*This Management's Discussion and Analysis ("MD&A") should be read in conjunction with Endeavour Mining Corporation's ("Endeavour Mining" or the "Corporation") unaudited condensed interim consolidated financial statements for the three months ended March 31, 2016 and related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS").This Management's Discussion and Analysis contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. The reader is cautioned not to place undue reliance on forward-looking statements. All figures are in United States Dollars, unless otherwise indicated. Tabular amounts are in thousands of United States Dollars, except per share amounts and where otherwise indicated. This Management's Discussion and Analysis is prepared as of April 29, 2016. Additional information relating to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com.*

## BUSINESS OVERVIEW

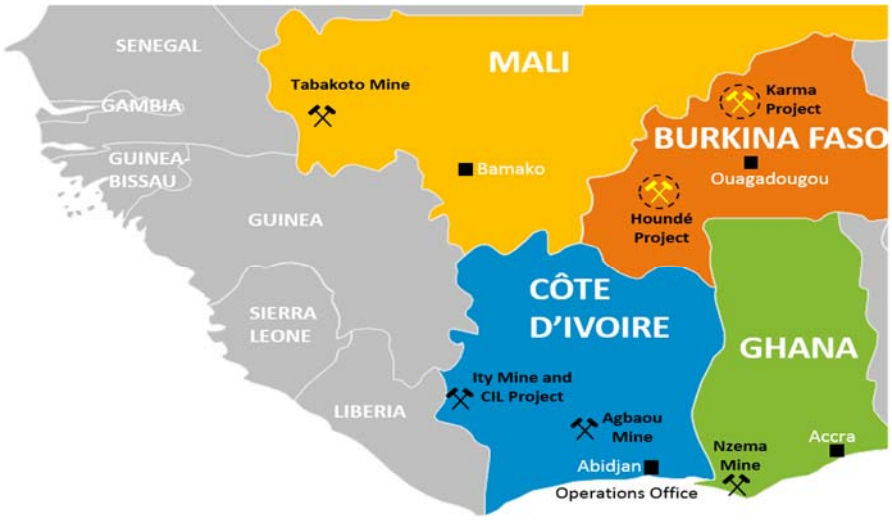
Endeavour Mining is a Canadian listed intermediate gold producer with five operating mines in West Africa as of the date of this MD&A. However, the Corporation's operating assets for the three months ended March 31, 2016 comprised of the Agbaou Gold Mine in Côte d'Ivoire, the Nzema Gold Mine in Ghana, the Tabakoto Gold Mine in Mali and the Ity Gold Mine in Côte d'Ivoire. On November 27, 2015 the Ity Gold Mine was acquired as part of a long term strategic partnership with La Mancha Holding S.àr.l., a privately-held gold investment company controlled by the Sawiris family. On February 29, 2016 the Corporation announced that it had completed the sale of the Youga Gold Mine in Burkina Faso for $20 million of cash proceeds.

Additionally, on March 4, 2016 Endeavour Mining announced that it had entered into a transaction to acquire all of the issued and outstanding common shares of True Gold Mining Inc. ("True Gold") (TSX-V:TGM). In conjunction with the acquisition, Endeavour Mining announced that La Mancha Holding S.àr.l., its largest shareholder, intends to exercise its anti-dilution right that will result in a new equity placement in Endeavour Mining to preserve its 30% ownership. On April 21, both the shareholders of Endeavour Mining and True Gold supported the transaction in separate shareholder votes concluding the transaction as of April 26. The La Mancha group anti-dilution private placement was completed contributing approximately $65 million to Endeavour's cash balance. On April 27, 2016 $40 million was utilized to lower the drawn balance of Endeavour's Revolving Credit Facility to $200 million.

On April 11, 2016 Endeavour Mining announced that its 90%-owned Houndé Project in Burkina Faso has entered the construction phase of its development. The Houndé Project is expected to deliver average production of 190,000 ounces per year over a 10-year mine life at an all-in sustaining cost ("AISC") of $709 per ounce, based on current reserves. The first three years of production is expected to produce an average of 230,000 ounces per year, resulting in robust economics boasting an IRR of 32% at $1,250 gold. The project is an open pit mine with a 3.0Mtpa gravity circuit/Carbon-In-Leach plant. The initial capital cost is estimated at $328 million, inclusive of $47 million for the owner-mining fleet, and the project is permitted to commence operations. Early earthworks and resettlement programmes have begun.

Endeavour Mining's shares are listed on the Toronto Stock Exchange (symbol EDV) and quoted in the United States on the OTCQX International (symbol EDVMF). On January 11, 2016, Endeavour Mining announced that it had successfully been removed from the official list of the Australian Securities Exchange.

**Figure 1: Endeavour Mining's principal properties in West Africa as of April 29, 2016**




## HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2016

For the three months ended March 31, 2016, Endeavour achieved gold production of 131,567ounces. AISC[1] from continuing operations of $889 falls within the range of AISC guidance and an operating EBITDA[1] of $41.8 million was achieved. The Corporation received cash proceeds of $20 million for the sale of the Youga Mine and completed the quarter with a cash balance of $117.0 million, generating cash flow from operations of $20.1 million.

**Table 1: Year over year and quarterly key figures**

| | Three months ended | |
|---|---|---|
| | March 31, 2016 | March 31, 2015 |
| **Operating Data**[3] | | |
| Gold ounces produced: | 131,567 | 123,744 |
| Gold ounces sold: | 127,355 | 124,850 |
| Realized gold price ($/ounce) | 1,192 | 1,219 |
| Sustaining capital ($'000')[1] | 11,137 | 13,953 |
| **Financial Data** ($'000') | | |
| Revenues[2] | 143,957 | 130,449 |
| Royalties[2] | 6,590 | 6,353 |
| Operating EBITDA[1] | 41,814 | 40,602 |
| Total net earnings | 7,858 | 12,951 |
| Basic earnings per share ($/share) | 0.02 | 0.22 |
| All-in sustaining margin[1] | 36,744 | 33,931 |
| Cash generated from operating activities | 20,147 | 31,425 |
| Net debt[1] | 135,593 | 259,371 |

[1] AISC, all-in sustaining costs at the mine level, cash costs, operating EBITDA, all-in sustaining margin, free cash flow, net debt and adjusted earnings are non-GAAP financial performance measures with no standard meaning under IFRS, further discussed in the section Non-GAAP Measures. Throughout this MD&A, the realized price is the realized average gold price received for all ounces sold.
[2] These items reflect the results from continuing operations only and exclude the financial results of the Youga Mine for both the current and prior year quarters as a result of the sale of the mine concluded on February 29, 2016 as required under IFRS.
[3] Operating data includes the Youga mine results prior to its disposal on February 29, 2016.

- Gold production of 131,567 ounces and sales of 127,355 ounces compared to production of 123,744 ounces and 124,850 ounces sold for the three months ended March 31, 2015.
- Realized gold price was $1,192 versus $1,219 in the comparable period of the prior year.
- The Agbaou Mine continued with another excellent quarter producing 42,765 ounces of gold at an AISC of $525 per ounce, within guidance range in production and below guidance in AISC.
- Endeavour Mining has achieved significant progress in optimizing the performance of its mines, as demonstrated by the 22% decline in AISC since the year ended December 31, 2013. AISC of $889 for the current quarter ended March 31, 2016 demonstrates continued significant improvements in our operations, strategic optimization of our mine portfolio, as well as the continued benefit of the decline of crude oil prices and favourable exchange rates.
- Operating EBITDA of $41.8 million was achieved in the first quarter of 2016 compared to $40.6 million achieved for the same period in the prior year.
- All-in sustaining margin of $36.7 million was achieved in the current year, which compares favorably with the prior year figure of $33.9 million.

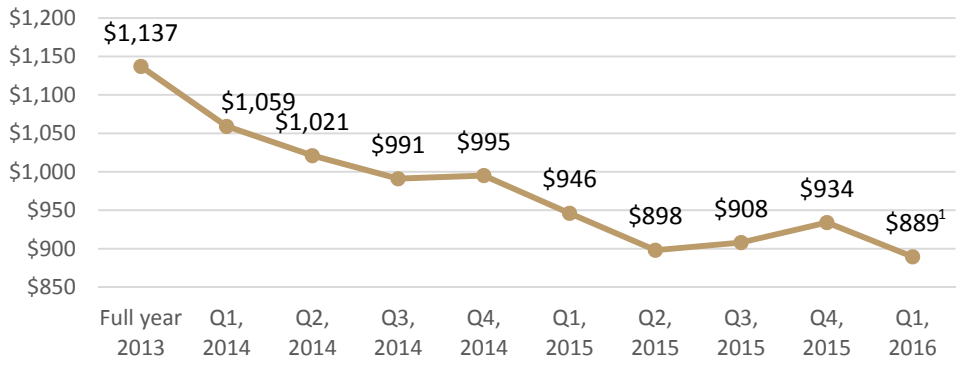
The history of Endeavour's AISC and quarter over quarter free cash flow before working capital changes, financing costs and taxes are in the following two tables:

**Table 2: Production by mine (ounces, 100% basis[1])**

| | Actual three months ended, | | |
|---|---|---|---|
| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
| Agbaou | 42,765 | 51,732 | 45,323 |
| Nzema | 19,757 | 23,076 | 26,979 |
| Tabakoto | 38,542 | 41,546 | 33,574 |
| Youga[2] | 8,179 | 14,801 | 17,868 |
| Ity[3] | 22,324 | 5,689 | - |
| **Total** | **131,567** | **136,844** | **123,744** |

*[1] Gold production is on a 100% consolidated basis. Actual mine ownership is Agbaou – 85%, Nzema – 90%, Tabakoto – 80%, Youga – 90%, Ity – 55%*
*[2] Youga production is for the pre-sale period ended February 29, 2016*
*[3] Ity production in the fourth quarter of 2015 since it's acquisition on November 27, 2015*

**Figure 2: AISC quarterly history**




[1] Figures are as presented in prior reporting, with the results of the Youga Gold Mine excluded only for the current quarter due to it being classified a discontinued operation.

**Table 3: Free cash flow before working capital, tax and financing costs**

| | Three months ended | | |
|---|---|---|---|
| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
| Gold production (ounces) | 131,567 | 136,844 | 123,744 |
| Gold sold (ounces) | 127,355 | 142,343 | 124,850 |
| Gold price ($/oz) | 1,192 | 1,102 | 1,219 |
| ***In US$ millions*** | | | |
| Gold sales[1] | 151.4 | 156.8 | 152.1 |
| Less: AISC cost[1] | 114.7 | 132.9 | 118.1 |
| AISC margin | 36.7 | 23.9 | 34.0 |
| Less: Non-sustaining capital & exploration | 8.4 | 11.8 | 9.4 |
| **Free cash flow (before working capital, tax & financing costs)** | **28.3** | **12.1** | **24.6** |

[1] These numbers include the results of the Youga Mine for both the current and prior period quarters. The mine was sold on February 29, 2016.

## OUTLOOK

Endeavour is focused on four strategic levers to create shareholder value: Operating Excellence at existing operations, Project Development to build the next generation of low AISC mines, the unlocking of Exploration Value at its significant and prospective land package, and an opportunistic and disciplined M&A approach.

### 2016 Guidance

- With the April 26, 2016 completion of the True Gold transaction and the Houndé construction decision announced on April 11, 2016, Endeavour will provide updated 2016 Guidance with the publication of its results for the second quarter of 2016.

- Earlier in the year, Endeavour Mining provided 2016 production guidance in the 2015 year-end MD&A, updated for the sale of the Youga mine, of 535,000 to 560,000 ounces at an all-in sustaining cost per ounce of $870 to $920.

- Exploration has been allocated $20 million toward programs focused on reserve replacement and mine life extensions, with $6 million focused on sustaining exploration programs and $14 million toward non-sustaining exploration programs. A strategic review of our exploration assets is now under way and expected to be completed in the third quarter of 2016.

- Non-sustaining project capital has been allocated $43 million, which includes installation of a secondary crusher at the Agbaou Mine ($12 million), a pit wall push-back at the Nzema Mine ($12 million), non-sustaining exploration programs ($14 million mentioned earlier), and project-related investments in the Ity CIL project ($5 million).

### Houndé construction decision

Endeavour Mining announced in April that its 90%-owned Houndé Project in Burkina Faso has entered the construction phase of its development.

The Houndé Project construction will be funded from internal and existing sources of capital, as well as the planned mining equipment financing. In addition, the free cash flow generated during 2016 and 2017 from Endeavour's five operating mines is expected to increase total financing sources to above 1.5 times the total capital cost, representing in excess of 50% financing headroom.

**Table 4: Project funding sources**

| Funding Sources in $m | |
|---|---|
| Cash Balance (as at March 31, 2016) | 117 |
| Undrawn RCF (as at March 31, 2016) | 110 |
| La Mancha Anti-dilution Equity Investment (True Gold acquisition) | 65 |
| Mining Equipment financing | 50 |
| **Total Existing Sources of Capital Excluding 2016-17 Cash Flow** | **342** |
| **Houndé Initial Capex** | **328** |

Endeavour's objective is to fund Houndé utilizing its operating cash flow generated over the construction period rather than accessing its Revolving Credit Facility. To support this funding approach it has put in place a short-term Gold Revenue Protection Strategy consisting of Gold Option Contracts evenly spread over a 15-month period, to increase the certainty of its upcoming operating cash flow. The Gold Option Contracts have been structured to limit Endeavour's debt requirements even if the gold price drops to $1,000/oz.

A deferred premium collar strategy using written call options and bought put options has been put in place for the 15-month period from April 2016 to June 2017. The program covers a total of 400,000 ounces, representing approximately 50% of Endeavour's total estimated gold production for the period. The total premium payable for entering into this programme was $9.2 million, which is deferred and settled as monthly contracts mature.

The advantages of the Gold Option Contracts during the construction period include:

- ~50% of production will be protected if the gold price falls below $1,200/oz
- 100% of production will benefit from gold price upswings between $1,200 and $1,400/oz
- ~50% of production benefits from gold price upswings beyond $1,400/oz

Once the Gold Option Contracts programme ends, Endeavour will return to a position where its gold production is fully exposed to spot gold prices.

## OPERATIONS REVIEW

### *Agbaou Gold Mine,* Côte *d'Ivoire*

The following table summarizes the operating results of the Agbaou Gold Mine for the three months ended March 31, 2016; December 31, 2015 and March 31, 2015:

**Table 5: Agbaou key performance indicators**

| | Three months ended | | |
|---|---|---|---|
| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
| **Operating Data** | | | |
| Tonnes of ore mined (000's) | 820 | 753 | 594 |
| Tonnes of waste mined (000's) | 5,251 | 4,171 | 4,625 |
| Open pit strip ratio | 6.4 | 5.5 | 7.8 |
| Tonnes of ore milled (000's) | 654 | 748 | 582 |
| Average gold grade milled (grams/tonne) | 2.05 | 2.05 | 2.46 |
| Recovery (%) | 98% | 97% | 97% |
| Gold ounces produced: | 42,765 | 51,732 | 45,323 |
| Gold ounces sold: | 40,434 | 53,928 | 45,538 |
| **Financial Data** ($'000') | | | |
| Revenues | 48,284 | 58,904 | 55,806 |
| Realized gold price ($/ounce) | 1,194 | 1,105 | 1,225 |
| Royalties | 1,733 | 2,143 | 1,950 |
| Cash cost per ounce sold ($/ounce)[1] | 422 | 452 | 406 |
| Sustaining Capital[1] | 2,443 | 2,390 | 5,851 |
| All-In Sustaining Costs ($/ounce)[1] | 525 | 537 | 577 |
| All-in sustaining margin[1] | 27,047 | 30,289 | 29,533 |
| Open pit mining cost ($/tonne mined) | 2.2 | 2.7 | 1.9 |
| Processing cost ($/tonne milled) | 5.8 | 7.1 | 7.1 |
| G&A cost ($/tonne milled) | 4.6 | 3.4 | 5.2 |

[1] Cash cost per ounce sold, sustaining capital, all-in sustaining costs and all-in sustaining margin are non-GAAP financial performance measures with no standard meaning under IFRS. Refer to the section Non-GAAP Measures.

Agbaou continued its excellent performance during the first quarter of 2016, mining primarily in soft oxide ores leading to robust throughput and recoveries. Cash flow generated from operations was $22.1 million at an AISC of $525 which is below the 2016 range of guidance of $650 to $700. Agbaou generated an all-in sustaining margin of $27.0 million and $22.9 million of earnings from mine operations. The non-sustaining capital secondary crusher project continued on plan and on budget, preparing the mine and plant for optimized blending of ore feed to the mill.

Sustaining capital of $2.4 million for the quarter was primarily invested in waste capitalization ($1.0m) and land compensation ($0.5m). Mining sequence is the primary cause of period over period sustaining waste capitalization capital fluctuation.

### *Nzema Gold Mine, Ghana*

The following table summarizes the operating results of the Nzema Gold Mine for the three months ended March 31, 2016; December 31, 2015 and March 31, 2015:

**Table 6: Nzema key performance indicators**

| | Three months ended | | |
|---|---|---|---|
| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
| **Operating Data** | | | |
| Tonnes of ore mined (000's) | 277 | 278 | 391 |
| Tonnes of waste mined (000's) | 1,433 | 1,063 | 2,542 |
| Open pit strip ratio | 3.4 | 3.8 | 3.2 |
| Tonnes of ore milled (000's) | 459 | 446 | 406 |
| Average gold grade milled (grams/tonne) | 1.53 | 1.80 | 2.40 |
| Recovery (%) | 86% | 87% | 87% |
| Mined ore ounces produced | 11,938 | 16,761 | 16,199 |
| Purchased ore ounces produced | 7,819 | 6,315 | 10,780 |
| Gold ounces sold: | 20,109 | 22,526 | 27,078 |
| **Financial Data** ($'000') | | | |
| Revenues | 23,690 | 24,934 | 32,912 |
| Realized gold price ($/ounce) | 1,178 | 1,107 | 1,215 |
| Royalties | 1,225 | 1,344 | 1,907 |
| Cash cost per ounce sold ($/ounce) | 1,095 | 1,033 | 986 |
| Sustaining Capital | 36 | 897 | 3,719 |
| All-In Sustaining Costs ($/ounce) | 1,158 | 1,133 | 1,194 |
| All-in sustaining margin | 404 | (587) | 584 |
| Open pit mining cost ($/tonne ore mined) | 4.3 | 5.6 | 3.1 |
| Processing cost ($/tonne milled) | 12.2 | 12.7 | 18.9 |
| G&A cost ($/tonne milled) | 7.2 | 8.4 | 7.3 |

Nzema completed the quarter with an AISC of $1,158 which was above the range of guidance of $970 to $1,020 per ounce. Nzema is scheduled to process a substantial quantity of toll material during 2016 to supplement the lower ore volumes from the Adamus pit during the push-back period. New permit and regulatory requirements introduced in the fourth quarter of 2015 by the authorities resulted in a challenging quarter for availability of toll ore supplies. The impact on the first quarter of 2016 was compounded as management underwent a review process to secure these volumes at economic grades of toll ore feed, leading to the lower volumes and grades processed. Lower grade stockpiles were utilized during the quarter to keep the process plant operating at optimal throughput.

Sustaining capital was negligible for the quarter at $0.03 million, with non-critical capital expenditures deferred.

### *Tabakoto Gold Mine, Mali*

The following table summarizes the operating results of the Tabakoto Gold Mine for the three months ended March 31, 2016; December 31, 2015 and March 31, 2015:

**Table 7: Tabakoto key performance indicators**

| | Three months ended | | |
|---|---|---|---|
| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
| **Operating Data** | | | |
| Tonnes of ore mined - Open pit (000's) | 147 | 137 | 116 |
| Tonnes of waste mined (000's) | 3,124 | 2,286 | 2,192 |
| Open pit strip ratio | 15.2 | 16.6 | 21.5 |
| Tonnes of ore mined - Underground (000's) | 233 | 215 | 278 |
| Tonnes of ore milled (000's) | 406 | 392 | 389 |
| Average gold grade milled (grams/tonne) | 3.10 | 3.53 | 2.87 |
| Recovery (%) | 94% | 95% | 92% |
| Gold ounces produced: | 38,542 | 41,546 | 33,574 |
| Gold ounces sold: | 38,270 | 41,118 | 34,441 |
| **Financial Data** ($'000') | | | |
| Revenues | 45,247 | 45,319 | 41,731 |
| Realized gold price ($/ounce) | 1,182 | 1,102 | 1,212 |
| Royalties | 2,701 | 2,702 | 2,495 |
| Cash cost per ounce sold ($/ounce) | 808 | 907 | 935 |
| Sustaining Capital | 7,368 | 6,024 | 4,099 |
| All-In Sustaining Costs ($/ounce) | 1,071 | 1,119 | 1,127 |
| All-in sustaining margin | 4,270 | (702) | 2,918 |
| Open pit mining cost ($/tonne) | 2.0 | 2.2 | 1.4 |
| Underground mining cost ($/tonne mined) | 56.9 | 53.4 | 45.8 |
| Processing cost ($/tonne milled) | 26.6 | 23.0 | 22.0 |
| G&A cost ($/tonne milled) | 13.2 | 30.4 | 16.2 |

The Tabakoto complex, which includes the Kofi C open pit, the Tabakoto underground mine, the Segala underground mine, and the Tabakoto mill delivered a respectable quarter generating a positive all-in sustaining margin of $4.3 million and $3.9 million of earnings from mine operations. In the current quarter, Tabakoto's AISC of $1,071 per ounce decreased from $1,127 per ounce in the same period in 2015 and improved from the fourth quarter of 2015. Despite a significant improvement in quarter over quarter results, in the current quarter Tabakoto was challenged by lower than planned grades from the underground mines and lower mined ore tons, leading to above guidance AISC. This had improved in the later part of the current quarter through sequencing of underground mining and improved equipment utilization.

An unplanned failure of the SAG mill lifter liners resulted in two days of downtime for repairs and replacement of the ball mill gearbox. Additionally, the plant elution circuit operated at half its designed rate of capacity during February before undergoing repairs in March.

Mine management made significant improvements in cost management throughout the quarter which also helped reduce the AISC year over year.

Sustaining capital of $7.4 million for the year was primarily invested in Kofi C waste capitalization ($1.7m) and underground development at Segala ($3.0m) and Tabakoto ($2.4m), some of which was classified as non-sustaining in the comparable period of 2015.

### *Ity Gold Mine, Côte d'Ivoire*

The following table summarizes the operating results of the Ity Gold Mine for the period ended March 31, 2016:

**Table 8: Ity key performance indicators**

| | Three months ended March 31, 2016 |
|---|---|
| **Operating Data** | |
| Tonnes of ore mined (000's) | 287 |
| Tonnes of waste mined (000's) | 1,811 |
| Open pit strip ratio | 6.31 |
| Tonnes of ore stacked (000's) | 303 |
| Average gold grade stacked (grams/tonne) | 2.53 |
| Recovery (%) | 90% |
| Gold ounces produced: | 22,324 |
| Gold ounces sold: | 21,964 |
| **Financial Data** ($'000') | |
| Revenues | 26,736 |
| Realized gold price ($/ounce) | 1,217 |
| Royalties | 932 |
| Cash cost per ounce sold ($/ounce) | 609 |
| Sustaining Capital | 1,285 |
| All-In Sustaining Costs ($/ounce) | 710 |
| All-in sustaining margin | 11,134 |
| Open pit mining cost ($/tonne) | 2.4 |
| Processing cost ($/tonne stacked) | 18.2 |
| G&A cost ($/tonne stacked) | 10.8 |

The Ity mine in its first full quarter under the Corporation's ownership and management following the acquisition in November 2015 had a good quarter and produced 22,324 ounces of gold at an AISC of $710 per ounce, exceeding guidance on both metrics. The mine operations underwent changes to bring key personnel to the mine site offices and transition in other standardized operating procedures and systems. Financial results included operating cash flow of $10.0 million and $6.5 million of earnings from mine operations. The current period sources of ore were amenable to high recovery rates and stacking on the leach pads was augmented using existing stockpiles. The cyclical nature of heap leach kinetics is expected to cause ongoing variability in recovery rates.

Sustaining capital of $1.3 million for the quarter was invested predominantly in mobile equipment ($0.9m).

## OPERATIONS REVIEW – DISCONTINUED OPERATIONS

### *Youga Gold Mine, Burkina Faso*

The financial results under IFRS require Youga to be classified and presented separately as discontinued operations in the current and comparable periods.

On February 29, 2016 the Corporation announced that it had sold the Youga Gold Mine in Burkina Faso for $20 million whilst retaining a 1.8% Net Smelter Royalty ("NSR") on production realized beyond the Mineral Reserve as at December 31, 2015 from the property sold, and with the inclusion of a buyback provision for the NSR in favour of the purchaser.

The following table summarizes the abbreviated operating results of the Youga Gold Mine for the two months ended February 29, 2016 and the three months ended December 31, 2015 and March 31, 2015.

**Table 9: Youga key performance indicators**

| | Three months ended | | |
|---|---|---|---|
| | February 29, 2016 | December 31, 2015 | March 31, 2015 |
| **Operating Data** | | | |
| Tonnes of ore mined (000's) | 195 | 275 | 293 |
| Tonnes of waste mined (000's) | 950 | 1,502 | 1,526 |
| Tonnes of ore milled (000's) | 181 | 281 | 247 |
| Average gold grade milled (grams/tonne) | 1.50 | 1.94 | 2.40 |
| Gold ounces produced: | 8,179 | 14,801 | 17,868 |
| Gold ounces sold: | 6,578 | 17,484 | 17,793 |
| All-In Sustaining Costs ($/ounce) | 1,101 | 985 | 851 |

The Youga mine recovered a total of over 600,000 ounces of gold since operations commenced in 2008 and employs approximately 665 workers in total including employees and contractors. The sale of the mine to MNG Gold will provide additional life to the Youga operation through MNG Gold's nearby Balogo high-grade deposit and is expected to be well received by all of the mine's stakeholders.

## DEVELOPMENT PROJECT REVIEW

### *Houndé Project, Burkina Faso*

On April 11, 2016 Endeavour Mining announced that its 90%-owned Houndé Project in Burkina Faso has entered the construction phase of its development. The Houndé Project is expected to deliver average production of 190,000 ounces per year over a 10-year mine life (while producing an average of 230,000 per year in the first three years) at an all-in sustaining cost ("AISC") of $709 per ounce, based on current reserves. The project is an open pit mine with a 3.0Mtpa gravity circuit/ Carbon-In-Leach plant. The initial capital cost is estimated at $328 million, inclusive of $47 million for the owner-mining fleet. The Project is permitted to commence operations and early earthworks have begun.

During the past year, a thorough review and optimization of the Houndé Project was completed and an implementation plan was established. The mining and ore processing schedules have remained unchanged since February 2015 while the operating and capital costs were fully scoped and optimized by Endeavour, with assistance from Lycopodium Minerals.

**Table 10: Houndé Project Highlights**

| | |
|---|---|
| **Ownership** | 90% Endeavour, 10% Burkina Faso |
| **Reserve and Resources** | |
| P+P Reserves | 31Mt at 2.1 g/t Au for 2.1Moz |
| M+I Resources (inclusive of reserves) | 38Mt at 2.1 g/t Au for 2.5Moz |
| Inferred Resources | 3Mt at 2.6 g/t Au for 0.3Moz |
| **Mine type** | Open pit |
| **Mill type** | Gravity / CIL plant |
| **Production** | |
| Mine life, current plan | 10 years |
| Strip ratio, W:O | 8.4 |
| Processing rate | 3.0 Mtpa |
| Average LOM Recovery rate | 93% |
| Total LOM gold production | 1,906 koz |
| Average annual production | 190 koz |
| **Average LOM AISC** | $709/oz |
| **Upfront Capital** | $328m, inclusive of $47m for owner mining fleet |

The following table highlights the robust economics of the project:

**Table 11: Houndé Project Economics**

| Gold Price (US$/oz.) | $1,150 | $1,200 | $1,250 | $1,300 | 1,350 |
|---|---|---|---|---|---|
| After-tax Project $NPV_{5\%}$ | $ 230 | $ 286 | $ 342 | $ 398 | $ 437 |
| After-tax Project IRR | 24% | 28% | 32% | 36% | 39% |
| Payback, years | 2.7 | 2.4 | 2.2 | 2.0 | 1.8 |

### *Ity CIL Project, Cote d'Ivoire*

As part of the strategic partnership with La Mancha and the Sawiris family, Endeavour Mining acquired the Ity CIL Project in Cote d'Ivoire. Endeavour has continued to perform further work on the project and expects to complete the Ity CIL feasibility study in the third quarter of 2016.

In 2014, a pre-feasibility study ("PFS") to replace the current heap leach plant with a CIL plant was completed by SNC-Lavalin using a processing rate of 1.5 MTPA based on Indicated Mineral Resources at the time. Following the positive PFS results, in late 2014 and early 2015, the La Mancha Group conducted drilling programs at the Daapleu, Zia NE and Mont Ity deposits that were designed to upgrade all Inferred material from the latest resource estimate to Indicated, as well as to delineate each deposit further along strike. The resulting resource estimate update yielded a significant increase in Indicated Mineral Resource for all three areas, increasing Measured and Indicated Mineral Resources to 3.1Moz. An updated PFS was completed in July 2015 for the CIL Project using a processing rate of 2.0 MTPA. Currently, Endeavour's Construction Services Group together with Lycopodium Minerals is preparing a definitive feasibility study evaluating various optimization scenarios.

## QUARTERLY AND ANNUAL FINANCIAL AND OPERATING RESULTS

The following tables summarize the Corporation's financial and operational information for the last eight quarters and three fiscal years. The significant factors affecting results in the quarters presented below are volatility of realized gold prices, the commencement of operations at the Agbaou Mine in the first quarter of 2014, and non-cash impairments of mineral interests. The Ity Mine was added during the fourth quarter of 2015. The Youga financial results have been removed as required under IFRS for the current and prior comparable periods. The Youga results for 2014 and earlier periods are included in these figures.

**Table 12: 2016/2015 Quarterly Key Performance Indicators**

| | For the three months ended | | | |
|---|---|---|---|---|
| *($'000' except ounces sold)* | March 31, 2016 | December 31, 2015 | September 30, 2015 | June 30, 2015 |
| Gold ounces sold | **127,355** | 142,343 | **123,002** | 129,614 |
| Gold revenues | **$143,957** | $137,579 | **$121,826** | $132,797 |
| Cash flows from operations | **20,147** | 39,769 | **31,314** | 40,511 |
| Earnings from mine operations | **27,158** | 13,119 | **21,824** | 40,875 |
| Net earnings (loss) and total comprehensive earnings (loss) | **7,858** | (21,643) | **6,705** | 32,997 |
| Net earnings (loss) attributable to shareholders of Endeavour Mining Corporation | **956** | (24,670) | **3,503** | 26,677 |
| Basic earnings (loss) per share | **0.02** | (0.51) | **0.08** | 0.60 |
| Diluted earnings (loss) per share | **0.02** | (0.51) | **0.08** | 0.60 |

**Table 13: 2015/2014 Quarterly Key Performance Indicators**

| | For the three months ended | | | |
|---|---|---|---|---|
| *($'000' except ounces sold)* | March 31, 2015 | December 31, 2014 | September 30, 2014 | June 30, 2014 |
| Gold ounces sold | **124,850** | 123,354 | 114,082 | 118,653 |
| Gold revenues | **$130,449** | $147,744 | **$145,223** | $153,398 |
| Cash flows from operations | **31,425** | 58,017 | **22,587** | 25,266 |
| Earnings from mine operations | **26,379** | 14,266 | **15,256** | 22,913 |
| Net earnings (loss) and total comprehensive earnings (loss) | **12,951** | (340,157) | **2,056** | 952 |
| Net earnings (loss) attributable to shareholders of Endeavour Mining Corporation | **9,045** | (280,576) | **1,859** | 40 |
| Basic earnings (loss) per share | **0.22** | (6.80) | **0.04** | 0.10 |
| Diluted earnings (loss) per share | **0.22** | (6.80) | **0.04** | 0.10 |

**Table 14: Annual Key Performance Indicators[1]**

| | For the year ended | | |
|---|---|---|---|
| *($ '000' except ounces sold)* | December 31, 2015 | December 31, 2014 | December 31, 2013 |
| Gold ounces sold | 519,812 | 467,887 | 318,505 |
| Gold revenues | $ 601,376 | $ 583,576 | $ 443,314 |
| Cash flows from operations | 147,302 | 127,438 | 43,834 |
| Earnings from mine operations | 106,947 | 75,897 | 11,136 |
| Net earnings (loss) and total comprehensive earnings (loss) | 35,601 | (328,200) | (371,715) |
| Net earnings (loss) attributable to shareholders | 18,227 | (273,650) | (332,456) |
| Basic loss per share | 0.42 | (6.62) | (8.10) |
| Diluted loss per share | 0.42 | (6.62) | (8.10) |
| Total assets | 1,054,094 | 963,875 | 1,273,993 |
| Total long term financial liabilities | 273,469 | 343,468 | 327,411 |
| Total attributable shareholders' equity | 564,103 | 464,352 | 737,057 |
| Adjusted earnings per share | 0.99 | 0.34 | (0.60) |

[1] Includes all Youga statistics and figures

*Three months ended March 31, 2016 compared to the three months ended March 31, 2015*

Total net earnings attributable to shareholders were $1.0 million, or $0.02 per share, compared to $9.0 million, or $0.22 per share, in the same period in 2015, attributable to the following components:

- Revenue for the first quarter of 2016 increased by $13.5 million to $144.0 million from $130.5 million in the same period in 2015. Gold ounces sold increased from 124,850 ounces in 2015 to 127,355 ounces for the first quarter of 2016. The realized price of gold per ounce for the first quarter of 2016 was $1,192 compared to $1,219 per ounce in the same period in 2015. The reported revenue excludes the Youga Mine in both the current and prior year period, however the ounces sold have been included as part of our key performance indicators.

- Operating expenses for the first quarter of 2016 increased by $4.2 million to $84.0 million affected by $13.5 million in operating costs incurred at the Ity mine for the first full quarter since acquisition in the fourth quarter of 2015. The operating expenses of the Youga Gold Mine have been included under discontinued operations, however these operating expenses decreased from $14.5 million in 2015 to $6.9 million in the current quarter of 2016 up until the sale of the mine on February 29, 2016.

- Depreciation and depletion for the first quarter of 2016 was $26.2 million compared to $18.0 million for the same prior year period in 2015. The increased depreciation was predominantly due to the inclusion of $5.8 million additional depreciation at the Ity Mine which was acquired in the fourth quarter of 2015.

- Earnings from mine operations for the first quarter of 2016 were $27.2 million compared to $26.4 million for the same period in 2015 as a result of a combination of the items discussed above.

- Corporate costs for the first quarter of 2016 were $4.8 million compared to $4.0 million for the same period in 2015 due to the inclusion of an additional mine site as well as the expenses incurred in the relocation of the administrative and regional offices to Paris and Abidjan.

- Acquisition costs of $1.2 million were incurred in the first quarter of 2016 with the acquisition of the Karma Gold mine in April 2016 compared to nil in the comparable quarter.

- Losses on financial instruments for the first quarter of 2016 were $2.9 million compared to gains of $3.9 million for the same period in 2015. The change was predominantly due to the loss on derivative financial liabilities of $3.6 million in the current year in comparison to the gain on foreign currency of $3 million in the prior year.

- Finance costs for the first quarter of 2016 were $6.8 million compared to $7.8 million for the same period in 2015 reduced primarily due to the lower drawn amount of the credit facility.

- The current income and other tax expense for the first quarter of 2016 was $2.3 million compared to $0.9 million for the same period in 2015. Deferred income tax recovery for the first quarter of 2016 was $5.5 million compared to a $5.1 million expense for the same period in 2015. The deferred tax recovery in the current period is due predominantly to temporary differences in the accounting treatment of fixed assets.

## LIQUIDITY AND CAPITAL RESOURCES

On March 10, 2015, the Corporation renewed its $350 million senior secured revolving corporate loan facility (the "Facility") with a syndicate of leading international banks. The Facility has a maturity date of March 2020 and key terms including the following:

- The maturity date is five years from signing, March 9, 2020, and the available Facility amount declines with four equal semi-annual reductions of $87.5 million commencing September 2018;
- The Facility includes standard corporate financial covenants, including:
  - Interest Cover shall not be less than 3 to 1, calculated on a rolling 12 month basis;
  - Net Debt to EBITDA shall not exceed 3.5 times, calculated on a rolling 12 month basis;
  - Minimum Tangible Net Worth shall not be less than US$350 million.
- The interest is based on LIBOR plus a margin ranging between 3.75% and 5.75% per annum (sliding scale based on the actual Net Debt to EBITDA ratio).

The Facility is secured by shares of the Corporation's material gold mining subsidiaries and certain material assets of those subsidiaries.

**Table 15: Debt and Cash**

| | For the quarter ended | |
|---|---|---|
| *In $ millions* | March 31, 2016 | December 31, 2015 |
| Cash | 117.0 | 109.5 |
| Less: Equipment finance lease | 12.6 | 13.4 |
| Less: Drawn portion of $350 million RCF | 240.0 | 240.0 |
| **Net Debt** | **135.6** | **143.9** |

At March 31, 2016, Endeavour Mining had cash of $117.0 million (December 31, 2015 – $109.5 million) and $3.6 million in restricted cash (December 31, 2015 – 4.8 million).

Total working capital as at March 31, 2016 was ($28.9) million (December 31, 2015 – ($26.1) million) exclusive of cash and cash equivalents.

Net change in cash position from December 31, 2015, was an increase of $7.5 million, attributable to the following components of the consolidated cash flow statement:

- Operating activities generated $20.1 million in comparison to $31.4 million generated in the same period of the previous year. Timing induced changes in working capital balances caused an outflow of $20.4 million of cash compared to $10.3 million in the comparable year.
- Investing activities used $13.4 million in comparison to $25.4 million used in the comparable year. The current period outflow consisted of $12.6 million of sustaining capital including sustaining exploration, and $8.4 million of non-sustaining investments. The sustaining capital variance related to fluctuations in capitalized waste and the normal course timing of planned mine capital investments. Non-sustaining investments related to the construction of the Agbaou secondary crusher; the push back of the Adamus pit at Nzema and investments at Houndé and the Ity CIL. Cash received on the sale of the Youga mine for $20.0 million was offset by the $15.0 million bridge loan advanced to True Gold as part of the definitive arrangement agreement
- Financing activities used $3.9 million in comparison to $12.7 million in the prior comparable year. The current quarter outflows consisted predominantly of the settlement of hedge programmes for $3.2 million.

In the opinion of management, Endeavour Mining's cash position, undrawn facility, and working capital at March 31, 2016, together with anticipated cash flows from operations, are sufficient to support the Corporation's on-going operational requirements, planned sustaining investments, and commitments.

The following table reconciles AISC margin and free cash flow to the year over year and quarterly change in cash:

**Table 16: Net free cash flow generation[1]**

| | Three months ended | | |
|---|---|---|---|
| *In $ million* | March 31, 2016 | December 31, 2015 | March 31, 2015 |
| Revenue[2] | **151.4** | **156.8** | **152.1** |
| Less: AISC costs[2] | **114.7** | **132.9** | **118.1** |
| AISC Margin | **36.7** | **23.9** | **34.0** |
| Less: Non-sustaining capital & exploration | **8.4** | **11.8** | **9.4** |
| **Free cash flow (before working capital, tax & financing costs)** | **28.3** | **12.1** | **24.6** |
| Working capital changes as per statement of cash flows | **(20.4)** | **26.2** | **(10.3)** |
| Taxes paid | **(2.6)** | **(1.2)** | **(2.8)** |
| Interest paid | **(0.4)** | **(7.4)** | **(4.2)** |
| Other (hedge, financing, transaction fees and other) | **(2.4)** | **(5.2)** | **(13.1)** |
| **Free Cash Flow before other items** | **2.5** | **24.5** | **(5.8)** |
| Cash received for Youga mineral property interests | **20.0** | **-** | **-** |
| Bridge loan advanced to True Gold | **(15.0)** | **-** | **-** |
| La Mancha acquisition cash received net of transaction costs | **-** | **73.0** | **-** |
| Revolving credit facility payments | **-** | **(20.0)** | **-** |
| **Cash inflow (outflow) over the quarter** | **7.5** | **77.5** | **(5.8)** |

[1]Numbers may differ due to rounding.

[2]Figures include the discontinued Youga operations

Free Cash Flow (before working capital, tax & financing costs) increased by 133% over the previous quarter to $28.3 million. Non-sustaining capital expenditures during the first quarter of 2016 primarily related to Agbaou's secondary crusher build and the Nzema's push-back. For the first quarter of 2016 free cash flow was impacted by a negative change in working capital. This working capital movement was mainly due to phasing of settlement of accounts payables between the fourth quarter of 2015 and the first quarter of 2016. There were no interest payments made during the first quarter of 2016, as payments are payable on a semi-annual basis with the next payments due in June and December of 2016.

## FINANCIAL INSTRUMENTS

With the acquisition of the Nzema and Tabakoto mines by way of acquisitions of Adamus Resources and Avion Gold, Endeavour Mining inherited several hedge programs which have been reduced, amended and settled in the periods subsequent to the acquisitions.

As at March 31, 2016, only 13,438 ounces of gold forward contracts remain outstanding with a fair value of the liability at $5.0 million (December 31, 2015 - $4.0 million), to be settled in the current year. During the three months ended March 31, 2016, the Corporation settled 6,663 ounces of gold forward contracts resulting in a realized loss of $2.5 million (March 31, 2015, $1.3 million). The settlements of the forward contracts are in cash as there is no exchange of physical gold between the Corporation and the buyer.

The Corporation also entered a 12 month fuel price protection program in June 2015, in line with approximately 50% of the diesel volume scheduled to be consumed at the Tabakoto mine, by way of fuel swap contracts on 1,268 metric tonnes of Gas Oil per month. As at March 31, 2016, 2,537 Mtonnes of Gas Oil swap contracts remain outstanding as a liability of $0.6 million (December 31, 2015, $1.5 million). During the three months ended March 31, 2016, the Corporation settled 3,804 Mtonnes of Gas Oil resulting in a realized loss of $1.0 million (March 31, 2015, $nil).

Endeavour's objective is to fund Houndé utilizing its free cash flow generated over the construction period rather than accessing the Facility. To support this funding approach it has put in place a short-term Gold Revenue Protection Strategy consisting of gold option contracts evenly spread over a 15-months period, to increase the certainty of its upcoming free cash flow. The gold option contracts have been structured to limit Endeavour's debt requirements even if the gold price drops to $1,000/oz.

A deferred premium collar strategy using written call options and bought put options has been put in place for the 15-months period from April 2016 to June 2017. The program covers a total of 400,000 ounces, representing approximately 50% of Endeavour's total estimated gold production for the period. The total premium payable for entering into this program is $9.2 million, which is deferred and settled as monthly contracts mature.

## PROVISIONS

In early 2009, Endeavour launched its gold investment strategy ("Gold Strategy"), which is the basis of the Corporation's gold mining business. In order to retain, attract, and motivate a group of specialist professional employees with the skills and experience necessary to significantly enhance the profitability and growth of Endeavour's gold business, a long term bonus policy (the "Gold LTI Policy") was established concurrently with the implementation of the Gold Strategy. To ensure that the interests of Endeavour's management team were aligned with shareholders over the long term, the Gold LTI Policy was designed to compensate management when shareholders receive a direct benefit or realization. An award under the Gold LTI Policy (a "Gold LTI Award") is calculated as 10% of the increase in value of Gold Strategy assets and is crystalized and becomes payable upon the sale of a material gold asset, the realization of increased value on completion of a corporate transaction, and certain other events necessary to protect the integrity of the Gold LTI Policy.

Since the start of the Gold LTI Policy, one crystallization event has occurred which resulted in the disbursal of a Gold LTI Award of $8.0 million in aggregate under the Gold LTI Policy. No other crystallization events have occurred in the implementation of the Gold LTI Policy and therefore no other Gold LTI Awards have been paid or accrued to date.

The calculation of a Gold LTI Award is dependent on the nature of the crystallization event that gives rise to

the obligation to make a Gold LTI Award. Intermediate gold producers with attractive growth profiles have been attractive acquisition targets for larger gold producers. In the event an offer is made for the Corporation that is accepted by its shareholders, a Gold LTI Award would be determined as 10% of the acquisition value in excess of the equity cost base of the Corporation on an issued share basis. The equity cost base is the accumulation of the historic market values (or strike prices of exercised stock options) for all of the shares issued by Endeavour to build the gold company, which as of April 26, 2016 was equivalent to approximately C$1,417 million (or C$16.81 per issued share), (December 31, 2015, C$1,061 million or C$17.97 per issued share). Future Gold LTI Awards payable on a crystallization event will be calculated based on the value of the actual consideration exchanged, which may vary significantly from an estimate derived from Endeavour's market capitalization.

## CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table summarizes the contractual maturities of the Corporation's financial liabilities at March 31, 2016:

**Table 17: Financial liabilities as of March 31, 2016**

| | Within 1 year | 2 to 3 years | 4 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| Trade and other payables | $ 112,659 | $ - | $ - | $ - | $ 112,659 |
| Long-term debt | - | - | 230,000 | 10,000 | 240,000 |
| Finance lease obligations | 4,540 | 10,142 | - | - | 14,682 |
| Minimum operating lease payments | 1,219 | 2,085 | 1,104 | - | 4,408 |
| Derivative financial liabilities | 5,554 | - | - | - | 5,554 |
| | **$ 123,972** | **$ 12,227** | **$ 231,104** | **$ 10,000** | **$ 377,303** |

The above table does not include the Corporation's environmental rehabilitation provision which is in place at each of the operating mines, the majority of which is expected to be incurred concurrent with the end of mining operations at each of the mines. The Corporation has commitments in place at its operations for drill and blasting services, load and haul services, and the supply of explosives and hydrocarbon services with varying terms, and is subject to operating and finance lease commitments in connection with the purchase of mining equipment, light duty vehicles, operational building facilities and rented office premises. Additionally, the Corporation has at times contracts in place at the Nzema mine to purchase higher grade ore from third parties.

During 2014, the Corporation's Malian subsidiary entered into a five year, $18 million equipment lease financing facility. The equipment lease was used to purchase a portion of the owner-operated mining equipment for the Tabakoto and Segala underground developments. The lease terms have a fixed rate of 9.5% per annum to amortize the principal and there exists a purchase option to buy the equipment outright at the end of the lease life for 0.5% of cost. The equipment lease is treated as a finance lease.

## CONTINGENCIES

The Corporation is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Corporation cannot reasonably predict the likelihood or outcome of these actions. The Corporation does not believe that adverse decisions in any other pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reason thereof, will have a material effect on the financial condition or future results of operations.

The Corporation's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Corporation believes its operations are materially in compliance with all applicable laws and regulations. The Corporation has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Corporation operates in numerous countries and, accordingly, it is subject to, and pays annual income taxes under, the various income tax regimes in the countries in which it operates. From time to time the Corporation is subject to a review of its income tax filings and in connection with such reviews, disputes can arise with the taxing authorities over the interpretation or application of certain rules to the Corporation's business conducted within the country involved. If the Corporation is unable to resolve any of these matters favorably, there may be a material adverse impact on the Corporation's financial performance, cash flows or results of operations. In the event that management's estimate of the future resolution of these matters changes, the Corporation will recognize the effects of the changes in its consolidated financial statements in the period that such changes occur.

In the fourth quarter of 2014, the Corporation's Malian subsidiary, Segala Mining Corporation SA ("Semico"), received a tax assessment from the Malian tax authority of $40.6 million related to the fiscal years 2011 to 2013 and to various taxes. The Corporation and its advisors believe that a significant portion of the assessment's tax claims are wholly without merit and as such have engaged with the tax authority actively since receiving the assessment in the fourth quarter of 2014 to resolve this matter. The Corporation continues to engage with the highest levels of Malian authorities together with its advisors to resolve this matter and given the response presented to the authorities as well as advice received from its advisors, a vigorous process is underway to refute the notified amounts as well as avoid any additional payments. The tax assessment was fully provided for in 2014 and the tax office has offset certain VAT receivables against the assessment reducing the Corporation's exposure to actual payments needing to be made.

If the Corporation is unable to resolve these matters favorably, there may be a material adverse impact on the Corporation's financial performance, cash flows and results of operations. In the event that management's estimate of the future resolution of these matters changes, the Corporation will recognize the effects of the changes in its consolidated financial statements in the period that such changes occur.

## RELATED PARTIES AND TRANSACTIONS AND OFF-BALANCE SHEET ITEMS

The Corporation's related parties include its subsidiaries and key management personnel. During the normal course of operations, the Corporation enters into transactions with related parties for goods and services which are measured at the exchange amount, which is the amount of consideration established and agreed by the parties. The Corporation has no off balance sheet items.

## OUTSTANDING SHARE DATA

Endeavour Mining's authorized capital is $200,000,000 divided into 100,000,000 ordinary shares with a par value of $0.10 each and 100,000,000 undesignated shares; no undesignated shares have been issued. The table below summarizes Endeavour Mining's share structure at March 31, 2016.

**Table 18: Outstanding shares history**

| | March 31, 2016 | March 31, 2015 |
|---|---|---|
| Shares issued and outstanding | 59,051,152 | 41,314,367 |
| Stock options | 2,782,069 | 3,079,687 |

As at April 29, 2016 the date of this MD&A, the Corporation has 84,390,449 shares issued and outstanding, as well as 4,027,832 stock options outstanding, which includes the effect of the True Gold transaction.

The following table summarizes share option details outstanding as at March 31, 2016:

**Table 19: Options schedule**

| Exercise Prices (C$) | Outstanding | Exercisable | Weighted average exercise price (C$) | Weighted average remaining contractual life |
|---|---|---|---|---|
| $5.20 - $7.99 | 575,974 | 219,900 | $ 6.10 | 3.61 years |
| $8.00 - $14.99 | 964,608 | 326,652 | 9.95 | 2.74 years |
| $15.00 - $19.99 | 312,437 | 312,437 | 15.19 | 1.28 years |
| $20.00 - $24.99 | 389,188 | 389,188 | 22.79 | 1.70 years |
| $25.00 - $29.99 | 457,500 | 457,500 | 26.40 | 0.68 years |
| $30.00 - $84.99 | 79,240 | 79,240 | 43.00 | 0.69 years |
| $85.00 - $449.57 | 3,122 | 3,122 | 327.73 | 1.13 years |
| | **2,782,069** | **1,788,039** | **$ 19.41** | **1.74 years** |

## SUBSEQUENT EVENTS

*True Gold Mining Inc.*

On March 4, 2016 Endeavour Mining announced that it had entered into a definitive arrangement agreement with True Gold Mining Inc. ("True Gold") (TSX-V:TGM) pursuant to which Endeavour Mining would acquire all of the issued and outstanding common shares of True Gold via a court-approved plan of arrangement. In conjunction with the acquisition, Endeavour Mining announced that La Mancha Holding S.àr.l., its largest shareholder, intended to exercise its anti-dilution right that would result in a new equity placement in Endeavour Mining to preserve its 30% ownership.

The Arrangement was approved by a special shareholder vote on April 21 and the acquisition completed on April 26, 2016, with an issuance of 17,600,982 new shares to shareholders of True Gold.

Pursuant to the Arrangement, shareholders of True Gold received 0.044 of an Endeavour common share. In addition, all outstanding True Gold options were converted to Endeavour options at the same ratio as the common shares. All outstanding True Gold DSUs and restricted share units were converted into the True Gold shares prior to the completion of the Arrangement. The consideration paid by Endeavour was approximately $225.2 million. Additionally, all True Gold stock appreciation rights were rolled over at the same exchange ratio of 0.044, with a cost base of C$0.19, having a life until February 7, 2017.

In connection with the acquisition, La Mancha exercised its anti-dilution right to maintain its 30% stake and invested $65.2 million via an equity placement for 7,546,777 common shares at closing. Prior to the closing, in mid-April, Endeavour advanced True Gold a $15 million convertible bridge loan.

On April 27, 2016, $40 million was utilized to lower the drawn balance of Endeavour's Revolving Credit Facility to $200 million.

*Houndé Project*

On April 11, 2016, the Corporation announced that its 90%-owned Houndé Project in Burkina Faso has entered the construction phase of its development, following approval from the Board of Directors. The initial capital cost is estimated at $328 million, inclusive of $47 million for the owner-mining fleet. The Houndé Project is permitted to commence operations and early earthworks have begun.

The Houndé Project is expected to be funded from internal and existing sources of capital, as well as the planned mining equipment financing.

*Gold Revenue Protection Strategy*

As a result of the Houndé construction decision, Endeavour has implemented a short-term Gold Revenue Protection Strategy consisting of gold option contracts evenly spread over a 15-months period, to increase the certainty of its upcoming free cash flow. The gold option contracts have been structured to limit Endeavour's debt requirements even if the gold price drops to $1,000/oz.

A deferred premium collar strategy using written call options and bought put options has been put in place for the 15-months period from April 2016 to June 2017. The program covers a total of 400,000 ounces, representing approximately 50% of Endeavour's total estimated gold production for the period. The total premium payable for entering into this program is $9.2 million, which is deferred and settled as monthly contracts mature.

## NON-GAAP MEASURES

### *All-in sustaining margin and operating EBITDA*

The Corporation believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use the all-in sustaining margin and operating earnings before interest, tax, depreciation and amortization ("operating EBITDA") to evaluate the Corporation's performance and ability to generate cash flows and service debt. Accordingly, these do not have a standard meaning and are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

The following tables provide the illustration of the calculation of this margin and operating EBITDA, as adjusted and calculated by the Corporation, for the three months ended March 31, 2016 and 2015:

**Table 20: All-In Sustaining Margin**

| | Three months ended | |
|---|---|---|
| ($'000') | March 31, 2016 | March 31, 2015 |
| Revenues[1] | $151,414 | $152,065 |
| Less: royalties[1] | (6,917) | (7,241) |
| Less: cash costs of ounces sold (see Table 23)[1] | (90,290) | (91,357) |
| Less: corporate G&A | (4,826) | (3,983) |
| **Subtotal** | **49,381** | **49,484** |
| Less: sustaining capital (see table that follows) | (11,137) | (13,953) |
| Less: sustaining exploration | (1,500) | (1,600) |
| **All-in sustaining margin** | **$ 36,744** | **$ 33,931** |

[1]The results of the Youga Mine have been included in these consolidated numbers which differ from those presented on the statements of comprehensive earnings under IFRS.

**Table 21: Operating EBITDA calculation**

| | Three months ended | |
|---|---|---|
| ($'000') | March 31, 2016 | March 31, 2015 |
| Earnings from continuing operations before taxes [1] | **7,985** | 16,869 |
| Add back: Depreciation and depletion[1] | **26,224** | 17,958 |
| Add back: Acquisition costs[1] | **1,249** | - |
| Deduct: Non recurring mineral property and other assets sales[1] | **(90)** | (169) |
| Add: Net earnings (loss) from discontinued operations and loss on disposal[1] | **(3,273)** | 2,027 |
| Add back: Finance costs[1] | **6,844** | 7,808 |
| Add back: (Gains) losses on financial instruments[1] | **2,875** | (3,891) |
| **Operating EBITDA** | **41,814** | **40,602** |

[1]Found on the consolidated statement of comprehensive earnings.

**Table 22: Net debt**

| | Three months ended | |
|---|---|---|
| ($'000') | March 31, 2016 | March 31, 2015 |
| Cash | **117,004** | 56,404 |
| Less: Equipment finance lease | **12,597** | 15,775 |
| Less: Drawn portion of $350 million RCF | **240,000** | 300,000 |
| **Net Debt** | **135,593** | 259,371 |

### *Cash cost per ounce of gold sold*

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

The following table provides a reconciliation of cash costs per ounce of gold sold (including the ounces sold from ore purchased), for the three months ended March 31, 2016 and 2015:

**Table 23: Cash costs**

| | Three months ended | |
|---|---|---|
| ($'000' except ounces sold) | March 31, 2016 | March 31, 2015 |
| Operating expenses from mine operations | $83,985 | $79,759 |
| Non-cash adjustments for continuing operations | (605) | (2,365) |
| **Cash costs from continuing operations** | **$83,379** | **$77,394** |
| Cash costs for the Youga Mine | 6,911 | 13,963 |
| **Total cash cost** | $90,290 | $91,357 |
| Divided by ounces of gold sold | 127,355 | 124,850 |
| **Total cash cost per ounce of gold sold** | **$709** | **$732** |

The Corporation is reporting all-in sustaining costs per ounce sold. The methodology for calculating all-in sustaining costs per ounce was developed internally and is calculated below, and readers should be aware that this measure does not have a standardized meaning. This non-GAAP measure provides investors with transparency to the total period-attributable cash cost of producing an ounce of gold, and may aid in the comparison with other gold mining peers. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

**Table 24: All-In Sustaining Costs**

| | Three months ended | |
|---|---|---|
| ($'000' except ounces sold) | March 31, 2016 | March 31, 2015 |
| Cash costs from all operations | 90,290 | 91,357 |
| Royalties | 6,917 | 7,241 |
| Corporate G&A | 4,826 | 3,983 |
| Sustaining capital | 11,137 | 13,953 |
| Sustaining exploration | 1,500 | 1,600 |
| **AISC** | **114,670** | 118,134 |
| Divided by gold ounces sold | 127,355 | 124,850 |
| **AISC per ounce sold** | **900** | **946** |
| **AISC** | **114,670** | **118,134** |
| Less AISC for the Youga Mine discontinued operations | (7,243) | (13,963) |
| AISC from continuing operations | 107,427 | 104,171 |
| Divided by gold ounces from continuing operations | 120,777 | 107,057 |
| **AISC per ounce sold from continuing operations** | **889** | **973** |

**Table 25: Sustaining capital**

| | Three months ended | |
|---|---|---|
| ($'000') | March 31, 2016 | March 31, 2015 |
| **Expenditures and prepayments on mining interests[1]** | **21,032** | 24,933 |
| Non-sustaining capital at Tabakoto, Nzema and Agbaou | **(3,719)** | (6,876) |
| Non-sustaining exploration | **(2,088)** | (1,438) |
| Sustaining exploration | **(1,500)** | (1,600) |
| Project capital spend at Houndé – pre-construction capital | **(2,588)** | (1,066) |
| **Sustaining Capital** | **11,137** | **13,953** |

[1] As found on the statement of cash flows.

The $3.7 million of non-sustaining investments for the current three month period relates to the spending on the Agbaou secondary crusher and the push back of the Adamus pit at Nzema. Non-sustaining exploration spend occurred at Agbaou, Ity and Tabakoto. Capital of $2.6 million was also spent on the Houndé Project in the current quarter and $1.5 million was incurred in ongoing resource conversion considered sustaining exploration.

The Corporation utilizes components of the above tables to calculate free cash flow.

### *Cash costs and all-in sustaining costs on mine by mine basis*

The following table provides additional detail as to how cash costs and all-in sustaining costs at the mine site level are calculated on a mine by mine basis for the quarter ended March 31, 2016 and 2015.

**Table 26: 2016 Mines cash costs and AISC**

| For the quarter ended March 31, 2016 | Unit | Agbaou | Nzema | Tabakoto | Youga[1] | Ity | Total |
|---|---|---|---|---|---|---|---|
| **Mining Physicals** | | | | | | | |
| Total tonnes mined - Open pit | 000t | 6,071 | 1,710 | 3,271 | 1,145 | 2,098 | |
| Total ore tonnes - Open pit | 000t | 820 | 277 | 147 | 195 | 287 | |
| Total ore tonnes - Underground | 000t | - | - | 233 | - | - | |
| Total tonnes milled | 000t | 654 | 459 | 406 | 181 | 303 | |
| **Gold sold** | **oz** | 40,434 | 20,109 | 38,270 | 6,578 | 21,964 | 127,355 |
| **Unit cost analysis** | | | | | | | |
| Mining costs - Open pit | $/t mined | 2.20 | 4.31 | 2.04 | 3.25 | 2.43 | |
| Mining costs – Underground | $/t ore | - | | 56.90 | - | - | |
| Processing and maintenance | $/t milled | 5.79 | 12.15 | 26.57 | 18.77 | 18.25 | |
| Site G&A | $/t milled | 4.64 | 7.17 | 13.22 | 8.22 | 10.77 | |
| **Cash cost details** | | | | | | | |
| Mining costs - Open pit | $000s | 13,371 | 7,368 | 6,688 | 3,717 | 5,094 | 36,238 |
| Mining costs -Underground | $000s | - | - | 13,257 | - | - | 13,257 |
| Processing and maintenance | $000s | 3,788 | 5,578 | 10,787 | 3,398 | 5,529 | 29,080 |
| Site G&A | $000s | 3,035 | 3,289 | 5,369 | 1,487 | 3,263 | 16,443 |
| Purchased ore at Nzema | $000s | - | 3,771 | - | - | - | 3,771 |
| Inventory adjustments | $000s | (3,133) | 2,019 | (5,192) | (1,691) | (501) | (8,499) |
| Cash costs for ounces sold | $000s | 17,061 | 22,025 | 30,909 | 6,911 | 13,385 | 90,290 |
| Royalties | $000s | 1,733 | 1,225 | 2,701 | 327 | 932 | 6,918 |
| Sustaining capital | $000s | 2,443 | 36 | 7,368 | 5 | 1,285 | 11,137 |
| Cash cost per ounce sold | $/oz | 422 | 1,095 | 808 | 1,051 | 609 | 709 |
| **Mine-level AISC per ounce sold** | **$/oz** | **525** | **1,158** | **1,071** | **1,101** | **710** | **851** |

[1] The Youga mine was sold on February 29, 2016 and has been included up to the date of sale.

**Table 27: 2015 Mines cash costs and AISC**

| For the quarter ended March 31, 2015 | Unit | Agbaou | Nzema | Tabakoto | Youga | Total |
|---|---|---|---|---|---|---|
| **Mining Physicals** | | | | | | |
| Total tonnes mined - Open pit | 000t | 5,219 | 2,933 | 2,308 | 1,819 | |
| Total ore tonnes - Open pit | 000t | 594 | 391 | 116 | 293 | |
| Total ore tonnes - Underground | 000t | - | - | 278 | - | |
| Total tonnes milled | 000t | 582 | 406 | 389 | 247 | |
| **Gold sold** | **oz** | 45,538 | 27,078 | 34,441 | 17,793 | 124,850 |
| **Unit cost analysis** | | | | | | |
| Mining costs - Open pit | $/t mined | 1.85 | 3.11 | 1.37 | 4.12 | |
| Mining costs – Underground | $/t ore | - | | 45.77 | - | |
| Processing and maintenance | $/t milled | 7.08 | 18.92 | 22.02 | 22.00 | |
| Site G&A | $/t milled | 5.18 | 7.34 | 16.23 | 9.02 | |
| **Cash cost details** | | | | | | |
| Mining costs - Open pit | $000s | 9,670 | 9,117 | 3,156 | 7,499 | 29,442 |
| Mining costs -Underground | $000s | - | - | 12,724 | - | 12,724 |
| Processing and maintenance | $000s | 4,122 | 7,680 | 8,564 | 5,435 | 25,801 |
| Site G&A | $000s | 3,016 | 2,979 | 6,312 | 2,227 | 14,534 |
| Purchased ore at Nzema | $000s | - | 7,667 | - | - | 7,667 |
| Inventory adjustments | $000s | 1,664 | (741) | 1,463 | (1,198) | 1,189 |
| Cash costs for ounces sold | $000s | 18,472 | 26,702 | 32,220 | 13,963 | 91,357 |
| Royalties | $000s | 1,950 | 1,907 | 2,495 | 889 | 7,241 |
| Sustaining capital | $000s | 5,851 | 3,719 | 4,099 | 284 | 13,953 |
| Cash cost per ounce sold | $/oz | 406 | 986 | 935 | 785 | 732 |
| **Mine-level AISC per ounce sold** | **$/oz** | **577** | **1,194** | **1,127** | **851** | **901** |

### *Adjusted net earnings and adjusted net earnings per share*

Adjusted net earnings and adjusted net earnings per share are financial measures with no standard meaning under IFRS. They should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The measures are not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate these measures differently. Net earnings have been adjusted for items considered exceptional in nature and not related to Endeavour Mining's core operating of mining assets and Endeavour Mining uses this measure for its own internal purposes. The presentation of adjusted net earnings may enable investors and analysts to better understand the underlying operating performance of our core mining business through the eyes of management. Management periodically evaluates the components of adjusted net earnings based on an internal assessment of performance measures that are useful for evaluating the operating performance of our business and a review of the non-GAAP measures used by mining industry analysts and other mining companies.

The following table reconciles these non-GAAP measures to the most directly comparable IFRS measure.

**Table 28: Adjusted net earnings**

| | Three months ended | |
|---|---|---|
| ($' million except per share amounts) | March 31, 2016 | March 31, 2015 |
| **Total net earnings** | 7.9 | 13.0 |
| **Loss on derivative instruments, marketable securities and interest** | 3.2 | 0.6 |
| **Imputed interest on promissory note** | - | (0.2) |
| **Loss on foreign currency** | (0.3) | 4.2) |
| **Other income** | 0.1) | 0.2) |
| **Stock-based payments** | 2.6 | 1.1 |
| **Acquisition costs** | 1.2 | - |
| **Deferred income tax expense (recovery)** | (5.5) | 5.1 |
| **Adjusted net earnings (loss) after tax** | **9.0** | **15.2** |
| **Attributable to non-controlling interests** | 6.0 | 3.9 |
| **Attributable to shareholders of the Corporation** | **3.0** | **11.3** |
| **Weighted average number of outstanding shares** | 59,051,152 | **41,314,367** |
| **Adjusted net earnings per share (basic) from continuing operations** | $ **0.05** | **$ 0.27** |

## HEALTH, SAFETY AND CORPORATE SOCIAL RESPONSIBILITY

Endeavour Mining emphasizes employee and affected stakeholders' health and safety and puts the highest priority on safe, healthy and environmentally sound work practices and systems. The Corporation's values and business principles on safety and health underpin its safety and health policy and represent the minimum guidelines for the Corporation and its employees in this respect. The Corporation has a Zero Harm policy which is applied at all sites, and continuous efforts are made to reduce the lost time injury frequency rate ("LTIFR") at all the operations. The following table shows the safety statistics for the most recent full year period, 2015.

**Table 29: 2015 Statistics**

| Incident Category | Tabakoto | Agbaou | Nzema | Youga | Ity | Total |
|---|---|---|---|---|---|---|
| Fatality | 0 | 0 | 0 | 0 | 0 | 0 |
| Lost Time Injury | 4 | 0 | 1 | 1 | 4 | 10 |
| Total Man Hours (millions) | 3.8 | 2.3 | 3.3 | 1.7 | 2.1 | 13.2 |
| LTIFR[1] | 1.05 | 0 | 0.31 | 0.59 | 1.88 | 0.76 |

[1] Lost Time Injury Frequency Rate= (Number of LTIs in the Period X 1,000,000)/ (Total man hours worked for the period)

Endeavour Mining sees itself as an integral part of the communities in which it operates, as well as a responsible development partner. Endeavour Mining works in collaboration with and engages government, local communities and outside organizations to ensure it supports economic sustainability and social development, with projects including skills training and educational scholarships, healthcare, water and sanitation, public infrastructure maintenance, institutional capacity building and livelihood programs.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Corporation's management has made critical judgments and estimates in the process of applying the Corporation's accounting policies to the consolidated financial statements that have significant effect on the amounts recognized in the Corporation's consolidated financial statements. The most critical accounting policies follow:

*(a) Commencement of commercial production*

Prior to a mine being capable of operating at levels intended by management, costs incurred are capitalized as part of the costs of related mining properties and proceeds from mineral sales are offset against costs capitalized. The Corporation defines the commencement of commercial production as the date that a mine has achieved a consistent level of production. Management considers several factors in determining when a mining interest is capable of operating at levels intended by management. Depletion of capitalized costs for mining properties begins when the mine is capable of operating at levels intended by management. Commercial production at the Agbaou Mine was declared on January 27, 2014 (accounting for commercial production commenced on February 1, 2014).

*(b) Determination of economic viability*

Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

*(c) Functional currency*

The functional currency for each of the Corporation's subsidiaries, and investments in associates, is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Corporation reconsiders functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

*(d) Business combinations*

Determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Corporation to make certain judgements, taking into account all facts and circumstances. If an acquired set of assets and liabilities includes goodwill, the set is presumed to be a business.

*(e) Capitalization of waste stripping*

Capitalization of waste stripping requires the Corporation to make judgments and estimates in determining the amounts to be capitalized. These judgments and estimates include and rely on the expected stripping ratio for each separate open pit, the determination of what defines separate pits, and the expected ounces to be extracted from each component of a pit, amongst others.

## ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Corporation has not early adopted the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective. The Corporation is currently assessing the impact they will have on the consolidated financial statements.

- *IFRS 9, Financial Instrument*s: IFRS 9 introduces the new requirements for the classification, measurement and de-recognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of *IAS 39 Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value, and all financial liabilities classified as subsequently measured at amortized cost except for financial liabilities measured at fair value through profit and loss. In July 2014, the IASB issued the final version of *IFRS 9 Financial Instruments* bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace *IAS 39 Financial Instruments: Recognition and Measurement.* The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of adopting IFRS 9 on its consolidated financial statements.

- *IFRS 15, Revenue from Contracts with Customers:* IFRS 15 introduces a new framework for determining the nature, amount, timing and uncertainty of revenues and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation is currently evaluating the potential impact of the new standard on its consolidated financial statements.

- *IFRS 16, Leases:* IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance. The standard is effective for annual periods beginning on or after January 1, 2019. The Corporation is currently evaluating the potential impact of the new standards on its consolidated financial statements.

## KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in conformity with IFRS requires the Corporation's management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Corporation's assets and liabilities are as follows:

*(a) Value Added Tax ("VAT")*

Included in trade and other receivables are recoverable VAT balances owing by the fiscal authorities in Burkina Faso, Ghana, Cote d'Ivoire, and Mali. The Corporation is following the relevant process in each country to recoup the VAT balances owing and continues to engage with authorities to accelerate the repayment of the outstanding VAT balances.

*(b) Impairment of mining interests and goodwill*

The Corporation considers both external and internal sources of information in assessing whether there are any indications that mining interests and goodwill are impaired. External sources of information the Corporation considers include changes in the market, economic and legal environment in which the Corporation operates that are not within its control and affect the recoverable amount of mining interests and goodwill. Internal sources of information the Corporation considers include the manner in which mining properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

In determining the recoverable amounts of the Corporation's mining interests and goodwill, the Corporation's management makes estimates of the discounted future cash flows expected to be derived from the Corporation's mining properties, costs to sell the mining properties and the appropriate discount rate. The projected cash flows are significantly affected by changes in assumptions about gold's selling price, future capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, production cost estimates, discount rates and exchange rates. Reductions in gold price forecasts, increases in estimated future costs of production, increases in estimated future non-expansionary capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, and/or adverse current economics can result in a write-down of the carrying amounts of the Corporation's mining interests and/or goodwill. These factors moving in the opposite direction could result in full or partial reversals of previous write-downs to mining interests.

*(c) Estimated recoverable ounces*

The carrying amounts of the Corporation's mining interests are depleted based on recoverable ounces. Changes to estimates of recoverable ounces including changes from revisions to the Corporation's mine plans and changes in gold price forecasts can results in a change to future depletion rates.

*(d) Mineral reserves*

Mineral reserves and mineral resources are determined in accordance with Canadian Securities Administrator's national Instrument *43-101* Standards of Disclosure *for Mineral Projects.* Mineral reserve and resource are calculated based on numerous estimates. Such estimation is a subjective process, and the accuracy of any mineral reserve or resource estimate is a dependent on the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's

assumptions including economic assumptions such as gold prices and market conditions could have a material effect in the future on the Corporation's financial position and results of operation.

*(e) Environmental rehabilitation costs*

The provisions for rehabilitation of mine and project sites and the related accretion expense are based on the expected costs of environmental rehabilitation and inputs used to determine the present value of such provisions using the information available at the reporting date. To the extent the actual costs differ from these estimates, adjustments will be recorded and the profit or loss may be impacted.

*(f) Deferred income taxes*

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. Weight is attached to tax planning opportunities that are within the Corporation's control, and are feasible and implementable without significant obstacles. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Corporation reassesses unrecognized and recognized income tax assets.

*(g) Share-based payments*

Significant assumptions are made when accounting for share-based payments. Changes to these assumptions may alter the resulting accounting and ultimately the amount charged to profit or loss.

*(h) Contingencies*

Due to the nature and complexity of the Corporation's operations, various legal and tax matters are ongoing at any given time. In the event that the circumstances surrounding these matters change or the Corporation's outlook for the outcomes of these matters changes, the effects will be recognized in the consolidated financial statements.

## RISK FACTORS

Readers of this Management's Discussion and Analysis should give careful consideration to the information included or incorporated by reference in this document and the Corporation's audited consolidated financial statements and related notes for the year ended December 31, 2015. Significant risk factors for the Corporation are metal prices, government regulations, foreign operations, environmental compliance, dependence on management, title to the Corporation's mineral properties and litigation. For further details of risk factors, please refer to the most recent Annual Information Form filed on SEDAR at http://www.sedar.com/, the 2015 year-end audited consolidated financial statements, and the below discussions.

## OPERATIONAL RISKS

a) *Political Risks*

The majority of Endeavour Mining's assets are located in West Africa. Endeavour Mining believes that the governments of the countries that the Corporation holds assets in support 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, local beneficiation of gold production, 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.

b) *Mineral Reserves and Resources*

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 over the course of the mine life. Reserves should not be interpreted as assurances of mine life or of the profitability of current or future production. Furthermore there can be no assurance that those portions of such mineral resources that are not mineral reserves will ultimately be converted into mineral reserves. Mineral resources which are not mineral reserves do not have demonstrated economic viability. 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.

c) *Outside Contractor Risks*

It is common for certain aspects of mining operations, such as drilling, blasting and hauling to be conducted by an outside contractor. The mining operations at the Youga Gold Mine, the Nzema Gold Mine and the Agbaou 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.

## FINANCIAL AND RELATED RISKS

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

(i) *Credit risk*

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Corporation by failing to discharge its obligations. There has been no change in the Corporation's objectives and policies for managing this risk in the three months ended March 31, 2016.

The Corporation's maximum exposure to credit risk is as follows:

**Table 30: Exposure to credit risk**

| ($'000') | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Cash | $ 117,004 | $ 109,519 |
| Cash – restricted | 3,583 | 4,824 |
| Marketable securities | 452 | 375 |
| Trade and other receivables | 5,474 | 13,045 |
| Loan receivable (Note 6) | 15,000 | - |
| Working capital loan | 1,025 | 1,017 |
| Long-term receivable | 293 | 246 |
| | **$ 142,831** | **$ 129,026** |

(ii) *Liquidity risk*

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

(iii) *Currency risk*

Currency risk relates to the risk that the fair values or future cash flows of the Corporation's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations may affect the costs that the Corporation incurs in its operations including its capital expenditures. Gold is sold in US dollars and the Corporation's costs are incurred principally in CFA Franc, Canadian dollars, Euros, Ghana Cedi, and US dollars. The Corporation also holds cash and cash equivalents, marketable securities, and other receivables that are denominated in non-US dollar currencies which are subject to currency risk. The Corporation has not hedged its exposure to foreign currency exchange risk. The Corporation has not hedged its exposure to foreign currency exchange risk.

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

**Table 31: Net assets in foreign currencies**

| | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Canadian dollar | $ (4,012) | $ (2,961) |
| CFA Francs | 65,296 | 60,530 |
| Other currencies | (3,119) | (687) |
| | **$ 58,165** | **$ 56,882** |

The effect on earnings and other comprehensive earnings before tax as at March 31, 2016, of a 10% appreciation or depreciation in the foreign currencies against the US dollar on the above mentioned financial and non-financial assets and liabilities of the Corporation is estimated to be $5.8 million (December 31, 2015, $5.7 million), assuming that all other variables remained constant. The calculation is based on the Corporation's statement of financial position as at March 31, 2016.

(iv) *Interest rate risk*

Interest rate risk is the risk that future cash flows from, or the fair values of, the Corporation's financial instruments will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk primarily on its long-term debt. Since marketable securities and government treasury securities held as loans are short term in nature and are usually held to maturity, there is minimal fair value sensitivity to changes in interest rates,. The Corporation continually monitors its exposure to interest rates and is comfortable with its exposure given the relatively low short-term US interest rates and LIBOR.

The effect on earnings and other comprehensive earnings before tax as at March 31, 2016, of a 10% change in interest rate on the Facility is estimated to be $0.1 million (December 31, 2015 - $0.1 million).

(v) *Price risk*

Price risk is the risk that the fair value or future cash flows of the Corporation's financial instruments will fluctuate because of changes in market prices. There has been no change in the Corporation's objectives and policies for managing this risk and no significant changes to the Corporation's exposure to price risk during the three months ended March 31, 2016.

## CONTROLS AND PROCEDURES

### *Disclosure controls and procedures*

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). Additionally, these controls and procedures provide reasonable assurance that information required to be disclosed in the Corporation's annual and interim filings (as such terms are defined under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) and other reports filed or submitted under Canadian securities law is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management including the CEO and CFO as appropriate to allow timely decisions regarding required disclosure.

As at the end of and for the year ended December 31, 2015, management evaluated the design and operating effectiveness of the Corporation's disclosure controls and procedures as required by Canadian Securities Law. Based on that evaluation, the CEO and CFO concluded that as of December 31, 2015, the disclosure controls and procedures were effective.

### *Internal controls over financial reporting*

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

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. As at December 31, 2015, management evaluated the effectiveness of the Corporation's internal control over financial reporting as required by Canadian securities laws.

The Corporation was unable to conduct an assessment of the Ity Gold Mine's internal control over financial reporting in the period between the acquisition date and the date of management's internal control assessment, due to the timing of the acquisition. Accordingly, management excluded from its assessment the internal control over financial reporting of the Ity Gold Mine, which was acquired on November 27, 2015. As permitted under National Instrument 52-109 Certification of Disclosure, the Company will include its assessment of the Ity Gold Mine's internal control over financial reporting in its 2016 annual management report on internal control.

Based on that evaluation, the CEO and CFO have concluded that, as at December 31, 2015, the internal controls over financial reporting were effective and able to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There have been no material changes in the Corporation's internal controls over financial reporting since the year ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

Additional information relating to the Corporation is available on the Corporation's web site at www.endeavourmining.com and in the Corporation's most recently filed Annual Information Form filed on SEDAR at www.sedar.com.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

*Certain statements in this MD&A and certain information incorporated herein by reference constitute forward-looking statements. Forward-looking statements include, but are not limited to, statements with respect to the Corporation's plans or future financial or operating performance, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, conclusions of economic assessments of projects, the timing and amount of estimated future production, costs of future production, future capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, requirements for additional capital, sources and timing of additional financing, realization of unused tax benefits and future outcome of legal and tax matters. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "will continue" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". The material factors or assumptions used to develop material forward-looking statements are disclosed throughout this document.*

*Forward-looking statements, while based on management's best estimates and assumptions, are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Endeavour Mining to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to the successful integration of acquisitions; risks related to international operations; risks related to joint venture operations; risks related to general economic conditions and credit availability, actual results of current exploration activities, unanticipated reclamation expenses; changes in project parameters as plans continue to be refined; fluctuations in prices of metals including gold; fluctuations in foreign currency exchange rates, increases in market prices of mining consumables, possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes, title disputes, claims and limitations on insurance coverage and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, changes in national and local government regulation of mining operations, tax rules and regulations, and political and economic developments in countries in which the Corporation operates, actual resolutions of legal and tax matters, as well as those factors discussed in the section entitled "Description of the Business – Risk Factors" in Endeavour Mining's most recent Annual Information Form available on SEDAR at www.sedar.com. Although Endeavour Mining has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Corporation's management reviews periodically information reflected in forward-looking statements. The Corporation has and continues to disclose in its Management's Discussion and Analysis and other publicly filed documents, changes to material factors or assumptions underlying the forward-looking statements and to the validity of the statements themselves, in the period the changes occur.*

## CAUTIONARY NOTE REGARDING RESERVES AND RESOURCES

*Readers should refer to the most recent Annual Information Form of Endeavour Mining and other continuous disclosure documents filed by Endeavour Mining available at www.sedar.com, for further information on mineral reserves and resources, which is subject to the qualifications and notes set forth therein.*