.

- Losses on financial instruments of $5.7 million compared to a loss of $3.9 million for the six months ended June 30, 2011. The loss is primarily due to a net loss of $9.1 million on marketable securities. The loss on marketable securities is comprised of $7.0 million in realized losses from the write-down of marketable securities and $2.5 million of unrealized losses. Offsetting the loss on marketable securities is a $3.0 million gain on the realized and change in unrealized loss on the gold hedge and the change in the unrealized loss for the share purchase warrants, a $0.1 million loss on foreign currency and interest income of $0.5 million.

- Gain on derivative financial liabilities of $3.0 million compared to a gain of $4.9 million for the six months ended June 30, 2011. The gain relates to the fair value change of share purchase warrants and the gold hedge. The realized and change in unrealized loss on the gold hedge totaled $4.8 million (June 30, 2011 – $3.9 million loss) and was offset by the change in the unrealized gain for the share purchase warrants of $7.8 million (June 30, 2011 - $8.8 million gain).

- Endeavour Capital's loss was $1.3 million for the six months ended June 30, 2012 compared to a $2.6 million loss for the six months ended June 30, 2011. The decrease in loss is a result of no longer having the overhead costs of former debt and mergers & acquisitions advisory business, which was sold during December 2011. Offsetting the reduction in overhead costs were the bad debts on the retainer revenue and interest income on marketable securities that were written-down.

REVIEW OF QUARTERLY FINANCIAL RESULTS (CONTINUED)

Six month period ended June 30, 2012 compared to the six months ended June 30, 2011 (continued)

The expenses are net of the overhead costs attributable to Endeavour Capital, including all performance related bonuses, stock compensation and amortization of intangible assets.

Performance related bonuses are also attributable to the advisory income from internal and external fees and gains on marketable securities, if any. No bonuses were paid or accrued during the six months ended June 30, 2012.

- Share of loss of investment in associate totaled $1.5 million for the six months ended June 30, 2012 (June 30, 2011 – $0.3 million). The loss for the six months ended June 30, 2012 pertains to Endeavour recording its non-cash share of the cost of NREI's further exploration of potential mineral property with no associated revenue. 25% of the shares in NREI remain held in escrow until October 2012.

- Finance costs totaled $2.5 million for the six months ended June 30, 2012 compared to $1.1 million for the six months ended June 30, 2011. The finance costs primarily relate to the commitment fees on the undrawn portion and interest on the drawn portion of the $200 million Corporate Facility.

- The current income tax expense totaled $3.9 million for the six months ended June 30, 2012 compared to an income tax expense of $0.01 million for the six months ended June 30, 2011. The current income tax expense is due to current tax provisions for the Corporation's subsidiaries located in taxable jurisdictions, specifically in Burkina Faso.

- Deferred income taxes totaled $7.8 million for the six months June 30, 2012 compared to a recovery of $1.3 million for the six months ended June 30, 2011. The increase in deferred income taxes is non-cash in nature and is primarily from a first quarter 2012 one-time $39.4 million deferred tax expense from the tax rate change in Ghana from 25% to 35%. The expense was offset from losses arising from a realized hedge loss. Deferred tax assets due to the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for unused tax losses and other income tax deductions have given rise to the deferred income tax recovery, primarily from the merger and acquisition of Adamus and Etruscan.

STATEMENT OF FINANCIAL POSITION REVIEW

Assets

As at June 30, 2012 Endeavour had cash and cash equivalents of $136.1 million (December 31, 2011 – $115.3 million) and marketable securities of $7.8 million (December 31, 2011 - $17.2 million). These amounts do not include the shares of NREI which are equity accounted as an investment in associate and had a fair value of $7.1 million at June 30, 2012 (December 31, 2011 - $11.7 million). 25% of the NREI shares are held in escrow. Working capital as at June 30, 2012 was $171.5 million (December 31, 2011 - $154.1 million).

STATEMENT OF FINANCIAL POSITION REVIEW (CONTINUED)

Marketable Securities

The fair value of marketable securities has decreased from $17.3 million as at December 31, 2011 to $7.8 million as at June 30, 2012 due to write-downs of historical bridge loans and a decrease in current valuations of marketable securities held, in line with the overall market performance for junior resource company share prices during the six months ended June 30, 2012.

Trade and other receivables

Trade and other receivables have increased from $15.2 million as at December 31, 2011 to $16.4 million as at June 30, 2012 primarily due to the increase in VAT receivable.

Inventories

Inventories have remained relatively unchanged from $40.7 million as at December 31, 2011 to $40.7 million as at June 30, 2012. Endeavour is working on improving working capital efficiencies through joint purchasing and sharing parts and supplies at the two mines.

Prepaid expenses and other

Prepaid expenses and other increased from $10.0 million as at December 31, 2011 to $17.1 million as at June 30, 2012 primarily due to prepaying suppliers for reagents, specifically for cyanide.

Goodwill

Goodwill as at June 30, 2012 totaled $69.5 million, unchanged from $69.5 million at December 31, 2011. Goodwill is comprised of the following;

- $67.4 million from the acquisition of Adamus
- $2.1 million from the acquisition of Etruscan

Goodwill has arisen because of the requirement to record a deferred tax liability for the difference between the assigned accounting values and the tax bases of assets acquired and the liabilities assumed at amounts that do not reflect fair value.

Investment in associates

The investment in the associate pertains to the Corporation's 38.5% interest in NREI. The investment decreased in 2011 as Endeavour wrote-down the value of its investment in NREI as the shares had been trading in a range well below their carrying value. Furthermore, NREI continues to explore potential mineral properties in Namibia with no associated revenue. The fair value of $7.1 million is based on the publicly quoted share price at June 30, 2012. The escrow period for 75% of the shares has expired and those shares are now free to trade and the remaining 25% will be released from escrow in October 2012.

Promissory note and other assets

The promissory note and other assets of $11.1 million as at June 30, 2012 (December 31, 2011 - $10.1 million) pertains to the fair value of the $20.0 million consideration comprised of: a $10 million promissory note, the $2.5 million intellectual property assignment fee related to Endeavour Financial brand name and the $7.5 million service fee related to future earnings, for the sale of the Advisory Business, which will be

STATEMENT OF FINANCIAL POSITION REVIEW (CONTINUED)

Promissory note and other assets (continued)

received out of the Advisory Business' future profits which are uncertain and therefore have been valued on a discounted cash flow basis.

Credit facilities

On November 28, 2011 the Corporation entered into the $200 million Corporate Facility which is a four year revolving corporate loan facility. The Corporate Facility is for general corporate purposes, including working capital, capital expenditure, and any acquisition of an asset or assets that are engaged in the exploitation of precious metal ores. The Corporate Facility matures four years from the closing date with a mandatory reduction in availability of $75 million on December 31, 2014 and is subject to an interest rate of LIBOR plus a variable margin of between 2.5% and 4.25% depending on the leverage ratio. This Corporate Facility replaces the $100 million acquisition facility with UniCredit. The Corporate Facility is secured by shares of Endeavour's material gold mining subsidiaries and the material assets of those subsidiaries. The Corporate Facility contains various covenants customary for a revolving corporate loan facility of this nature, including financial covenants and limits on indebtedness, asset sales and liens.

The Corporation is in compliance with these covenants at June 30, 2012.

On December 5, 2011 Endeavour drew down $100.0 million of the Corporate Facility to fully repay the $57.0 million Nzema Gold Mine project loan and for general working capital purposes. As at June 30, 2012, $100.0 million is available to be drawn down.

Derivative financial liabilities

As at June 30, 2012, derivative financial liabilities of $69.2 million (December 31, 2012 - $75.1 million) were comprised of the fair value of the outstanding gold price protection program and the share purchase warrants.

During the quarter ended June 30, 2012 the Corporation delivered 2,529 ounces of gold into the Nzema gold price protection program (110,878 ounces remain at June 30, 2012), resulting in a realized loss of $1.1 million. During the same period in 2011, the Corporation delivered 9,418 ounces into the Youga gold price protection program, resulting in a realized loss of $7.7 million.

The Corporation implemented a gold price protection program as part of the initial financing of the Nzema Gold Mine. The gold price protection program consisted of gold forward contracts initially covering 290,000 ounces at a strike price of $1,075.00 per ounce and subsequently amended to $1,061.75. The program required no cash or other margin.

On November 28, 2011 Endeavour reduced the hedge book by 139,000 ounces for a cash settlement of $96.7 million. The remaining Nzema gold hedge book of 116,161 ounces have a flat forward price of $1,061.75 and has been re-profiled with deliveries of approximately 10,000 ounces during each of 2012 and 2013, and 32,000 ounces during each of 2014, 2015, and 2016. The fair value of the Nzema Gold Mine price protection program was $52.5 million at December 31, 2011.

On November 29, 2011 the Corporation closed out the gold hedge book at its Youga Gold Mine in Burkina Faso. The residual balance of 23,532 ounces was settled for a cash payment of $24.0 million. The close out of the hedge book means that all gold production from Youga is now available to be sold into the spot market.

STATEMENT OF FINANCIAL POSITION REVIEW (CONTINUED)

Derivative financial liabilities (continued)

The Canadian dollar share purchase warrants are valued quarterly and as the traded and non-traded value of the Endeavour share purchase warrants increases or decreases, a respective loss or gain is reflected in the financial statements.

The traded share purchase warrants are valued by taking the publicly traded market price and the non-traded share purchase warrants are fair valued using the Black-Scholes methodology. At June 30, 2012 the derivative liability pertaining to the share purchase warrants was $14.7 million (December 31, 2011 - $22.5 million).

Current and deferred income taxes

The current income tax liability increased by $3.7 million as at June 30, 2012 from $nil at December 31, 2011 to $3.7 million as at June 30, 2012. The change in the current income tax liability is due to current tax provisions for its subsidiaries located in taxable jurisdictions, specifically in Burkina Faso.

The net deferred income tax liability increased by $7.8 million from $87.2 million at December 31, 2011 to $95.0 million at June 30, 2012. The increase in the net deferred income tax liability is non-cash in nature and is from a one-time $39.4 million deferred tax liability from the tax rate change in Ghana from 25% to 35%. The increase in the liability was offset from a deferred tax asset arising from losses from a realized hedge loss. The liability was offset by the recognition of deferred tax assets due to the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for unused tax losses and other income tax deductions, primarily from the merger and acquisition of Adamus and Etruscan.

NON-GAAP MEASURES – TOTAL CASH COSTS PER GOLD OUNCE CALCULATION

The Corporation reports total cash cost on the basis of ounces produced. In the gold mining industry, these are common performance measures but do not have any standardized meanings. The Corporation follows the recommendation of the Gold Institute Production Cost Standard. The Corporation believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this information to evaluate the Corporation's performance and ability to generate cash flows. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

The following table provides a reconciliation of total cash cost per ounce of gold sold, which includes the ounces sold from ore purchased from an independent producer, for the quarter ended June 30, 2012:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011[2]	2012	2011[2]
(US dollars in thousands except ounces)				
Operating expenses from continuing mining operations	$ 42,522	$ 16,842	$ 72,411	$ 30,678
Less: non-cash adjustments relating to purchase price adjustments included in operating expenses	135	1,162	421	1,162
Less: One-off Ghanaian tax audit assessment[3]	4,713	-	4,713	-
Total cash cost (excluding royalties)	37,674	15,680	67,277	29,516
Divided by ounces of gold sold	52,415	24,697	99,974	44,091
Total cash cost per ounce of gold sold[1] (excluding royalties)	$ 719	$ 635	$ 673	$ 669

[1] Total cash cost is a non-GAAP financial performance measure with no standard meaning under IFRS.

[2] Includes only the operations of the Youga Gold Mine.

[3] The one-off Ghanaian tax audit assessment of $4.7 million relates primarily to withholding taxes for the pre-commercial production period, arising from the Ghanaian Tax Authority audit of its taxation years June 2007 to June 2011 .

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2012 the Corporation had cash and cash equivalents of $136.1 million and marketable securities of $7.8 million compared to cash and cash equivalents of $115.3 million and marketable securities of $17.2 million at December 31, 2011.

The change in cash during the quarter ended June 30, 2012 is attributable to the following key items:

- Operating cash flows of $35.8 million from Nzema and $20.3 from Youga which continued to increase gold production and sales and benefit from an increase in the spot price of gold. This cash flow includes approximately $8.5 million of gold proceeds, (related to three lots of gold from March production) received in the first few days of April

During the first half of 2012, the Corporation invested $41.3 million from its operating cash flow into its operations and exploration programs. Of this, $36.1 million was capitalized and $5.2 million was expensed as exploration. These investments in operational improvements and growth include:

o Sustaining capital at Nzema:	$ 6.0 million
o Sustaining capital at Youga:	$ 1.7 million
o Development capital at Nzema:	$ 8.9 million
o Near-mine exploration:	$14.6 million
o Agbaou exploration and development:	$ 7.2 million
o Regional exploration:	$ 2.9 million

As at June 30, 2012, the Corporation had a working capital position of $171.5 million. In the opinion of management, the working capital at June 30, 2012, together with cash flows from operations, are sufficient to support the Corporation's normal operating requirements on an ongoing basis. However, taking into consideration volatile equity markets, global uncertainty in the capital markets and cost pressures, the Corporation is continually reviewing expenditures in order to ensure adequate liquidity and flexibility to support its growth strategy while maintaining or increasing production levels.

With cash and cash equivalents and marketable securities totaling $143.9 million, coupled with the ability to draw down an additional $100.0 million on the Corporate Facility, Endeavour is focused on continuing its growth strategy and targeting mergers and acquisitions with complementary producing, or near-term producing, gold assets or companies.

OUTLOOK

Our strong cash position and future cash flows are expected to fund internal growth through development of projects, such as Agbaou, and exploration at Endeavour properties. In order to supplement internal growth, Endeavour continues to consider expansion opportunities through mergers and acquisitions.

Endeavour's future profits, cash flows and financial position are strongly linked to the price of gold. Management believes that the mid to long term economic environment is likely to remain broadly supportive for gold prices.

Endeavour has not hedged foreign exchange rates or metal prices other than the remaining 110,878 ounces on the Nzema gold hedge required by the project finance lenders.

For 2012, Endeavour has updated its full year production guidance to between 187,000 to 202,000 ounces of gold at a total cash cost per ounce produced (excluding royalties and purchased ore) of $670 to $690.

OUTLOOK (CONTINUED)

The table below details guidance for each mine for 2012:

Mine	Gold Production (Ounces)		Total Cash Cost ($/ounce)	
	New guidance	Previous guidance	**New guidance**	Previous guidance
Nzema	**95,000 - 102,000**	92,000 - 102,000	**$680 - $700**	$630 - $670
Youga	**85,000 - 90,000**	78,000 - 88,000	**$655 - $675**	$660 - $700
Sub-total	**180,000 - 192,000**	170,000 - 190,000	**$670 - $690**	$645 - $685
Nzema purchased ore	**7,000 - 10,000**	N.A	Note 1	N.A
Total	**187,000 - 202,000**			

Note 1: Effective July 1, 2012, Nzema formally agreed on terms for a two year contract to purchase on average 4,000 tonnes of material per month (less than 2% of overall annual throughput at Nzema) at a minimum grade of 6 g/t. Ore purchase cost is 60% of the recoverable gold at spot gold prices, the incremental processing costs are negligible and the ore supplier pays 50% of the 5% royalty on recovered ounces. At a gold price of $1,600 per ounce, purchased ore milling is expected to add approximately $5 million to operating cash flow on an annualized basis

Endeavour has an exploration budget of approximately $34.0 million for 2012. Approximately 80% of this amount is directed towards increasing resources and reserves to extend mine lives at the Nzema, Youga and Agbaou operations. The balance is directed towards exploring and delineating resources as well as performing studies required for Preliminary Economic Assessments for Ouaré and Nzema Sulphides and advancing earlier-stage exploration in Burkina Faso, Côte d'Ivoire, Ghana, Liberia, and Mali. This budget includes over 215,000 metres of drilling along with associated airborne and ground geophysics, geochemical surveys, trenching, pitting, auger and RAB drilling, resource estimation, metallurgical testwork and engineering studies.

The capital expenditure estimate for the mines is $31.0 million for 2012: $4.0 million in sustaining capital at Youga and $27.0 million in capital expenditures and sustaining capital at Nzema, which now includes $3.9 million for backup power gensets and an additional $2.3 million to complete the Salman resettlement that was completed in the first half of the year.

Management believes the Corporation will not require external financing to complete the Agbaou development project. In addition, the Corporation intends to remain flexible in the current uncertain environment to be able to respond to other opportunities as they arise, including gold hedge monetization and other transactions.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Derivative instrument liability

The following table details the options contracts pertaining to the derivative instrument liability relating to the gold price protection program requirement under the former Nzema Gold Mine project facility. These ounces were novated from Macquarie to UniCredit when the $200 million Corporate Facility was finalized in December 2011.

Period	Forward contracts (ounces)	Price Per Ounce	Fair Value
2012	4,715	$ 1,061.75	$ 2,571
2013	10,000	1,061.75	5,261
2014	32,000	1,061.75	16,150
2015	32,000	1,061.75	15,480
2016	32,163	1,061.75	15,018
Total	110,878	$ 1,061.75	$ 54,480

Contracts and Leases

The Corporation has a commitment in place at Youga with a contractor to provide drilling and blasting, and load and hauling services. The term expires on December 31, 2012 and requires the contractor to drill and blast a minimum agreed amount of bank cubic meters ("BCM") per annum that equates to an annual commitment of approximately $19.2 million.

The Corporation has commitments in place at Nzema with several contractors to provide drill and blasting services, load and haul services and supply of explosives and supply of hydrocarbon services. The terms extend through the period January 1, 2012 to February 4, 2016 and require the contracts to drill and blast a minimum agreed amount of BCM per annum that equated to an annual commitment of approximately $22.0 million.

Effective July 1, 2012, Nzema formally agreed on terms for a two year contract to purchase on average 4,000 tonnes of material per month (less than 2% of overall throughput at Nzema) at a minimum grade of 6 g/t. Ore purchase cost is 60%, reducing to 58.5% on January 1, 2013, of the recoverable gold at spot gold prices, the incremental processing costs are negligible and the ore supplier pays 50% of the 5% royalty on recovered ounces. At a gold price of $1,600 per ounce, purchased ore milling is expected to add approximately $5 million to operating cash flow on an annualized basis

The Corporation is subject to operating lease commitments in connection with the purchase of light duty vehicles and a workshop from several suppliers totaling $0.9 million. The commitments expire in April, May and October 2013.

The Corporation is subject to operating lease commitments in connection with rented office premises.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS (CONTINUED)

Contracts and leases (continued)

The table below summarizes the commitments for the service contracts and operating lease commitments;

(US dollars in thousands)	Within 1 year	2-3 years	4-5 years	After 5 years	Total
Operating leases	$ 1,297	$ 692	$ 753	$ 400	$ 3,142
Drill and blasting contract	5,604	3,641	3,603	300	13,148
Load and hauling contract	15,009	15,016	-	-	30,025
	$ 21,910	$ 19,349	$ 4,356	$ 700	$ 46,315

Bonuses

In conjunction with Endeavour's gold asset acquisition strategy, Endeavour implemented a deferred bonus policy to enhance the profitability and growth of Endeavour's gold business by attracting, retaining and motivating qualified employees. The bonus is accrued upon the sale of gold assets by Endeavour, upon the acquisition of Endeavour, or other change of control events involving Endeavour, and when a reliable estimate of the bonus can be made. The bonus amount is calculated as 10% of the increase in value of Endeavour's gold assets. In the case that the realisation event is the sale of Endeavour, the bonus amount calculation is expected to require the allocation of the consideration value to Endeavour's gold assets and to its other non-gold assets in order to determine the increase in value of Endeavour's gold assets. In order to align the interests of Endeavour's shareholders and employees, bonuses are deferred and payable upon realisation. No bonuses were accrued or paid during the three or six months ended June 30, 2012.

CONTINGENCIES

Burkina Faso Mines Services S.A.

On May 17, 2010 the Corporation received a notice of arbitration from Burkina Faso Mines Services S.A. ("BFMS) relating to the termination of a drill blast contract at the Youga Gold Mine in December 2009. The arbitration hearing took place in London England in March 2012 and post-hearing briefs were filed on April 5, 2012. BFMS is claiming payments and damages totaling $9.3 million plus accrued interest and exchange rate adjustments. BFMS has also requested the arbitrator to grant injunctive relief to prevent the Corporation and Burkina Mining Company from claiming under a performance guarantee provided by BFMS' parent company, EPC Groupe. The Corporation has submitted a counter-claim totaling $1.7 million plus interest plus costs relating to additional costs incurred by the Corporation to have the drill blast contract completed by another contractor. The Corporation is of the view that BFMS' claim is without merit. No accrual for this contingency has been made in the financial statements.

Gold Reserve Inc.

On December 16, 2008, the Corporation was notified of a claim filed against it by Gold Reserve Inc. ("Gold Reserve") in the Ontario Superior Court of Justice. Gold Reserve's claim against the Corporation arises out of an advisory agreement pursuant to which the Corporation agreed to provide financial advisory services to Gold Reserve.

CONTINGENCIES (CONTINUED)

Gold Reserve Inc. (continued)

Gold Reserve alleges that by virtue of having been retained as Gold Reserve's financial advisor, the Corporation obtained access to all of Gold Reserve's proprietary and confidential information. Gold Reserve alleges that the Corporation wrongfully shared this information with a third party, which is a co-defendant in the action, and further alleges that the Corporation has committed breaches of various duties owed to Gold Reserve under the advisory agreement and at common law.

On June 16, 2010, Gold Reserve amended the Statement of Claim which in part (i) reduces the damages claim against the Defendants to C$150 million plus C$50 million in punitive damages, and (ii) adds two principals of Fiore Financial Corporation as individual defendants. On March 17, 2011, Endeavour and its co-defendants in the action demanded particulars in respect of the plaintiff's amended claim. A response to Endeavour's demand was received on October 4, 2011. On April 16, 2012, Gold Reserve's counsel requested an amended statement of defence and counterclaim in response to Gold Reserve's amended statement of claim. Endeavour expects to deliver its amended statement of defence and counterclaim in due course. No other steps in the proceeding relating to Endeavour have occurred or been scheduled. No accrual for this contingency has been made in the financial statements.

Hightime Investments Pty Ltd

The Corporation is subject to a claim from Hightime Investments Pty Ltd ("Hightime") which alleges that, in or about early 2003, the Corporation entered into an arrangement with Hightime under which Hightime asserts that it allowed the Corporation to apply for, and obtain, a prospecting license over ground near the Southern Ashanti geological belt in Ghana in exchange for the Corporation paying Hightime the fair market value of the ground after the Corporation had completed its feasibility study. Hightime withdrew its claim for restitution of the benefit (the prospecting license) that the Corporation obtained allegedly to the detriment of Hightime. The claim was heard by the Supreme Court of Western Australia on the 23, 24, 26, 27 and 30 of April and 13 June 2012. The Corporation believes the claim is without merit and intends to vigorously defend the action. No accrual for this contingency has been made in the financial statements.

OUTSTANDING SHARE DATA

Endeavour's authorized capital is US$20,000,000 divided into 1,000,000,000 ordinary shares with a par value of US $0.01 each and 1,000,000,000 undesignated shares; no undesignated shares have been issued. The table below summarizes Endeavour's share structure as of August 7, 2012.

Shares issued and outstanding	245,091,769
Stock options	17,382,936
Warrants	33,167,238

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition

Revenue from the sale of gold is recognized when the Corporation has transferred to the buyer the significant risks and rewards of ownership. The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership or effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred or to be incurred in respect of the sale can be measured reliably. Revenue is net of royalties, not considered to be an income tax.

Marketable securities

The Corporation classifies its investments in marketable securities at fair value through profit or loss ("FVTPL"). After initial recognition, the fair value adjustments are accounted for in the consolidated statement of comprehensive income. The purchase and sale of investments are recognized on the trade date, which is the date that the Corporation commits to purchase or sell the asset.

Inventories

Finished goods, work-in-process, and stockpiled ore are valued at the lower of average production cost and net realizable value. Production costs include the cost of raw materials, direct labour, mine-site overhead expenses and depreciation and depletion of mining interests. Net realizable value is calculated as the estimated price at the time of sale based on prevailing and long-term metal prices less estimated future production costs to convert the inventories into saleable form.

Ore extracted from the mine is stockpiled and subsequently processed into finished goods (gold in doré). Production costs are capitalized and included in work-in-process inventory based on the current mining costs incurred up to the point prior to the refining process, including applicable overhead, depreciation and depletion relating to mining interests, and removed at the average production cost per recoverable ounce of gold. The average production costs of finished goods represent the average costs of work-in-process inventories incurred prior to the refining process, plus applicable refining costs and associated royalties.

Mining properties

The Corporation records mining interests at cost. In accordance with IFRS, the Corporation capitalizes pre-production expenditures net of revenues received during the period prior to reaching operating levels intended by management as part of the costs of mining properties. Exploration costs are expensed as incurred to the date of establishing that costs incurred are economically recoverable, at which time exploration costs are capitalized and included in the carrying amount of the related property.

A significant portion of the Corporation's mining properties are depleted using the unit-of-production method. Under the unit-of-production, depletion of mining properties is based on the amount of reserves expected to be recovered from the mines. If estimates of reserves expected to be recovered prove to be inaccurate, or if the Corporation revises its mining plan for a location, due to reductions in the metal price forecasts or otherwise, to reduce the amount of reserves expected to be recovered, the Corporation could be required to write down the carrying amounts of its mining properties, or to increase the amount of future depletion expense, both of which reduce the Corporation's earnings and net assets.

Plant and equipment are recorded at cost and are depreciated over their estimated useful lives. If estimates or useful lives including the economic lives of mines prove to be inaccurate, the Corporation could be required to write down the carrying amounts of its plant and equipment, or to increase the amount of future depreciation expense, both of which would reduce the Corporation's earnings and net assets.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

Decommissioning and restoration provisions

The Corporation's mining and exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing. The Corporation has made, and intends to make in the future, expenditures to comply with such laws and regulations or constructive obligations. The Corporation records a liability for the estimated future rehabilitation costs and decommissioning of its operating and inactive mines and development projects at the time the environmental disturbance occurs, discounted to net present value. The net present value isdetermined using the risk rate specific to the liability. The estimated net present value of rehabilitation and decommissioning cost is re-measured on an annual basis or when changes in circumstances occur and/or new material information becomes available. Increases or decreases to the provision arise due to changes in legal or regulatory requirements, the extent of environmental remediation required and cost estimates. The net present value of the estimated costs of these changes is recorded in the period which the change is identified and quantifiable. Rehabilitation and decommissioning cost relating to operating mines and development projects are recorded with a corresponding increase to the carrying amounts of related assets. Rehabilitation and decommissioning cost related to inactive mines are recorded directly in earnings as rehabilitation expense included in depreciation and depletion.

Business combinations

A business combination is defined as an acquisition of assets and liabilities that constitute a business. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return to the Corporation and its shareholders in the form of dividends, lower costs or other economic benefits. A business consists of inputs, including non-current assets, and processes, including operational processes, that when applied to those inputs, have the ability to create outputs that provide a return to the Corporation and its shareholders. A business also includes those assets and liabilities that do not necessarily have all the inputs and processes required to produce outputs, but can be integrated with the inputs and processes of the Corporation to create outputs. When acquiring a set of activities or assets in the exploration and development stage, which may not have outputs, the Corporation considers other factors to determine whether the set of activities or assets is a business. Those factors include, but are not limited to, whether the set of activities or assets:

- (i) has commenced planned principal activities;
- (ii) has employees, intellectual property and other inputs and processes that could be applied to those inputs;
- (iii) is pursuing a plan to produce outputs; and
- (iv) will be able to obtain access to customers that will purchase the outputs. Not all of the above factors need to be present for a particular integrated set of activities or assets in the exploration and development stage to qualify as a business.

Impairment

At each reporting date, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that the carrying value of the assets are not recoverable. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the CGU to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually or whenever there is an indication that the asset may be impaired.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

Impairment (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. If the recoverable amount of an asset of CGU is estimated to be less than it carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment is recognized immediately in profit or loss.

When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognized for the asset or CGU in prior years. A reversal of an impairment is recognized immediately in profit or loss.

The Corporation performs goodwill impairment tests annually or when events and circumstances indicate that the carrying amounts may no longer be recoverable. In performing the impairment tests, the Corporation estimates the recoverable amount of its CGUs that include goodwill and compares recoverable amounts to the CGU's carrying amount. If a CGU's carrying amount exceeds its recoverable amount, the Corporation reduces the carrying value of the CGU or group of CGUs by first reducing the carrying amount of the goodwill and then reducing the carrying amount of the remaining assets on a pro-rata basis.

Impairment of goodwill cannot be reversed.

Income taxes

The Corporation uses the liability method of accounting for income and mining taxes. Under the liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for unused tax losses and other income tax deductions. In a business combination, the liability method requires the tax effects of such differences to be recognized as deferred income tax assets and liabilities and included in the allocation of the cost of purchase. Deferred income taxes are not recognized for temporary differences that arise from differences between the fair values and tax bases of assets acquired in a transaction other than a business combination.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the related assets are realized or the liabilities are settled. A valuation allowance is recorded against a deferred tax asset to the extent that it is probable that taxable profit will not be available against which deductible temporary differences can be utilized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period in which the change is substantively enacted. Deferred tax assets and liabilities are considered monetary assets. Deferred tax balances denominated in other than US dollars are translated into US dollars using current exchange rates at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

Earnings per share

Earnings per share calculations are based on the weighted average number of common shares issued and outstanding during the period. Diluted earnings per share are calculated using the treasury stock method, whereby the proceeds from the potential exercise of dilutive stock options and share purchase warrants with

CRITICAL ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

Earnings per share (continued)

exercise prices that are below the average market price of the underlying shares are assumed to be used in purchasing the Corporation's common shares at their average market price for the period. In addition, the effect of the Corporation's dilutive share purchase warrants includes adjusting the numerator for mark-to-market gains and losses recognized in profit or loss during the period for changes in the fair value of the dilutive share purchase warrants.

Foreign currency translation

The presentation currency of the Corporation is the US dollar. The functional currency of Endeavour Mining Corporation, the parent company, is the US dollar. The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which the entity operates (its functional currency). In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at spot exchange rate on the transaction date. Monetary items are translated at the closing rate at the end of each reporting period.

Non-monetary items carried at fair value that are denominated in a foreign currency are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates at the date of the transaction.

For the purpose of presenting consolidated financial statements, the assets and liabilities of entities whose functional currency is not the US dollar are translated using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period.

Accounting Standards issued but not yet effective

The Corporation has not early adopted the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

The following standards are effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation is currently assessing the impact they will have on the consolidated financial statements.

- *IFRS 10, Consolidated Financial Statements:* IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, *Consolidated and Separate Financial Statements,* and *SIC-12, Consolidation – Special Purpose Entities*.

- *IFRS 11, Joint Arrangements:* IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities-Non – Monetary Contributions by Venturers.*

- *IFRS 12, Disclosure of Interests in Other Entities:* IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

- *IFRS 13, Fair Value Measurements:* IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

Accounting Standards issued but not yet effective *(continued)*

- *IAS 27, Separate Financial Statements:* IAS 27 has been updated to require an entity presenting separate financial statements to account for those investments at cost or in accordance with *IFRS 9 Financial Instruments*. The new IAS 27 excludes the guidance on the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent, which is within the scope of the current IAS 27 Consolidated and Separate Financial Statements, and is replaced by IFRS 10.

- *IAS 28, Investments in Associates and Joint Ventures:* IAS 28 has been updated and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of the current IAS 28 Investments in Associates does not include joint ventures. Early application is permitted.

- *IFRIC 20 – Stripping Costs in the Production Phase of a Mine:* In October 2011, the IASB issued IFRIC 20 which clarifies the requirements for accounting for the costs of stripping activity in the production phase when two benefits accrue: (i) usable ore that can be used to produce inventory and (ii) improved access to further quantities of material that will be mined in future periods. The interpretation is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

- *IAS 19 – Employee Benefits: On June 16, 2011 the IASB issued amendments to IAS 19. The amendments will improve the recognition and disclosure requirements for defined benefit plans. The new requirements are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted*

- *Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7):* On December 16, 2011 the IASB published new disclosure requirements jointly with the Financial Accounting Standards Board ("FASB") that enables users of financial statements to better compare financial statements prepared in accordance with IFRS and US Generally Accepted Accounting Principles. The new requirements are effective for annual periods beginning on or after January 1, 2013.

IFRS 9, Financial Instruments: IFRS 9 introduces the new requirements for the classification, measurement and de-recognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value, and all financial liabilities classified as subsequently measured at amortized cost except for financial liabilities as at FVTPL. The amendments are effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

IAS 1, Presentation of Financial Statements: In June 2011, the IAS issued amendments to IAS 1 that requires an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoptions permitted. The Corporation does not anticipate the application of the amendments to IAS 1 to have a material impact on its consolidated financial statements.

IAS 32, Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32): On December 16, 2011 the IASB published amendments to IAS 32, Financial Instruments: Presentation to clarify the

CRITICAL ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

Accounting Standards issued but not yet effective *(continued)*

application of the offsetting requirements. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.

RISK FACTORS

Readers of this Management's Discussion and Analysis should give careful consideration to the information included or incorporated by reference in this document and the Corporation's audited consolidated financial statements and related notes for the year ended December 31, 2011. Significant risk factors for the Corporation are metal prices, government regulations, foreign operations, environmental compliance, dependence on management, title to the Corporation's mineral properties and litigation. For details of risk factors, please refer to the 2011 year-end audited consolidated financial statements, Management's Discussion and Analysis and Annual Information Form filed on SEDAR at www.sedar.com.

FINANCIAL INSTRUMENTS AND RELATED RISKS

The Corporation's activities expose it to a variety of risks that may include currency risk, credit risk, liquidity risk, interest rate risk and other price risks, including equity price risk. The Corporation examines the various financial instrument risks to which it is exposed and assesses any impact and likelihood of those risks.

(i) ***Credit risk***

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Corporation by failing to discharge its obligations. Credit risk arises from cash and cash equivalents, marketable securities held with investment dealers, marketable securities made in the form of a loan, and accounts receivables and other assets. Although it is intended that the marketable securities the Corporation makes in the form of loans will normally be secured, there can be no assurance that such security will completely protect the value of the Corporation's investments. As the assets securing the Corporation's loans will occasionally be subordinated to senior indebtedness, the Corporation's security may have second or third priority.

The Corporation closely monitors its financial assets and does not have any significant concentration of credit risk other than cash on deposit with global financial institutions. The Corporation invests its cash and cash equivalents in corporations meeting its investment criteria. The Corporation sells its gold to large international financial institutions and internationally recognized refiners. The Corporation's gold revenue is comprised of gold sales to primarily two customers, however the Corporation is not economically dependent on a limited number of customers for the sale of its gold because gold can be sold through numerous commodity market traders worldwide.

The historical level of customer defaults is minimal and, as a result, the credit risk associated with accounts receivable and other assets at June 30, 2012 is considered to be negligible. The Corporation does not rely entirely on ratings issues by credit rating agencies in evaluating counterparties' related credit risk.

All transactions executed by the Corporation in listed securities are settled and paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

FINANCIAL INSTRUMENTS AND RELATED RISKS (CONTINUED)

(i) *Credit risk (continued)*

The Corporation's maximum exposure to credit risk before taking into account any collateral held or other credit enhancements is the carrying amount of the financial instruments at the consolidated statement of financial position date as follows:

	June 30, 2012	December 31, 2011
Cash and cash equivalents	136,110	115,279
Marketable securities	7,802	17,227
Trade and other receivables	16,398	15,184
Promissory note and other assets	11,095	10,095
	$ 171,405	$ 157,785

(ii) *Liquidity risk*

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation has a planning and budgeting process in place to help determine the funds required to support the Corporation's normal operating requirements.

The following table summarizes the contractual maturities of the Corporation's financial liabilities and operating and capital commitments at June 30, 2012:

	Within 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total
Trade and other payables	$ 40,953	$ -	$ -	$ -	$ 40,953
Long-term debt	-	-	100,000	-	100,000
Gold price protection program	5,573	25,832	23,075	-	54,480
Service contract obligations	20,613	18,656	3,603	300	43,172
Purchased ore obligations	5,318	2,756	-	-	8,074
Minimium operating lease payments	1,297	692	753	400	3,142
Reclamation and closure cost obligations	-	-	-	12,216	12,216
	$ 73,754	$ 47,936	$ 127,431	$12,916	$262,037

In the opinion of management, the working capital at June 30, 2012, together with future cash flows from operations, is sufficient to support the Corporation's commitments.

(iii) Currency risk

Currency risk relates to the risk that the fair values or future cash flows of the Corporation's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations may affect the costs that the Corporation incurs in its operations. Gold is sold in US dollars and the Corporation's costs are incurred principally in Australian dollars, Burkina Faso CFA Franc, Canadian dollars, Côte d'Ivoire CFA franc, Euros, Ghana Cedi, Liberian dollars, Malian CFA franc, South African Rand and US dollars.

FINANCIAL INSTRUMENTS AND RELATED RISKS (CONTINUED)

(iii) ***Currency risk*** (continued)

The appreciation of non-US dollar currencies against the US dollar can increase the cost of gold production and capital expenditures in US dollar terms. The Corporation also has cash and cash equivalents, marketable securities, and accounts receivable and other assets that are denominated in non-US dollar currencies which are subject to currency risk.

The Corporation has not hedged its exposure to foreign currency exchange risk.

The table below highlights the net assets held in foreign currencies:

	June 30, 2012	December 31, 2011
Canadian dollar	$ 9,869	$ (7,185)
Euro	6,720	647
Cedi	-	(35)
Other currencies	9,391	5,338
	$ 25,980	$ (1,235)

The effect on earnings and other comprehensive earnings before tax as at June 30, 2012 of a 10% appreciation or depreciation in the foreign currencies against the US dollar on the above mentioned financial and non-financial assets and liabilities of the Corporation is estimated to be $3.0 million (December 31, 2011 - $0.1 million) assuming that all other variables remained constant. This calculation is based on the Corporation's statement of financial position as at June 30, 2012.

(iv) ***Interest rate risk***

Interest rate risk is the risk that the fair values or future cash flows of the Corporation's financial instruments will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk on its cash and cash equivalents. The Corporation holds convertible loans, debentures and short term government treasury securities that have the potential to be affected by changes in interest rates. There is minimal fair value sensitivity to changes in interest rates, since convertible loans and debentures are short term in nature and are usually held to maturity. The Corporation monitors its exposure to interest rates and is comfortable with its exposure given the relatively low short-term US dollar rates. The Corporation bears interest rate risk in relation to amounts drawn under the Corporate Facility as the interest rate payable is the US dollar LIBOR floating-rate plus a margin. The Corporation has not hedged its exposure to interest rate risk.

(v) ***Price risk***

Price risk is the risk that the fair value of or future cash flows of the Corporation's financial instruments will fluctuate because of changes in market prices. Profitability of the Corporation depends on metal prices, primarily gold. Metal prices are affected by numerous factors such as the sale or purchase of gold by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the US dollar and foreign currencies, global and regional supply and demand and the political and economic conditions of major producing countries throughout the world.

FINANCIAL INSTRUMENTS AND RELATED RISKS (CONTINUED)

(v) ***Price risk*** (continued)

The Corporation is exposed to other price risk or equity price risk in trading its marketable securities and unfavorable market conditions could result in dispositions of marketable securities at less than favorable prices. Additionally, the Corporation marks its investments to market at each reporting period. This process could result in significant write-downs of the Corporation's investments over one or more reporting periods, particularly during periods of declining resource equity markets.

CONTROLS AND PROCEDURES

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this management's discussion and analysis, management evaluated the effectiveness of the Corporation's disclosure controls and procedures as required by Canadian Securities Law.

Based on that evaluation, the CEO and CFO have concluded, that as of the end of the three and six month periods covered by this Management's Discussion and Analysis, the disclosure controls and procedures were designed to provide reasonable assurance that information required to be disclosed in Endeavour Mining Corporation's annual and interim filings (as such terms are defined under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) and other reports filed or submitted under Canadian securities law is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management including the CEO and CFO as appropriate to allow timely decisions regarding required disclosure.

Internal controls and procedures

The Corporation's management, with the participation of its CEO and CFO, are responsible for establishing and maintaining adequate internal controls over financial reporting. Under the supervision of the CFO, the Corporation's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. As at the end of the period covered by this Management's Discussion and Analysis, management evaluated the effectiveness of the Corporation's internal control over financial reporting as required by Canadian securities laws.

Based on that evaluation, the CEO and CFO have concluded that, as of the end of the three and six month periods covered by this Management's Discussion and Analysis, the internal controls over financial reporting were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

As a result of the Corporation's acquisition of Etruscan and Adamus and its transition from a merchant banking company to a gold company, the Corporation has adopted new controls and procedures pertaining to the gold producing activities. These types of controls and procedures were in place at Etruscan and Adamus prior to the acquisition.

Except for the recent acquisition of gold producing activities as noted above, there have been no material changes in the Corporation's internal controls over financial reporting during the quarter ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

Additional information relating to the Corporation is available on the Corporation's web site at www.endeavourmining.com and in the Corporation's Annual Information Form for the year ended December 31, 2011 on SEDAR at www.sedar.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A and certain information incorporated herein by reference constitute forward-looking statements. Forward-looking statements include, but are not limited to, statements with respect to the Corporation's plans or future financial or operating performance, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, conclusions of economic assessments of projects, the timing and amount of estimated future production, costs of future production, future capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, requirements for additional capital, sources and timing of additional financing, realization of unused tax benefits and future outcome of legal and tax matters. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "will continue" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". The material factors or assumptions used to develop material forward-looking statements are disclosed throughout this document. Forward-looking statements, while based on management's best estimates and assumptions, are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Endeavour to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to the successful integration of acquisitions; risks related to international operations; risks related to joint venture operations; risks related to general economic conditions and credit availability, actual results of current exploration activities, unanticipated reclamation expenses; changes in project parameters as plans continue to be refined; fluctuations in prices of metals including gold; fluctuations in foreign currency exchange rates, increases in market prices of mining consumables, possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes, title disputes, claims and limitations on insurance coverage and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, changes in national and local government regulation of mining operations, tax rules and regulations, and political and economic developments in countries in which the Corporation operates, actual resolutions of legal and tax matters, as well as those factors discussed in the section entitled "Description of the Business – Risk Factors" in Endeavour's annual information form for the year ended December 31, 2011, available on SEDAR at www.sedar.com. Although Endeavour has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Corporation's management reviews periodically information reflected in forward-looking statements. The Corporation has and continues to disclose in its Management's Discussion and Analysis and other publicly filed documents, changes to material factors or assumptions underlying the forward-looking statements and to the validity of the statements themselves, in the period the changes occur.

CAUTIONARY NOTE REGARDING RESERVES AND RESOURCES

Readers should refer to the annual information form of Endeavour for the year ended December 31, 2011, dated March 13, 2012, and other continuous disclosure documents filed by Endeavour available at www.sedar.com, for further information on mineral reserves and resources, which is subject to the qualifications and notes set forth therein.

(Expressed in Thousands of United States Dollars)

	June 30, 2012	December 31, 2011
ASSETS		
Current		
Cash and cash equivalents	$ 136,110	$ 115,279
Marketable securities	7,802	17,227
Trade and other receivables	16,398	15,184
Income taxes receivable	36	78
Inventories (Note 4)	40,721	40,517
Prepaid expenses and other (Note 4)	17,117	10,005
Assets held for sale (Note 16)	3,587	-
	221,771	198,290
Mining interests (Note 5)	687,073	688,608
Reclamation deposit	159	157
Goodwill (Note 6)	69,539	69,539
Investment in associate (Note 7)	10,225	11,747
Promissory note and other assets (Note 15)	11,095	10,095
	$ 999,862	$ 978,436
LIABILITIES		
Current		
Trade and other payables	$ 40,953	$ 39,244
Current portion of derivative financial liabilities (Note 9)	5,573	4,899
Income taxes payable	3,746	-
	50,272	44,143
Long-term debt (Note 8)	100,000	100,000
Derivative financial liabilities (Note 9)	63,620	70,166
Finance lease obligations	238	238
Provisions (Note 10)	9,228	9,100
Deferred income taxes	94,997	87,189
	318,355	310,836
EQUITY		
Share capital (Note 11 (a))	560,913	559,605
Equity reserve	26,996	27,346
Retained earnings	63,095	54,414
Equity attributable to shareholders of the Corporation	651,004	641,365
Non-controlling interests (Note 12)	30,503	26,235
Total equity	681,507	667,600
	$ 999,862	$ 978,436

COMMITMENTS & CONTINGENCIES (NOTE 22)
SUBSEQUENT EVENT (NOTE 23)

Approved by the Board: August 7, 2012

"Neil Woodyer" Director *"Wayne McManus"* Director

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

ENDEAVOUR MINING CORPORATION

Condensed Interim Consolidated Statements of Comprehensive Earnings
(Expressed in Thousands of United States Dollars, except per share amounts)
(Unaudited)

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Revenues				
Gold revenue	$ 83,919	$ 36,000	$ 156,562	$ 62,116
Cost of sales				
Operating expenses	42,522	16,842	72,411	30,678
Depreciation and depletion	17,730	4,307	34,108	8,109
Earnings from mine operations	23,667	14,851	50,043	23,329
Corporate costs	4,776	2,522	9,212	6,122
Exploration	2,509	720	5,176	1,456
Earnings from operations	16,382	11,609	35,655	15,751
Other (expenses) income				
Gains (losses) on financial instruments (Note 13)	2,086	(899)	(5,700)	(3,933)
Endeavour Capital loss (Note 14)	(1,039)	(458)	(1,318)	(2,613)
Share of loss of associate, net of taxes (Note 7)	(1,138)	(262)	(1,522)	(262)
Gain on change of ownership of associate (Note 7)	-	22,068	-	22,068
Finance costs	(1,122)	(66)	(2,480)	(1,076)
	(1,213)	20,383	(11,020)	14,184
Earnings from continuing operations before taxes	15,169	31,992	24,635	29,935
Current income taxes (Note 17)	(2,746)	(72)	(3,878)	(63)
Deferred income taxes (Note 17)	20,969	863	(7,808)	1,274
Net earnings and total comprehensive earnings from continuing operations	$ 33,392	$ 32,783	$ 12,949	$ 31,146
Discontinued operations				
Net earnings and total comprehsive earnings from discontinued operations (Note 15)	-	16	-	1,517
Net earnings and total comprehensive earnings	33,392	32,799	12,949	32,663

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

ENDEAVOUR MINING CORPORATION

Condensed Interim Consolidated Statements of Comprehensive Earnings
(Expressed in Thousands of United States Dollars, except per share amounts)
(Unaudited)

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Attributable to:				
Shareholders of Endeavour Mining Corporation				
Net earnings and total comprehensive earnings continuing operations	26,641	32,843	8,681	31,206
Net earnings and total comprehensive earnings from discontinued operations	-	16	-	1,517
	26,641	32,859	8,681	32,723
Non-controlling interests (Note 12)				
Net earnings (loss) and total comprehensive earnings (loss) from continuing operations	6,751	(60)	4,268	(60)
Net earnings (loss) and total comprehensive loss earnings (loss) discontinued operations	-	-	-	-
	6,751	(60)	4,268	(60)
	33,392	32,799	12,949	32,663
Net earnings per share (Note 11 (d))				
From continuing and discontinued operations				
Basic earnings per share	$ 0.11	$ 0.29	$ 0.04	$ 0.29
Diluted earnings per share	$ 0.11	$ 0.28	$ 0.04	$ 0.28
From continuing operations				
Basic earnings per share	$ 0.11	$ 0.29	$ 0.04	$ 0.27
Diluted earnings per share	$ 0.11	$ 0.28	$ 0.04	$ 0.27

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

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Thousands of United States Dollars)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Operating Activities				
Cash generated from operating activities (Note 18)	$ 41,081	$ 8,757	$ 57,083	$ 5,507
Investing Activities				
Expenditures on mining interests	(15,622)	(3,641)	(36,161)	(7,166)
Disposal of mining interests	51	-	453	-
Purchases of marketable securities	-	(5,015)	(302)	(5,015)
Proceeds from sale of marketable securities	-	4,675	596	11,537
Working capital loan facility to former debt advisory business (Note 15)	-	-	(1,000)	-
Cash used in investing activities	(15,571)	(3,981)	(36,414)	(644)
Financing Activities				
Received from the issue of common shares	95	1,269	579	2,061
Finance lease obligation	(135)	-	(281)	-
Cash (used in) generated from financing activities	(40)	1,269	298	2,061
Effect of exchange rate changes on cash and cash equivalents	(191)	(357)	(136)	(74)
Increase in cash and cash equivalents	25,279	5,688	20,831	6,850
Cash and cash equivalents, beginning of period	110,831	168,462	115,279	167,300
Cash and cash equivalents, end of period	$ 136,110	$ 174,150	$ 136,110	$ 174,150
Cash and cash equivalents is comprised of:				
Cash at bank	$ 110,706	$ 31,735	$ 110,706	$ 31,735
Short-term money-market instruments	25,404	142,415	25,404	142,415
	$ 136,110	$ 174,150	$ 136,110	$ 174,150

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

ENDEAVOUR MINING CORPORATION

Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Thousands of United States Dollars, except share amounts)
(Unaudited)

	Share Capital								
	Number of Shares	Par Value	Additional Paid in Capital	Total Share Capital	Equity Reserve	Retained Earnings	Total Attributable to Shareholders	Non-Controlling Interests	Total
At January 1, 2011	113,482,507	$ 1,131	$ 238,884	$ 240,015	$ 22,879	$ 78,361	$ 341,255	$ 2,365	343,620
Stock options exercised	861,844	9	2,456	2,465	(727)	-	1,738	-	1,738
Warrants exercised	287,723	3	786	789	(466)	-	323	-	323
Share based payments	-	-	-	-	394	-	394	-	394
Change in ownership of Namibia Rare Earths Inc.	-	-	-	-	-	(170)	(170)	(2,305)	(2,475)
Net earnings and total comprehensive earnings	-	-	-	-	-	32,723	32,723	(60)	32,663
At June 30, 2011	114,632,074	$ 1,143	$ 242,126	$ 243,269	$ 22,080	$ 110,914	$ 376,263	$ -	$ 376,263
At January 1, 2012	244,609,949	$ 2,441	$ 557,164	$ 559,605	$ 27,346	$ 54,414	$ 641,365	$ 26,235	667,600
Stock options exercised	411,920	4	1,111	1,115	(611)	-	504	-	504
Warrants exercised	69,900	-	193	193	(118)	-	75	-	75
Share based payments	-	-	-	-	379	-	379	-	379
Net earnings and total comprehensive earnings	-	-	-	-	-	8,681	8,681	4,268	12,949
At June 30, 2012	245,091,769	$ 2,445	$ 558,468	$ 560,913	$ 26,996	$ 63,095	$ 651,004	$ 30,503	$ 681,507

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

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Endeavour Mining Corporation ("Endeavour" or the "Corporation") is a growth focused West African gold production and exploration company. Endeavour has a global strategy, supported by financial resources and management's company building expertise, to grow into an intermediate gold producer through organic growth from internal development projects and exploration success, supplemented by a disciplined acquisition strategy.

Endeavour is a publicly listed company incorporated in the Cayman Islands. The Corporation's shares are listed on the Toronto Stock Exchange, under the symbol EDV and the Australian Stock Exchange, under the symbol EVR.

The Corporation's registered office is located at Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, Cayman Islands.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

(a) Statement of compliance

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting* on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the fiscal year ended December 31, 2011.

These condensed interim consolidated financial statements should be read in conjunction with the most recently issued annual consolidated financial statements of the Corporation, which include information necessary or useful to understanding the Corporation's business and financial statement presentation. In particular, the Corporation's significant accounting policies were presented as Note 2 to the consolidated financial statements for the fiscal year ended December 31, 2011, and have been consistently applied in the preparation of these interim financial statements.

(b) Newly adopted accounting standards

In October 2010, the International Accounting Standards Board ("IASB") issued amendments to IFRS 7 - *Financial Instruments: Disclosures* that enhance the disclosure requirements in relation to transferred financial assets. The amendments became effective for annual periods beginning on or after July 1, 2011, with earlier application permitted. The Corporation adopted this amendment and it had no significant impact on its unaudited condensed interim consolidated financial statements.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Accounting Standards issued but not yet effective*

The Corporation has not early adopted the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

The following standards are effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation is currently assessing the impact they will have on the consolidated financial statements.

- *IFRS 10, Consolidated Financial Statements:* IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, *Consolidated and Separate Financial Statements,* and *SIC-12, Consolidation – Special Purpose Entities*.

- *IFRS 11, Joint Arrangements:* IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities-Non – Monetary Contributions by Venturers.*

- *IFRS 12, Disclosure of Interests in Other Entities:* IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

- *IFRS 13, Fair Value Measurements:* IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances.

- *IAS 27, Separate Financial Statements:* IAS 27 has been updated to require an entity presenting separate financial statements to account for those investments at cost or in accordance with *IFRS 9 Financial Instruments*. The new IAS 27 excludes the guidance on the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent, which is within the scope of the current IAS 27 Consolidated and Separate Financial Statements, and is replaced by IFRS 10.

- *IAS 28, Investments in Associates and Joint Ventures:* IAS 28 has been updated and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of the current IAS 28 Investments in Associates does not include joint ventures. Early application is permitted.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Accounting Standards issued but not yet effective (continued)

- *IFRIC 20 – Stripping Costs in the Production Phase of a Mine:* In October 2011, the IASB issued IFRIC 20 which clarifies the requirements for accounting for the costs of stripping activity in the production phase when two benefits accrue: (i) usable ore that can be used to produce inventory and (ii) improved access to further quantities of material that will be mined in future periods. The interpretation is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

- *IAS 19 – Employee Benefits:* On June 16, 2011 the IASB issued amendments to IAS 19. The amendments will improve the recognition and disclosure requirements for defined benefit plans. The new requirements are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

- *Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7):* On December 16, 2011 the IASB published new disclosure requirements jointly with the Financial Accounting Standards Board ("FASB") that enables users of financial statements to better compare financial statements prepared in accordance with IFRS and US Generally Accepted Accounting Principles. The new requirements are effective for annual periods beginning on or after January 1, 2013.

IFRS 9, Financial Instruments: IFRS 9 introduces the new requirements for the classification, measurement and de-recognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value, and all financial liabilities classified as subsequently measured at amortized cost except for financial liabilities as at FVTPL. The amendments are effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

IAS 1, Presentation of Financial Statements: In June 2011, the IAS issued amendments to IAS 1 that requires an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoptions permitted. The Corporation does not anticipate the application of the amendments to IAS 1 to have a material impact on its consolidated financial statements.

IAS 32, Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32): On December 16, 2011 the IASB published amendments to IAS 32, Financial Instruments: Presentation to clarify the application of the offsetting requirements. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.

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

3. MERGER WITH ADAMUS RESOURCES LIMITED ("Adamus")

Adamus Merger

Adamus was a single mine West African gold producer with its primary focus on expanding the economic potential of the Nzema Gold Mine in Ghana, West Africa. First gold production was achieved in January 2011 and commercial production was declared on April 1, 2011. The Nzema mine encompasses approximately 665km² of tenure in the Ashanti Gold Belt in Ghana. Adamus also holds three Mineral Reconnaissance Licenses in the Republic of Liberia, covering an area of 3,107km² making Adamus one of the largest exploration property holders in Liberia.

On December 5, 2011, Endeavour and Adamus combined in an all-stock merger of equals whereby the Corporation acquired 100% of Adamus' common shares through a Scheme of Arrangement. Endeavour has accounted for the merger as a business combination under IFRS 3 using the acquisition method.

The consideration and final allocation of the fair value of assets acquired and liabilities assumed, including the allocation of property, plant and equipment to depletable and non-depletable properties is as follows:

Purchase price:		
Fair value 129,340,958 shares issued as consideration	$	314,640
	$	314,640
Net assets acquired:		
Net working capital acquired, (including cash of $23.4 million)	$	37,335
Mining interests		533,048
Goodwill		67,475
Reclamation deposits		157
Fair value of gold contracts		(67,155)
Due to Endeavour Mining Corporation		(152,472)
Finance lease obligations		(893)
Provisions for reclamation		(6,716)
Deferred income and mining taxes		(73,503)
Non-controlling interest		(22,636)
	$	314,640

An income approach (being the net present value of expected future cash flows) was used to determine the fair values of mining interests. Estimates of expected future cash flows are based on estimates of projected future revenues, expected conversions of resources to reserves, expected future productions costs and capital expenditures based on a finalize life of mine plan. The excess of acquisition cost over the net identifiable assets acquired represents goodwill.

Due to Endeavour Mining Corporation of $152.5 million relates to funds advanced on December 2, 2011 (one business day before the effective date of the merger), after the final court approval of the scheme of arrangement, in order for Adamus to repay the $57.0 million Nzema project facility and settle 139,000 ounces of the Nzema gold hedge (Refer to Note 8 (a) & Note 9 (a)).

The funds provided was a separate transaction and not part of the business combination. This payable to the Corporation is eliminated on consolidation.

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

3. MERGER WITH ADAMUS RESOURCES LIMITED (continued)

Goodwill arose on this acquisition principally because of the requirement to record a deferred tax liability for the difference between the assigned values and the tax bases of assets acquired and liabilities assumed at amounts that do not reflect fair value. The goodwill is not deductible for income tax purposes.

4. INVENTORIES

	June 30, 2012	December 31, 2011
Dore bars	$ 2,047	$ 803
Gold in circuit	5,315	8,276
Ore stockpiles	10,287	10,482
Spare parts and supplies	23,072	20,956
	$ 40,721	$ 40,517

The Corporation has made payments to secure supplies at both the Nzema and Youga Gold mines. Until the consumables are received by the Corporation the amounts are included in prepaid expenses and other (June 30, 2012 $13.2 million; December 31, 2011 $7.8 million).

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

5. MINING INTERESTS

	Mining Properties				
	Depletable	Non depletable	Plant and equipment	Corporate assets	Total
Cost					
Balance as at December 31, 2011	$ 368,355	$ 197,994	$ 147,569	$ 1,706	$ 715,624
Expenditures/additions	9,090	12,256	14,745	70	36,161
Disposals	(453)	-	-	-	(453)
Assets held for sale (Note 16)	-	(3,587)	-	-	(3,587)
Balance as at June 30, 2012	$ 376,992	$ 206,663	$ 162,314	$ 1,776	$ 747,745
Accumulated depreciation and impairment losses					
Balance as at December 31, 2011	$ 13,677	$ -	$ 12,654	$ 685	$ 27,016
Depreciation/depletion	24,210	-	9,806	92	34,108
Disposals	(452)	-	-	-	(452)
Balance as at June 30, 2012	$ 37,435	$ -	$ 22,460	$ 777	$ 60,672
Carrying amounts					
At December 31, 2011	$ 354,678	$ 197,994	$ 134,915	$ 1,021	$ 688,608
At June 30, 2012	$ 339,557	$ 206,663	$ 139,854	$ 999	$ 687,073

A summary by property of the carrying value is as follows:

	Youga Mine	Nzema Mine	Agbaou Project	Finkolo Project	Corporate assets	Total
Cost						
Balance as at December 31, 2011	$ 156,326	$ 537,046	$ 16,959	$ 3,587	$ 1,706	$ 715,624
Expenditures	8,371	20,869	6,851	-	70	36,161
Disposals	(1)	(452)	-	-	-	(453)
Assets held for Sale (Note 16)	-	-	-	(3,587)	-	(3,587)
Balance as at June 30, 2012	$ 164,696	$ 557,463	$ 23,810	$ -	$ 1,776	$ 747,745
Accumulated depreciation and impairment losses						
Balance as at December 31, 2011	$ 23,354	$ 2,977	$ -	$ -	$ 685	$ 27,016
Depreciation/depletion	7,611	26,405	-	-	92	34,108
Disposals	-	(452)	-	-	-	(452)
Balance as at June 30, 2012	$ 30,965	$ 28,930	$ -	$ -	$ 777	$ 60,672
Carrying amounts						
At December 31, 2011	$ 132,972	$ 534,069	$ 16,959	$ 3,587	$ 1,021	$ 688,608
At June 30, 2012	$ 133,731	$ 528,533	$ 23,810	$ -	$ 999	$ 687,073

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

6. GOODWILL

In connection with the merger with Adamus on December 5, 2011 (Note 3) and the acquisition of Etruscan on October 23, 2009 goodwill arose in the amount of $67.4 million and $2.1 million, respectively.

7. INVESTMENT IN ASSOCIATE

Details of the Corporation's investment in associate are as follows;

Name of associate	Principal activity	Country of incorporation	Proportion of ownership interest and voting: June 30, 2012	December 31, 2011
Namibia Rare Earth Inc.	Mining	Canada	38.5%	38.5%

As at June 30, 2012 the fair value of the Corporation's interest in Namibia Rare Earth Inc., ("NREI") based on the publicly quoted share price was $7.1 million (December 31, 2011 - $11.7 million).

Share of loss of associate, net of taxes is as follows:

	Namibia Rare Earths Inc.
December 31, 2011	$ 11,747
Share of loss of associate, net of taxes	(1,522)
June 30, 2012	$ 10,225

The following table summarizes the total assets and liabilities of NREI:

	June 30, 2012	December 31, 2011
Total assets	$ 31,551	$ 25,143
Total liabilities	465	910
Net assets	$ 31,086	$ 24,233
Corporation's share of net assets of Namibia Rare Earth Inc.	$ 11,968	$ 9,330

On April 14, 2011, NREI completed its initial public offering which raised gross proceeds of C$25.0 million and subsequently on April 27, 2011 closed at C$3.8 million over-allotment option, reducing Endeavour's ownership from 71.6% to 38.5%. The change in ownership percentage resulted in the interest in NREI being accounted for as an investment in associate. The reduction in ownership resulted in the Corporation losing control and triggering a recognition of a gain on the entire interest in NREI. A gain in the amount of $22.1 million was recognized in the statement of comprehensive earnings during the second quarter of 2011, resulting from the portion that has

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

7. INVESTMENT IN ASSOCIATE (continued)

been entirely disposed of and from re-measurement of the interest retained from its carrying value to fair value.

8. LONG-TERM DEBT

On November 28, 2011 the Corporation and UniCredit entered into a $200 million four year revolving corporate loan facility (the "Corporate Facility") and novation agreement for metal price risk management contracts in respect of 116,161 ounces of gold for the period 2012 to 2016 (the "Hedging Contracts"). The Corporate Facility is for general corporate purposes, including working capital, capital expenditure and any acquisition of an asset or assets that are engaged in the exploitation of precious metals ores. The Corporate Facility matures four years from the closing date with a mandatory reduction in availability of $75.0 million on December 31, 2014 and is subject to an interest rate of LIBOR plus a variable margin of between 2.5% and 4.25%. The Corporate Facility is secured by shares of Endeavour's material gold mining subsidiaries and the material assets of those subsidiaries.

On December 5, 2011 Endeavour drew down $100.0 million of the Corporate Facility to fully repay the $57.0 million Nzema Gold Mine project loan and for general working capital purposes.

9. DERIVATIVE FINANCIAL INSTRUMENTS

	June 30, 2012	December 31, 2011
Gold price protection program	$ 54,480	$ 52,538
Share purchase warrants	14,713	22,527
Derivative liability	69,193	75,065
Less: current portion	(5,573)	(4,899)
Long-term derivative liability	$ 63,620	$ 70,166

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Change in fair value of gold price protection program (a)	$ 5,519	$ (3,180)	$ (4,780)	$ (3,917)
Change in fair value of share purchase warrants (b)	6,836	9,095	7,814	8,818
Gain on derivative financial instruments (Note 13)	$ 12,355	$ 5,915	$ 3,034	$ 4,901

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

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Realized loss - gold price protection program	$ (1,107)	$ (7,680)	$ (2,838)	$ (13,717)
Change in unrealized loss - gold price protection program	6,626	4,500	(1,942)	9,800
Total gain (loss) on financial derivatives	$ 5,519	$ (3,180)	$ (4,780)	$ (3,917)

(a) Gold price protection programs

(i) Nzema Gold Mine, Ghana

During the six month period ended June 30, 2012, forward contracts (ounces) totaling 5,283 ounces were delivered resulting in a realized loss of $2.8 million.

On December 2, 2011 Endeavour reduced the hedge book by 139,000 ounces for a cash settlement of $96.7 million. The remaining hedge book of 116,161 ounces of gold has been re-profiled with deliveries of approximately 10,000 ounces during each of 2012 and 2013, and 32,000 ounces during each of 2014, 2015, and 2016 (ounces to be delivered on a quarterly basis) based on forward gold contracts at a price of $1,061.75 per ounce.

Adamus implemented a gold price protection program as part of the initial project financing of the Nzema Gold Mine. The gold price protection program consisted of gold forward contracts initially covering 290,000 ounces at a forward price of $1,075.00 per ounce and subsequently amended to $1,061.75 per ounce. The program required no cash or other margin.

The following table details the forward contracts as at June 30, 2012:

Period	Forward contracts (ounces)	Price per Ounce	Fair Value
2012	4,715	$ 1,061.75	$ 2,571
2013	10,000	1,061.75	5,261
2014	32,000	1,061.75	16,150
2015	32,000	1,061.75	15,480
2016	32,163	1,061.75	15,018
	110,878	$ 1,061.75	$ 54,480

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

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(a) *Gold price protection programs* (continued)

(i) *Youga Gold Mine, Burkina Faso*

During the year ended December 31, 2011, call options totaling 56,620 ounces were settled with delivery of 33,088 ounces of gold production and 23,532 ounces were settled for a cash payment of $24.0 million. In addition, put options totaling 141,880 ounces expired unexercised or were cancelled upon the repayment of the hedge.

On November 28, 2011, the remaining call options totaling 23,532 ounces of gold were settled with a cash payment of $24.0 million to close out the hedge book.

During the three months ended March 31, 2011 call options totaling 9,068 ounces were settled with delivery of gold production, and put options totaling 22,716 ounces expired unexercised, resulting in a realized loss of $6.0 million.

In October 2009, following the Acquisition of Etruscan Resources Limited, the Corporation used $23.0 million of cash to reduce the hedge book.

The following table details the total (loss)/gain on the options and forward contracts for both Nzema and Youga;

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Change in unrealized gain (loss) - gold price protection program	6,626	4,500	(1,942)	9,800
Change in fair value of share purchase warrants	6,836	9,095	7,814	8,818
Total unrealized (loss) gain on financial derivatives	$ 13,462	$ 13,595	$ 5,872	$ 18,618

(b) *Share purchase warrants*

The Corporation's share purchase warrants have exercise prices denominated in currencies other than the Corporation's US Dollar functional currency, which requires that they be classified and accounted for as derivative financial liabilities at fair values, with changes in fair values being included in the consolidated statement of comprehensive earnings. The share purchase warrants are valued using the Black-Scholes option pricing model. Details of share purchase warrants are disclosed in Note 11(b).

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

10. PROVISIONS

(a) Environmental rehabilitation provision

The present value of the Corporation's reclamation liability for the Youga Gold Mine at June 30, 2012 is $2.4 million, calculated using a discount rate of 5.4%. The liability will be amortized over the projected life of the mine to 2016.

The present value of the Corporation's reclamation liability for the Nzema Gold Mine at June 30, 2012 is $6.8 million, calculated using a discount rate of 5.75%**.** The liability will be amortized over the projected life of the mine to 2021.

	June 30, 2012	December 31, 2011
Balance beginning of period	$ 9,100	$ 2,296
Assumed on acquisition of Adamus (Note 3)	-	6,716
Accretion	128	88
Balance end of period	$ 9,228	$ 9,100

(b) Bonuses

In conjunction with Endeavour's gold asset acquisition strategy, Endeavour implemented a deferred bonus policy to enhance the profitability and growth of Endeavour's gold business by attracting, retaining and motivating qualified employees. The bonus is accrued upon the sale of gold assets by Endeavour, upon the acquisition of Endeavour, or other change of control events involving Endeavour, and when a reliable estimate of the bonus can be made. The bonus amount is calculated as 10% of the increase in value of Endeavour's gold assets. In the case that the realisation event is the sale of Endeavour, the bonus amount calculation is expected to require the allocation of the consideration value to Endeavour's gold assets and to its other non-gold assets in order to determine the increase in value of Endeavour's gold assets. In order to align the interests of Endeavour's shareholders and employees, bonuses are deferred and payable upon realisation. No bonuses have been accrued or expensed.

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

11. SHARE CAPITAL

(a) Voting shares

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

(b) Warrants

A summary of the changes in warrants is presented below:

	Warrants outstanding		Net Weighted average exercise price (C$)
At December 31, 2010	34,902,157	$	2.71
Exercised	(715,458)		1.76
Expired	(949,561)		12.17
At December 31, 2011	33,237,138	$	2.46
Exercised	(69,900)		1.08
At June 30, 2012	33,167,238	$	2.46

The following table summarizes the outstanding and exercisable warrants as at June 30, 2012:

Outstanding & Exercisable		Net Weighted average exercise price (C$)	Weighted average remaining contractual life
135,347		2.49	0.42 years
544,390		0.34	1.48 years
32,487,501		2.50	1.60 years
33,167,238	$	2.46	1.59 years

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

11. SHARE CAPITAL (continued)

(c) *Share based payments*

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

	Options outstanding	Weighted average exercise price (C$)
At December 31, 2010	11,572,546	$ 3.24
Granted	7,595,000	2.65
Exercised	(1,071,026)	1.93
Expired	(570,732)	7.73
At December 31, 2011	17,525,788	2.92
Granted	525,000	2.23
Exercised	(411,920)	1.88
Expired	(255,932)	7.86
At June 30, 2012	17,382,936	$ 2.86

The following table summarizes information about the exercisable share options outstanding as at June 30, 2012:

Exercise Prices (C$)	Outstanding	Exercisable	Weighted average exercise price (C$)	Weighted average remaining contractual life
$0 - $1.94	7,600,890	7,600,890	$ 1.92	1.94 years
$1.95 - $2.04	188,980	72,313	2.04	4.58 years
$2.05 - $2.33	350,000	116,667	2.33	4.97 years
$2.34 - $2.50	548,240	548,240	2.46	3.00 years
$2.51 - $2.64	7,225,000	7,225,000	2.64	4.39 years
$2.65 - $3.00	755,000	755,000	2.92	3.45 years
$3.01 - $44.96	714,826	714,826	15.49	0.70 years
	17,382,936	17,032,936	$ 2.86	3.06 years

The Corporation has established a share 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 ten years. The exercise price of an option is not less than the volume weighted average trading price of the shares traded on the exchange for the five trading days immediately preceding the grant date. At June 30, 2012, there were 24,509,177 (December 31, 2011 – 24,460,995) options available for grant under the plan, of which 7,126,241 (December 31, 2011 – 6,935,207) are still available to be granted.

During the three and six month periods ended June 30, 2012, 525,000 share options were granted with an average fair value per option of $0.72. A share based payments expense of $0.4 million for the three and six month periods ended June 30, 2012 was recorded (June 30, 2011 - $0.4 million for the three and six month periods).

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

11. SHARE CAPITAL (continued)

(c) *Share based payments* (continued)

The following weighted average assumptions were used for the Black-Scholes valuation of share options for the six month period ended June 30, 2012:

	June 30, 2012	June 30, 2011
Risk-free interest rate	1.1%	1.9%
Expected life	3.0 years	3.0 years
Annualized volatility	47.1%	58.2%
Dividend rate	0.0%	0.0%
Forfeiture rate	10.9%	10.9%

The annualized volatility is based on the Corporation's historical three year daily volatility.

(d) *Diluted earnings per share*

Diluted net earnings (loss) per share from continuing operations were calculated based on the following:

The following summarizes the stock options and share purchase warrants excluded from the computation of diluted earnings per share because the exercise prices exceeded the daily weighted average market values of the common shares for the three and six months ended June 30, 2012, of C$2.14 and C$2.32 (three months and six months ended June 30, 2011 – C$2.34 and C$2.53).

	Three months ended June 30,	
	2012	2011
Stock options	9,359,733	2,498,558
Share purchase warrants	32,622,848	33,072,025

	Six months ended June 30,	
	2012	2011
Stock options	9,359,733	1,871,098
Share purchase warrants	32,622,848	449,177

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

11. SHARE CAPITAL (continued)

(d) Diluted earnings per share (continued)

Diluted net earnings per share were calculated based on the following:

	Three months ended June 30, 2012	Three months ended June 30, 2011
Basic weighted average number of shares outstanding	245,053,857	114,377,631
Effect of dilutive securities		
Stock options	783,098	2,365,739
Share purchase warrants	458,258	37,843
Diluted weighted average number of shares outstanding	246,295,213	116,781,213

	Six months ended June 30, 2012	Six months ended June 30, 2011
Basic weighted average number of shares outstanding	244,951,627	114,012,339
Effect of dilutive securities		
Stock options	1,353,440	2,508,426
Share purchase warrants	475,909	884,613
Diluted weighted average number of shares outstanding	246,780,976	117,405,378

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

12. NON-CONTROLLING INTERESTS

The composition of the non-controlling interests is as follows:

	Adamus Resources Limited	Nambia Rare Earths Inc	Etruscan Resources Inc	Total
At December 31, 2010	$ -	$ 2,365	$ -	$ 2,365
Change of ownership (Note 7)	-	(2,305)	-	(2,305)
Net loss	-	(60)	-	(60)
At June 30, 2011	-	-	-	-
Acquisition of Adamus (Note 3)	22,636	-	-	22,636
Net earnings	654	-	2,945	3,599
At December 31, 2011	23,290	-	2,945	26,235
Net (loss) earnings	(840)	-	5,108	4,268
At June 30, 2012	$ 22,450	$ -	$ 8,053	$ 30,503

13. GAINS (LOSSES) ON FINANCIAL INSTRUMENTS

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Loss on marketable securities	$ (9,545)	$ (7,206)	$ (9,133)	$ (9,646)
Interest income	263	240	470	456
Gain on derivative financial instruments (Note 9)	12,355	5,915	3,034	4,901
(Loss) gain on foreign currency	(987)	152	(71)	356
	$ 2,086	$ (899)	$ (5,700)	$ (3,933)

14. ENDEAVOUR CAPITAL

Endeavour Capital provides management and administrative services, including accounting support and public company regulatory filings, for a number of public companies. Endeavour is often a shareholder in these client companies and these investments are recorded within the Corporation's marketable securities.

Endeavour is now focused on its mining operations and will not allocate significant resources to its legacy financial services activities. The residual financial services will be carried out by a subsidiary of Endeavour, Endeavour Capital, which will continue to provide Fiore Financial Corporation ("Fiore") with advisory services to companies launched by Fiore. This relationship may assist Endeavour in finding and assessing gold strategy opportunities.

The Endeavour Capital's bonus structure is linked to the fees generated from the financial and treasury services business, renamed Endeavour Capital, and the gain on marketable securities.

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

14. ENDEAVOUR CAPITAL (continued)

The following table includes the fees earned from external clients and does not include intra group fees for advisory services provided to the gold mining business for merger and acquisition and debt arranging advice; however the operating and bonus expense includes the total amounts incurred in providing all services. Endeavour did not pay any fees to external advisers for merger and acquisition advice on the merger with Adamus or for debt arrangement advice on the Corporate Facility. Furthermore, all operating costs and bonuses paid by Endeavour Capital were more than covered by external and internal fees.

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Income earned from external clients	$ 366	1,126	$ 794	2,006
Operating expenses	(1,405)	(1,167)	(2,112)	(2,395)
Amortization of intangible assets	-	(417)	-	(834)
Share-based payments	-	-	-	(72)
	(1,039)	(458)	(1,318)	(1,295)
Bonus expense on income earned, gains on marketable securities and sale of gold ass	-	-	-	(1,318)
	$ (1,039)	$ (458)	$ (1,318)	$ (2,613)

15. DISCONTINUED OPERATIONS

Disposal of debt advisory business

The disposal of the debt advisory business in December 2011, was completed by way of selling the client mandates and use of the Endeavour Financial brand name from its wholly-owned subsidiary, Endeavour Management Services (Cayman) (formerly Endeavour Financial International Corporation), for future consideration of $20.0 million. The $20.0 million of consideration consists of the aggregate of a $10.1 million non-interest bearing promissory note and receipt of future earnings after expenses, including bonuses.

An income approach (being the net present value of expected future cash flows) was used to determine the fair values of the three different payment streams making up the consideration; $10.0 million promissory note, $2.5 million intellectual property assignment fee related to the Endeavour Financial brand name and the $7.5 million service fee related to future earnings. Estimates of expected future cash flows were based on estimates of projected future earnings, over a ten year period using a risk adjusted discount rate to reflect the perceived risk in achieving the cash flows to be generated from the newly independent debt advisory business.

On January 1, 2012 the Corporation provided a $1.0 million working capital loan facility to the purchaser of the debt advisory business to satisfy general working capital needs. The working capital facility is interest free, unsecured and may be repaid any time without penalty. However, it must be repaid from debt advisory business profits after Endeavour has received full repayment of the $10.0 million promissory note.

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

15. DISCONTINUED OPERATIONS (continued)

Disposal of debt advisory business (continued)

The results of the discontinued operations included in the consolidated statement of comprehensive earnings are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the previous three and six months ended June 30, 2011.

The summarized statements of comprehensive earnings from discontinued operations are as follows:

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Income earned from external clients	$ -	$ 600	$ -	$ 3,350
Operating expenses	-	(584)	-	(1,833)
Profit before tax from discontinued operations	-	16	-	1,517
Earnings from discontinued operations	$ -	$ 16	$ -	$ 1,517

The summarized statements of cash flows for discontinued operations are as follows:

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Net cash inflows from operating activities	$ -	$ (559)	$ -	(1,420)
Net cash inflows	$ -	$ (559)	$ -	$ (1,420)

16. ASSETS HELD FOR SALE

	June 30, 2012	December 31, 2011
Assets		
Mineral interests (Note 5)	3,587	-
	$ 3,587	$ -

On March 6, 2012 the Corporation entered into a definitive agreement with Resolute Mining Limited ("Resolute") for the sale and transfer of the licenses and associated property comprising the Finkolo joint venture in Mali for total consideration of $20.0 million in cash. Endeavour holds a 40% interest in the Finkolo joint venture, which was formed in 2003 by Endeavour's Etruscan subsidiary and Resolute is the operator. The transaction is subject to a number of conditions, including approval from the Government of Mali for the transfer of the exploration permits.

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

17. INCOME TAXES

Endeavour is not subject to corporate taxation in the Cayman Islands. The taxable profits of the corporate entities in Australia, Burkina Faso, Canada, Ghana, Monaco and the United Kingdom are subject to the tax under the tax law of the respective jurisdiction.

The following is a summary of the tax rates in the various taxable jurisdictions:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Australia	30.0%	N/A	30.0%	N/A
Burkina Faso	17.5%	17.5%	17.5%	17.5%
Canada	25.0%	26.5%	25.0%	26.5%
Ghana	35.0%	N/A	35.0%	N/A
Monaco	33.3%	33.3%	33.3%	33.3%
United Kingdom	26.5%	26.5%	26.5%	26.5%

Tax rules and regulations

The Corporation operates in numerous countries around the world and accordingly it is subject to, and pays annual income taxes under the various income tax regimes in the countries in which it operates. Some of these tax regimes are defined by contractual agreements with the local government, and others are defined by the general corporate income tax laws of the country. The Corporation has historically filed, and continues to file, all required income tax returns and to pay the taxes reasonably determined to be due. The tax rules and regulations in many countries are highly complex and subject to interpretation. From time to time the Corporation is subject to a review of its income tax filings and in connection with such reviews, disputes can arise with the taxing authorities over the interpretation or application of certain rules to the Corporation's business conducted within the country involved.

The Corporation's Ghanaian subsidiary, Adamus Resources Limited, was audited by the Ghana Revenue Authority ("GRA") for its fiscal taxation years June 30, 2007 to June 30, 2011. The GRA audit has resulted in the Corporation being assessed $7.2 million, of which $4.7 million relates primarily to withholding taxes for the pre-commercial production period, remains outstanding and is included in operating costs for the three and six month periods ended June 30, 2012. In addition, the audit also resulted in the reduction of the Corporation's capital allowance for income tax purposes.

In the first quarter of 2012, Ghana passed new tax laws that raised the statutory rate from 25% to 35%. This tax change had a $39.4 million impact on the first quarter deferred tax expense relation to the temporary difference at Nzema arising from prior periods. The expense was offset from losses arising from a realized hedge loss.

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

18. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June		Six months ended June 30,	
	2012	2011	2012	2011
Operating activities				
Earnings from continuing operations before taxes	$ 15,169	$ 31,992	$ 24,635	$ 29,935
Net earnings from discontinued operations (Note 15)	-	16	-	1,517
Adjust for:				
Depreciation and depletion	17,730	4,307	34,108	8,109
Loss on marketable securities (Note 13)	9,545	7,206	9,133	9,646
Accretion of reclamation and other closure obligations (Note 10)	64	70	128	140
Amortization of intangible assets	-	417	-	834
Share-based payments (Note 11 (c))	379	-	379	394
Unrealized gain on derivative financial liabilities	(13,462)	(13,595)	(5,872)	(18,618)
Share of loss of associate, net of taxes (Note 7)	1,138	262	1,522	262
Change in working capital of associate	-	(2,399)	-	(2,399)
Gain on dilution of ownership of associate	-	(22,068)	-	(22,068)
Net assets held for sale			-	-
Interest income (Note 13)	(263)	(240)	(470)	(456)
Interest received	54	61	107	273
Interest paid	(236)	(396)	(1,173)	(775)
Income tax paid	(128)	-	(128)	-
Changes in non-cash working capital:				
Trade and other receivables and payables	4,563	1,078	(8,326)	(1,747)
Inventories	2,580	3,349	(204)	3,789
Trade and other payables	3,948	(1,303)	3,244	(3,329)
	$ 41,081	$ 8,757	$ 57,083	$ 5,507

19. SEGMENTED INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision-maker ("CODM") to allocate resources to the segments and to assess their performance.

Following the merger with Adamus, as disclosed in Note 3, the CODM regularly reviews the following operations, the operating segments of the Corporation under IFRS 8:

(i) Youga – the operation involved in the production of gold through the Corporation's integrated processes – mining, extraction, production and selling of gold to external clients.
(ii) Nzema – the operation involved in the production of gold through the Corporation's integrated processes – mining, extraction, production and selling of gold to external clients.
(iii) Exploration – operations involved in mineral exploration in West Africa.

The following is an analysis of the Corporation's revenue and results from continuing operations by reportable segment.

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

19. SEGMENTED INFORMATION (continued)

	Six months ended June 30, 2012				
	Youga Mine	Nzema Mine	Exploration	Corporate	Total
Revenue					
Gold revenue	$ 69,141	$ 87,421	$ -	$ -	$156,562
Cost of sales					
Operating expenses	28,078	44,333	-	-	72,411
Depreciation and depletion	7,620	26,421	-	67	34,108
Earnings from mine operations	33,443	16,667	-	(67)	50,043
Corporate costs	-	-	-	9,212	9,212
Exploration	-	-	5,176	-	5,176
Earnings (loss) from operations	33,443	16,667	(5,176)	(9,279)	35,655
Other (expenses) income					
(Losses) gains on financial instruments	(270)	(4,742)	-	(688)	(5,700)
Endeavour Capital loss	-	-	-	(1,318)	(1,318)
Share of (loss) earnings of associate, net of taxes (Note 7)	-	-	-	(1,522)	(1,522)
Finance costs	(90)	(93)	-	(2,297)	(2,480)
	(360)	(4,835)	-	(5,825)	(11,020)
Earnings (loss) from continuing operations before taxes	33,083	11,832	(5,176)	(15,104)	24,635
Income taxes	(3,476)	-		(402)	(3,878)
Deferred income taxes	1,500	(9,482)	-	174	(7,808)
Net earnings (loss) and total comprehensive earnings (loss) from continuing operations	$ 31,107	$ 2,350	$ (5,176)	$ (15,332)	$ 12,949

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

19. SEGMENTED INFORMATION (continued)

	Six months ended June 30, 2011				
	Youga Mine	Nzema Mine	Exploration	Corporate	Total
Revenue					
Gold revenue	$ 62,116	$ -	$ -	$ -	$ 62,116
Cost of sales					
Operating expenses	30,678	-	-	-	30,678
Depreciation and depletion	8,109	-	-	-	8,109
Earnings from mine operations	23,329	-	-	-	23,329
Corporate costs	-	-	-	6,122	6,122
Exploration	-	-	1,456	-	1,456
Earnings (loss) from operations	23,329	-	(1,456)	(6,122)	15,751
Other (expenses) income					
(Losses) gains on financial instruments	(12,248)	-	-	8,315	(3,933)
Endeavour Capital loss	-	-	-	(2,613)	(2,613)
Share of (loss) earnings of associate, net of taxes (Note 7)	-	-	-	(262)	(262)
Gain on disposal of associate	-	-	-	22,068	22,068
Finance costs	(261)	-	-	(815)	(1,076)
	(12,509)	-	-	26,693	14,184
Earnings (loss) from continuing operations before taxes	10,820	-	(1,456)	20,571	29,935
Current income taxes	-	-	-	(63)	(63)
Deferred income taxes	339	-	-	935	1,274
Net earnings (loss) and total comprehensive earnings (loss) from continuing operations	$ 11,159	$ -	$ (1,456)	$ 21,443	$ 31,146

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

19. SEGMENTED INFORMATION (continued)

	Three months ended June 30, 2012				
	Youga Mine	Nzema Mine	Exploration	Corporate	Total
Revenue					
Gold revenue	$ 37,757	$ 46,162	$ -	$ -	$ 83,919
Cost of sales					
Operating expenses	14,854	27,668	-	-	42,522
Depreciation and depletion	4,602	13,098	-	30	17,730
Earnings from mine operations	18,301	5,396	-	(30)	23,667
Corporate costs	-	-	-	4,776	4,776
Exploration	-	-	2,509	-	2,509
Earnings (loss) from operations	18,301	5,396	(2,509)	(4,806)	16,382
Other (expenses) income					
(Losses) gains on financial instruments	(689)	5,152	-	(2,377)	2,086
Endeavour Capital loss	-	-	-	(1,039)	(1,039)
Share of (loss) earnings of associate, net of taxes (Note 7)	-	-	-	(1,138)	(1,138)
Finance costs	(65)	(47)	-	(1,010)	(1,122)
	(754)	5,105	-	(5,564)	(1,213)
Earnings (loss) from continuing operations before taxes	17,547	10,501	(2,509)	(10,370)	15,169
Income taxes	(2,407)	-		(339)	(2,746)
Deferred income taxes	1,606	19,200	-	163	20,969
Net earnings (loss) and total comprehensive earnings (loss) from continuing operations	$ 16,746	$ 29,701	$ (2,509)	$ (10,546)	$ 33,392

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

19. SEGMENTED INFORMATION (continued)

	Three months ended June 30, 2011				
	Youga Mine	Nzema Mine	Exploration	Corporate	Total
Revenue					
Gold revenue	$ 36,000	$ -	$ -	$ -	$ 36,000
Cost of sales					
Operating expenses	16,842	-	-	-	16,842
Depreciation and depletion	4,307	-	-	-	4,307
Earnings from mine operations	14,851	-	-	-	14,851
Corporate costs	-	-	-	2,522	2,522
Exploration	-	-	720	-	720
Earnings (loss) from operations	14,851	-	(720)	(2,522)	11,609
Other (expenses) income					
(Losses) gains on financial instruments	(3,085)	-	-	2,186	(899)
Endeavour Capital loss	-	-	-	(458)	(458)
Share of (loss) earnings of associate, net of taxes (Note 7)	-	-	-	(262)	(262)
Gain on disposal of associate	-	-	-	22,068	22,068
Finance costs	353	-	-	(419)	(66)
	(2,732)	-	-	23,115	20,383
Earnings (loss) from continuing operations before taxes	12,119	-	(720)	20,593	31,992
Income taxes	-	-	-	(72)	(72)
Deferred income taxes	174	-	-	689	863
Net earnings (loss) and total comprehensive earnings (loss) from continuing operations	$ 12,293	$ -	$ (720)	$ 21,210	$ 32,783

The debt advisory business was discontinued during the year ended December 31, 2011. The segment information reported on does not include any amounts for the debt advisory business, which is described in Note 15.

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales in the three months or six months ended June 30, 2012, (June 30, 2011 – nil).

The accounting policies of the reportable segments are the same as the Corporation's accounting policies described in Note 2 of the December 31, 2011 audited consolidated financial statements.

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

19. SEGMENTED INFORMATION (continued)

Geographical information

The Corporation operates in three principal geographical areas, including Burkina Faso, Côte d'Ivoire and Ghana.

The Corporation's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from external customers			
	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Burkina Faso	$ 37,757	$ 36,000	$ 69,141	$ 62,116
Ghana	46,162	-	87,421	-
	$ 83,919	$ 36,000	$ 156,562	$ 62,116

	Non-current assets	
	June 30, 2012	December 31, 2011
Burkina Faso	$ 137,172	$ 133,061
Ghana	529,297	534,800
Other	111,623	112,285
	$ 778,092	$ 780,146

Information about major customers

Revenue from major customers which accounts for 10% or more of the Corporation's revenue are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Revenues from one customer in Youga segment	$ 37,757	36,000	$ 69,141	62,116
Revenues from one customer in Nzema segment	46,162	-	87,421	-
	$ 83,919	$ 36,000	$ 156,562	$ 62,116

The Corporation is not economically dependent on a limited number of customers for the sale of gold because gold can be sold through numerous commodity market traders worldwide.

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

19. SEGMENTED INFORMATION (continued)

Total assets and liabilities from continuing operations

	June 30, 2012		December 31, 2011	
	Total assets[1]	Total liabilities	Total assets[1]	Total liabilities
Youga Mine	$ 165,498	$ 12,585	$ 180,449	$ 7,213
Nzema Mine	203,457	85,796	557,608	76,421
Corporate	590,202	218,300	198,009	225,984
Exploration	40,705	1,674	42,370	1,218
	$ 999,862	$ 318,355	$ 978,436	$ 310,836

[1]Included in Corporate is $67.4 million of goodwill and $2.1 million of goodwill associated with the merger of Adamus (Note 3) and the acquisition of Etruscan.

20. CAPITAL MANAGEMENT

The Corporation's objectives of capital management are to safeguard the entity's ability to support the Corporation's normal operating requirements on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans. The Corporation defines capital that it manages as net worth, which is comprised of total shareholders' equity and debt obligations (net of cash and cash equivalents and marketable securities).

In the management of capital, the Corporation includes the components of shareholders' equity, short-term borrowings and long-term debt, net of cash and cash equivalents, and marketable securities.

Capital, as defined above, is summarized in the following table:

	June 30, 2012	December 31, 2011
Equity	$ 681,507	$ 667,600
Current and long-term debt	100,000	100,000
	781,507	767,600
Less:		
Cash and cash equivalents	(136,110)	(115,279)
Marketable securities	(7,802)	(17,227)
	$ 637,595	$ 635,094

The Corporation manages its capital structure and makes adjustments to it in light of changes in its economic environment and the risk characteristics of the Corporation's assets. To effectively manage the entity's capital requirements, the Corporation has in place a planning, budgeting and forecasting process to help determine the funds required to ensure the Corporation has the appropriate liquidity to meet its operating and growth objectives.

21. FINANCIAL INSTRUMENTS

Financial instrument risk exposure

The Corporation's activities expose it to a variety of risks that may include currency risk, credit risk, liquidity risk, interest rate risk and other price risks, including equity price risk. The Corporation examines the various financial instrument risks to which it is exposed and assesses any impact and likelihood of those risks.

(i) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Corporation by failing to discharge its obligations. Credit risk arises from cash and cash equivalents, marketable securities held with investment dealers, marketable securities made in the form of a loan and trade and other receivables. Although it is intended that the marketable securities the Corporation makes in the form of loans will normally be secured, there can be no assurance that such security will completely protect the value of the Corporation's investments. As the assets securing the Corporation's loans will occasionally be subject to senior indebtedness, the Corporation's security may have second or third priority.

The Corporation closely monitors its financial assets and does not have any significant concentration of credit risk. The Corporation invests its cash and cash equivalents in highly rated corporations and government issuances of which the credit risk is considered to be low. The Corporation sells its gold to large international refineries. The Corporation's gold revenue is comprised of gold sales primarily to two customers.

The historical level of customer defaults is minimal and, as a result, the credit risk associated with trade and other receivables at June 30, 2012 is considered to be negligible. The Corporation does not rely entirely on ratings issued by credit rating agencies in evaluating counterparties' related credit risk.

All transactions executed by the Corporation in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Trade and other receivables include amounts that are past due at the end of the reporting period but against which the Corporation has not recognized an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Corporation does not have any collateral or other credit enhancements over these balances nor does it have a legal right to offset any of the amounts owed by the Corporation to the counterparty.

In determining the recoverability of a trade receivable, the Corporation considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

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

21. FINANCIAL INSTRUMENTS (continued)

Financial instrument risk exposure (continued)

(i) *Credit risk* (continued)

The Corporation's maximum exposure to credit risk before taking into account any collateral held or other credit enhancements is the carrying amount of the financial instruments, except cash and cash equivalents, at the reporting date as follows:

	June 30, 2012	December 31, 2011
Cash and cash equivalents	$ 136,110	$ 115,279
Marketable securities	7,802	17,227
Trade and other receivables	16,398	15,184
Promissory note and other assets	11,095	10,095
	$ 171,405	$ 157,785

(ii) *Liquidity risk*

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash, physical gold or another financial asset. The Corporation has a planning and budgeting process in place to help determine the funds required to support the Corporation's normal operating requirements.

The following table summarizes the contractual obligations at June 30, 2012:

	Within 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total
Trade and other payables	$ 40,953	$ -	$ -	$ -	$ 40,953
Long-term debt	-	-	100,000	-	100,000
Gold price protection program	5,573	25,832	23,075	-	54,480
Service contract obligations	20,613	18,656	3,603	300	43,172
Purchased ore obligations	5,318	2,756	-	-	8,074
Minimum operating lease payments	1,297	692	753	400	3,142
Environmental rehabilitation provision	-	-	-	12,216	12,216
	$ 73,754	$ 47,936	$ 127,431	$ 12,916	$262,037

In the opinion of management, the working capital at June 30, 2012, together with future cash flows from operations, is sufficient to support the Corporation's commitments.

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

21. FINANCIAL INSTRUMENTS (continued)

Financial instrument risk exposure (continued)

Market risk

(i) Currency risk

Currency risk relates to the risk that the fair values or future cash flows of the Corporation's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations may affect the costs that the Corporation incurs in its operations. Gold is sold in US dollars and the Corporation's costs are incurred principally in Australian dollars, Burkina Faso CFA Franc, Canadian dollars, Euros, Ghana Cedi, Liberian dollars, Malian CRA franc, South African Rand and US dollars.

The appreciation of non-US dollar currencies against the US dollar can increase the cost of gold production and capital expenditures in US dollar terms. The Corporation also holds cash and cash equivalents, marketable securities, and trade and other receivables that are denominated in non-US dollar currencies which are subject to currency risk.

The Corporation has not hedged its exposure to foreign currency exchange risk.

The table below highlights the net assets held in foreign currencies:

	June 30, 2012	December 31, 2011
Canadian dollar	$ 9,869	$ (7,185)
Euro	6,720	647
Cedi	-	(35)
Other currencies	9,391	5,338
	$ 25,980	$ (1,235)

The effect on earnings and other comprehensive earnings before tax as at June 30, 2012 of a 10% appreciation or depreciation in the foreign currencies against the US dollar on the above mentioned financial and non-financial assets and liabilities of the Corporation is estimated to be $0.3 million (December 31, 2011 – $0.1 million) assuming that all other variables remained constant. This calculation is based on the Corporation's statement of financial position as at June 30, 2012.

21. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

(i) Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Corporation's financial instruments will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk on its long-term debt and cash and cash equivalents. The Corporation holds marketable securities in the form of loans and short term government treasury securities that have the potential to be affected by changes in interest rates. There is minimal fair value sensitivity to changes in interest rates, since marketable securities and government treasury securities held as loans are short term in nature and are usually held to maturity. The Corporation monitors its exposure to interest rates and is comfortable with its exposure given the relatively low short-term US interest rates.

(iii) Price risk

Price risk is the risk that the fair value of or future cash flows of the Corporation's financial instruments will fluctuate because of changes in market prices. Profitability of the Corporation depends on metal prices, primarily gold. Metal prices are affected by numerous factors such as the sale or purchase of gold by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the US dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major producing countries through the world.

The Corporation is also exposed to other price risk or equity price risk in trading its marketable securities and unfavorable market conditions could result in dispositions of marketable securities at less than favorable prices. Additionally, the Corporation fair values its investments at each reporting period. This process could result in significant write downs of the Corporation's investments over one or more reporting periods, particularly during periods of declining resource equity markets.

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

22. COMMITMENTS AND CONTINGENCIES

Commitments

Contracts and Leases

The Corporation has a commitment in place at Youga with a contractor to provide drilling and blasting, and load and hauling services. The term expires on December 31, 2012 and requires the contractor to drill and blast a minimum agreed amount of bank cubic meters ("BCM") per annum that equates to an annual commitment of approximately $19.2 million. The Corporation provided a guarantee to BNP Paribas guaranteeing the obligations of the contractor, which were used to purchase drill equipment for the purposes of the drilling and blasting at Youga.

The Corporation has commitments in place at Nzema with several contractors to provide drill and blasting services, load and haul services and supply of explosives and supply of hydrocarbon services. The terms extend through the period January 1, 2012 to February 4, 2016 and require the contracts to drill and blast a minimum agreed amount of BCM per annum that equated to an annual commitment of approximately $22.0 million.

Effective July 1, 2012, Nzema formally agreed on terms for a two year contract to purchase on average 4,000 tonnes of material per month.

The Corporation is subject to operating lease commitments in connection with the purchase of light duty vehicles and workshop from several suppliers totaling $0.9 million. The commitments expire in April, May and October 2013.

The Corporation is subject to operating lease commitments in connection with rented office premises.

The table below summarizes the commitments for the service contracts and operating lease commitments:

	Within 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total
Operating leases	$ 1,297	$ 692	$ 753	$ 400	$ 3,142
Drill and blasting contract	5,604	3,641	3,603	300	13,148
Load and hauling contract	15,009	15,016	-	-	30,025
	$ 21,910	$ 19,349	$ 4,356	$ 700	$ 46,315

Contingencies

(a) On May 17, 2010 the Corporation received a notice of arbitration from Burkina Faso Mines Services S.A. ("BFMS) relating to the termination of a drill blast contract at the Youga Gold Mine in December 2009. The arbitration hearing took place in London England in March 2012 and post-hearing briefs were filed on April 5, 2012. BFMS is claiming payments and damages totaling $9.3 million plus accrued interest and exchange rate adjustments. BFMS has also requested the arbitrator to grant injunctive relief to prevent the Corporation and Burkina Mining Company from claiming under a performance guarantee provided by BFMS' parent company, EPC Groupe. The Corporation has submitted a counter-claim totaling $1.7 million plus interest plus costs

22. COMMITMENTS AND CONTINGENCIES (continued)

Contingencies (continued)

relating to additional costs incurred by the Corporation to have the drill blast contract completed by another contractor. The Corporation is of the view that BFMS' claim is without merit. No accrual for this contingency has been made in the financial statements.

(b) On December 16, 2008 the Corporation was notified of a claim filed against it by Gold Reserve Inc. ("Gold Reserve") in the Ontario Superior Court of Justice. Gold Reserve's claim against the Corporation arises out of an Advisory Agreement pursuant to which the Corporation agreed to provide financial advisory services to Gold Reserve. Gold Reserve alleges that by virtue of having been retained as Gold Reserve's financial advisor, the Corporation obtained access to all of Gold Reserve's proprietary and confidential information. Gold Reserve alleges that the Corporation wrongfully shared this information with a third party, which is a co-defendant in the action, and further alleges that the Corporation has committed breaches of various duties owed to Gold Reserve under the Advisory Agreement and at common law. Gold Reserve claims that it has suffered and will continue to suffer damages and irreparable harm for which the Corporation is liable. In Gold Reserve's original claim of December 16, 2008, Gold Reserve sought C$500 million in damages in addition to C$50 million in punitive damages from the Corporation and the co-defendant. In connection with this action, an interim motion was granted on February 10, 2009 and the co-defendant filed a statement of defence and counterclaim on March 31, 2009. The Corporation filed a statement of defence and counterclaim on August 19, 2009.

On June 16, 2010, Gold Reserve amended the Statement of Claim which in part (i) reduces the damages claim against the Defendants to C$150 million plus C$50 million in punitive damages, and (ii) adds two principals of Fiore Financial Corporation as individual defendants. On March 17, 2011, Endeavour and its co-defendants in the action demanded particulars in respect of the plaintiff's amended claim. A response to Endeavour's demand was received on October 4, 2011. On April 16, 2012, Gold Reserve's counsel requested an amended statement of defence and counterclaim in response to Gold Reserve's amended statement of claim. Endeavour expects to deliver its amended statement of defence and counterclaim in due course. No other steps in the proceeding relating to Endeavour have occurred or been scheduled. No accrual for this contingency has been made in the financial statements.

(c) The Corporation is subject to a claim from Hightime Investments Pty Ltd ("Hightime") which alleges that, in or about early 2003, the Corporation entered into an arrangement with Hightime under which Hightime asserts that it allowed the Corporation to apply for, and obtain, a prospecting license over ground near the Southern Ashanti geological belt in Ghana in exchange for the Corporation paying Hightime the fair market value of the ground after the Corporation had completed its feasibility study. Hightime withdrew its claim for restitution of the benefit (the prospecting license) that the Corporation obtained allegedly to the detriment of Hightime. The claim was heard by the Supreme Court of Western Australia on the 23, 24, 26, 27 and 30 of April and 13 June 2012. The Corporation believes the claim is without merit and intends to vigorously defend the action. No accrual for this contingency has been made in the financial statements.
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23. SUBSEQUENT EVENT

On August 7, 2012, Endeavour entered into an arrangement agreement (the "Arrangement Agreement") with Avion Gold Corporation ("Avion") under which Avion will undertake a reorganization of its share capital via a court-approved plan of arrangement and, as a result Endeavour would acquire all of the issued and outstanding common shares of Avion.

Under the Arrangement Agreement, each Avion shareholder will receive in exchange for each Avion common share held 0.365 of an Endeavour common share via a court-approved plan of arrangement. The Arrangement Agreement will be subject to, among other things, approval of 66 2/3% of the Avion shareholder votes cast, approval of 50% of the Endeavour shareholder votes cast, and other customary conditions including court approvals. The two shareholder meetings are expected to occur on or about October 12, 2012 and the transaction is expected to close in October 2012.