# ENDEAVOUR MINING CORPORATION

# ANNUAL INFORMATION FORM

**for the financial year ended December 31, 2011**

**March 13, 2012**

**1st Floor, 27 Hospital Road**
**George Town, Grand Cayman**
**KY1 1109 Cayman Islands**

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## PRELIMINARY NOTES AND CAUTIONARY STATEMENT

### Date of Information

In this Annual Information Form (the "**AIF**"), information is given as at December 31, 2011, unless stated otherwise.

Except as otherwise required by the context, reference to "Endeavour" or the "Corporation" in this AIF means, collectively, Endeavour Mining Corporation and its subsidiaries.

### Currency and Exchange Rates

All currency references in this AIF are in United States dollars unless otherwise indicated. Reference to "Canadian dollars" or the use of the symbol "C$" refers to Canadian dollars. The noon rate of exchange reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars on March 13, 2012 was $1.00 = C$0.9905 (C$1.00 = $1.0096).

### Conversion Table and Technical Abbreviations

Amounts in this AIF are generally in metric units. Conversion rates from Imperial measure to metric and from metric to Imperial are provided below.

| Imperial Measure = | Metric Unit | Metric Measure = | Imperial Unit |
|---|---|---|---|
| 2.47 acres | 1 hectare | 0.4047 hectares | 1 acre |
| 3.28 feet | 1 metre | 0.3048 meters | 1 foot |
| 0.62 miles | 1 kilometer | 1.609 kilometers | 1 mile |
| 35.315 cubic feet | 1 cubic metre | 0.0283 cubic meters | 1 cubic foot |
| 0.032 ounces (troy) | 1 gram | 31.103 grams | 1 ounce (troy) |
| 1.102 tons (short) | 1 tonne | 0.907 tonnes | 1 ton |
| 0.029 ounces | 1 gram/tonne | 34.28 grams/tonne | 1 ounce (troy/ton) |

All ounces are troy ounces. 14.58 troy ounces equal one pound (containing 16 imperial ounces).

Unless otherwise defined, abbreviations used in this AIF have the following meanings:

| | | | |
|---|---|---|---|
| Au | Gold | Oz | troy ounce |
| CFA | French West African currency (CFA franc) | RAB | rotary air blast |
| g | Gram | RC | reverse circulation |
| ha | Hectare | ROM | run of mine |
| kg | Kilogram | T | metric tonne |
| km | Kilometer | Tpa | metric tonne per year |
| m | Meter | Tpd | metric tonne per day |
| MW | Megawatt | Cedi | Ghanaian currency |
| MWh | megawatt-hour | | |

**Caution on Forward-Looking Statements**

This AIF contains "forward-looking statements". Forward-looking statements include, but are not limited to, statements with respect to Endeavour'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 the 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 Endeavour operates, actual resolutions of legal and tax matters, as well as those factors discussed in the section entitled "Risk Factors" in this AIF. 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. Endeavour's management periodically reviews information reflected in forward-looking statements.

## CORPORATE STRUCTURE

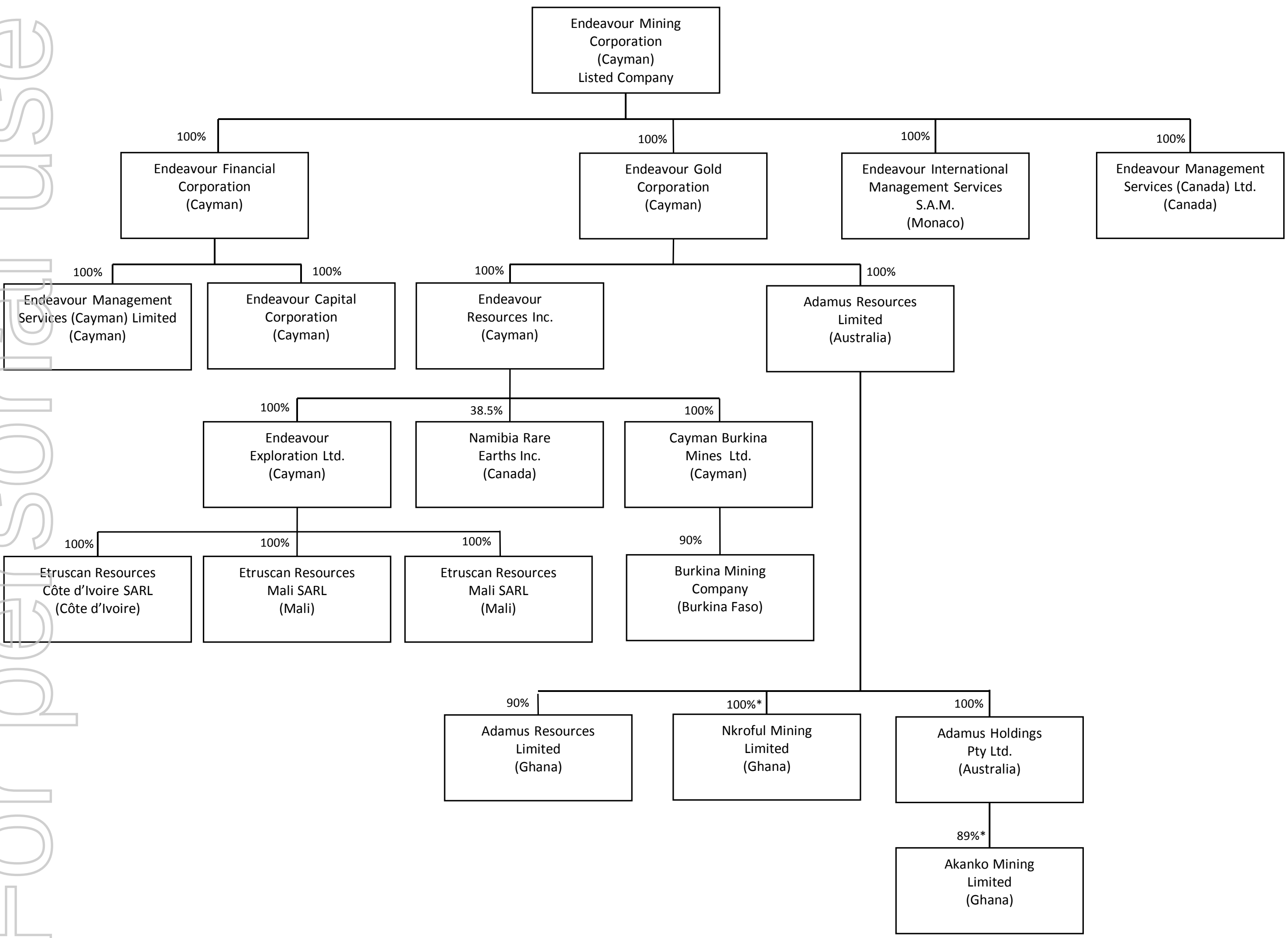
**Name, Address and Incorporation of the Corporation**

Endeavour Mining Corporation was incorporated on July 25, 2002 under the laws of the Cayman Islands. The Corporation's corporate head office is located at 1st Floor, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-1109, Cayman Islands, and its registered office is located at the offices of Walkers SPV Limited P.O. Box 908 GT, George Town, Grand Cayman, Cayman Islands.

Endeavour's common shares are listed on the Toronto Stock Exchange under the symbol "EDV". Endeavour's CHESS Depositary Interests ("CDIs") are quoted on the Australian Securities Exchange under the symbol "EVR". Each CDI represents a beneficial ownership interest in one ordinary share of Endeavour. Endeavour's warrants are listed on the TSX under the symbol "EDV.WT.A".

**Intercorporate Relationships**

As at December 31, 2011, the intercorporate relationships between the Corporation and its material subsidiaries, the Corporation's percentage ownership of the voting securities of each material subsidiary and their respective jurisdictions of incorporation are as follows:




* The Ghanaian Government holds a statutory right to a 10% interest in the Ghanaian subsidiaries, Nkroful Mining Limited and Akanko Mining Limited, upon commencement of production.

# GENERAL DEVELOPMENT OF THE BUSINESS OF THE CORPORATION

**Background and History**

Endeavour is a junior gold producer committed to becoming an intermediate-sized producer.

Endeavour owns the Nzema Gold Mine in Ghana ("**Nzema**"), the Youga Gold Mine in Burkina Faso ("**Youga**") and an attractive portfolio of development and exploration projects in West Africa, including the Agbaou feasibility stage project ("**Agbaou**"), one of the largest undeveloped gold deposits in Côte d'Ivoire, a 40% interest in the feasibility stage Finkolo Gold Joint Venture in Mali ("**Finkolo**"). The Corporation also has a 38.5% interest in Namibia Rare Earths Inc. ("**NREI**"), which holds the Lofdal Rare Earth Project in Namibia.

Exploration is currently being conducted by Endeavour in Burkina Faso, Côte d'Ivoire, Ghana, Liberia and Mali.

In September 2009, Endeavour launched its acquisition strategy (the "**Acquisition Strategy**"), targeting complementary producing or near-term producing gold assets and/or companies. The first two years of this Acquisition Strategy have been successful with the merger of Adamus Resources Limited ("**Adamus**") in December 2011; the acquisition of a majority interest in Etruscan Resources Inc. ("**Etruscan**") in October 2009 followed by the acquisition of the remainder of the shares it did not already own in September 2010; and a significant investment in and subsequent disposal of the investment in Crew Gold Corporation ("**Crew**"). Prior to the implementation of its Acquisition Strategy, Endeavour's business involved the provision of financial advisory services to clients in the natural resource sector.

**Corporate Growth**

*Adamus Acquisition*

On August 21, 2011, Endeavour announced that it had entered into a Merger Implementation Agreement with Adamus whereby the companies would combine through an all-stock merger of equals transaction to create a new growth focused West African gold producer (the "**Merged Entity**"). On December 5, 2011, Endeavour announced that a scheme of arrangement ("**Merger**") under the Australian Corporations Act by which Endeavour acquired all of the issued ordinary shares of Adamus had become effective.

Under the Merger, Adamus shareholders received 0.285 of an Endeavour share for each Adamus share they held. This exchange ratio was determined using the ratio of Endeavour's and Adamus' volume weighted average trading prices over the 20 trading days ended on August 19, 2011 on the TSX and ASX, respectively. Upon completion of the Merger, existing Endeavour shareholders and Adamus shareholders owned approximately 47.2% and 52.8%, respectively, of the issued common shares of the Merged Entity. On a fully-diluted basis, which assumes all existing Endeavour and Adamus options, warrants and share rights are exercised, the existing Endeavour securityholders and Adamus securityholders owned approximately 55% and 45%, respectively, of the issued shares of the Merged Entity. As of March 13, 2012 and including the 129,340,958 shares issued as consideration under the Merger to the former shareholders of Adamus, Endeavour has 245,037,109 shares issued and outstanding. On February 6, 2012, Endeavour filed a business acquisition report with respect to the

Merger as required by National Instrument 51-102. A copy of this report is available on SEDAR at www.sedar.com under the Corporation's profile.

The Merger combined two junior gold producers and created a platform for West African growth. The addition of Nzema approximately doubled Endeavour's current attributable proven and probable mineral reserves to two million ounces. Nzema was commissioned with a one million ounce mineral proven and probable mineral reserve, commenced commercial production on April 1, 2011 and as at December 31, 2011 was producing at a rate of approximately 100,000 ounces of gold per year.

The Merged Entity has a strong production growth profile, excellent exploration potential and a focused acquisition strategy. Management believes that it has the management and financial strength to carry out its plans to become an approximately 250,000 ounce per year (from the end of 2013) gold producer from existing properties, assuming a positive decision in early 2012 to construct a mine at the Agbaou Project in Côte d'Ivoire.

Endeavour has obtained an ASX listing to enable former Adamus shareholders to trade the Endeavour shares they received under the Merger as CDIs on the ASX under the symbol EVR. Endeavour will continue to have its primary listing on the TSX.

Further information about Nzema is provided under "Mineral Properties of the Corporation" below.

*Etruscan Acquisition*

On October 23, 2009, Endeavour acquired a 55% interest in Etruscan by acquiring 153,123,000 common shares of Etruscan at C$0.30 per share for a cost of $43 million in a private placement. Prior to closing the private placement, Endeavour acquired 26,315,789 Etruscan common shares and 6,855,760 Etruscan share purchase warrants, entitling Endeavour to acquire 6,855,760 Etruscan common shares. On November 9, 2009, Endeavour exercised the warrants and acquired 6,855,760 shares and acquired 15,608,108 shares in a private placement which closed March 4, 2010 to bring its total share holdings in Etruscan to 201,902,657 shares.

On September 10, 2010, Endeavour completed the acquisition by way of a court-approved plan of arrangement (the **"Etruscan Arrangement"**) of the remaining 45% interest in Etruscan which Endeavour did not already own.

Under the Etruscan Arrangement:

a) each Etruscan shareholder received 0.0932 of an Endeavour share plus C$0.26 in cash for each Etruscan share;

b) each Etruscan warrant was replaced with a new warrant (a "**Replacement Warrant**") entitling the holder to receive 0.0932 of an Endeavour share plus C$0.26 in cash on exercise of such warrant, at the same aggregate exercise price of the original Etruscan warrant. The term to expiry, conditions to and manner of exercising, vesting schedule and all other terms and conditions of the new warrant remained unchanged from the existing Etruscan warrant; and

c) each outstanding Etruscan option was replaced with a new option (a "**Replacement Option**") entitling the holder to receive 0.0932 of an Endeavour common share for each Etruscan common share previously issuable under the terminated Etruscan option plan, at an exercise price per Endeavour common share equal to the exercise price per Etruscan common share of such Etruscan option less C$0.26. The term to expiry, conditions to and manner of exercising, vesting schedule and all other terms and conditions of the new option remained unchanged from the existing Etruscan option.

Upon closing of the transaction, Endeavour paid $41.4 million in cash and issued 15,401,909 common shares to former Etruscan shareholders. A further 3,111,560 common shares of Endeavour were reserved for issuance pursuant to Replacement Warrants and 1,543,391 common shares for issuance pursuant to Replacement Options. On November 23, 2010, Endeavour filed a business acquisition report with respect to the Etruscan Arrangement as required by National Instrument 51-102. A copy of this report is available on SEDAR at www.sedar.com under the Corporation's profile.

After completing its business combination with Etruscan, Endeavour became a junior gold mining company. Endeavour's Youga Gold Mine has been in production since 2008 and produced 87,264 ounces of gold in 2011 and is targeted to produce 78,000 to 88,000 ounces of gold in 2012. As a result of the Etruscan business combination, Endeavour also acquired the advanced-stage Agbaou Gold Project located in Côte d'Ivoire, as well as a 40% interest in the Finkolo Gold Project in Mali. Endeavour also has exploration programs and initiatives ongoing in Burkina Faso, Côte d'Ivoire, Ghana, Liberia and Mali. Further information about the Youga, Nzema and Agbaou gold projects is provided under "Mineral Properties of the Corporation" below.

*Crew Transaction*

During 2010, Endeavour acquired a 43.21% interest in Crew Gold Corporation ("**Crew Gold**"), a gold-focused company with operations in West Africa. On September 14, 2010, Endeavour completed the sale of its 43.21% interest in Crew Gold for $215.0 million and realized a $71.2 million gain.

**Financings**

*Revolving Credit Facility and Hedging*

On November 28, 2011 the Corporation entered into a $200 million credit facility with UniCredit (the "**Corporate Facility**"). The Corporate Facility is for general corporate purposes, including working capital, capital expenditure and any acquisition of an asset that are engaged in the exploitation of precious metal ores. The Corporate Facility matures four years from the date of first drawdown 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. The Corporate Facility is secured by shares of Endeavour's material gold mining subsidiaries and the material assets of those subsidiaries. It replaces the $100 million acquisition facility entered into with UniCredit on June 25, 2010.

On November 29, 2011 the Corporation closed out the gold hedge book at Youga. 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.

On December 2, 2011 the Corporation reduced the Nzema gold hedge book by closing out 139,000 ounces of gold (or 55%), for a cash settlement amount of $96.7 million. Simultaneously, the Corporation novated the hedging contracts, resulting in 116,161 ounces being transferred by Macquarie Bank Limited (the previous hedging bank) to UniCredit. The remaining Nzema gold hedge book of 116,161 ounces has a flat forward price of $1061.75 and has been re-profiled with deliveries of approximately 10,000 ounces during 2012 and 2013 and 32,000 ounces during 2014, 2015, and 2016.

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 December 31, 2011, $100.0 million remains available to be drawn down.

**Divestiture of Non-Core Assets**

*Sale of Diamond Entities*

As part of the purchase of Etruscan during the year ended December 31, 2010, the Corporation acquired an interest in diamond properties in South Africa. On October 7, 2011 the Corporation finalized the purchase and sale of its diamond operations with Rockwell Diamonds Inc. (TSX: RDI) ("**Rockwell**"), with the final acceptance and release documents signed pursuant to all the conditions being met (including the mineral property transfer approval). The Corporation received 1,234,660 shares of Rockwell valued at $0.5 million as at October 7, 2011 and realized a gain on disposition of $3.6 million. Rockwell assumed all the debt and contingent liabilities of the Corporation related to the diamond assets, which totaled $3.1 million.

*Namibia Rare Earths Inc.*

As part of the purchase of Etruscan during the year ended December 31, 2010, the Corporation acquired rare earth exploration properties in Namibia. On April 14, 2011, Namibia Rare Earths Inc. ("**NREI**") completed its initial public offering which raised gross proceeds of C$25.0 million and subsequently on April 27, 2011 closed a C$3.8 million over-allotment option, reducing Endeavour's ownership from 71.6% to 38.5%. NREI's core asset is the Lofdal Rare Earth Project which is an early stage, district scale exploration project with a demonstrated potential for the discovery of a heavy rare earth enriched carbonatite deposit.

*Sale of Debt Finance and Related Mergers & Acquisitions Advisory Businesses*

On November 9, 2011 the Corporation announced the sale of the Corporation's Debt Finance and related Mergers & Acquisitions Advisory Businesses (the "**Advisory Business**") to a group consisting primarily of its senior professionals. The Advisory Business will continue to be conducted under the Endeavour Financial name and will continue to advise the Corporation on its corporate debt financings. Pursuant to the purchase and sale agreement, the Corporation will receive payments of up to $20.0 million based on future profitability of the Advisory Business. At December 31, 2011 a new company established by the purchasers, Endeavour Financial Limited (Cayman) ("**EFL Cayman**"), was assigned the Corporation's debt and mergers & acquisition mandates (with limited exceptions), and the Advisory Business has taken over the London office from the Corporation. The Corporation has the right to appoint two of five directors to the board of EFL Cayman, until it has received payment of $10.0 million. Thereafter, the Corporation will appoint one of five directors until the remaining $10.0 million balance has been received.

**Exclusive Agreement with Fiore Financial Corporation**

Endeavour has an exclusive agreement in place with Fiore Financial Corporation ("**Fiore**"). Fiore is a boutique investment banking firm focused on creating, financing and launching investment opportunities in the resource sector. Fiore is led by Frank Giustra, its President and Chief Executive

Officer. Fiore brings invaluable global investment experience and relationships to Endeavour. Fiore is assisting Endeavour with the implementation of its Acquisition Strategy. In addition, Endeavour's agreement with Fiore provides Endeavour with an exclusive right to provide advisory services to companies launched by Fiore and also engages Fiore to provide advisory services to Endeavour on mandates sourced through the Fiore relationship. In addition, Fiore offers Endeavour the ability to invest in transactions launched by Fiore. The exclusive advisory services agreement with Fiore was extended during 2010 for an additional minimum term of three years and expires in April 2013.

**Endeavour Capital**

Through its subsidiary, Endeavour Capital Corporation, Endeavour provides management and administrative services, including accounting support and public company regulatory filings, for a limited number of public companies in the junior resource sector. Endeavour is often a shareholder in these client companies and these investments are included within the Endeavour's financial statements in marketable securities.

Endeavour is now a more focused mining company and will not allocate significant resources to its legacy financial services activities. The residual financial services activities, after the sale of the Advisory Business, will be called Endeavour Capital and will continue to provide Fiore with advisory services to companies launched by Fiore. This relationship may assist Endeavour in finding and assessing Acquisition Strategy opportunities.

## MINERAL PROPERTIES OF THE CORPORATION

Endeavour's operating assets are the Nzema Gold Mine in Ghana ("**Nzema**") and the Youga Gold Mine in Burkina Faso ("**Youga**"), which together produced approximately 177,290[1] ounces of gold in 2011 at a cash cost per ounce of $614 (excluding royalties). In addition, Endeavour has an 85% interest in the Agbaou Gold Project in Côte d'Ivoire ("**Agbaou**") where it is anticipated that a development decision will be taken around the end of the first quarter of 2012. Endeavour also has an extensive exploration portfolio in highly prospective regions of Burkina Faso, Côte d'Ivoire, Ghana, Liberia and Mali with a land package totaling over 10,000 square kilometres. This exploration portfolio provides an organic pipeline for potential future development projects. Endeavour also intends to continue with strategic acquisitions, primarily within West Africa.

As at December 31, 2011, Endeavour had combined attributable gold proven and probable mineral reserves of approximately 2.0 million ounces and attributable measured and indicated mineral resources (inclusive of reserves) of approximately 3.8 million ounces. A full description of the assets and operations of Endeavour is in Tables 1 and 2 below.

[1] Includes 13,521 ounces produced pre-commercial production on April 1, 2011.

## Mineral Reserves as of 31 December 2011

| Deposit | Proven | | | Probable | | | Total | | | Gold Price US$/oz |
|---|---|---|---|---|---|---|---|---|---|---|
| | kt | Au (g/t) | k Ozs | kt | Au (g/t) | k Ozs | kt | Au (g/t) | k Ozs | |
| Nzema[1,2,3,4,] - Total | 11,938 | 2.0 | 770 | 2,664 | 2.3 | 193 | 14,603 | 2.0 | 964 | 900 |
| Attributable – 90% | - | - | 693 | - | - | 174 | - | - | 867 | - |
| Youga[5] | 2,238 | 2.4 | 176 | 2,396 | 1.8 | 141 | 4,634 | 2.1 | 317 | 1,000 |
| Attributable – 90% | - | - | 158 | - | - | 127 | - | - | 285 | - |
| Youga Satellites[6] | 1,279 | 1.4 | 59 | 1,396 | 1.6 | 71 | 2,674 | 1.5 | 131 | 1,000 |
| Attributable – 90% | - | - | 53 | - | - | 64 | - | - | 118 | - |
| Agbaou[8]- Total | - | - | - | 10,900 | 2.1 | 732 | 10,900 | 2.1 | 732 | 1,000 |
| Attributable - 85% | - | - | - | - | - | 622 | - | - | 622 | - |
| Finkolo[9] – Total | 1,037 | 3.3 | 109 | 1,381 | 2.9 | 127 | 2,418 | 3.0 | 237 | 900 |
| Attributable - 40% | - | - | 44 | - | - | 51 | - | - | 95 | - |
| Total | - | - | 1,114 | - | - | 1,264 | - | - | 2,378 | - |
| Total - Attributable | - | - | 948 | - | - | 1,038 | - | - | 1,986 | - |

Totals may not add due to rounding errors.

## Mineral Resources including Reserves, at a 0.5g/t cut-off as of 31 December 2011

| Deposit | Measured | | | Indicated | | | Measured & Indicated | | | Inferred | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | kt | Au (g/t) | k Ozs | kt | Au (g/t) | k Ozs | kt | Au (g/t) | k Ozs | kt | Au (g/t) | k Ozs |
| Nzema[1,2,3,4,] - Total | 31,658 | 1.4 | 1,409 | 16,671 | 1.2 | 656 | 48,329 | 1.3 | 2,064 | 17,725 | 1.1 | 652 |
| Attributable - 90% | - | - | 1,268 | - | - | 590 | - | - | 1,858 | - | - | 587 |
| Youga[5] | 3,526 | 2.3 | 266 | 7,897 | 1.6 | 398 | 11,422 | 1.8 | 664 | 3,462 | 1.2 | 138 |
| Attributable - 90% | - | - | 239 | - | - | 358 | - | - | 598 | - | - | 124 |
| Youga Satellites[6] | 3,220 | 1.1 | 118 | 3,731 | 1.2 | 146 | 6,951 | 1.2 | 264 | 1,211 | 1.4 | 55 |
| Attributable - 90% | - | - | 106 | - | - | 131 | - | - | 238 | - | - | 50 |
| Ouaré [7] – Total | - | - | - | - | - | - | - | - | - | 4,738 | 2.1 | 323 |
| Attributable - 90% | - | - | - | - | - | - | - | - | - | - | - | 291 |
| Agbaou[8]- Total | - | - | - | 16,590 | 1.9 | 1,015 | 16,590 | 1.9 | 1,015 | 5,072 | 1.7 | 272 |
| Attributable - 85% | - | - | - | - | - | 863 | - | - | 863 | - | - | 231 |
| Finkolo[9] – Total | 3,290 | 2.3 | 242 | 6,820 | 2.0 | 445 | 10,110 | 2.1 | 687 | 6,730 | 1.4 | 301 |
| Attributable - 40% | - | - | 97 | - | - | 178 | - | - | 275 | - | - | 120 |
| Total | - | - | 2,036 | - | - | 2,660 | - | - | 4,694 | - | - | 1,741 |
| Total Attributable | - | - | 1,710 | - | - | 2,120 | - | - | 3,831 | - | - | 1,403 |

Totals may not add due to rounding errors.

[1] *Technical Report Southern Ashanti Gold Project, Ghana, West Africa* effective August 17, 2009, prepared by Ron Heeks (M.AusIMM), Technical Manager Adamus Resources Limited. Qualified Persons not independent of Endeavour Mining Corporation, Depleted as of December 31, 2011

[2] 2012 Mineral Resource update of the Salman Gold Deposit effective February 16 2012, prepared by Nic Johnson (M.AIG), MPR Geological Consultants.

[3] 2012 Mineral Resource update of the Aliva and Nfutu Gold Deposits effective February 17, 2012, prepared by Nic Johnson (M.AIG), MPR Geological Consultants.

[4] Mineral Resource for the Akropon Gold Deposit, Internal Resource Estimate effective February 20, 2012, prepared by William Yeo, Qualified Persons not independent of Endeavour Mining Corporation.

[5] *Technical Report and Update of Mineral Resources and Mineral Reserves for the Youga Gold Mine, Burkina Faso, West Africa*, effective December 31, 2010 and dated March 15, 2011, prepared by A. de Freitas and K. Woodman, Qualified Persons not independent of Endeavour Mining Corporation, Depleted as of December 31, 2011

[6] Youga Satellite Deposits, Internal Resource Estimates, prepared by AMEC under supervision of K. Woodman Internal Reserve Estimates, prepared by SEMS under supervision of A. de Freitas Qualified Persons not independent of Endeavour Mining Corporation

[7] Ouaré Deposit, Internal Resource Estimate, dated June 16 2009 prepared by A. Mouton under supervision of K. Woodman Qualified Persons not independent of Endeavour Mining Corporation

[8] *Feasibility Update Study Report on the Agbaou Gold Project, Cote d'Ivoire, West Africa for Etruscan Resources Inc,* dated September 2009, prepared by MDM Engineering International Ltd. and Coffey Mining Pty Ltd.

[9] *Tabakoroni Feasibility Study Report, Tabakoroni Gold Deposit, Mali, West Africa*, dated June 10, 2010, prepared by S. Stein and K. Woodman, Qualified Persons not independent of Endeavour Mining Corporation.

**Nzema Gold Mine, Ghana, West Africa**

The following is a summary of information regarding the Nzema Gold Mine. For more detailed information, see the "Southern Ashanti Gold Project Technical Report", dated August 17, 2009, prepared by Ron Heeks (the "**Nzema Technical Report**"), which is incorporated by reference and is available for review on the SEDAR website located at www.sedar.com under Adamus' profile.

*Property Description and Ownership*

The Nzema Gold Mine is located on the southern end of the Ashanti Gold Belt in south western Ghana, West Africa. The mine property is centred on latitude 5º00'N and longitude 2º14'W, approximately 280km west of Ghana's capital city, Accra. The Nzema Gold Project consists of tenements and options held by the Corporation's Ghanaian subsidiaries covering approximately 665km$^2$, together with a processing facility and associated infrastructure to mine and process ore.

The Nzema Gold Project includes a series of open pits located along an 8km trend of the Ashanti Gold Belt. Significant deposits (from north to south) include Akanko, Salman North, Teberu, Nugget Hill, Salman Central and Salman South. In addition to the Salman deposit, the Anwia and Bokrobo deposits are located to the west of the Salman trend.

The Corporation owns 90% of the Nzema Gold Project, with the Ghanaian government holding a statutory 10% free-carried interest. The Corporation holds interests in four mining licenses, eight prospecting licenses and three prospecting license renewal applications.

The Salman deposit lies on the Salman mining licence held by Endeavour's subsidiary, Adamus Resources Limited (Ghana). The Salman mining licence was granted for an initial term of 10 years commencing on April 11, 2008.

The Akanko deposit lies on the Akanko mining licence (hereinafter, the Salman deposit and Akanko deposit are collectively referred to as the "Salman deposit"). The Akanko mining licence is held by Akanko Mining Limited, a company 89% owned by Adamus Holdings Pty Limited (a wholly-owned subsidiary of Endeavour) and 11% by Tropical Exploration and Mining Company Limited ("**TEMCO**"). Upon conversion of the Ghanaian government's 10% statutory interest, Endeavour's interest in this property will be reduced to 80%. The Akanko mining licence was granted for an initial term of 10 years commencing on April 11, 2008.

The Anwia deposit lies on the Anwia-Teleku Bokazo mining licence held by Adamus Resources Limited (Ghana), a wholly owned subsidiary of Endeavour. The Anwia-Teleku Bokazo mining licence was granted for an initial term of 10 years commencing on April 11, 2008.

The Bokrobo deposit lies on the Nkroful mining licence. The Nkroful mining licence is held by Nkroful Mining Limited, a wholly owned subsidiary of Endeavour. The Nkroful mining licence was granted for an initial term of 10 years commencing on March 29, 2006.

*Surface Rights*

Under Ghanaian law, neither an exploration licence nor a mining license includes the surface rights required to conduct exploration or develop a mine and associated infrastructure. The *Minerals and*

*Mining Act 2006, Act 703* (Ghana) (the "**Mining Act**") provides that, the owner of land subject to a mineral right shall not erect buildings, or graze livestock or cultivate the surface of the land if such building or activities would interfere with the mineral operations in the area. The Mining Act also provides that the owner of any land subject to a mineral right is entitled to compensation from the holder of the mineral right for the disturbance of rights of the owner. However, landowners being displaced by a proposed mineral operation may elect to be compensated by way of resettlement.

Pursuant to the Mining Act, the amount of compensation is determined by agreement between the parties and if the parties are unable to reach an agreement as to the amount of compensation, the matter will be referred to the government agency responsible for land valuation which shall determine the compensation payable. Compensation may include, among other things, compensation for damage to property or loss of income due to damage to crops. Adamus completed crop compensation negotiations for the project in May 2007. These negotiations set the prescribed rates for compensation for cash crops to be paid to farmers in the area under development. The rates are set for the duration of the project, but are subject to annual inflation adjustment.

The development of the Nzema Gold Project required Adamus to undertake the resettlement of the Salman Village, due to its close proximity to the proposed mining operations. Negotiations for the resettlement were an integral part of the mine approval process and were conducted between Adamus and the Salman community, culminating in the signing of the Resettlement Agreement in May 2010 and a subsequent Memorandum of Understanding in October 2010. The process also required Adamus to complete a Resettlement Action Plan which was the blueprint for the resettlement process. The Salman Village resettlement was completed in February 2012.

The Corporation has sufficient surface rights and sources of power and water necessary to conduct its current operations.

*Royalties*

All revenue from the Nzema Gold Project is subject to a royalty of between 3% and 6% payable to the Ghanaian government on a quarterly basis. The current royalty rate has been set at 5% by the Ghanaian Government.

A royalty of 3% of net profit or 1% of production (in each case, in relation to ore derived from the area of the original Teleku Bokazo prospecting licence), whichever is greater, is payable by Endeavour to Super Paper Products Company, a previous holder of the original prospecting licence.

Parts of both the Salman and Anwia-Teleku Bokazo mining licences are subject to concessions in favour of third parties that permit the extraction of kaolin clays and small-scale mining of kaolin near the village of New Aluku. To Endeavour's knowledge, the kaolin concessions do not impinge on any area proposed for the development of the gold mine or its associated infrastructure.

*Environmental Liabilities*

Adamus submitted an environmental management plan for the Nzema Gold Project (the "**Nzema EMP**") to the Environmental Protection Agency of Ghana (the "**Ghana EPA**") in August 2010 and comments were received from the Ghana EPA in March 2011. The revised Nzema EMP has since been resubmitted to the Ghana EPA for final approval. If the Nzema EMP is accepted by the Ghana EPA, an environmental certificate will be issued. The environmental certificate will be renewable every three years. Pending issue of the environmental certificate, the Nzema Gold Project currently operates under a valid environmental permit.

Endeavour will be required by applicable law and environmental permits to post a reclamation bond based on the level of disturbance the mining operations are expected to cause. The reclamation bond is subject to review and adjustment every two years based on the Nzema EMP and any updates thereto. Endeavour's current estimate of the total reclamation cost for the Nzema Gold Project is approximately $12.16 million. The obligation to provide the reclamation bond arises on execution of the reclamation security agreement between the EPA and the Corporation. This agreement is in the process of being finalized for execution.

The Corporation has no other environmental liabilities associated with any tenements within the Nzema Gold project at this time.

Endeavour has met all the conditions as relating to its surface rights utilization from the Ministry of Lands, Mines and applicable regulatory agencies in Ghana.

*Accessibility, Climate and Infrastructure*

The Nzema Gold Project is accessible via 80km of road, most of which is sealed, from the major port city of Takoradi, and is in close proximity to the major mining centre at Tarkwa. Numerous gravel roads link villages throughout the project concessions providing access to all parts of the mine infrastructure. The location of the Nzema Gold Project provides access to all necessary offsite infrastructure and industry service providers.

The Nzema Gold Project is connected to the national power grid via an electricity substation. The dedicated 33.5kV, 12.2km powerline from the Essiama Substation is owned by the Corporation. Water is supplied by the Corporation's Ankobra River pipeline and stored in a water storage dam.

The climate is tropical, particularly in the southern half of the country. Seasonal temperature variations are minor. Daytime temperatures are high throughout the year, reaching about 30ºC on most days. Diurnal variation is about 6º to 10ºC in the humid south and somewhat larger in the drier northern areas. In the project area the climate is fairly typical of that for south-west Ghana, with wet seasons from March to July and from September through October with a dry season between December and February.

The project is located in hilly terrain dissected by broad, flat drainages that typically form swamps in the wet season between May and late October. Hilltops are generally at very similar elevations, reflecting the elevation of a previous erosional peneplane that is now extensively eroded. Drainages in the Anwia and Salman areas are between 10 and 15 meters above sea level. Maximum elevations are around 80 meters above sea level but the areas impacted by the project generally are at less than 50 meters elevation.

Vegetation cover is dominantly secondary forest and fallowed farming areas that rapidly return to scrub cover in the slash and burn farming cycle typically employed for subsistence crops.

The tailings storage facility construction commenced in 2010 and it was commissioned in February 2011. The project has had a processing plant in operation since February 2011.

*Geology*

The major gold deposits in Ghana are hosted by Palaeoproterozoic rocks of the West African Craton, which includes the Birimian Supergroup, a series of metavolcanic and metasedimentary rocks, the Tarkwaian Group, comprising fluvial metasedimentary rocks, and various gabbroic to granitic intrusives. Gold mineralization within the Birimian Supergroup is associated with mesothermal quartz veins and is structurally controlled, while both mesothermal shear-hosted and palaeoplacer gold deposits occur in the Tarkwaian Group. The project is underlain by Birimian Supergroup rocks with minor granitic intrusions, bounded by large granitoid bodies to the west and east, and poorly defined areas of Tarkwaian Group in the east.

Basement exposure is generally poor within the project area and largely restricted to road cuttings, a few stream beds, prospecting pits and trenches, and drill pads. Laterite and mottled clay zones are locally developed on ridges, and saprolite typically extends to 10-30 metres beneath surface and locally as much as 80 metres. The eastern part of the project is largely underlain by Birimian volcanic and volcaniclastic rocks assigned to the Ashanti Belt. The western part of the project area is underlain mainly by Birimian metasedimentary rocks of basin and basin margin affinity in the south-eastern corner of the Kumasi Basin. The Birimian volcanics are thought to be faulted against the Tarkwaian Group immediately northeast of the current tenure, and a small area of quartz-rich fluvial rocks immediately east of Axim may also belong to the Tarkwaian. A large biotite granite body is exposed in the western part of the project area and probably belongs to the Cape Coast suite. Two large, magnetically zoned probably Dixcove-type granitoid batholiths intrude the volcanics at the eastern edge of the project, and curved magnetic ridges adjacent to these intrusives could represent contact aureoles. Several narrow granitoid dykes and fault slivers up to 13 kilometres long and 700 metres thick of uncertain affinity are scattered through the project area, and some near-circular geophysical features (electromagnetic resistors with weakly magnetic edges) between 1.5 and 2 kilometres diameter northeast of Anwia may represent subsurface plutons.

*History*

There were several gold dredging operations in the Ankobra River between 1900 and 1920, and numerous small alluvial and hard rock gold workings between 1930 and 1940. Sporadic hard rock mining commenced at Akanko in 1881, culminating with the efforts of Finsbury Pavement Financial Trust Ltd. in 1934-35. Secondary manganese mineralization was identified east of Salman village during 1952-1953 and investigated via pitting and trenching by the African Manganese Company Limited, which was then mining the Nsuta manganese deposits near Tarkwa. The Salman manganese deposits are relatively small and have not been developed.

The Akanko area of the Salman deposit was held by Ghanorcan Resources Ltd in 1987-1989. Exploration activity included geophysics, soil and rock chip sampling, and trenching, but was limited to the immediate vicinity of the old Akanko mine. TEMCO took up a prospecting licence, the Akanko PL, covering the old Akanko mine in 1995. Ghana Manganese Corporation ("**GMC**") held a concession over the area of the Salman deposit in the early 1990's and engaged TEMCO to explore the area for manganese and gold. Between 1992 and 1997, TEMCO completed an extensive soil sampling program.

BHP Minerals ("**BHP**") acquired and joint ventured into a number of concessions in the mid-1990s and undertook a variety of activities including soil sampling, acquisition and processing of landsat imagery, and magnetic and GeoTM surveying. BHP then completed 75 drill holes.

The Salman deposit was acquired from BHP by African Gold Resources Limited ("**AGR**") in 1999. AGR completed a validation of the BHP database, undertook some additional soil sampling, trenching and ground-based magnetic surveying, and carried out a program of mobile metal ion ("**MMI**") soil sampling. Hightime Investments Pty Ltd. joint ventured into TEMCO's Akanko prospecting licence in 2002 and followed up some of the previously identified soil gold anomalies with more detailed soil sampling and channel sampling of bulldozer traverses. Hightime Investments assigned its interest in the joint venture to Adamus Holdings in 2003. Adamus Holdings was acquired by Adamus in 2004.

Between 1995 and 1998 the Teleku Bokazo and Ebi prospecting licenses were held by Canadian mineral exploration company SEMAFO Inc. ("**Semafo**"). A small trenching program was carried out by Semafo. SAMAX Gold Inc. ("**Samax**") entered into a joint venture with Semafo on the Ebi-Teleku Bokazo prospecting licence property in 1998, with management of the project passing to Samax. Two vertical reverse circulation ("**RC**") drilling campaigns were undertaken. Semafo, Samax and Ashanti Goldfields Company Limited (which acquired Samax in 1998) made several resource estimates for Anwia, and Samax withdrew from the joint venture in 2000. Adamus acquired the Ebi-Teleku Bokazo prospecting licence in 2004. The Anwia-Teleku Bokazo mining licence was granted to Adamus Resources Limited (Ghana), a wholly owned subsidiary of the Corporation, for an initial term of 10 years commencing on April 11, 2008.

Nkroful Mining Limited ("**Nkroful**") was granted the Nkroful mining licence in March 2006. In July 2006, Adamus completed the acquisition of Nkroful from Union Mining Limited.

Adamus progressively acquired its current tenements comprising the project between 2002 and 2006. In early 2006, Adamus commenced a full feasibility study into the development of the project. Adamus commenced detailed exploration of the satellite deposits in 2006. Ongoing drilling principally at the Salman and Bokrobo satellite deposit continued through 2008. In August 2009, Adamus obtained the Nzema Technical Report on the project. The Corporation has to date explored a small percentage of its 665km$^2$ project area. For detailed information on the nature and extent of all exploration work conducted by or on behalf of the Corporation on the project, see the Nzema Technical Report, beginning on page 42.

*Mineralization*

The Salman deposits are defined by a semi-continuous +200ppb gold in soil anomaly extending for at least 9 kilometres along the Salman Shear Zone. Approximately 8 kilometres of strike extent has been drill tested to date with several discrete, multi-lode deposits being found along the shear zone. Significant gold deposits include, from south to north, Salman South, Salman Central, Teberu Footwall, Salman North, North Hill, Akanko Central, and Akanko North. Salman Central, Nugget Hill and Salman North deposits are located on conspicuous north to north-northwest bends up to 1,000 metres long within the overall north-northeast strike of the shear zone.

The Anwia deposit, approximately 9km west of the Salman deposit, is hosted by a northeast dipping package of greywacke and interbedded greywacke-phyllite. In the western part of the deposit gold mineralization is also hosted by a steeply northeast dipping granite dyke that gradually converges on the hanging-wall to the northwest. Three cleavages are present, and the few facing indicators apparent suggest the metasedimentary package is overturned.

The Bokrobo deposit on the Anwia South property, is 3.2km south-southeast of Anwia and comprises generally north-south trending, steeply west dipping auriferous quartz veins hosted by strongly silica-iron carbonate altered, medium to coarse grained, carbonaceous greywacke.

For more detailed information on the mineralization of the project, see the Nzema Technical Report, beginning on page 53.

*Drilling, Sampling and Analysis and Security of Samples*

The current project resource estimate is based on a combined total of approximately 168 kilometres of RC percussion and diamond core drilling. For a detailed description of the extent of drilling, including the procedures followed and an interpretation of all results, see the Nzema Technical Report beginning on page 58.

Since commencement of drilling at the Salman deposit, the Corporation has maintained a quality control protocol that allows routine monitoring of sampling precision and assay accuracy. An examination of quality assurance/quality control ("**QAQC**") sample data indicates satisfactory performance of field sampling protocols and of assay laboratories. Estimates of resources for the Anwia deposit rely substantially on drill sample assays generated by previous owners for which little QAQC information is available. A nearest-neighbour comparison of gold grades in the Corporation's drill samples with those in samples from previous drilling demonstrates that the two sample populations are equally representative of mineralization grades at Anwia.

All RC samples were collected from the drill rig cyclone on a one metre basis into large plastic bags then riffle split to collect sub-samples for assay. BHP, Semafo and Samax typically submitted one metre sub-samples directly for assay, the Corporation variably directly submitted one metre sub-samples or composited the sub-samples for assay according to prospectivity and laboratory assay production rates.

The Semafo and BHP diamond drill core was mostly sampled in one metre intervals with the remaining core (generally ½ core) returned to trays for storage. The three Samax PQ diamond drill core holes were sampled and assayed on a lithological basis. Most of the Corporation's oxide and transition zone core was wrapped with plastic film immediately after drilling for bulk density determinations which were performed on site prior to sampling.

All trenches were geologically logged and sampling intervals of 1, 2 or 3 metres as appropriate were marked with coloured flagging tape and/or aluminum permatags along the wall of the trench. Samples were collected as a continuous channel running along the base of one wall or floor of the trench or bulldozer line as appropriate, placed in calico bags, given a unique sample number and submitted for assay.

RC samples were prepared and collected from the drill rig on a daily basis and periodically delivered to Transworld (Intertek) and SGS Laboratories in Tarkwa by company vehicle or laboratory courtesy vehicle. Similarly, the diamond core is transferred to the core yard at the Salman exploration camp on a daily basis for geological logging and sampling prior to submission. All of the Corporation's drill core, BHP drill core, BHP and Adamus assay pulps, BHP RC chip-boards, Adamus RC chip trays and significantly mineralized RC bulk residues from the Corporation's programs are stored at the Salman exploration camp. Semafo drill core from Anwia is stored under cover at the old Semafo core yard in Nkroful. Semafo and Samax RC bulk residues and drill core from the three Samax diamond holes are no longer available.

From mid-2004 to mid-2005, sample handling was monitored by RSG Global personnel to ensure adequate sample quality and security. After establishment of standard operating procedures, all subsequent sample handling has been by the Corporation's personnel.

*Mineral Resources and Mineral Reserves*

As of December 31, 2011 the Proven and Probable mineral reserves at Nzema were 14.6 million tonnes at 2.05 g/t containing 0.96 million ounces (on a project basis 100%). The Measured and Indicated mineral resources, inclusive of reserves, are 48.3 million tonnes at 1.3 g/t gold containing 2.1 million ounces, plus Inferred resources of 17.7 million tonnes at 1.1 g/t gold containing 0.7 million ounces as shown in the following tables.

The Proven and Probable reserve figures quoted are based on the 2009/10 reserve update (using a gold price of $900 per ounce), less depletion of actual tons per ounce processed at Nzema up to December 31, 2011.

Additional Resource definition drilling has been performed during 2011 in the Salman trend in parallel with additional geotechnical drilling in both the Salman and Anwia deposits. Work is ongoing to incorporate these additional data, in conjunction with a review and update of the mine design criteria, with the objective of updating the reserve estimate during Q2 2012.

**Nzema Mineral Reserves as of December 31, 2011 at US$900/oz[1,2]**

| Category | Tonnage (Mt) | Grade Au (g/t) | Contained Ounces Au ('000) |
|---|---|---|---|
| Proven[1,2,3,4] | 11.938 | 2.01 | 770 |
| Probable | 2.664 | 2.26 | 193 |
| Total | 14.603 | 2.05 | 964 |

Totals may not add due to rounding errors.

**Nzema Mineral Resources Inclusive of Reserves, at a 0.5 g/t cutoff grade as of December 31, 2011[1,2,3,4]**

| Category | Tonnage (Mt) | Grade Au (g/t) | Contained Ounces Au ('000) |
|---|---|---|---|
| Measured | 31.658 | 1.4 | 1,409 |
| Indicated | 16.671 | 1.2 | 656 |
| Measured & Indicated | 48.329 | 1.3 | 2,064 |
| Inferred | 17.725 | 1.1 | 652 |

Totals may not add due to rounding errors

[1] *Technical Report Southern Ashanti Gold Project, Ghana, West Africa* effective August 17, 2009, prepared by Ron Heeks (M.AusIMM), Technical Manager Adamus Resources Limited. Qualified Persons not independent of Endeavour Mining Corporation, Depleted as of December 31, 2011
[2] 2012 Mineral Resource update of the Salman Gold Deposit effective February 16 2012, prepared by Nic Johnson (M.AIG), MPR Geological Consultants.
[3] 2012 Mineral Resource update of the Aliva and Nfutu Gold Deposits effective February 17, 2012, prepared by Nic Johnson (M.AIG), MPR Geological Consultants.
[4] Mineral Resource for the Akropon Gold Deposit, Internal Resource Estimate effective February 20, 2012, prepared by William Yeo, Qualified Persons not independent of Endeavour Mining Corporation.

The mineral resource estimates were estimated by Multiple Indicator Kriging as detailed in technical reports dated October 31, 2007, August 21, 2008 and August 17, 2009. The reserve estimate has been prepared by Mining Resources Pty Ltd. using cost estimates derived from third party contractor and consultant quotations and based on a gold price of $900/oz. All metallurgical recoveries for conventional CIL and CIP circuits are based on testwork as previously detailed in the Reports. The announcement and the Reports can be accessed on the Adamus SEDAR profile at www.sedar.com.

*Mining Operations*

The Corporation was granted three mining licenses in April 2008, and had already acquired the Nkroful mining license in July 2006. The mining licenses entitle the Corporation to work, develop and produce within the license areas for an initial term of ten years from the date of the grant of the license, with an option to renew the term. In June 2010, a mine operating permit was issued by the Ghanaian Minerals Commission, enabling the Corporation to commence open pit mining and ore extraction at the Nzema Gold Project. The permit was renewed in January 2011. The first gold pour took place ahead of schedule on January 17, 2011, and commercial production commenced on April 1, 2011.

Since commencing commercial production, Nzema has met all key production targets, delivering above forecast gold production of 26,015 ounces (8% above guidance) from 488,466 tonnes milled at a recovered grade of 1.89 g/t Au (1.6-1.7 g/t guidance) for the June 2011 quarter. The Corporation forecasts gold production at Nzema of between 92,000 and 102,000 ounces for the 2012 financial year at a cash cost of $630 to $670 per ounce.

Initial oxide ore will be processed from shallow, open cut pits at the Salman, Anwia and Bokrobo deposits. Open pit mining operations are currently contracted to African Mining Services Ltd ("**AMS**"), a wholly-owned subsidiary of Ausdrill Limited. AMS provides drilling, blasting, loading, hauling ore and waste, crusher feed and pit dewatering services pursuant to a three year contract worth approximately $58 million entered into in October 2010.

*Mineral Processing*

Gold extracted from the pit along the Salman trend is processed at the Corporation's 1.6 Mtpa to 2.1 Mtpa (depending on ore type) conventional carbon-in-leach gold plant with a 3.5MW semi-autogenous grinding ("**SAG**") mill, a gravity circuit, and two counter current decant thickeners (for water and cyanide recovery). The processing plant is located to the east of the Salman trend pits on a saddle between two hills approximately 1.5km west of the village of Salman, on an area of gently sloping terrain at the head of a valley which drains northwards towards the mine tails area.

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 carbon-in-leach circuit. 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.

Construction of the processing plant and associated infrastructure facilities was successfully completed in January 2011. To date, the plant and associated facilities have met design specifications and performed well. Following approval by the Ghana EPA, the Corporation also commissioned a permanent tailings storage facility in February 2011, allowing for production levels to increase to full commercial throughput targets.

*Project Funding*

Project development at Nzema was initially funded by a placement of 115 million Adamus Shares at A$0.35 per Adamus Share in August 2009. Subsequently, Adamus raised A$31.7 million in March 2010 through a placement of 25 million Adamus Shares at A$0.36 per Adamus Share to raise A$9 million, and a 1 for 5 renounceable rights issue at A$0.36 per Adamus Share to raise up to A$21.5 million. Adamus raised a further A$31.3 million in September 2010 through a placement of 29 million Adamus Shares at A$0.55 per Adamus Share to raise A$15.9 million, and a 1 for 15 renounceable rights issue at A$0.55 per Adamus Share to raise A$15.4 million.

In August 2010, Adamus entered into a $70 million project loan with Macquarie Bank Limited. On December 5, 2011 the Corporation repaid the balance of $57.0 million owing on the project loan.

As part of the debt financing package, Adamus entered into hedging contracts in February 2010 providing for deliveries totalling 290,000 ounces of gold over the first 5.5 years of operations at $1,075 per ounce. Those contracts represented 27% of Adamus' existing published ore reserve as at the conclusion of the 2009/2010 financial year (which was calculated at $900 per ounce) and less than 14% of Adamus' then current defined mineral resources**.**

On December 2, 2011 the Corporation reduced the Nzema gold hedge book by closing out 139,000 ounces (or 55%), for a cash settlement amount of $96.7 million. Simultaneously the Corporation novated the remaining 116,161 ounces of Nzema related gold forward contracts, resulting in those ounces being transferred by Macquarie Bank Limited (the previous hedging bank) to UniCredit. The remaining Nzema gold hedge book of 116,161 ounces has a flat forward price of $1,061.75 and has been re-profiled with deliveries of approximately 10,000 ounces during 2012 and 2013 and 32,000 ounces during 2014, 2015, and 2016.

*Production*

Gold produced for the twelve month period ended December 31, 2011 was 90,026[2] ounces at a total cash cost (excluding royalties) of $585 per ounce for the nine month period from April 1, 2011 to December 31, 2011.

*Exploration and Development*

The Corporation plans to expand its current mineral resources and mineral reserves through ongoing exploration, with the aim of extending Nzema's current mine life.

The Nzema project area encompasses approximately 665 square kilometres of tenure at the southern end of the highly prospective Ashanti Gold Belt. To date, the Corporation has explored only a small percentage of its project area. Significant potential exists for the Corporation to increase the existing mineral resource and mineral reserve estimates along the Salman Trend, and on the regional tenements that remain relatively underexplored, targeting both oxide and sulphide resources.

[2] Including 13,521 ounces produced pre-commercial production on April 1, 2011.

Oxide

Nzema was commissioned with an approximately one million ounce gold mineral reserve at the Salman, Anwia and Bokrobo deposits. An immediate focus for exploration is to increase the mineral reserves along strike or adjacent to the existing or planned open pit operations where infrastructure such as haul roads are already in place. Additional mineral reserves can quickly be added into the mine schedule and will have a positive impact on the operation.

The best potential to add mineral reserves is in the areas between the currently optimised open pits. RC drilling during the 2011 financial year has targeted some of these areas including: the area between the Teberu 01 and the Salman North pit, the area between the Teberu and Nugget Hill pits and the southern extension of Salman South 1C pit. Results received to date suggest pit cutbacks or pit amalgamations are possible. Additional drilling is planned at Salman North and Akanko where other prospective gaps exist between pits. There is also potential to extend the ore reserve at the Bokrobo pit where high-grade mineralization is hosted by a moderately dipping vein and a granitic body similar to the Ayanfuri deposit that is being developed by Perseus Mining Limited.

Several deposits have been added to the mineral resources and given their proximity to the mine infrastructure they have potential to increase the mineral reserve. The Nfutu and Aliva resources are close to the existing haul road between Anwia and the Nzema plant site, and would require only a short haul road extension to access these resources. RC resource definition drilling has been preferentially conducted at these prospects during the year with the dual aim of generating a mineral resource and locating extensions or parallel zones of mineralization. Additional drilling is planned at these prospects and nearby targets.

Addiitonal advanced prospects are at Avrebo, Akropon, Kanyankaw, Hotopo and Tumentu where RC drilling has been taking place throughout the second half of 2011. Avrebo and Akropon resulted in new inferred mineral resources and require additional drilling in 2012 to delineate the resource and increase classification. Exploration at Avrebo is particularly encouraging with recent soil sampling identifying an extension to the nearby Awukyere prospect. Avrebo is located on a NNE trend that extends into Castle Minerals Akoko North and South prospects.

Endeavour also holds prospective regional exploration ground in areas within 50 kilometres from existing or planned operations. This includes the Hotopo, Kanyankaw and Edum-Banso projects. These projects have the potential to generate open pit oxide resources that can be trucked to the centrally located plant at Nzema or, if sufficiently large, support a standalone processing facility.

A large soil sampling program was conducted during the year to complete the coverage over all of Endeavour's licences. This program has generated several new anomalies that were being followed up with in-fill sampling to refine the targets for drill testing. Target generation is being supported by reprocessing and re-imaging of geophysical data that includes aeromagnetic, electromagnetic, induced polarization and radiometric data.

Sulphide

The Salman sulphide project offers another opportunity for an expansion of the Nzema Gold Project. Drilling along the Salman Trend has delineated a sulphide and transitional mineral resource located below the currently optimised open pits. The sulphide resource offers the potential to develop a parallel processing stream. AMEC Minproc Limited recently completed a Conceptual Economic

Mineralisation Sulphide Study and the conclusions are being evaluated for design of the next phase of drilling and metallurgical testwork.

During 2011 diamond core drilling targeted sulphide shoots below the oxide resources with excellent results reported from Teberu 04 area. Additional drilling is planned to test the down plunge extent of sulphide shoots in several areas.

**Youga Gold Mine, Burkina Faso, West Africa**

Except where otherwise stated, the following disclosure relating to the Youga Gold Mine is based on information derived from the technical report entitled, "Technical Report and Update of Mineral Resources and Mineral Reserves for the Youga Gold Mine, Burkina Faso, West Africa" dated March 15, 2011, ("**Youga Update Report**") prepared by Adrian de Freitas, C.Eng., and K. Kirk Woodman, P.Geo., qualified persons employed by Endeavour. The Youga Update Report is incorporated by reference and is available for review on the SEDAR website located at www.sedar.com under the Corporation's profile.

*Property Description and Title*

The Youga property is situated in the province of Boulgou, Burkina Faso, about 180 kilometers southeast of Ouagadougou, the capital city of Burkina Faso. On December 29, 2003, Etruscan paid $6.5 million to Ashanti Goldfields Company Limited and Echo Bay Minerals Limited to acquire a 100% interest in Cayman Burkina Mines Limited which holds a 90% interest in Burkina Mining Company S.A. ("**BMC**"), which in turn holds the Youga mining permit. The Government of Burkina Faso holds the remaining 10% in BMC. The Youga mining permit was granted to BMC by the Government of Burkina Faso in April 2003 and covers 29 square kilometers. This permit is valid for 20 years and is renewable for additional five year periods. Under the mining legislation of Burkina Faso, a permit holder must negotiate and sign a mining convention in respect of the mining permit within the time frame set out in the mining legislation and such agreement governs the relationship of the permit holder and the State of Burkina Faso by setting out the rights and obligations of the respective parties. On August 8, 2006, Etruscan signed a mining convention with the State of Burkina Faso pertaining to the Youga mining permit. The Youga mining permit grants BMC the right to enter and use the land covered by the mining permit and no specific surface rights agreements are required. However, compensation of customary land users has been effected by BMC. In addition to the mining permit, Etruscan holds six exploration permits covering approximately 400 square kilometers along the Youga gold belt.

*Fiscal Regime*

In order to maintain the Youga mining permit, BMC is required to pay to the State of Burkina Faso an annual surface fee of CFA7,500,000 ($15,000) per year per square kilometer for the first five years of the mining permit and increasing to CFA10,000,000 ($20,000) per year per square kilometer for years six through ten of the mining permit and further increasing to CFA15,000,000 ($30,000) for each year thereafter.

Initially, gold production in Burkina Faso was subject to a royalty of 3%. Effective December 1, 2010, the royalty was modified to a sliding scale of 3% if the price of gold is equal to or less than $1,000, 4% if the price of gold is greater than $1,000, but equal to or less than $1,300 and 5% if the price of gold is greater than $1,300. Corporate tax rates of 17.5% apply along with a 6.25% withholding tax on repatriated dividends and interest paid on loans to local and foreign creditors. The tax legislation also imposes a withholding tax at the rate of 10% on fees paid to suppliers who do not have a place of business in Burkina Faso and who performed work in Burkina Faso or outside Burkina Faso and 5% for suppliers of services who have a place of business in Burkina Faso.

There are a variety of tax exemptions available to mining companies including exemptions from customs duties on temporary import of equipment, exemptions from the Industrial and Commercial Professions Tax, the Employers and Apprenticeship Tax as well as the Property in Mortmain Tax for a period equal to half the projected mine life.

*Access and Climate*

Ouagadougou, the capital of Burkina Faso, is serviced from Europe by Air France (direct flights from Paris) and Brussels Airlines (direct flights from Brussels).

The Youga mine offices are 193 kilometres by road or approximately a 3.5 hour drive from Ouagadougou. Road access from Ouagadougou is via paved highway N-5 south towards Po for 70 kilometers, then southeast for 23 kilometers on paved road N-17 reaching Manga and continuing on in the same direction on a 76 kilometer long gravel road R-12 to Zabre. Youga is accessed by driving 24 kilometers southeast from Zabre on a well-maintained gravel road.

The topography in the Youga mine area is relatively flat with local low ridges. Elevation varies from 200 metres to 250 metres above sea level.

The local climate is that of the Sahel zone, near the transition from savannah in the south to the steppes (desert) in the north. The wet season extends from June to September with peak rainfall in August, usually with cloud bursts and thunderstorms that can be severe. The mean annual rainfall is between 700 and 1,000 millimeters. Typical daytime temperatures range from 25 $^{o}$C in December to 45 $^{o}$C in May, with night-time temperatures dropping by approximately 10 degrees. Mining activities can be continued year round without interruption.

*Geological Setting*

The Youga mining permit is underlain by rocks of the Archean-Proterozoic Man Shield which forms the southern half of the larger West African Craton. Locally the dominant feature on the permit, and the host of most of the current mineral reserves, is the Tarkwaian basin which is comprised of a succession of arkosic sandstones with subordinate chloritic-schist. The Tarkwaian rocks unconformably overly Upper Birimian Series volcanics, volcaniclastics and sediments of the Bole-Navrongo Belt, which extends across north-western Ghana into southern Burkina Faso for a distance of some 400 kilometers.

*Historical Exploration Work*

Incanore Resources was awarded the Youga Exploration Permit in 1991 and optioned the property to International Gold Resources Inc. ("**IGR**") in 1994. In 1995 Echo Bay Mines Limited ("**Echo Bay**") entered into an agreement with IGR for a 50% interest in the permit. Ashanti Goldfields Company Limited ("**Ashanti**") purchased IGR in 1999 and the project became a 50/50 joint venture with Ashanti as the operator. Ashanti completed a positive feasibility study in 1999. Exploration activities from 1991 to 1999 included trenching, mapping, reverse circulation and diamond drilling. In 2003, Etruscan acquired the Youga mining permit and continued exploration which culminated in a feasibility study being completed in 2006. A total of 35,818 meters of trenching, 81,096 meters of RC drilling and 54,317 meters of diamond drilling have been completed on the Youga mining permit to the end of December, 2011.

*Mineralization*

The mineral reserves occur within the arkosic sequences of the Tarkwaian basin or within Birimian greenstone units. Mineralization within the Tarkwaian Basin is almost exclusively associated with brittle deformation within the more competent arkosic sequences, with the strongly chloritized conglomerates absorbing strain in a more ductile manner. Where the two lithologies are intimately intercalated within the A2 East deposit, the arkosic units are strongly mineralized, while the adjacent chlorite schists are effectively barren. Exceptions to this are, however, reported from portions of the A2 East, A2 West Zone 2 and Zone 3 deposits.

The arkosic sequences are substantially modified by alteration, principally comprising; carbonate, sericite, haematite, chlorite, possibly albite and silica. Pervasive silicification and intense haematite developments are intimately associated with zones of quartz stockwork veining, intense fracturing, sulphide development and gold mineralization.

The A2 Northeast and Zergoré mineralization occur within sericitic schists with greenstone. Although the deposits are structurally controlled the mineralization occurs along specific horizons that are parallel to the principal foliation.

The sulphide content is low (generally <1%), comprised predominately of pyrite with trace amounts of chalcopyrite, arsenopyrite, pyrrhotite and galena. Fine euhedral pyrite is broadly disseminated throughout the arkosic lithologies, particularly within zones of mineralization and intense silicification, where it also selectively replaces the detrital magnetite laminae. Pyrrhotite, arsenopyrite and galena are more intimately associated with higher-grade mineralization, particularly within zones of more intense quartz veining and silicification.

Within the Youga deposit there are two distinct styles of mineralization; the moderately to weakly silicified arkose with quartz stockwork veining and pyrite is the predominant sulphide which generally grades between 0.5 and 2 g/t and the intensely silicified arkose with abundant quartz veins and more diverse sulphides which generally grades >3g/t.

*Drilling, Sampling and Analysis and Security of Samples*

Endeavour practices rigorous internal standards of quality assurance at all stages of its exploration work. This includes regular submission of industry standards, blanks and duplicates in its submissions to the certified laboratories which it uses. In the case of feasibility level resource and reserve estimates, referee samples are submitted to a second certified laboratory.

The diamond drilling procedures in place at Youga are equivalent to the best international industry standards. Similarly, the logging is considered to be consistent with industry standards and suitable for resource estimation and mine planning studies. Sampling methodologies are dependent upon sample type. For RC drilling one meter sample intervals are collected averaging 20 to 25 kilograms, which are riffle split into a two kilogram assay sample. The remaining portions of the drill cuttings were retained as witness samples. Chip boards are also made up on site at the drill rig. For diamond core samples, sample intervals are determined by the logged geology, and generally range from 0.5 meters to 1.5 meters. Care is taken to consistently collect assay samples from one side of the core.

The collection and processing of all sample types is strictly controlled by employees of Endeavour to ensure security and accountability of results. All procedures and results have been reviewed by a Qualified Person(s). Samples were prepared and assayed using 50-gram, fire assay gold analyses. Ashanti utilized Inchcape Testing Services of Ouagadougou as the primary assay facility for processing samples. Endeavour has utilized SGS Tarkwa, Abilab/ALS Ouagadougou and SGS laboratory in Ouagadougou to complete sample preparation and fire assay analysis on all RC and core sampling. Umpire assaying, completed by Lakefield Canada (Toronto), was a combination of 50-gram, fire assay and a gravimetric fire assay check of assays above 2 g/t gold. Correlation with the initial results was very high.

*Mineral Resources and Mineral Reserves*

The mineral resource models supporting the mineral reserves estimates for the deposits currently being exploited were most recently updated by RSG Global Consulting Pty Ltd. ("**RSG**"), and MDM Engineering Pty Ltd. ("**MDM**") in 2006 as part of the Youga feasibility study update prepared for Etruscan by RSG and MDM. Depletion due to mining has been subtracted for annual reporting in 2011. During 2011 additional exploration was conducted on the A2 Main, A2 East and parallel hangingwall zones to these areas. The portions of these deposits outside of the wireframes used in the feasibility study were updated. The A2 West Zones 1, 2 and 3 have not changed since no additional work was done in these areas. The mineral resource estimates prepared in 2006 have therefore been depleted for production and then additions have been made to reflect the gains in the A2 Main and A2East areas.

Four satellite resource areas, Nanga, Tail, Zergoré and A2NE were the focus of drill programs and resource estimates in 2011. The Nanga and Tail deposit models were combined to become to the NTV model to reflect the continuity of the mineralization even though there is a change in strike between these two deposits. Gold grade interpolation for these deposits has been completed using ordinary kriging and inverse distance methods.

At December 31, 2011, the Proven and Probable mineral reserves at Youga and Youga Satellites are 7.308 million tonnes at 1.9 g/t gold containing 448,000 ounces (on a project basis 100%). The Measured and Indicated mineral resources, inclusive of reserves, are 18.373 million tonnes at 1.6 g/t gold containing 928,000 ounces, plus Inferred resources of 4.6723 million tonnes at 1.3 g/t gold containing 193,000 ounces as shown in the following tables. At planned mill throughput of one million tonnes per annum, the Youga mine life is currently 7.3 years.

**Mineral Reserves at Youga as of 31 December 2011 at $1,200/oz**

| Deposit | Proven | | | Probable | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | kt | Au (g/t) | k Ozs | kt | Au (g/t) | k Ozs | kt | Au (g/t) | k Ozs |
| Youga[5] | 2,238 | 2.4 | 176 | 2,396 | 1.8 | 141 | 4,634 | 2.1 | 317 |
| Attributable – 90% | - | - | 158 | - | - | 127 | - | - | 285 |
| Youga Satellites[6] | 1,279 | 1.4 | 59 | 1,396 | 1.6 | 71 | 2,674 | 1.5 | 131 |
| Attributable – 90% | - | - | 53 | - | - | 64 | - | - | 118 |
| Total | 3,517 | 2.1 | 235 | 3,792 | 1.7 | 212 | 7,308 | 1.9 | 448 |
| Total - Attributable | - | - | 212 | - | - | 191 | - | - | 403 |

Totals may not add due to rounding errors.

**Mineral Resources at Youga including Reserves, at a 0.5g/t cut-off as of 31 December 2011**

| Deposit | Measured | | | Indicated | | | Measured & Indicated | | | Inferred | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | kt | Au (g/t) | k Ozs | kt | Au (g/t) | k Ozs | kt | Au (g/t) | k Ozs | kt | Au (g/t) | k Ozs |
| Youga[5] | 3,526 | 2.3 | 266 | 7,897 | 1.6 | 398 | 11,422 | 1.8 | 664 | 3,462 | 1.2 | 138 |
| Attributable - 90% | - | - | 239 | - | - | 358 | - | - | 598 | - | - | 124 |
| Youga Satellites[6] | 3,220 | 1.1 | 118 | 3,731 | 1.2 | 146 | 6,951 | 1.2 | 264 | 1,211 | 1.4 | 55 |
| Attributable - 90% | - | - | 106 | - | - | 131 | - | - | 238 | - | - | 50 |
| Ouaré [7] – Total | - | - | - | - | - | - | - | - | - | 4,738 | 2.1 | 323 |
| Attributable - 90% | - | - | - | - | - | - | - | - | - | - | - | 291 |
| Total | - | - | 2,036 | - | - | 2,660 | - | - | 4,694 | - | - | 1,741 |
| Total Attributable | - | - | 1,710 | - | - | 2,120 | - | - | 3,831 | - | - | 1,403 |

Totals may not add due to rounding errors.

[5] *Technical Report and Update of Mineral Resources and Mineral Reserves for the Youga Gold Mine, Burkina Faso, West Africa*, effective December 31, 2010 and dated March 15, 2011, prepared by A. de Freitas and K. Woodman, Qualified Persons not independent of Endeavour Mining Corporation, Depleted as of December 31, 2011

[6] Youga Satellite Deposits, Internal Resource Estimates, prepared by AMEC under supervision of K. Woodman Internal Reserve Estimates, prepared by SEMS under supervision of A. de Freitas Qualified Persons not independent of Endeavour Mining Corporation

[7] Ouaré Deposit, Internal Resource Estimate, dated June 16 2009 prepared by A. Mouton under supervision of K. Woodman Qualified Persons not independent of Endeavour Mining Corporation

*Development and Operations*

The initial mining operation was based on five pits (A2 Main, A2 East and A2 West Zones 1, 2 and 3) with the ore being processed through a conventional gravity-CIL (carbon-in-leach) plant with a design capacity of one million tonnes per annum. All of the ore and waste is being mined from the open pits using conventional mining equipment.

The treatment plant includes direct-dump ore receiving followed by three stages of crushing and one stage of milling. The ground ore is fed to a bank of cyclones where the over size is fed to the gravity circuit, consisting of a centrifugal concentrator and a shaking table. The under size is fed to the leaching circuit. A total of six tanks are being used to leach and recover the non-gravity recoverable gold on activated carbon. The gold is then extracted from the activated carbon and deposited using an electrowinning step. The recovered gold is heated in a smelting furnace and then poured into gold doré bars. The overall gold recovery is 93%. Doré is shipped from site to a major refinery.

Drilling and blasting is required prior to mining. All of the pits contain hard-rock (ore and waste) material. Following blasting, the ore is excavated and transported by conventional mining equipment. The drilling and blasting and the mining (load/haul) is being undertaken under contract with PW Mining International Limited.

The primary water supply for the plant is pumped from the nearby Nakambe River via an 11 kilometer pipeline to a raw water storage pond. The tailings area is designed to maximize water recovery in an effort to minimize the primary water demand.

Permanent power supply is by way of grid power from the nearby Ghanaian national power grid operated by the Volta River Authority. A 21 kilometer power line was built from the town of Zebila in Ghana directly to site. The capacity of the line is designed for a minimum transmission of 10 MW. Full on site back up power generation capacity (8 MW) is provided via diesel generators. The power plant was supplied and commissioned by SDMO of France.

Employment at the Youga Gold Mine is approximately 400 full time employees including both expatriate and local positions, plus 300 contractors. There is a program of extensive training of the local work force for the management and skilled positions. In the longer term, it is anticipated that Burkina Faso nationals will fill the majority of the operating and management positions within BMC.

The Youga mine commenced operations in 2008 with open pit mining and CIL processing facilities and during the period to the end of 2011 a total of 280,580 ounces of gold have been recovered from 3.5 million tonnes of ore from the A2Main, A2West1 and A2East pits. The A2West1 pit was mined to depletion during 2009, the A2East pit was completed during 2011 and operations are currently taking place at the A2Main and A2West2 pits. The updated mine plan as of the end of December 2011 includes reserves from the A2Main, an expansion of the A2East pit, A2West2 and A2West3 pits in addition to mining the A2NE, Zergore, NTV deposits.

*Project Financing*

The total capital expenditure for the development of the Youga Gold Mine including preproduction and financing costs was $84.4 million. These costs were funded in part by a $35 million senior debt facility and a $7.5 million subordinated debt facility provided by RMB Australia Holdings Ltd. and Macquarie Bank Limited. Prior to December 31, 2010, the Corporation fully repaid the outstanding $29 million under these facilities.

In January 2007 as part of the terms of the senior debt facility, Etruscan implemented a gold price protection program for the Youga Gold Mine comprised of a combination of bought put options and sold call options whereby 100% of gold production for the first 60 months (456,102 ounces) was price protected at a minimum price of $629 per ounce. The put options were funded by writing call options covering 45% of the feasibility study life-of-mine production (initially 246,306 ounces) over the same 60 month duration having a strike price of $700 per ounce. The program required no cash or other margin.

On November 29, 2011 the Corporation closed out the gold hedge book at Youga. 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.

*Production*

Gold production for 2011 aggregated 87,264 ounces at an estimated total cash cost per ounce produced (excluding royalties) of $644 per ounce. As of December 31, 2011 remaining Proven and Probable mineral reserves using a $1,000 gold price stood at 7.3 million tonnes at an average grade of 1.9 g/t gold (448,000 ounces). Average gold recovery from the plant for life-of-mine is anticipated to remain steady at 93-94%. With continued operational improvements, forecasted gold production for 2012 is 78,000 to 88,000 ounces at cash costs of approximately $660 to 700 per ounce.

*Additional Exploration and Resources*

The 2011 Youga exploration campaign of $6.3 million included 42,480 m of core and RC drilling within the Youga mine permit area on 22 targets. The program succeeded in achieving the key objective of increasing mineral resources and reserves and extended the Youga mine life to 7.3 years. A further 16,178 meters of combined reverse circulation and diamond drilling was completed on surrounding properties in the Youga gold belt.

A comprehensive exploration campaign is planned for 2012 with drilling planned for 19 targets within the mine permit area. The objectives are to increase mine reserves and develop additional resources within the Youga gold belt.

**Agbaou Gold Project, Côte d'Ivoire**

Except as otherwise stated, the following technical disclosure relating to the Agbaou Gold Project is based on information derived from the Feasibility Update Study Report on the Agbaou Gold Project, Côte d'Ivoire, West Africa dated September 2009 ("**Agbaou Feasibility Study Update**") prepared by MDM Engineering International Limited and Coffey Mining Pty Limited. The Agbaou Feasibility Study Update is incorporated by reference in this AIF and is available for review on the SEDAR website located at www.sedar.com under the Corporation's profile.

*Property Description and Title*

The Agbaou exploration permit is situated approximately 200 kilometers northwest of the port city of Abidjan in Côte d'Ivoire and covers 469 square kilometers. The Agbaou permit area is readily accessible by paved highway and is within 10 kilometers of the national power grid.

On November 27, 2003, Endeavour, through its wholly-owned subsidiary, Etruscan Resources Côte d'Ivoire SARL, was officially granted the Agbaou exploration permit by Presidential Decree. The Agbaou exploration permit was valid for three years subject to renewal for two additional two year periods. The permit expired in November, 2006 and was renewed. The permit expired again in November 2008 and a renewal application was filed. In addition, Etruscan filed an application for a mining permit in October 2009. This application is currently pending. On December 24, 2009, Etruscan received an environmental permit to operate from the Department of Environment, Water and Forests and on August 16, 2010, Etruscan received an authorization from the Minister of Mines and Energy to start mine development work at Agbaou. Under the terms of the Agbaou exploration permit, Etruscan agreed to reimburse SODEMI, a mining agency of the Government of Côte d'Ivoire, for its deemed exploration expenditures in the amount of $1,247,104. A portion of this obligation in the amount of $373,131 was paid to SODEMI in February, 2005 and the balance is due within 10 days of the granting of a mining permit for the property.

*Fiscal Regime*

In order to maintain the Agbaou mining permit, Endeavour is required to pay an annual surface fee of CFA 50,000 ($100) per square kilometer.

Gold production in Côte d'Ivoire is subject to a 3% royalty calculated on the quarterly revenues less refining and transportation costs. The corporate tax rate is 25% with a five year exoneration starting on the date of commencement of commercial production. A further tax, at a rate of 40%, is also payable on "additional profits" as defined in the tax code of Côte d'Ivoire. A 12% withholding tax applies to distributions of dividends (18% if dividends are paid from tax exempt earnings), while an 18% withholding tax applies to interest paid on loans to local and foreign creditors. The tax legislation also imposes a 20% withholding tax on remuneration paid to suppliers of services who do not have a place of business in Côte d'Ivoire. During the exploration phase, VAT at a rate of 18% does not apply and there is a VAT as well as a custom duties and taxes exoneration during the development and start-up phase prior to production.

*Access and Climate*

Yamoussoukro is the political capital of Côte d'Ivoire; however, the coastal city of Abidjan is the economic capital of the country. Abidjan is serviced by direct flights from Paris by Air France and is a hub for flights to the rest of West Africa.

Access to the Agbaou permit is gained by driving 200 kilometers northwest of Abidjan, via paved highways to the town of Divo, the regional capital. From Divo a paved secondary road is taken for 25 kilometers to the village of Didokro and from there 12 kilometers of gravel road to the village of Agbaou, where the site camp is located.

The Agbaou permit is located within the southern tropical zone which runs inland from the coastline and is characterized by three seasons; hot and dry (November to February), hot and wet (March to May) and warm and wet (June to October). The average temperature range in the region is between 21 and 33°C.

The precipitation estimate was taken from data at Gagnoa, about 80 kilometers west of the Agbaou permit area. The data indicates there are two, distinct wet seasons March to June, and September to October. June is the wettest month where rainfall can reach 300 mm and the average annual rainfall is estimated at between 950 and 1900 mm per annum.

The general topography of the Agbaou permit is undulating hills that range from 130 meters to 420 meters above sea level.

*Geological Setting*

The Agbaou gold deposit is hosted within the Birimian, Oumé-Fêtêkro greenstone belt and the rocks within the permit are dominantly deformed, mafic volcanics metamorphosed to greenschist facies. The greenstone belt is folded into an anticline and the Agbaou deposit lies near the hinge of the fold on the eastern limb. Bedding, foliation and the dominant vein-set are oriented along the strike of the fold (roughly northeast/southwest) and dip moderately to steeply, to the southeast.

Mineralization can be broadly separated into two categories; laterite cap (generally >0.5 grams per tonne Au) and primary (free gold and sulphide). The laterite cap, which covers the entire deposit area, is of variable thickness (1 to 5m) and represents secondary (re-mobilized) mineralization. The primary overall mineralized envelope is broad (60 to 100m), consisting of a number (up to 7 zones in Agbaou Main) of mineralized zones that generally follow the limb of the regional fold.

The gold mineralization within Agbaou deposit is hosted within a specific quartz vein type that occurs within a broad area characterized by a wide range of quartz-vein types, brecciation, boudinage, sericitic and carbonate alteration. The mineralized quartz veins have a very distinctive texture that has been described as "mottled". Gold mineralization is also associated with variable amounts of sulphide, mainly pyrrhotite and pyrite.

*Historical Exploration Work*

Gold mineralization in the Agbaou area was discovered by BHP Minerals in partnership with SODEMI during the period 1988-1994. Between 1996 and 2000, the property was held by Goldivoire S.A.R.L. ("**Goldivoire**") a wholly owned subsidiary of Hargraves Resources NL ("**Hargraves**") who, without access to the results of the BHP work, undertook an exploration program that included semi-regional soil sampling, pit sampling, 36 rotary-air-blast ("**RAB**") drill-holes (1,682 meters) and a program of 203 RC drill-holes (22,149 meters) 25 with a diamond tail (1,535 meters).

Hargraves was acquired by Durban Roodeport Deep, Limited ("**DRD**") in December of 1999. DRD commissioned a resource-estimation through Resource Service Group ("**RSG**") in 2000. RSG reported a resource at a one gram per tonne cutoff of 9.7 million tonnes of indicated resource at an in-situ grade of 2.1 grams per tonne (654,000 ounces) of gold and 2.6 million tonnes of inferred resource at an in situ grade of 2.3 grams per tonne (189,000 ounces) of gold.

DRD subsequently suspended operations in Côte d'Ivoire and funds were not available for the local company, Goldivoire, to complete further work on the permit. As a result, the government of Côte d'Ivoire withdrew the Agbaou permit. On November 27, 2003, after the completion of a bidding process, the Ministry of Mines and Energy for Côte d'Ivoire granted the Agbaou exploration permit to Etruscan.

*2005 Exploration*

During 2005 Etruscan completed a total of 5,230 meters of drilling in 42 holes. The results confirmed the geological model, the orientation of the mineralized structures and the distribution of the high grade zones.

*2006-2007 Exploration*

A total of 22,400 meters of diamond drill program was completed by Etruscan in 2006/07. The objectives of the drilling program were to provide sufficient information to bring historic resource estimates for Agbaou into compliance with National Instrument 43-101; to provide sufficient information to determine mineral reserves as the basis for the feasibility study; to provide samples for metallurgical test work; and to test for depth and strike extensions of gold mineralization.

*Drilling, Sampling and Analysis and Security of Samples*

Etruscan practiced rigorous internal standards of quality assurance at all stages of its exploration work. This includes regular submission of industry standards, blanks and duplicates in its submissions to the certified laboratories which it uses. In the case of feasibility level resource and reserve estimates, all procedures are vetted by the independent reporting authority and referee samples are submitted to a second certified laboratory.

In the case of Agbaou, the work was reviewed by Coffey Mining Pty Ltd. (formerly RSG Global Pty Ltd.), who reported that drilling procedures remain equivalent to the best international industry standards. Similarly, the logging is considered to be consistent with industry standards and suitable for resource estimation and mine planning studies. Sampling methodologies are dependent upon sample type. For RC drilling one meter sample intervals are collected averaging 20 to 25 kilograms, which are riffle split into a two kilogram assay sample. The remaining portions of the drill cuttings were retained as witness samples.

Chip boards are also made up on site at the drill rig. For diamond core samples, sample intervals are determined by the logged geology, and generally range from 0.5 meters to 2 meters. The core is re-oriented in the core trays with a line marked on the core perpendicular to any structure which is then used as a guide for the core saw technician. A consistent side (1/2 core) is selected for sample preparation and assay.

The collection and processing of all sample types is strictly controlled by employees of Etruscan to ensure security and accountability of results. All procedures and results have been reviewed by a Qualified Person(s). Samples were prepared and assayed using 50-gram, fire-assay gold analyses completed by Transworld Laboratories of Tarkwa, Ghana.

*Mineral Resources*

An independent estimate of the resource for the Agbaou Gold Project was prepared by Coffey Mining Pty Ltd. in February, 2008. The resource estimate is summarized as follows:

| **Agbaou Mineral Resource** | | | | | | |
|---|---|---|---|---|---|---|
| Cut-off | Indicated Resource | | | Inferred Resource | | |
| g/t | Tonnes | Grade | Ounces | Tonnes | Grade | Ounces |
| 0.5 | 16.59 | 1.90 | 1,015,000 | 5.07 | 1.67 | 272,000 |
| 1.0 | 10.49 | 2.58 | 871,000 | 2.75 | 2.46 | 218,000 |
| 1.5 | 6.80 | 3.32 | 727,000 | 1.68 | 3.25 | 176,000 |
| 2.0 | 4.70 | 4.04 | 610,000 | 1.09 | 4.09 | 143,000 |

***Feasibility Study***

Following delivery of the resource estimate, a feasibility study was prepared in November 2008 by MDM Engineering International Ltd. and Coffey Mining Pty Ltd. In September 2009, Etruscan completed the Agbaou Feasibility Study Update. Using a gold price of $1,000 per ounce, the base case scenario in the updated feasibility study concludes that Agbaou will produce an average of 73,000 ounces of gold per year at a cash operating cost of $516 per ounce over a 9.1 year mine life. The feasibility study is based on probable reserves of 10.9 million tonnes of ore with an average grade of 2.1 grams per tonne containing 731,000 ounces. Pit optimizations were carried out using a $1,000 per ounce gold price. However, as announced on January 30, 2012 the Corporation anticipates that average production will increase to 100,000 ounces per annum once the EPCM contractor is selected.

The study proposes open pit mining of three pits using an owner operated mining fleet with the ore to be processed through a conventional gravity-CIL (carbon-in-leach) plant with a design capacity of 1.2 million tonnes per annum. The average gold recovery is 91% and the strip ratio is 7:1. Initial capital costs for the Agbaou Gold Project are estimated to be $106 million (excluding working capital). The internal rate of return on the project for the base case scenario has been determined to be 24.9%.

The Agbaou Feasibility Update Study has been submitted to the Government of Côte d'Ivoire together with an application for the issuance of a mining permit for the Agbaou Gold Project. In accordance with the laws of Côte d'Ivoire, a new company must be established to hold the mining permit, 85% being owned by Endeavour, 10% by the State and 5% by SODEMI, the State owned mining company and original holder of the Agbaou permit.

Endeavour is continuing the development process of the Agbaou Gold Project including pursuing the granting of the mining permit and negotiation of a mining convention. In order to improve the economics of the project, Endeavour commenced drilling to increase the proven component of the ore reserves, drilling to increase overall resource and reserves, and condemnation drilling in locations of key facilities. In addition, a review of the project design criteria and re-engineering will take place in order to produce a more robust and financeable project.

The infill drilling program was successfully completed during the third quarter and SRK (Johannesburg) were retained to update the resource models with this data. Endeavour's initial review of this data indicates that it is within expectations and that an improvement in the resource classification is highly likely and SRK's updated resource estimation is expected late in the first quarter of 2012.

During the fourth quarter of 2011, drilling operations continued at Agbaou as did the flow of assay results from the condemnation and exploration drilling programs which yielded a number of significant intercepts in areas of planned infrastructure. These positive results precipitated additional condemnation drilling during the fourth quarter of 2011, and is being followed up with an additional drilling program in 2012 to further define the extent and grade of the newly identified mineralization with the objective of adding to the project's resources and reserves.

In the first half of 2011, Endeavour's progress on Agbaou was affected by Côte d'Ivoire's four month conflict when the incumbent president refused to acknowledge defeat in the 2010 election. As a result of the resolution of that situation there is a much more positive outlook. The Energy and Mines Minister has stated that the country's gold production capacity will increase to 13 tonnes a year by 2013, from its current annual output of 7 tonnes, and the government has pledged to accelerate the process of obtaining mining permits and improve electricity generation by investing $500 million in upgrading the country's main gas-fired power station between now and 2015.

Endeavour anticipates that a development decision will be taken around the end of the first quarter of 2012, subject to receiving the mining permit.

**Other Properties**

The following properties are not deemed material to Endeavour at this time.

*Finkolo Gold Project, Mali*

Endeavour's most advanced project in Mali is on the Finkolo exploration permit located on the Syama gold belt, approximately 300 kilometers southeast of Bamako, the capital of Mali. In November 2003, an option agreement was concluded with Resolute Mining Limited ("**Resolute**"), granting Resolute the right to earn up to a 60% interest in the Corporation's interest in the Finkolo exploration permit. Resolute has since earned its 60% interest and a NI 43-101 compliant feasibility study has been completed on the Tabakoroni deposit located on the Finkolo exploration permit. The feasibility study has been submitted to the Malian government as part of an application for a mining permit in order to proceed with mine development at the Finkolo Gold Project.

On March 6, 2012 the Corporation entered into a definitive agreement with Resolute for the sale and transfer of its 40% interest for total consideration of $20 million cash. The transaction is subject to a number of conditions, including approval from the Government of Mali for the transfer of the exploration permits. The Corporation anticipates that the transaction will be completed by the end of the second quarter of 2012.

***Early Stage Exploration***

*Côte d'Ivoire*

Endeavour believes that the exploration potential in Côte d'Ivoire is very high and in addition to the Agbaou permit, the Corporation has been granted four exploration permits and has made application for six new permits covering together over 7,500 square kilometers in a number of other gold belts outside of Agbaou. The exploration permits are at varying stages of the application process and some early stage reconnaissance work has been completed on three of the permits which has confirmed the gold potential on each. The Corporation is presently preparing a program to undertake drilling on the Allangoua Permit in eastern Côte d'Ivoire where disseminated gold mineralization associated with a 5.5 kilometer long geochemical anomaly has been confirmed in bedrock by rotary air blast drilling.

*Liberia*

The Corporation has three Mineral Reconnaissance Licences in the Republic of Liberia covering an area of 3,107km$^2$ within the highly prospective Archaean belt (Man Craton) in the western half of the country, to the north of the capital city Monrovia.

Liberia is located in the West Africa gold province and borders the republics of Sierra Leone, Guinea and Cote d'Ivoire. Liberia is primarily known for its iron ore deposits, however, recent exploration successes by African Aura Mining (now known as Aureus Mining) at the New Liberty Gold Project and by Hummingbird Resources at the Dugbe Project has raised the profile of Liberia's prospectivity for gold and led to a rapid increase in interest and activity. In addition, since the currently elected president, Ellen Johnson Sirleaf, took power in January 2006, Liberia has moved quickly towards rebuilding, economic growth and normalizing its diplomatic relations with the rest of the world.

The three licence areas are located near the towns of Mambo, Bopolu and Fasama in western Liberia. These areas were selected based on analysis of available data in the form of geological maps, geophysical images and reports available on the exploration activity by other companies, and the following criteria:

- areas within the Archaean belts prospective for gold in the west of Liberia;
- proximity to known hard rock gold deposits and occurrences (e.g. New Liberty deposit);
- proximity to alluvial gold workings; and
- proximity to a mixed unit of schist, amphibolite, and quartzite and iron formation that is prospective for gold.

The Mambo Licence covers an area of 580km$^2$ and is located only a few kilometres south of the New Liberty Gold Project and close to other advanced exploration prospects such as Weaju and Mano. Aeromagnetic images reveal E-W trending magnetic features on the Mambo Licence that are very similar to those associated with the New Liberty deposit to the north. The western part of the licence covers alluvial workings that coincide with a segment of the prospective schist-amphibolite unit. No hard rock mineralization is recorded but the alluvial gold is likely to be derived from a proximal hard rock source.

The Bopolu Licence covers an area of 1,190km$^2$ 70km ENE of the New Liberty deposit and within the same Archaean belt. Geological mapping shows a unit of the prospective schist-amphibolite coincident with a large concentration of alluvial workings north of the town of Bopolu. The alluvial workings are located on an interpreted offset of the schist-amphibolite unit and although no hard rock source was mapped the alluvial working suggest a proximal source.

The Fasama Licence covers an area of 1,368km$^2$ further to the northeast within the same Archaean belt as the Mambo and Bopolu licences. The Fasama Licence was selected on the basis that it covers prospective ground along strike from the New Liberty and Mano deposits. It is also located close to the Henry Town alluvial gold mining area.

To assist with a rapid start-up of exploration in Liberia, the Corporation has a full-time geologist on the ground and has also enlisted the services of an exploration consulting group with considerable experience in Liberia. First pass reconnaissance work commenced in July 2011, with the work plan including field programs of data compilation, community consultation and access assessment, leading to stream sediment and soil sampling, geological mapping and rock chip sampling. Initial results are currently being evaluated.

Exploration activity will be ongoing throughout the next twelve months.

*Mali*

In addition to its land holdings in the Syama Gold Belt in Mali South, Endeavour has established a strategic land position covering approximately 400 square kilometers in Mali West with the permits comprising the Keniebandi project. The Keniebandi project includes the gold discoveries at Diba, and new drill targets on the Keniebandi permit. The Corporation is involved with earlier stage exploration on a number of other permits comprising approximately 900 square kilometers. The Corporation is presently evaluating its approach for exploring these permits.

*Burkina Faso*

The next most advanced project in Burkina Faso is the Ouaré project, located on the Bitou 2 permit 40 kilometres northwest of the Youga plant. Ouaré has an inferred mineral resource of 4.738 Mt at 2.1 g/t for 323,000 ounces at a 0.5 g/t cut-off. The drilling performed to date on the project consists of infill drilling with both RC and core-drilling on the Ouaré Main and Ouaré East zones with the objective of improving the geological model and upgrading the resource classification. The second phase will explore along strike and to depth to test for additional resources.

The Corporation also holds two contiguous permits (Boulounga and Minima) which cover 348 square kilometres in the Cenre-Nord region of central Burkina Faso, of highly prospective ground located adjacent to High River Gold's Bissa Hill advanced exploration project which has a measured and indicated 0.926 million ounce resource plus 0.799 million ounce inferred resource.

Exploration during the fourth quarter of 2011 included the completion of a soil sampling program over the southern end of the permits in order to test a strong geophysical anomaly identified in the airbourne VTEM survey. Two gold-in-soil anomalies have been identified for follow-up exploration in addition to the previously identified drill targets on the permits.

Exploration in 2012 includes RC drilling to follow up on a VTEM geophysical survey, soil geochemistry, initial RAB and RC drill results.

## RISK FACTORS

Endeavour has identified the following risks relevant to its business and operations. These risks and uncertainties could materially affect Endeavour's future operating results, financial performance and the value of Endeavour's common shares, and are generally beyond the control of Endeavour. The following risk factors are not all-inclusive, and there is no guarantee that other factors will not affect the Corporation in the future.

### Gold Price Volatility

The profitability of Endeavour's operations may be significantly affected by changes in the market price of gold. The price of gold has historically fluctuated widely, and is affected by numerous factors beyond the control of Endeavour including without limitation, sales and purchases of gold, forward sales of gold by producers and speculators, expectations with respect to the rate of inflation, world supply of gold, stability of exchange rates (the strength of the US dollar and other currencies), global and regional political and economic conditions or events, industrial and retail demand, sales by central banks and other holders, interest rates, production and costs levels in major gold-producing regions such as South Africa and China, and speculator and producer responses to any of the foregoing factors.

Gold is sold in US dollars and although the majority of the costs of Endeavour's gold operations are in US dollars, certain costs are incurred in other currencies. Some of the operating costs of Endeavour's gold operations are denominated in currencies other than the US dollar. Fluctuations in these currencies against the US dollar could have a material effect on Endeavour's financial results, which are denominated and reported in US dollars.

Future serious price declines in the market value of gold could render Endeavour's projects uneconomic. There is no assurance that, even as commercial quantities of gold and other precious metals are produced, a profitable market will exist for them.

Declining commodity prices can also impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Endeavour can reduce its exposure against fluctuations in the price of gold by using hedging tools for a portion or all of its gold production. The main hedging tools available to protect against price risk are forward contracts and put options. Various strategies are available using these tools. Although hedging activities may protect a company against a low gold price, they may also limit the price that can be realised on gold that is subject to forward sales and call options where the market price of gold exceeds the gold price in forward sale or call option contract.

A hedging arrangement was employed by Adamus in 2010 for a portion of its production from the Nzema Gold Mine. The hedging was required under the terms of the Nzema project debt financing. This historical hedging arrangement has been reduced to 116,161 deliverable gold ounces at the time of the acquisition of Adamus, and the remaining hedge will be delivered into over the period to September 2016. When gold prices rise above the price at which future production has been hedged Endeavour will not benefit fully from the price increases.

**Production**

Endeavour currently has two operating mines, the Youga Gold Mine in Burkina Faso and the Nzema Gold Mine in Ghana. No assurance can be given that the intended or expected production estimates will be achieved by either mine or in respect of any future mining operations in which Endeavour owns or may acquire interests. Failure to meet such production estimates could have a material effect on Endeavour's future cash flows, financial performance and financial position. Production estimates are dependent on, among other things, the accuracy of mineral reserve estimates, the accuracy of assumptions regarding ore grades and recovery rates, ground conditions and physical characteristics of ores, such as hardness and the presence or absence of particular metallurgical characteristics and the accuracy of estimated rates and costs of mining and processing. Actual production may vary from its estimates for a variety of reasons, including;

- actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics;
- short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades from those planned;
- mine failures, slope and underground rock failures or equipment failures;
- industrial accidents;
- natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes; encountering unusual or unexpected geological conditions;
- changes in power costs and potential power shortages;
- shortages of principal supplies needed for operation, including explosives, fuels, chemical reagents, water, equipment parts and lubricants;
- labour shortages or strikes;
- civil disobedience and protests; and
- restrictions or regulations imposed by government agencies or other changes in the regulatory environments.

Such occurrences could result in damage to mineral properties, interruptions in production, injury or death to persons, damage to property, monetary losses and legal liabilities. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable, forcing production to cease. Each of these factors also applies to sites not yet in production and to operations that are to be expanded. It is not unusual in new mining operations to experience unexpected problems during the start-up phases. Depending on the price of gold or other minerals, it may be determined to be impractical to commence or, if commenced, to continue commercial production at a particular site.

**Acquisition Strategy**

Endeavour evaluates opportunities to acquire, divest and/or consolidate gold producing assets and similar businesses. Any resultant transactions may be significant in size, may change the scale of Endeavour's business and may expose Endeavour to new geographic, political, operating, financial and geological risks. Such transactions may be accompanied by risks applicable to the exploration and development of resource properties and conduct of mining operations generally, to the difficulties of assimilating the operations and personnel of any acquired companies, and to the risk of unknown liabilities associated with acquired assets and businesses.

Acquisition transactions involve other inherent risks, including;

- accurately assessing the value, strengths, weaknesses, contingent and other liabilities, and potential profitability of acquisition candidates;
- ability to achieve identified and anticipated operating and financial synergies;
- unanticipated costs;
- diversion of management attention from existing business;
- potential loss of Endeavour’s key employees or the key employees of any business it acquires;
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition; and
- decline in the value of acquired properties, companies or securities.

Any one or more of these factors or other risks could cause Endeavour not to realize the benefits anticipated to result from the acquisition of properties or companies, and could have a material adverse effect on its ability to grow and on its financial condition.

In addition, to acquiring properties and companies, Endeavour could use available cash, incur debt, issue Endeavour shares or other securities, or a combination of any one or more of these. This could limit Endeavour’s flexibility to raise capital, to operate, explore and develop its properties and to make additional acquisitions and could further dilute and decrease the trading price of Endeavour shares. When evaluating an acquisition opportunity, Endeavour cannot be certain that it will have correctly identified and managed risks and costs inherent in the business that it is acquiring.

Endeavour cannot give any assurance that it will successfully identify and complete an acquisition transaction and, if completed, that the business acquired will be successfully integrated into its operations.

Endeavour's success in its acquisition, divestment and consolidation activities depends on its ability to identify suitable opportunities, implement them on acceptable terms and have the operations of any acquired companies successfully integrated with those of Endeavour. There can be no assurance that Endeavour will be successful in overcoming these risks or any other problems encountered in connection with any future acquisitions, divestments or consolidations. While Endeavour continues to seek acquisition opportunities consistent with its acquisition and growth strategy, Endeavour cannot be certain that it will be able to identify additional suitable acquisition candidates available for sale at reasonable prices, to consummate any acquisition or to integrate any acquired business into its operations successfully.

**Political Risks**

The majority of Endeavour's assets are located in West Africa. Endeavour believes that the governments of the countries that the Corporation holds assets in, supports the development of their natural resources by foreign companies. There is no assurance however that future political and economic conditions of these countries will not result in their governments adopting different policies respecting foreign ownership of mineral resources, taxation, rates of exchange, environmental protection, labour relations, repatriation of income or return of capital, restrictions on production, price controls, export controls, expropriation of property, foreign investment, maintenance of claims and mine safety. The possibility that a future government in any of these countries may adopt substantially different policies, which might include the expropriation of assets, cannot be ruled out. There is also a risk of limitations being placed on the ability to repatriate funds.

Other risks and uncertainties to which the Corporation is exposed by reason of operating in West Africa include, but are not limited to, terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licences, permits, contracts and fiscal stability arrangements; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; loss due to disease and other potential endemic health issues; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Although Endeavour is not currently experiencing any significant or extraordinary problems in foreign countries arising from such risks, there can be no assurance that such problems will not arise in the future.

Endeavour’s Youga Gold Mine is located in Burkina Faso, while the Agbaou Gold Project is located in Côte d’Ivoire. Both of these countries have recently experienced a period of political unrest. Endeavour management continues to believe that the political situation in both Burkina Faso and Côte d’Ivoire will not have a significant impact on the long-term return on its investments in the Youga Gold Mine or the Agbaou property; however, in the event that political unrest should reoccur, it may have a negative effect on the recoverability of these investments.

**Mineral Legislation**

The business of mineral exploration, development, mining and processing is subject to various national and local laws and plans relating to permitting and maintenance of title, environmental consents, taxation, employee relations, health and safety, royalties, land acquisitions, land use, waste disposal, environmental protection and remediation, protection of endangered and protected species, mine safety, toxic substances and other matters. Although Endeavour currently complies with all material rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. New laws and regulations, amendments to existing laws and regulations, administrative interpretation of existing laws and regulations, or more stringent enforcement of existing laws and regulations, whether in response to changes in the political or social environment in which the companies operate or otherwise, could have a material adverse effect on the Corporation.

Failure to comply with applicable laws and regulations may result in enforcement actions or corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operation may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

*Currency and Foreign Exchange Rate Fluctuations*

The price of gold is denominated in United States dollars. Endeavour's results are also reported in US dollars. However, parts of the Corporation's business is conducted by its subsidiaries in Australia, Burkina Faso, Canada, Cayman Islands, Côte d'Ivoire, Ghana, Liberia, Luxembourg, Mali, Monaco, and the United Kingdom and the associated overhead costs are denominated in Australian dollars, Canadian dollars, Euros, UK pounds sterling and Burkina Faso CFA franc, Ghanaian Cedi, Liberian dollars, Malian CFA francs and South African Rand. Therefore, changes in currency exchange rates as well as associated transaction costs could adversely affect profitability in any given period. Any fluctuations in the value of these foreign currencies relative to the US dollar may result in variations in the Corporation's net income. Foreign currencies are affected by a number of factors that are beyond the control the Corporation. These factors include economic conditions in the relevant country and elsewhere and the outlook for interest rates, inflation and other economic factors. To date the Corporation has not entered into hedging or derivative arrangements to manage its foreign exchange risk.

**Mine Development**

Maintaining present levels of gold production is dependent on the successful development of new producing mines and/or identification of additional reserves at existing mining operations. Reduced production could have a material and adverse impact on future cash flows, results of operations and financial conditions. Feasibility studies are used to determine the economic viability of a deposit. Many factors are involved in the determination of the economic viability of a deposit, including the achievement of satisfactory mineral reserve estimates, the level of estimated metallurgical recoveries, capital and operating cost estimates and the estimate of future gold prices. Capital and operating cost estimates are based upon many factors, including anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, ground and mining conditions, expected recovery rates of the gold from the ore and anticipated environmental and regulatory compliance costs. Each of these factors involves uncertainties and as a result, Endeavour cannot give any assurance that its development or exploration projects will become operating mines. If a mine is developed, actual operating results may differ from those anticipated in a feasibility study.

Any of the following events, among others, could affect the profitability or economic feasibility of a project;

- unanticipated changes in grade and tonnage of ore to be mined and processed;
- unanticipated adverse geotechnical conditions;
- incorrect data on which engineering assumptions are made;
- costs of constructing and operating a mine in a specific environment;
- availability of labour;

- availability and costs of processing and refining facilities;
- availability of economic sources of power;
- adequacy of water supply;
- availability of surface tenure on which to locate processing and refining facilities;
- adequate access to the site, including competing land uses (such as agriculture and illegal mining);
- unanticipated transportation costs;
- government regulations (including regulations with respect to prices, royalties, duties, taxes, permitting, restrictions on production, quotas on exportation of minerals, as well as the costs of protection of the environment and agricultural lands);
- fluctuations in gold prices; and
- accidents, labour actions and force majeure events.

It is not unusual in new mining operations to experience unexpected problems during the start-up phase, and delays can often occur at the start of production.

**Future Capital Requirements**

Endeavour may require additional capital if it decides to develop other properties or make additional acquisitions. Endeavour may also encounter significant unanticipated liabilities or expenses. Endeavour's ability to continue its planned exploration and development activities depends in part on its ability to generate free cash flow from its operating mines, each of which is subject to certain risks and uncertainties. Endeavour may be required to obtain additional financing in the future to fund exploration and development activities or acquisitions of additional projects. There can be no assurance that Endeavour will be able to obtain the necessary financing in a timely manner, on acceptable terms or at all.

In addition, any additional debt financings, if available, may involve financial covenants.

**Exploration and Development**

The exploration and development of gold deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of a mineable deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to identify ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by Endeavour will result in a profitable commercial mining operation, and significant capital investment is required to achieve commercial production from successful exploration efforts. There is no certainty that exploration expenditures made by Endeavour will result in discoveries of commercially mineable quantities.

**Infrastructure**

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploitation and/or development of the Corporation’s projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploitation and/or development of the Corporation's projects will be commenced or completed on a timely basis, if at all, or that the resulting operations will achieve the anticipated production volume, or that construction costs and ongoing operating costs will not be higher than anticipated. In addition, unusual or infrequent weather phenomena, sabotage or other interference in the maintenance or provision of such infrastructure could adversely affect the Corporation's operations and profitability.

**Mineral Reserve and Mineral Resource Estimates**

Mineral reserve and mineral resource estimates are imprecise and depend partially on statistical inference drawn from drilling and other data, which may prove to be unreliable. Estimates, which were valid when made, may change significantly upon new information becoming available. In addition, the estimates depend to some extent on interpretations, which may prove to be inaccurate.

Mineral reserves are reported as general indicators of mine life. Reserves should not be interpreted as assurances of mine life or of the profitability of current or future production.

There can be no assurance that those portions of such mineral resources that not mineral reserves will ultimately be converted into mineral reserves. Mineral resources which are not mineral reserves do not have demonstrated economic viability.

**Depletion of Mineral Reserves**

Mining reserves depleted by production must be continually replaced to maintain production levels over the long term. There is no assurance that current or future exploration programs will result in any new commercial mining operations or yield new reserves to replace or expand current reserves.

**Dependence on Key Personnel**

Endeavour's growth strategy relies on certain key professionals with specific experience and expertise, and the loss of these persons or Endeavour's inability to attract and retain additional highly skilled employees required for the implementation of Endeavour's business plan and ongoing development and expansion of its operating assets may have a material adverse affect on Endeavour's business or future operations.

**Outside Contractor Risks**

It is common for certain aspects of mining operations, such as drilling and blasting, to be conducted by an outside contractor. The mining operations at the Youga Gold Mine and the Nzema Gold Mine are undertaken by contactors and as a result, the Corporation is subject to a number of risks, including reduced control over the aspects of the operations that are the responsibility of the contractor, failure of a contractor to perform under its agreement with the companies, inability to replace the contractor if either party terminates the contract, interruption of operations in the event the contractor ceases operations due to insolvency or other unforeseen events, failure of the contractor to comply with applicable legal and regulatory requirements and failure of the contractor to properly manage its workforce resulting in labour unrest or other employment issues.

**Title to Mineral Holdings**

Mining companies require licenses and permits from various governmental authorities. Endeavour believes that it holds all necessary licenses and permits under applicable laws and regulation in respect of its properties and that it is presently complying in all material respects with the terms of such licenses and permits. Such licenses and permits, however, are subject to change in various circumstances. There is a risk that the necessary permits, consents, authorizations and agreements to implement planned exploration, development or mining may not be obtained under conditions or within the time frames that make such plans economic, that applicable laws, regulations or the governing authorities will change or that such changes will result in additional material expenditures or time delays. Etruscan applied for the Agbaou mining permit in October 2009 and the application is still pending. While Endeavour believes the Agbaou mining permit will be granted, there is no guarantee this will be the case and no certainty on timing of any such grant.

There can be no guarantee that Endeavour will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities on properties under exploration or development, or to maintain continued operations that economically justify the cost. The validity of ownership of property holdings can be uncertain and may be contested. Risk always exists that some titles, particularly titles to undeveloped properties, may be defective.

**Environmental Risks and Other Hazards**

All phases of a company's mining operations are typically subject to environmental regulation in the various jurisdictions in which the Corporation operates. Environmental legislation in many countries is evolving and the trend has been toward stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and increasing responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations may require significant capital outlays on behalf of the Corporation and may cause material changes or delays in Endeavour's intended activities. There can be no assurance that future changes in environmental regulations will not adversely affect Endeavour's business, and it is possible that future changes in these laws or regulations could have a significant adverse impact on some portion of Endeavour's business, causing Endeavour to re-evaluate those activities at that time.

Environmental hazards, currently unknown to Endeavour, may exist on or adjacent to its projects. The Corporation may be liable for losses associated with such hazards, or may be forced to undertake extensive remedial clean-up action or to pay for governmental remedial clean-up actions, even in cases where such hazards have been caused by previous or existing owners or operations of project land, or by past or present owners of adjacent properties or natural conditions. The costs of such clean-up actions may have a material adverse impact on the Corporation’s operations and profitability.

Endeavour uses sodium cyanide in its gold production at the Youga and Nzema Gold Mines. Should sodium cyanide leak or otherwise be discharged from the containment system, Endeavour may be subject to liability for clean-up work. Endeavour currently carries insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured include environmental pollution, other than $250,000 of coverage to clean up uninsured property not on the Youga Mine Site. Therefore, Endeavour may suffer a material adverse impact on its business if it incurs losses related to any significant events that are not covered by its insurance policies.

Mining involves various other types of risks and hazards, including:

- industrial accidents;
- processing problems;
- unusual or unexpected rock formations;
- structural cave-ins or slides;
- flooding;
- fires;
- metals losses; and periodic interruptions due to inclement or hazardous weather conditions.

These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury, delays in mining, increased production costs, monetary losses and possible legal liability.

**Reclamation**

With regard to the Youga Gold Mine, recent legislation has been adopted that provides that mining companies exploiting a mine in Burkina Faso must establish an environmental preservation and rehabilitation fund trust account ("**EPRF**") and make annual contributions equal to the total forecasted rehabilitation budget as stated in the project's environmental impact assessment divided by the number of years forming the mine life. Endeavour has established an EPRF account for the Youga Gold Mine and made the required financial contributions.

In the case of the Nzema Gold Mine, the Ghana EPA requires reclamation costs over the life of mine to be secured by way of a performance bond (or similar instrument) issued by an appropriate financial institution. The amount of reclamation security fluctuates in accordance with land disturbance and is calculated by reference to the Nzema environmental management plan and any updates thereto. As at December 31, 2011 the reclamation security agreement between the EPA and Adamus Resources Limited in Ghana had not been finalized, and therefore the obligation to provide the performance bond has not yet arisen.

There is no assurance that any funds or bonding provided in relation to the Youga Gold Mine and the Nzema Gold Mine will be sufficient to complete reclamation work actually required or that Endeavour will not be required to fund additional costs related to reclamation that could have a material adverse effect on Endeavour's financial position.

**Remote Locations**

Endeavour's mining interests are located in remote locations and depend on an uninterrupted flow of materials, supplies and services to those locations. Any interruptions to the procurement of equipment or the flow of materials, supplies and services to these properties could have an adverse impact on the Endeavour's future cash flows, earnings, results of operations and financial condition.

**Competition**

The mining industry is intensely competitive. Significant competition exists for the acquisition of properties producing or capable of producing gold or other metals. Endeavour may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than Endeavour. Endeavour may also encounter increasing competition from other mining companies in its efforts to hire experienced mining professionals. Increased competition could adversely affect Endeavour’s ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

**Insurance Coverage**

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining and monetary losses and possible legal liability. Endeavour’s policies of insurance may not provide sufficient coverage for losses related to these or other risks. Endeavour’s insurance does not cover all risks that may result in loss or damage and may not be adequate to reimburse Endeavour for all losses sustained. The occurrence of losses or damage not covered by insurance could have a material and adverse effect on Endeavour’s cash flows, results of operation and financial condition.

Insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to companies in the mining industry on acceptable terms. Losses from these events may cause the Corporation to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

**Legal Proceedings**

Endeavour may become party to new litigation or other proceedings, with or without merit, in a number of jurisdictions. The cost of defending such claims may take away from management time and effort and if adjudged adversely to Endeavour, may have a material and adverse effect on its cash flows, results of operation and financial condition.

**Foreign Assets**

Substantial portions of the assets of Endeavour are located in jurisdictions outside of Canada or Australia. As a result, it may be difficult for investors resident in Canada or Australia or other jurisdictions to enforce judgments obtained against Endeavour in Canada or Australia if the damages awarded exceed the realizable value of Endeavour's Canadian or Australian assets.

**Foreign Organization**

The Corporation is incorporated under the laws of the Cayman Islands. The foreign organization, management and offices of the Corporation may make it more difficult for shareholders to enforce their legal rights than if the Corporation was organized, managed and resident in Australia or Canada or the United States. The common law and statutory rights of shareholders under the laws of the Cayman Islands may be less extensive than statutory rights available to shareholders under the laws of Australia or Canada or the United States. Although the Cayman Islands have enjoyed a stable political climate for many years, there can be no assurance that changing social and political conditions will not adversely affect the operations of the Corporation in the future.

## DIVIDENDS

A monthly cash dividend of C$0.03 per common share was paid on January 30, 2009 to shareholders of record on January 28, 2009.

In February 2009 the Corporation suspended its monthly dividend payments for the foreseeable future.

## DESCRIPTION OF CAPITAL STRUCTURE OF ISSUER

### General Description of Capital Structure

Endeavour's authorized capital is $20,000,000 divided into 1,000,000,000 ordinary shares (the "**Common Shares**") and 1,000,000,000 undesignated shares with a par value of $0.01 each, none of which undesignated share have been issued. As at March 13, 2012, 245,037,109 shares were issued and outstanding. Endeavour had 17,091,778 stock options outstanding under its share option plans, exercisable into 17,091,778 Common Shares. In addition, the Endeavour had Common Share purchase warrants outstanding, exercisable into 33,167,238 Common Shares.

### Common Shares

The Common Shares confer upon the holders thereof the right to receive notice of, to attend and to vote at, general meetings of the Corporation. The Common Shares are transferable by their holders subject to compliance with the provisions of the articles of association of the Corporation in relation to transfers. The Common Shares confer upon the holders thereof rights in a winding-up or repayment of capital and the right to participate in the profits or assets of the Corporation in accordance with the articles of association. The directors of the Corporation can implement or effect at their sole discretion the issuance of a preferred share purchase right to be attached to each issued Common Share with such terms and for such purposes, including the influencing of a takeover, as may be described in a rights agreement between the Corporation and a rights agent.

The Common Shares are not redeemable by the Corporation or the holder of such shares. Subject to applicable law, the Corporation may purchase its own Common Shares on such terms and in such manner as the directors may determine and agree with the shareholder, and make a payment in respect of the purchase of its own Common Shares otherwise than out of profits or the proceeds of a new issue of shares.

### Undesignated Shares

Undesignated shares in the capital of the Corporation may be designated and created as shares of any other class or series of shares with their respective rights and restrictions determined upon the creation thereof by resolution of the directors approved pursuant to the articles of association of the Corporation.

# MARKET FOR SECURITIES

## Price Range and Trading Volumes of Endeavour Common Shares

Endeavour's common shares are listed for trading on the TSX under the trading symbol "EDV". The CDIs issued pursuant to the Merger trade on the ASX under the symbol "EVR". The following table sets forth, for the periods indicated, the reported high, low and closing trading prices and the aggregate volume of trading of Endeavour's common shares on the TSX:

| | High (C$) | Low (C$) | Close (C$) | Volume (#) |
|---|---|---|---|---|
| January 2011 | 2.94 | 2.61 | 2.85 | 6,932,206 |
| February 2011 | 2.94 | 2.73 | 2.76 | 6,880,620 |
| March 2011 | 2.79 | 2.35 | 2.60 | 8,445,347 |
| April 2011 | 2.68 | 2.30 | 2.39 | 9,177,826 |
| May 2011 | 2.40 | 2.11 | 2.35 | 3,577,692 |
| June 2011 | 2.46 | 2.14 | 2.31 | 10,521,511 |
| July 2011 | 2.65 | 2.21 | 2.26 | 5,072,189 |
| August 2011 | 2.60 | 2.22 | 2.35 | 7,266,575 |
| September 2011 | 2.48 | 1.89 | 2.00 | 6,417,978 |
| October 2011 | 2.25 | 1.71 | 2.08 | 4,825,943 |
| November 2011 | 2.51 | 2.01 | 2.50 | 5,742,633 |
| December 2011 | 2.74 | 2.33 | 2.43 | 9,399,618 |

## Price Range and Trading Volumes of Endeavour Warrants

*Endeavour A Warrants*

Endeavour A Warrants are listed and posted for trading on the TSX under trading symbol "EDV.WT.A". Each Endeavour A Warrant entitles the holder to purchase one Endeavour Share for C$2.50 at any time on or before February 4, 2014. The following table sets forth, for the periods indicated, the reported high, low and closing trading prices and the aggregate volume of trading of the Endeavour A Warrants on the TSX:

| | High (C$) | Low (C$) | Close (C$) | Volume (#) |
|---|---|---|---|---|
| January 2011 | 1.04 | 0.89 | 0.95 | 860,710 |
| February 2011 | 1.22 | 0.95 | 0.99 | 2,354,214 |
| March 2011 | 1.04 | 0.78 | 0.90 | 657,351 |
| April 2011 | 0.90 | 0.63 | 0.78 | 721,663 |
| May 2011 | 0.78 | 0.59 | 0.68 | 2,906,604 |
| June 2011 | 0.70 | 0.60 | 0.60 | 3,053,431 |
| July 2011 | 0.81 | 0.61 | 0.65 | 1,271,406 |
| August 2011 | 0.77 | 0.61 | 0.70 | 796,859 |
| September 2011 | 0.75 | 0.48 | 0.55 | 2,320,616 |
| October, 2011 | 0.64 | 0.42 | 0.59 | 204,550 |
| November 2011 | 0.72 | 0.60 | 0.70 | 2,542,050 |
| December 2011 | 0.84 | 0.64 | 0.70 | 1,030,264 |

*Endeavour C Warrants*

Endeavour's C Warrants expired on August 6, 2011. They were issued as part of the Etruscan Arrangement and were listed and posted for trading on the TSX under trading symbol "EDV.WT.C". Each C Warrant entitled the holder to purchase 0.0932 of one Common Share of Endeavour and receive $0.26 for $1.85 at any time on or before August 6, 2011. The price ranges and volumes traded for each month in the most recently completed financial year are as set out below:

| | High (C$) | Low (C$) | Volume (#) |
|---|---|---|---|
| January 2011 | 0.040 | 0.040 | 12,000 |
| February 2011 | – | – | – |
| March 2011 | – | – | – |
| April 2011 | – | | – |
| May 2011 | 0.025 | 0.005 | 27,350 |
| June 2011 | – | – | – |
| July 2011 | 0.010 | 0.010 | 2,500 |
| August 1-6, 2011 | – | – | – |

## DIRECTORS AND OFFICERS

The following table indicates the name, province or state, and country of residence of each director and executive officer of the Corporation as at its most recent financial year end, their respective positions with the Corporation and principal occupations during the past five years, the dates on which each of them commenced serving as a director of the Corporation, and the number and percentages of Common Shares (being the Corporation's only class of voting securities) owned directly or indirectly or over which control or direction is exercised by each of them as at the Corporation's most recent financial year end.

| Name And Residence Of Director/Officer And Present Position With The Corporation | Principal Occupation | Date Commenced Being a Director | Number Of Common Shares[1] |
|---|---|---|---|
| **MICHAEL E. BECKETT** [3] [4] [5]<br>London, England<br>*Director and Chairman* | Various Chairman and Director appointments | July 26, 2002 | 130,000 |
| **NEIL WOODYER**<br>Monte Carlo, Monaco<br>*Director, President and Chief Executive Officer* | President and Chief Executive Officer of the Corporation | July 26, 2002 | 175,300[7] |
| **MARK CONNELLY** [4]<br>Perth, Australia<br>*Director and Chief Operating Officer* | Chief Operating Officer of the Corporation | December 5, 2011 | 855,000 |
| **CHRISTIAN MILAU** [6]<br>Fontvieille, Monaco<br>*Chief Financial Officer and Executive Vice President* | Chief Financial Officer of the Corporation | N/A | 134,000 |

| | | | |
|---|---|---|---|
| **IAN CUNNINGHAM**<br>Perth, Australia<br>*Corporate Secretary* | Corporate Secretary of the Corporation | N/A | 114,269 |
| **JORGE L. GAMARCI** (2) (5)<br>Austin Texas, USA<br>*Director* | Private investor and a member of several corporate boards domiciled mostly in Latin America | November 6, 2003 | Nil |
| **DR. ANTONY HARWOOD** (4) (5)<br>Johannesburg, South Africa<br>*Director* | Mining Executive/Geologist | December 5, 2011 | 42,750 |
| **WAYNE McMANUS** (2) (3)<br>Grand Cayman, Cayman Islands<br>*Director* | College Professor and Author | July 26, 2002 | 80,000 |
| **MARTIN REED** (2) (3) (4)<br>Perth, Australia<br>*Director* | Mining Engineer | December 5, 2011 | 42,750 |

(1) Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, which information has been furnished by the nominees themselves.

(2) Member of the Audit Committee.

(3) Member of the Corporate Governance and Nominating Committee.

(4) Member of the Safety, Health and Environmental Committee.

(5) Member of the Remuneration Committee.

(6) Mr. Bill Koutsouras, former Chief Financial Officer and Executive Vice President of the Corporation, resigned on March 31, 2011. The position of Executive Vice President and Chief Financial Officer of the Corporation was assumed by Christian Milau of Fontvieille, Monaco. From August, 2008 to March, 2011, Mr. Milau was Vice-President and Treasurer of New Gold Inc., a TSX and AMEX listed intermediate gold producer with operating mines in the United States, Mexico and Australia. Prior to this, Mr. Milau held the position of Vice-President with Deloitte & Touche LLP Corporate Finance from 2007 to 2008 and the position of Vice-President Corporate Finance, at BNP Paribas Bank from 2004 to 2007.

(7) Ashdell Ltd., a company beneficially owned by a Woodyer family trust, holds 2.8 million Common Shares as at the date of this Information Circular. Ashdell is controlled by this trust which operates through an independent trustee. Neil Woodyer has no control or direction over or beneficial interest in Ashdell Ltd. or the trust.

The Corporation's directors hold office until the earlier of the conclusion of their term or until removed from office by the shareholders by ordinary resolution. The terms of office of the directors are as follows:

| Director | Term | Term Expires |
|---|---|---|
| **MICHAEL E. BECKETT** | Three years | 2014 AGM |
| **MARK CONNELLY** | Until the 2012 AGM(1) | 2012 AGM |
| **JORGE L. GAMARCI** | Three years | 2013 AGM |
| **DR. ANTONY HARWOOD** | Until the 2012 AGM(1) | 2012 AGM |
| **WAYNE McMANUS** | Three years | 2014 AGM |
| **MARTIN REED** | Until the 2012 AGM(1) | 2012 AGM |
| **NEIL WOODYER** | Three years | 2014 AGM |

(1) Messrs. Connelly, Harwood and Reed were appointed to the Corporation's Board of Directors on December 5, 2011 and will be up for election at the Corporation's 2012 Annual General Meeting.

To the best of the Corporation's knowledge, as a group, the directors and officers of the Corporation exercised control and direction over 1,574,069 common shares or 0.642% of the Corporation's issued Common Shares as at March 13, 2012.

**Corporate Cease Trade Orders or Bankruptcies**

No director or executive officer of the Corporation is or within the 10 years before the date of this AIF has been, a director or executive officer of any other issuer that, while such person was acting in that capacity:

(a) was the subject of a cease trade or similar order or an order that denied such other issuer access to any exemptions under Canadian securities legislation for a period of more than 30 consecutive days;

(b) was subject to an event that resulted, after the director or officer ceased to be a director or officer, in the Corporation being the subject of a cease trade order or similar order or an order that denied the relevant issuer access to any exemption order under Canadian securities legislation, for a period of more than 30 consecutive days.

No director, executive officer or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is, or within the 10 years before the date of this AIF has been, a director or executive officer of any other issuer that, while such person was acting in that capacity within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

**Personal Bankruptcies**

No director, executive officer or shareholder holding a sufficient number of the Corporation's securities to affect materially the control of the Corporation has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets.

**Penalties or Sanctions**

No director, executive officer or shareholder holding a sufficient number of the Corporation's securities to affect materially the control of the Corporation has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or has entered into a settlement agreement with a Canadian securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## Conflicts of Interest

*Directors and Officers*

The Corporation's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Corporation may participate, the directors of the Corporation may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such conflict of interest arises at a meeting of the Corporation's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for the participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of British Columbia, the directors of the Corporation are required to act honestly, in good faith and in the best interests of the Corporation. In determining whether or not the Corporation will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Corporation may be exposed and its financial position at that time.

The directors and officers of the Corporation are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosures by the directors of conflicts of interest and the Corporation will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors or officers in accordance with applicable law, and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. The directors and officers of the Corporation are not aware of any such conflicts of interests.

# AUDIT COMMITTEE

## Audit Committee Charter

The Audit Committee's charter is set out in full in Schedule "A".

## Composition of the Audit Committee

The Audit Committee is comprised of Wayne McManus (Chair), Martin Reed and Jorge L. Gamarci. All members are independent and financially literate.

**Relevant Education and Experience**

Wayne McManus has worked for several years as a private banker providing accounting and wealth management services to clients. Mr. McManus also has over 20 years of experience teaching accounting at the college level. He is a Certified Public Accountant, a Chartered Financial Analyst and has a Masters of Business Administration Degree.

Jorge Gamarci has over 30 years' experience in banking, as a bank accountant early in his career and later as an executive officer authorizing significant banking credit facilities at Lloyds Bank PLC. Mr. Gamarci also has significant trading experience from his employment at Lloyds Bank PLC, Bank of Montreal and UBS Securities LLC where he was respectively Executive Vice President, Senior Vice President and Managing Director. He holds a Baccalaureate in Accountancy degree and has also studied economics in Argentina and Banking in the U.S. Mr. Gamarci is also a member of several corporate boards domiciled mostly in Latin America.

Martin Reed is a Mining Engineer who has held a number of senior executive positions in the mining industry. He was a Non-Executive Director of Adamus Resources Limited and was a member of its Audit Committee.

**Pre-Approval Policies and Procedures for Non-Audit Services**

The Audit Committee has not adopted specific policies for the engagement of non-audit services. Engagements for the provision of non-audit services are approved by both the Audit Committee and the Corporation's Board at the commencement of each financial year, and if applicable, will be considered on a case-by-case basis during the course of the year.

**External Auditor Service Fees**

The aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years are set out below:

| | **Year ended December 31, 2011 (C$)** | **Year ended December 31, 2010 (C$)** |
|---|---|---|
| Audit Fees[(1)] | 741,500 | 422,500 |
| Audit-related Fees[(2)] | 345,000 | - |
| Tax Fees[(3)] | 419,732 | 166,000 |
| All Other Fees[(4)] | 93,000 | 45,000 |
| Total Fees | 1,599,232 | 633,500 |

(1) "Audit Fees" are the aggregate fees billed by the auditors for audit services.

(2) "Audit-related Fees" are the aggregate fees billed by the Corporation's external auditors for the assistance with the Corporation's transition from Canadian GAAP to International Financial Reporting Standards and its acquisition of Etruscan Resources Inc.

(3) "Tax Fees" are fees for tax compliance work, preparing the annual tax returns and tax planning issues.

(4) "All Other Fees" are the aggregate fees paid to the auditors for services related to assistance with the Corporation's Management Information Circular and Business Acquisition Report as well as due diligence services performed in connection with the Merger with Adamus.

## LEGAL PROCEEDINGS

Except as described below, the Corporation is not a party to, nor is any of its property the subject of, any material legal proceedings, and there are no legal proceedings known by the Corporation to be contemplated.

**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) claiming certain specified amounts totaling approximately $5 million together with unspecified damages for fundamental breach of contract relating to the termination of a drill blast contract at the Youga Gold Mine and injunctive relief to prevent the Corporation and Burkina Mining Company from claiming under a performance guarantee provided by BFMS' parent company, EPC Groupe.

On July 5, 2010, the Corporation delivered a response and counterclaim to BFMS and the arbitrator agreed to adjudicate the matter. The Corporation and BFMS must file written arguments with the arbitrator by April 5, 2012. 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.

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 claims 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 15, 2010, amended the Statement of Claim to in part (i) reduce the damages claimed against the Company from C$500 million to C$150 million (including damages that Gold Reserve alleges to have suffered as a result of being unable to complete an unnamed transaction) and C$50 million in punitive damages, and (ii) add the principals of Fiore as individual defendants. 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.

**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, two prospecting licences over ground near the Southern Ashanti geological belt in Ghana. In addition to claiming a breach of contract arising from the Corporation's alleged failure to pay Hightime for the opportunity, Hightime is also claiming restitution of the benefit (the prospecting licences) that the Corporation obtained allegedly to the detriment of Hightime. 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 Corporation's financial statements.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Corporation is not aware of any material interest, direct or indirect, of any director or officer of the Corporation, or any person or company that is a direct or indirect beneficial owner of, or who exercises control or direction over, more than ten percent of the Common Shares, or any affiliate of such persons or companies, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Corporation.

## TRANSFER AGENT AND REGISTRAR

The Corporation's transfer agent and registrar is Computershare Trust Company of Canada at its principal offices in Toronto and Vancouver. The website address of Computershare is www-us.computershare.com.

## MATERIAL CONTRACTS

Except for contracts entered into by the Corporation in the ordinary course of business or otherwise disclosed herein, the Corporation has no contracts which can reasonably be regarded as material.

## INTERESTS OF EXPERTS

**Auditors**

The auditors of the Corporation are Deloitte & Touche LLP, Chartered Accountants, Vancouver, British Columbia ("**Deloitte**"). Endeavour's consolidated annual financial statements for the year ended December 31, 2011, filed under National Instrument 51-102 contain the report of Deloitte given on their authority as experts in auditing and accounting. Deloitte has represented to the Corporation that it is independent to the Corporation within the meaning of the Rules of Professional Conduct of the Institutes of Chartered Accountants of British Columbia.

**Other Experts**

The following are the technical reports prepared in accordance with NI 43-101 from which certain technical information relating to the Corporation's mineral projects on properties material to the Corporation contained in this AIF has been derived:

(a) The report entitled "Resource and Reserve Update Report, Youga Gold Mine, Burkina Faso, West Africa", and dated March 15, 2011, prepared by Adrian de Freitas, C.Eng., and K. Kirk Woodman, P.Geo.; and

(b) The report entitled "Feasibility Update Study Report on the Agbaou Gold Project, Côte d'Ivoire, West Africa", dated September, 2009 prepared by MDM Engineering International Ltd. and Coffey Mining Pty Ltd.

(c) The report entitled "Southern Ashanti Gold Project, Ghana, West Africa, Technical Report" dated August 17, 2009 prepared by Ron Heeks, Technical Manager

All of the above reports were prepared in compliance with *National Instrument 43-101* "*Standards of Disclosure for Mineral Properties*". Each of these reports are available on SEDAR at www.sedar.com under the Corporation's profile except for the report entitled "Southern Ashanti Gold Project, Ghana, West Africa, Technical Report", which is available on SEDAR under Adamus' profile. None of the authors of any report referred to above, other than Adrian de Freitas and Kirk Woodman who are employees of the Corporation, and Ron Heeks, a former employee of Adamus, had any interest, direct or indirect, in any securities or other properties of the Corporation, or any of its associates or affiliates, at the time the applicable report was prepared, and none of them other than Adrian de Freitas and Kirk Woodman have received or will receive from the Corporation any securities or properties of the Corporation or any of its associates or affiliates after such time.

## ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Corporation's management proxy circular for its upcoming annual general meeting.

Additional financial information is provided in the Corporation's audited consolidated financial statements and management discussion and analysis for the year ended December 31, 2011.

# APPENDIX "A"

## AUDIT COMMITTEE CHARTER

### I Committee Structure

The Audit Committee (the "**Committee**") shall be comprised of at least three members, including the Chairperson, each of whom shall be an independent director in accordance with the applicable policies and guidelines of the Canadian Securities Administrators.

The Chairperson of the Committee shall be nominated by the Corporate Governance & Nominating Committee from time to time. A quorum for any meeting shall be two members.

Nominees for the Committee shall be recommended by the Corporate Governance & Nominating Committee in accordance with the policies and principles set forth in the Corporate Governance & Nominating Committee charter. The invitation to join the Committee shall be extended by the Board of Directors (the "**Board**") itself, by the Chairman of the Corporate Governance & Nominating Committee or the Chairman of the Board. Members of the Committee may be removed or replaced by the Board. Each member of the Committee shall be financially literate.

Any Committee member may resign at any time by providing notice in writing or by electronic transmission to the Corporate Secretary. Such resignation shall take effect upon receipt thereof or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

The Chairperson may invite corporate officers and advisors to attend the meetings. Minutes of each Committee meeting shall be kept and made available to the Board.

The Committee shall have unrestricted access to Corporation personnel and documents and shall be provided with the resources necessary to carry out its responsibilities.

The Committee has the right to engage experts or advisors, including independent legal counsel at the expense of the Corporation, to set and pay the compensation of such outside experts or advisors, and to communicate directly with the Corporation's internal and external auditors.

The Committee shall report its activities to the Board by distributing minutes of its meetings and, as appropriate, by oral or written report to the Board describing the Audit Committee's activities.

The Committee shall be responsible for conducting an annual self-evaluation. The Corporate Governance & Nominating Committee shall be responsible for monitoring the processes and evaluation criteria established by the committee. The assessment shall be discussed with the full Board following the end of each fiscal year.

### II Operation of the Committee

Responsibility for the Corporation's financial reporting, accounting systems and internal controls is vested in the officers of the Corporation and is overseen by the Board.

The responsibility of the Committee is to assist the Board in fulfilling its oversight responsibilities. Meeting a minimum of four times annually, the Committee is responsible for:

- the financial reporting process of the Corporation including reviewing the objectivity of the independent audit; and

- overseeing the system of internal control including the assessment of risk.

In undertaking these responsibilities the Committee shall perform various duties as outlined below:

- Review the financial statements and related footnotes of the Corporation before their submission to the Board, including the annual and interim financial statements, auditors' opinion, management letters, management's discussion and analysis of operations, financial press releases, the annual information form and management information circular for the purpose of recommending approval by the Board of Directors prior to its release.

- Meet with the independent auditors, with and without management present, to review the financial statements and the results of their audit, including:

    - assessing the risk that the financial statements contain material misstatements;

    - assessing the accounting principles used and their application, as well as being aware of new and developing accounting standards that may affect the Corporation; and

    - assessing the significant estimates made by management.

    - assessing the disclosures in the financial statements

- Discuss the planning of the audit with the independent auditors including:

    - the general approach taken in conducting the audit including any areas of particular concern or interest to the Committee or management and any extensions to the audit scope requested by the Committee or management;

    - areas of the financial statements identified as having a high risk of material misstatement and the auditor's response thereto;

    - the materiality and audit risk level on which the audit is based;

    - the extent of audit work related to internal controls

    - the planned reliance on the work of other auditors, how the expectations shall be communicated to the other auditors and how their findings shall be communicated to the Committee; and

    - the timing and estimated fees of the audit.

- Assess the overall process for identifying principal business, political, financial and control risks and providing its views on the effectiveness of this process to the Board.

- Evaluate the performance of the independent auditors and recommend to the Board the appointment or replacement of the independent auditors.

- Evaluate and recommend to the Board the compensation of the independent auditors.

- Receive periodic reports from the independent auditors regarding the auditors' independence, discuss such reports with the auditors, and if so determined by the Committee, recommend that the Board take appropriate action to ensure the independence of the auditors.

- Review with the independent auditors any audit problems or difficulties and management's response and resolving disagreements between management and the auditors regarding financial reporting.

- Review the reliability and integrity of financial and operating information.

- Review the systems established to ensure compliance with Corporation policies, plans, procedures, laws, regulations and means of safeguarding assets including adequacy of controls surrounding electronic data processing and computer security.

- Review the adequacy of resources assigned to assess control and what steps the officers of the Corporation have taken to eliminate any potentially serious weaknesses in internal control including a review of executive expense procedures and use of Corporation assets, the capital investment control process and financial instruments procedures.

- Provide the opportunity for open communication between the Corporation, the independent auditors and the Board.

- Report annually to the shareholders in the Corporation's Management Information Circular prepared for the annual and general meeting of shareholders on the carrying out of its responsibilities under this charter and on other matters as required by applicable securities regulatory authorities.

- Annual review and revision of this Charter as necessary with the approval of the Board of Directors that this Charter may be amended and restated from time to time without the approval of the Board of Directors to ensure that the composition of the Audit Committee and the responsibilities and Powers of the Audit Committee comply with the applicable laws and stock exchange rules.

- Approve any permissible non-audit engagements of the independent auditors, in accordance with applicable legislation.

- Establish an anonymous reporting procedure for a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and (b) the confidential anonymous submission by employees of the Corporation of concerns regarding potential fraud or questionable accounting or auditing matters, as required by Multilateral Instrument 52-110 of the Canadian Security Administrators.

- Review the Corporation's disclosure controls and procedures and internal control over financial reporting (the "**Controls**"), and consider whether the Controls:

    - provide reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, if any, is made known to the Corporation's Chief

Executive Officer and Chief Financial Officer, particularly during the period in which the Corporation's annual filings are being prepared; and

- provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The Audit Committee shall evaluate the effectiveness of the Controls as of the end of each period covered by the annual filings and provide the Board of Directors and management with its conclusions about the effectiveness of the Controls.

## III Amendment, Modification and Waiver

These guidelines may be amended or modified by the Board, subject to disclosure and other policies and guidelines of the Canadian Securities Administrators.