ENDEAVOUR MINING CORPORATION

Management's Discussion and Analysis of
Results of Operations and Financial Condition
For the Three and Nine Months Ended September 30, 2012

This Management's Discussion and Analysis should be read in conjunction with Endeavour Mining Corporation's ("Endeavour" or the "Corporation") unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2012 and 2011 and related notes thereto which have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. This Management's Discussion and Analysis contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. The reader is cautioned not to place undue reliance on forward-looking statements. All figures are in United States Dollars, unless otherwise indicated. Tabular amounts are in thousands of United States Dollars, except per share amounts. This Management's Discussion and Analysis is prepared as of November 14, 2012. Additional information relating to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com.

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

Subsequent to the end of the third quarter of 2012, on October 18, 2012 Endeavour acquired Avion Gold Corporation ("Avion"). As a result, the results of Avion's operations are not included in the three and nine months ended September 30, 2012 or in the comparable periods of 2011.

THIRD QUARTER 2012 FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Gold production[1] from the Youga Gold Mine ("Youga" or the "Youga Gold Mine") and the Nzema Gold Mine for the three months ended September 30, 2012 totaled 49,468 ounces compared with 24,047 ounces in the same period in 2011, which only included Youga.

- Gold production for the nine months ended September 30, 2012 from the Youga and Nzema gold mines totaled 152,159 ounces and is on track to achieve production of approximately 200,000 ounces of gold for the year ended December 31, 2012.

- Total cash cost[1,2] (excluding royalties) per gold ounce produced at Youga and Nzema was $644 for the three months ended September 30, 2012 and $667 for the nine months ended September 30, 2012. Full year 2012 total cash cost (excluding royalties and purchased ore) per gold ounce produced is expected to be within the guidance range of $670 to $690.

- Cash margin[3], which is revenues less cash costs and royalties, was $936 per ounce of gold sold from Youga and Nzema or $131.1 million for the nine months ended September 30, 2012.

- Cash and cash equivalents (excluding $4.5 million of restricted cash used to guarantee a reclamation bond in Ghana) and marketable securities totaled $130.5 million, which includes $100 million drawn down from the $200 million corporate debt facility.

[1]Total gold production and total cash costs include gold ounces produced at Nzema from ore purchased from an independent producer. Refer to Nzema Gold Mine Operations on page 8.
[2]Total cash cost is a non-GAAP financial performance measure with no standard meaning under IFRS. Refer to Non-GAAP Measures on page 26.
[3]Cash margin is a non-GAAP financial performance measure with no standard meaning under IFRS.

THIRD QUARTER 2012 FINANCIAL AND OPERATIONAL HIGHLIGHTS (CONTINUED)

- Operating cash flow from Youga and Nzema mine operations of $40.7 million for the quarter compared to $17.9 million in the same period in 2011.

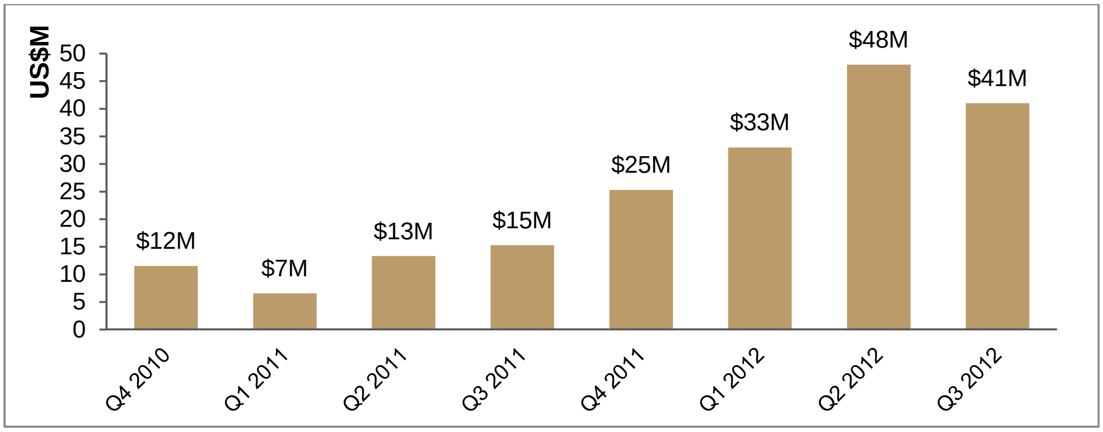

Figure 1: Quarterly cash inflow in millions of dollars for the last eight quarters, with Q1 and Q2 2012 adjusted for $8.5 million of cash for March production received in early April.

- The 85% owned Agbaou Gold Mine ("Agbaou"), which is under construction in Côte d'Ivoire, received its mining permit from the government of Côte d'Ivoire during the third quarter of 2012. Construction has advanced, with long-lead items ordered and earthworks having commenced prior to the end of the third quarter of 2012 and concrete pouring for the mill having commenced subsequent to the end of the third quarter.

SUBSEQUENT EVENT

On October 18, 2012 Endeavour completed an all stock acquisition of Avion to add the 80% owned Tabakoto Gold Mine, which is expected to produce approximately 100,000 ounces of gold in 2012, and two advanced projects, Houndé and Kofi, to the Corporation's assets. Integration of the operations has commenced with an emphasis on completing the expansion of the Tabakoto mill, improving mine efficiency and lowering costs. Discussion of the results from the acquired assets will be included in management's discussion and analysis for the year ended December 31, 2012. The newly acquired assets from the Avion acquisition are described below. For more details on the assets and the acquisition see www.endeavourmining.com.

Tabakoto Gold Mine, Mali

The Tabakoto Gold Mine was added to Endeavour's operations on October 18, 2012 through the acquisition of Avion. Accordingly, only a summary of the asset is included here, with discussion of Tabakoto's results to be included in the management discussion and analysis for the year ended December 31, 2012.

The Tabakoto property is 156 square kilometres and is located 360 kilometres west of Bamako in southwestern Mali near the border with Senegal. Endeavour holds a 80% interest in the Tabakoto Gold Mine with the Government of Mali holding the remaining 20%. In 2011, Tabakoto produced 91,200 ounces of gold. Production in 2012 is expected to be over 100,000 ounces and production from Tabakoto will be included in Endeavour's fourth quarter results for the operating period of October 18, 2012 to December 31, 2012. Expansion of the mill is targeted for completion in the first half of 2013 and is expected to increase annual production to approximately 150,000 ounces per year.

In 2012, contractor mining has been from two open pits, Djambaye II and Dioulafoundou, and the Tabakoto underground mine. Underground mining of the Tabakoto deposit is by long-hole open stopping and began in early 2012 from two portals at the bottom of the Tabakoto pit. Underground development is underway at the Segala deposit, which forms approximately half of the total resources at Tabakoto. Segala is located five kilometres north of Tabakoto.

The mill expansion is targeting an increase in the processing rate from 2,000 to 4,000 tonnes per day. Gold is extracted via a standard carbon-in-leach ("CIL") plus gravity circuit with a recovery rate of 92% to 95%. Power is produced on-site with diesel generators and access is either by local airstrip or a five hour drive from Bamako, the capital of Mali. It is also a twelve hour drive from Dakar, the capital of Senegal.

Proven and probable reserves are 0.827 million ounces, with approximately 80% being underground reserves at an average grade of 4.5 g/t gold. Resources (inclusive of reserves) are 1.115 million ounces of Measured and Indicated and 1.117 million ounces of Inferred. Underground drilling is ongoing at the Tabakoto deposit to find new resources and convert existing resources to reserves.

Houndé Project, Burkina Faso

The Houndé Project, which was acquired as part of the Avion transaction on October 18, 2012, is situated in the southwestern region of Burkina Faso just south of Semafo's Mana mine and the property totals 1,600 square kilometres. Ownership is currently 100% but upon achieving production would become 90% by Endeavour and 10% by the government of Burkina Faso. A PEA of Houndé is expected to be delivered by the end of 2012, including an updated resource estimate for the Vindaloo trend. In 2012, 151 holes totaling approximately 23,707 metres were drilled in order to define additional resources and provide infill drilling where necessary to support the PEA. Baseline work for the PEA is ongoing.

[2]Total cash cost is a non-GAAP financial performance measure with no standard meaning under IFRS. Refer to Non-GAAP Measures on page 26.

SUBSEQUENT EVENT (CONTINUED)

Houndé Project, Burkina Faso *(continued)*

Infrastructure at Houndé is excellent, with access by paved road, a three hour drive, from the capital city of Ouagadougou and grid power available nearby. The project will benefit from Endeavour's experience operating and exploring around the Youga Gold Mine, also located in Burkina Faso.

Pit-constrained mineral resources for the Vindaloo zone at the Houndé project are 893,000 ounces of Indicated (13.407 million tonnes at 2.1 g/t gold) and 712,000 ounces of Inferred (10.717 million tonnes at 2.1 g/t gold). Preliminary metallurgical test work indicates gold recovery averaging 93%, with a significant portion recoverable by gravity.

Kofi Project, Mali

The Kofi project is located just north of Randgold's Loulo Gold Mine and Endeavour's Tabakoto Gold Mine in southwestern Mali approximately 360 kilometres by road west of Bamako. Kofi measures approximately 470 square kilometres and contains a number of deposits with combined mineral resources estimated at 500,000 ounces of Indicated (6.9 million tonnes at 2.3 g/t gold) and 702,000 ounces of Inferred (12.4 million tonnes at 1.8 g/t gold). Ownership is 75% by Endeavour, 20% by the Mali government and 5% by a private party.

Additional exploration and studies will be required to evaluate the potential for either a standalone mine or a trucking operation to the Tabakoto mine to the south. Deposits identified to date are within 10 to 40 kilometres by road from Tabakoto.

GROWTH PROFILE

With the acquisition of Avion on October 18, 2012, Endeavour has achieved a gold production rate of 300,000 ounces per year. The Corporation owns the Tabakoto Gold Mine in Mali, the Nzema Gold Mine in Ghana and the Youga Gold Mine in Burkina Faso, which generate significant operating cash flows to fund growth from our pipeline of development and exploration projects in West Africa.

Endeavour is expanding its production beyond 300,000 ounces per year through the following:

- Completion of the Tabakoto mill expansion from 2,000 to 4,000 tonnes per day, which is expected to increase production from 100,000 to 150,000 ounces per year, targeted for completion in the first half of 2013; and

- Completion of the construction of the Agbaou Gold Mine, which is expected to begin production in the first quarter of 2014 for an additional 103,000 ounces per year over an eight year mine life;

Figure 2: Endeavour's West Africa mines and mine under construction

Our strong pipeline of projects, including our advanced Houndé Project, provides potential for further growth. Endeavour is currently exploring in Burkina Faso, Côte d'Ivoire, Ghana, Liberia and Mali, with approximately 80% of the overall spend directed toward near-mine exploration to feed our mills and approximately 20% toward green fields exploration.

Endeavour is well positioned to achieve its growth objectives based on:

- Strong financial position at September 30, 2012 of $130.5 million of cash and cash equivalents and marketable securities, which includes $100 million drawn from the $200 million debt facility;

- Substantial cash margins (revenues less cash costs and royalties) are funding development and exploration (for the nine months ended September 30, 2012, the Youga and Nzema mines generated $121.2 million of cash flow, allowing investments in mine operations and exploration of $61.9 million); and

- Management team with demonstrated experience in mine building, exploration and operations, as well as company building and financing.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

	Three Month Period Ended September 30,		Nine Month Period Ended September 30,	
Operating Data:	2012	2011[3]	2012	2011[3]
Tonnes of ore mined (000's)	767	390	2,316	812
Tonnes of ore milled (000's)	816	246	2,388	692
Gold ounces produced:	49,468	24,047	152,159	65,678
Gold ounces sold:	50,129	22,845	150,103	66,937
Realized price				
Gold ($/ounce)[2]	1,579	1,662	1,570	1,495
Total cash cost per gold ounce produced (excluding royalties) ($/ounce)[1]	644	570	667	602
Financial Data (US dollars in thousands)				
Revenues (Net of royalties)	79,165	37,960	235,727	100,076
Royalties	4,182	1,509	12,429	3,940
Earnings from mine operations	29,601	19,342	79,644	42,610

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

OVERVIEW OF THE FINANCIAL RESULTS FOR THE THIRD QUARTER OF 2012

- Gold production increased by 25,421 ounces to 49,468 ounces from 24,047 ounces in the same period in 2011 due to the inclusion of Nzema only from December 5, 2011.

- Gold sold increased by 27,284 ounces to 50,129 ounces from 22,845 ounces in the same period in 2011.

- Revenue increased $41.2 million to $79.2 million from $38.0 million in the same period in 2011. The increase in revenue is primarily a result of an additional 26,757 ounces of gold sold from Nzema. The average price of gold sold decreased by 5% from $1,662 per ounce to $1,579 per ounce in the same period in 2012. The third quarter of 2011 was when the spot gold price reached its record high of $1,897 per ounce.

- Total cash cost[1] (excluding royalties) per gold ounce produced increased to $644 from $570 per gold ounce in the same period in 2011, which is a result of increased fuel and other input costs.

- Operating cash flow from mine operations increased by $25.6 million to $40.7 million. The significant increase in quarterly cash flow is a direct result of the inclusion of the additional 26,757 ounces of gold sold from Nzema.

- The two mine operations are on plan to achieve cash margin expectations of $150.0 million for 2012 (based on a $1,600 realized gold sales price).

- Earnings from operations increased by $5.6 million to $20.2 million from $14.6 million in the same period in 2011.

[1]Total cash cost is a non-GAAP financial performance measure with no standard meaning under IFRS. Refer to Non-GAAP Measures on page 26.

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

- Net loss attributable to shareholders of Endeavour of $1.1 million, compared with net earnings of $9.6 million, in the same period in 2011. The loss is primarily a result of a $16.0 million loss on financial instruments, consisting of a loss of $14.8 million from the realized and change in unrealized loss on the residual Nzema gold hedge and a loss of $1.9 million from the change in the unrealized loss for change in the share purchase warrants, a $1.5 million settlement of the Gold Reserve Inc. ("Gold Reserve") claim and $3.1 million of one-off costs related to the acquisition of Avion.

OPERATIONS REVIEW

Nzema Gold Mine, Ghana

The following table, which includes the ounces produced from ore purchased from an independent producer, summarizes the operating results of the Nzema Gold Mine for the three and nine months ended September 30, 2012:

	Three Month Period Ended September 30,		Nine Month Period Ended September 30,	
Operating Data:	2012	2011[3]	2012	2011[3]
Tonnes of ore mined (000's)	535	-	1,508	-
Average gold grade mined (grams/tonne)	1.62	-	1.56	-
Tonnes of ore milled (000's)	555	-	1,616	-
Average gold grade milled (grams/tonne)	1.78	-	1.78	-
Gold ounces produced (including purchased ore):	26,942	-	82,780	-
Gold ounces produced from purchased ore:	1,672		6,485	
Gold ounces sold:	26,757	-	82,569	-
Realized price				
Gold ($/ounce)[2]	1,570	-	1,567	-
Total cash cost per gold ounce produced				
(excluding royalties) ($/ounce)[1]	710	-	709	-
(excluding royalties and purchased ore)($/ounce)[1]	688	-	675	-
Financial Data (US dollars in thousands)				
Revenues (Net of royalties)	42,001	-	129,422	-
Royalties	2,214		6,821	
Earnings from mine operations	10,072	-	26,739	-

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

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

- Total mining volumes exceeded budget by 5%;
- The process plant treated 554,555 tonnes of ore, which is 5% ahead of budget;
- Gold production was 26,942 ounces and includes 1,672 ounces from ore purchased from an independent producer. Ounces produced exceeded budget by 6.7% (1,698 ounces);
- Revenue was $42.0 million resulting from the sale of 26,757 ounces of gold at an average realized gold price[2] of $1,570 per ounce;
- Total cash cost[1] (excluding royalties) per gold ounce produced was $710, including purchased ore and $688 excluding purchased ore;
- Nzema generated $10.1 million in earnings from mine operations;
- Nzema generated $18.5 million of operating cash flow from mine operations;
- One lost time injury (LTI) was recorded in July, no LTIs were recorded in either August or September; and
- In order to improve consistency of power supply, installation of a back-up diesel power generation plant advanced during the third quarter and is on track for completion by the end of the year.

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

OPERATIONS REVIEW (CONTINUED)

Nzema Gold Mine, Ghana *(continued)*

Highlights for the nine month period ended September 30, 2012 include:

- Total mining volumes exceeded budget by 2%;
- The process plant treated 1,616,115 tonnes of ore, which is 7.5% ahead of budget;
- Gold production was 82,780 ounces. Ounces produced exceeded budget by 11.9% (8,777 ounces) and includes 6,485 ounces from ore purchased from an independent producer, which were not budgeted;
- Revenue was $129.4 million resulting from the sale of 82,569 ounces of gold at an average realized gold price[2] of $1,567 per ounce;
- Total cash cost[1] (excluding royalties) per gold ounce produced was $709 including purchased ore and $675 excluding purchased ore;
- Nzema generated $26.7 million in earnings from mine operations; and
- Nzema generated $70.4 million of operating cash flow from mine operations.

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

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

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

Mining during the third quarter of 2012 was from Salman Central, and Salman South 1A and 1B pits. A total of approximately 1,094,596 BCM of material was mined during the third quarter of 2012 including 534,746 tonnes of ore.

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

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

OPERATIONS REVIEW (CONTINUED)

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

Nzema employs approximately 685 workers, including 235 full time Endeavour employees and 450 contractors, a reduction of over 30% since the beginning of the year as operations stabilized and cost reduction programs were initiated. Only five expatriates are employed at the mine, with most of the workers coming from local communities. There is extensive training provided for the local work force for both unskilled and skilled positions.

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

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

- Following their graduation from technical training classes, 40 local youths entered a three month practicum phase with experienced local technicians to help them gain practical experience in their specialized fields;
- Completed Alternative Livelihood Program for 30 vulnerable households from Salman in projects like poultry, pig-rearing, bakery training to support vulnerable households in attaining self-sufficiency; and
- Completed Phase II Livelihood Restoration Program for 60 farmers. The program assisted them to acquire farmlands, planting materials such as maize, cassava, plantain, oil palm and cocoa, farm tools, fertilizers and herbicides. The farmers were trained in modern farming methods and assisted with extension services.

OPERATIONS REVIEW (CONTINUED)

Youga Gold Mine, Burkina Faso

The following table summarizes the operating results of the Youga Gold Mine for three and nine months ended September 30, 2012:

	Three Month Period Ended September 30,		Nine Month Period Ended September 30,	
Operating Data:	2012	2011	2012	2011
Tonnes of ore mined (000's)	232	390	808	812
Average gold grade mined (grams/tonne)	2.39	3.20	3.07	3.09
Tonnes of ore milled (000's)	261	246	772	692
Average gold grade milled (grams/tonne)	2.90	3.09	2.90	3.15
Gold ounces produced:	22,526	24,047	69,379	65,678
Gold ounces sold:	23,372	22,845	67,534	66,937
Realized price				
Gold ($/ounce)[2]	1,590	1,662	1,574	1,495
Total cash cost per gold ounce produced[1] (excluding royalties) ($/ounce)	565	570	616	602
Financial Data (US dollars in thousands)				
Revenues (Net of royalties)	37,164	37,960	106,305	100,076
Royalties	1,968	1,509	5,608	3,940
Earnings from mine operations	19,556	19,342	52,999	42,610

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

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

- Total mining volumes were below budget by 37% due to maintenance problems impacting on in-pit blasted inventory; actions implemented by the contractor have resulted in a return of load haul operations to budgeted levels;
- The process plant treated a record 260,990 tonnes of ore compared to 246,158 tonnes of ore treated for the same period in 2011;
- Gold production was 22,526 ounces compared to 24,047 ounces produced in the same period in 2011. Despite record throughput, third quarter 2012 gold production decreased compared to the same period in 2011 due to lower mill feed grade;
- Revenue was $37.2 million compared to $38.0 million in the same period in 2011. The change was attributable to a decrease in gold prices. Gold ounces sold were 23,372 in 2012 compared to 22,845 ounces in 2011. The average realized gold price[2] per ounce during the third quarter of 2012 was $1,590 compared to $1,662 in the same period in 2011. The realized gold price for the third quarter of 2011 included the delivery of 8,934 ounces into the gold hedge program at $700 per ounce;
- Total cash cost[1] (excluding royalties) per gold ounce produced was $565 compared to $570 in the same period in 2011;
- Youga generated $19.6 million in earnings from mine operations;
- Youga generated $22.2 million of operating cash flow from mine operations compared to $15.3 million in the same period in 2011.
- In the third quarter, there were no lost time injuries or reportable environmental incidents; and

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

OPERATIONS REVIEW (CONTINUED)

Youga Gold Mine, Burkina Faso *(continued)*

- Phase II of the Ghana Grid Power project, which aims to improve grid power supply quality and availability, was advanced toward target completion during the fourth quarter of 2012.

The highlights for the nine month period ended September 30, 2012 for Youga are as follows:

- Total mining volumes were below budget by 15%, principally in the third quarter due to drill rig problems, which have subsequently been rectified;
- The process plant treated 771,611 tonnes of ore compared to 692,000 tonnes of ore treated for the same period in 2011, reflecting improved maintenance standards at Youga;
- Gold production was 69,379 ounces compared to 65,678 ounces produced in the same period in 2011. Gold production was higher in the first nine months of 2012 compared to the same period in 2011 due to higher mill throughput;
- Revenue was $106.3 million compared to $100.1 million in the same period in 2011. The change was attributable to an increase in gold prices, increase in ounces sold and the elimination of the gold hedge program in 2011. Gold ounces sold were 67,534 in 2012 compared to 66,937 ounces in 2011. The average realized gold price[2] per ounce during the first nine months of 2012 was $1,574 compared to $1,495 in the same period in 2011. The realized gold price for the nine months of 2011 included the delivery of 27,420 ounces into the gold hedge program at $700 per ounce;
- Total cash cost[1] (excluding royalties) per gold ounce produced was $616 compared to $602 in the same period in 2011;
- Youga generated $53.0 million in earnings from mine operations; and
- Youga generated $55.3 million of operating cash flow from mine operations.

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

Youga is a hard rock, drill and blast mining operation and commenced commercial production in mid-2008. Drilling and blasting, and loading and hauling are carried out under contract by PW Mining International Limited. During the third quarter, mining was from the Main Pit and West Pit 3. The ore is processed through a conventional gravity-CIL (carbon-in-leach) processing plant with a design capacity of one million tonnes per annum.

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

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

OPERATIONS REVIEW (CONTINUED)

Youga Gold Mine, Burkina Faso *(continued)*

Youga employs approximately 760 workers in total, with more than 410 full time employees plus approximately 350 contractors. Most of the work force is local, with less than 5% of the total being expatriate workers. There is extensive training available for the local work force for both unskilled and skilled positions. In the longer term, it is anticipated that Burkinabe nationals will fill the majority of the operating and management positions within BMC.

Community initiatives at Youga pertain to basic needs such as healthcare, food and drinking water supply, public infrastructure maintenance, education and skills development. Since 2006, our major contributions to the local communities have included: construction of a maternity clinic, expansion of an elementary school and renovation of a medical clinic. Ongoing programs include provision of medical, school and recreational supplies for the local community as well as maintenance of key facilities such as the schools and clinics. During the third quarter, the Burkina Faso Minister of Mines and other dignitaries attended the handing over ceremony for the new ambulance donated by the company to the Zabré Town Medical Centre. The ceremony was held at the Youga high school, affording the opportunity to inspect progress on that major community project as well.

Work commenced in the first quarter of 2012 on the construction of the Youga high school project, which is scheduled for completion in the fourth quarter of 2012 at an estimated cost of $0.3 million. During the third quarter of 2012, substantial progress was achieved, with completion during October, enrollment commencing and formal handover of the school at the end of October. The new high school is in close proximity to Youga village and will serve the village and other local communities within a 10 kilometre radius (approximately 240 students).

Figure 3: New Youga high school constructed by Endeavour

DEVELOPMENT PROJECT REVIEW

Agbaou Gold Mine (under construction), Côte *d'Ivoire*

During the third quarter, Endeavour received its mining permit for Agbaou from the government of Côte d'Ivoire. Construction began late in the second quarter of 2012 after receipt of all necessary construction permits, with gold production expected to be achieved during the first quarter of 2014. Endeavour has an 85% interest in Agbaou Gold Operations which is developing Agbaou, while the State of Côte d'Ivoire and SODEMI (a State owned mining company) have a 10% and a 5% free carried interest, respectively.

During the third quarter, long-lead order items, including mills, transformers and power lines were ordered. In addition, earthworks began in September 2012, with areas now cleared for the camp, mine services area, contractor laydown yards and the plant. Furthermore, compensation has been completed for those areas and construction of the camp as well as some of the roads is in progress. Concrete pouring for the plant began during November 2012.

Agbaou is situated approximately 200 kilometres northwest of the port city of Abidjan. The property covers 334 square kilometres, giving Endeavour control of the 40 kilometre strike length of the Agbaou gold belt. The concession is reached by paved highway and gravel roads and is within 10 kilometres of the national power grid. Electrical power will be supplied from the national grid (91kV), and a 1.6 MW diesel power plant has been included in the mine plan for backup purposes.

On July 12, 2012 Endeavour announced an updated NI 43-101 compliant technical report (the "SENET Report") had been completed on the Agbaou Gold Project summarizing the geology, mineral resources and reserves and estimate, mining and mine production schedule, metallurgy, process plant design, infrastructure design, updated capital and operating cost estimates and financial evaluation, which is available on www.sedar.com

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

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

Endeavour selected Lycopodium Minerals Pty Ltd ("Lycopodium") as the Engineering, Procurement and Construction Manager ("EPCM") for the Agbaou Gold Mine processing plant and certain other facilities. Lycopodium is working closely with Endeavour's engineering team, many of whom worked together on the successful construction of the Nzema Gold Mine processing plant.

DEVELOPMENT PROJECT REVIEW (CONTINUED)

***Agbaou Gold Mine (under construction),* Côte d'Ivoire** *(continued)*

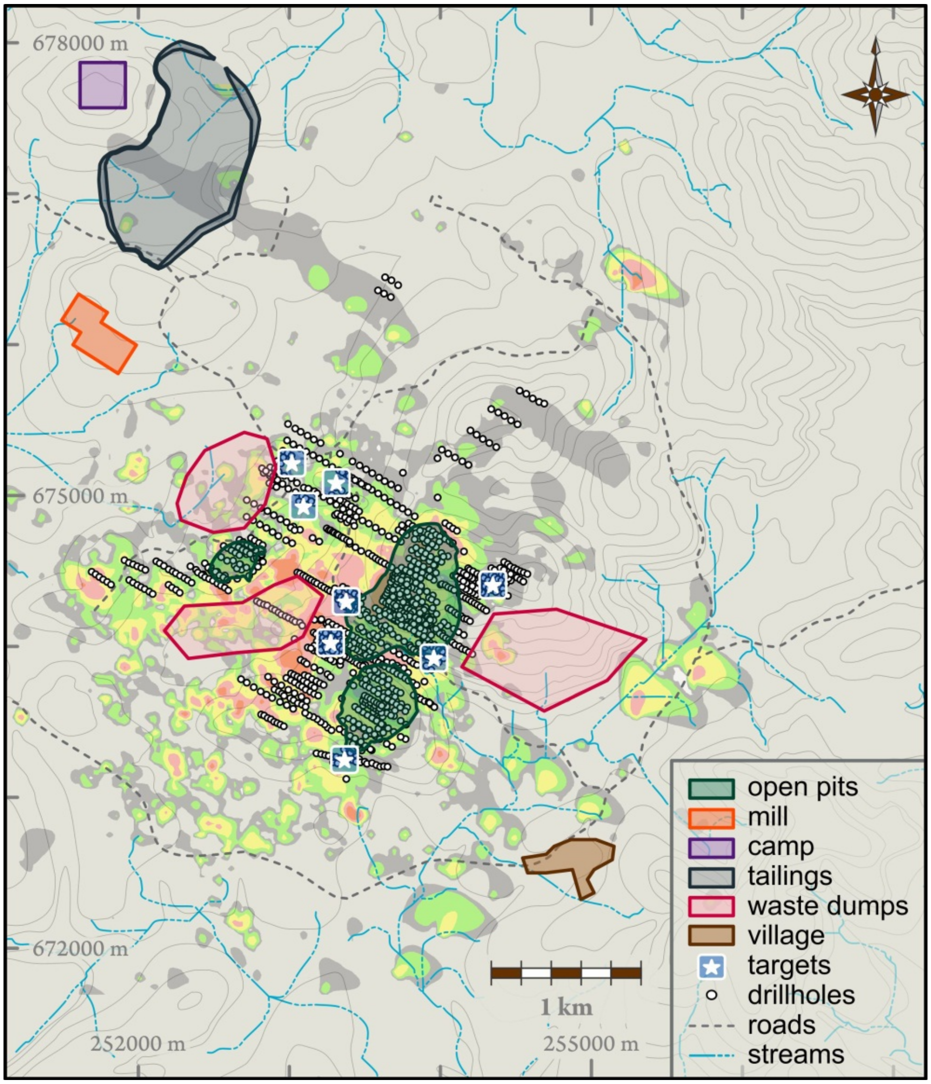

Figure 4: Agbaou mine site plan showing location of 3 pits, mill, tailings and drill targets

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

- Creation of up to 850 jobs during construction and 650 during operations (including employees and contractors);
- Local infrastructure development and increased standard of living;

DEVELOPMENT PROJECT REVIEW (CONTINUED)

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

- Economic growth in local areas and Côte d'Ivoire through the provisions of services, construction and manufacturing sectors;
- Increased national income through taxes, royalties and fees;
- Training and essential skills to develop and promote local community members to be considered for employment opportunities; and
- Social and community development projects.

Endeavour has maintained its community engagement program since the start of exploration activities. In 2012, the most significant developments in the village of Agbahou have been construction of a new community centre, the drilling of two water boreholes, refurbishment of three primary classrooms and the clearing of the new marketplace. Subsequent to the end of the third quarter, Endeavour handed over the newly completed community centre to the village at a formal ceremony. The community centre is located about 6 km from Agbaou and can accommodate up to 400 attendees for cultural or public events.

Figure 5: New community centre near Agbaou

Finkolo Project, Mali South

On March 6, 2012, the Corporation entered into a definitive agreement with Resolute Mining Ltd. for the sale and transfer of the licenses and associated property comprising the Finkolo JV for total consideration of $20.0 million in cash. The transaction is subject to a number of conditions, including approval from the Government of Mali for the transfer of the exploration permits, and therefore Endeavour anticipates the transaction to be completed by the first quarter of 2014.

EXPLORATION REVIEW

Overview

Endeavour's land package totals more than 11,800 square kilometres across Burkina Faso, Côte d'Ivoire, Ghana, Liberia and Mali, including concessions acquired from Avion subsequent to the end of the third quarter 2012. Endeavour has three PEAs underway: one for the newly acquired Houndé project, the second for the Ouaré deposit near the Youga mine (both in Burkina Faso) and the third for the Nzema Sulphides in Ghana. In addition to near mine exploration, Endeavour is also exploring the advanced stage Kofi project in Mali, acquired from Avion.

Excluding the newly acquired assets, Endeavour's 2012 exploration program totals $34.0 million and includes approximately 215,000 metres of drilling. Roughly $20.0 million of this program is directed towards increasing resources and reserves to extend mine lives at the Nzema and Youga operations, $6.0 million towards increasing resources and reserves at Agbaou, $6.4 million towards delineating resources and conducting further metallurgical testing of the Nzema Sulphides in Ghana, and the balance towards regional programs.

As of September 30, 2012 exploration spending totaled approximately $27.0 million, with a total of approximately 163,000 metres of drilling having been completed.

Nzema Gold Mine and Region, Ghana

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

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

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

- Metallurgical testwork of the Salman sulphide mineralization is well underway. Work on the resource update and PEA is progressing well;
- RC drilling is mostly complete across the site of the old Salman Village and surrounding areas following relocation of the Salman community. Drilling continues to encounter mineralized zones outside of existing planned pits;
- The drill program at Nfutu has been completed, while resource drilling at Aliva is still ongoing; and
- Regional soil and auger sampling continued with the aim of completing reconnaissance level coverage over previously underexplored portions of the Nzema project area.

EXPLORATION REVIEW (CONTINUED)

Youga Gold Mine and Youga Greenstone Belt, Burkina Faso

The 2012 Youga exploration campaign with a budget of approximately $7.5 million is nearing completion, including 51,000 metres of drilling planned for 19 targets within the mine permit area. The objectives are to increase mine reserves and develop additional resources within the Youga gold belt. The exploration program is testing:

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

Exploration along the Youga greenstone belt has a budget of approximately $3.7 million and includes work on the Bitou permits and also on the Zerbogo and Songo permits southwest of the Youga Gold Mine. The program for 2012 includes 22,500 metres of drilling, with the majority being resource delineation drilling of the Ouaré deposit located 40 kilometres by road from Youga, on the Bitou permit. Ouaré is being advanced towards a PEA for delivery by year end.

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

- Results continue to be received for completed drilling on the east wall of the Main pit and the north wall of the East pit during the third quarter;
- Drilling beneath the Main pit continued to show an extension of the A2 Main deposit;
- At West Pit 3, a drilling program was completed in the second quarter to test for depth extensions; assay results were received in the third quarter and are being reviewed;
- Drilling continued on the Brasserie trend in the third quarter, including at Zergore, A2NE, La Forge, Castel and Flag targets;
- Drill results from five earlier-stage targets on the Songo and Zerbogo permits have been received and are being evaluated for follow-up work; and
- Drilling was completed on the Ouaré deposit and an updated resource estimate is being completed in preparation for a PEA which will be delivered by year-end. Additional drill results were reported on August 27, including infill results such as drill hole BITDDH-048 with 8.8m at 14.2 g/t gold at 96 metres. Step-out drilling on the Warba trend intersected 18m at 3.7 g/t gold at 16 metres in hole BITRC-12-406.

Agbaou Exploration, Côte d'Ivoire

At the start of 2012, a $6.0 million exploration budget was established with the objective of increasing resources and reserves at Agbaou. Accordingly, exploration activity in 2012 has been focused on drilling a number of mineralized targets located on the margins of the three planned pits.

On September 6, 2012 Endeavour announced positive drill results from Agbaou, including AGBRC1160 with 15m at 5.8 g/t gold and AGBRC1237 with 4m at 13.4 g/t. Core drilling below the current pit designs is underway.

REVIEW OF QUARTERLY FINANCIAL RESULTS

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

(US dollars in thousands except per share amounts)	September 30, 2012	June 30,[2] 2012	March 31,[2] 2012	December 31, 2011[1]
Gold revenues	$ 79,165	$ 83,919	$ 72,643	$ 47,151
Gold ounces produced	49,468	50,728	51,963	26,631
Gold ounces sold	50,129	52,415	47,559	30,440
Cash flows from mine operations	40,700	56,100	24,400	25,320
Net earnings (loss) attributable to shareholders of Endeavour Mining Corporation	(1,102)	26,641	(17,960)	(66,124)
Basic earnings (loss) per share	-	0.11	(0.07)	(0.48)
Diluted earnings (loss) per share	-	0.11	(0.07)	(0.48)
Cash and cash equivalents	122,648	136,110	110,831	115,279
Total assets	1,018,879	999,862	994,320	978,436

[1] Results include the 26 days of operations of the Nzema Gold Mine.
[2] The cash flow includes approximately $8.5 million of gold proceeds (related to three lots from March production) received in the first few days of April 2012.

(US dollars in thousands except per share amounts)	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010
Gold revenues	$ 37,960	$ 36,000	$ 26,116	$ 31,050
Gold ounces produced	24,047	21,575	20,056	21,234
Gold ounces sold	22,845	24,697	19,394	23,362
Cash flows from mine operations	15,300	13,309	6,555	11,514
Net earnings (loss) attributable to shareholders of Endeavour Mining Corporation	9,625	32,859	(136)	3,560
Basic earnings (loss) per share	0.08	0.29	-	0.03
Diluted earnings (loss) per share	0.08	0.28	-	0.03
Cash and cash equivalents	181,297	174,150	168,462	167,300
Total assets	473,422	468,556	453,475	455,027

REVIEW OF QUARTERLY FINANCIAL RESULTS

Three months ended September 30, 2012 compared to the three months ended September 30, 2011

- Revenue (net of $4.2 million of royalties, September 30, 2011 - $1.5 million) increased by $41.2 million to $79.2 million due to the sale of 50,129 ounces of gold (September 30, 2011 – 22,845 ounces). The increased revenue and gold production is attributable to the addition of the Nzema Gold Mine operations. A total of 49,468 ounces of gold were produced during the three month period ended September 30, 2012 (September 30, 2011 – 24,047 ounces).

- Operating expenses for the quarter increased by $18.6 million to $32.2 million due primarily to the Nzema Gold Mine operations, a decrease in non-cash adjustments in respect of gold inventory level changes which were a result of increased sales of ounces.

- Depreciation and depletion increased by $12.3 million to $17.3 million due to $8.0 million in additional depreciation and depletion from the fair value increase of the Adamus mining interests at the time of the Adamus merger and the increase in ounces produced during the three month period ended September 30, 2012 compared to the three months ended September 30, 2011.

- Corporate costs increased by $3.6 million to $7.5 million. The increase primarily relates to the $3.1 million of one-off transaction costs incurred for the acquisition of Avion.

- Losses on financial instruments of $15.6 million compared to a loss of $1.7 million for the third quarter of 2011. The loss is due to a net loss of $14.8 million (September 30, 2011 – $5.5 million loss) on the realized and change in unrealized loss on the gold hedge due to the increase in the gold price and therefore a larger realized and unrealized loss on the gold hedge liability, and a $1.9 million (September 30, 2011 – $7.7 million gain) unrealized loss on the fair value of the share purchase warrants due to the increase in the Corporation's share price. Offsetting the net loss on the derivative financial instruments was a $0.7 million gain on foreign currency and $0.4 million of interest income.

- Endeavour Capital incurred a one-time expense of C$1.5 million for a settlement agreement with Gold Reserve Inc.

- Share of loss of investment in associate totaled $0.3 million for the quarter ended September 30, 2012 (September 30, 2011 – $2.1 million loss). The loss for the quarter ended September 30, 2012 pertains to Endeavour recording its non-cash share of the cost of NREI's further exploration of potential mineral property with no associated revenue.

- Finance costs totaled $1.1 million for the quarter ended September 30, 2012 compared to $1.0 million for the quarter ended September 30, 2011. The finance costs relate primarily to the commitment fees on the undrawn portion and interest on the drawn portion of the $200.0 million Corporate Facility.

- The current income tax expense totaled $3.2 million for the quarter ended September 30, 2012 compared to an income tax expense of $0.4 million for the quarter ended September 30, 2011. The higher current income tax expense is due to the depletion of tax loss carry forwards and the settlement of the gold hedge program at Youga in Burkina Faso.

- Deferred income taxes recovery totaled $1.4 million for the quarter ended September 30, 2012 compared to $0.6 million recovery for the quarter ended September 30, 2011. The decrease in the deferred income tax recovery is non-cash in nature and is primarily from an increase in losses arising

REVIEW OF QUARTERLY FINANCIAL RESULTS (CONTINUED)

Three months ended September 30, 2012 compared to the three months ended September 30, 2011 (continued)

from a realized hedge loss. Deferred tax assets due to the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for unused tax losses and other income tax deductions have given rise to the deferred income tax recovery, primarily from the merger and acquisition of Adamus and Etruscan

- Net loss attributable to shareholders of Endeavour for the quarter ended September 30, 2012 was $1.1 million, or a $0.00 per share, compared with net earnings of $9.6 million, or $0.08 per share, for the third quarter of 2011.

Nine months ended September 30, 2012 compared to the nine months ended September 30, 2011

- Revenue (net of $12.4 million of royalties, September 30, 2011 - $3.9 million) increased by $135.7 million to $235.7 million as a result of the sale of 150,103 ounces of gold (September 30, 2011 – 66,937 ounces). The increased revenue and gold production is attributable to the addition of the Nzema Gold Mine operations. A total of 152,159 ounces of gold were produced during the nine months ended September 30, 2012 (September 30, 2011 – 65,678 ounces).

- Operating expenses for the nine months ended September 30, 2012 increased by $60.3 million to $104.6 million primarily due to the Nzema Gold Mine operations and a decrease in non-cash adjustments in respect of gold inventory level changes which were a result of increased sales of ounces. In addition, during the second quarter of 2012 the Corporation incurred $4.7 million of expenses, relating primarily to withholding taxes for the pre-commercial production period, from the Ghanaian Tax Authority audit for its taxation years June 2007 to June 2011.

- Depreciation and depletion increased by $38.3 million to $51.4 million due to the $24.3 million in additional depreciation and depletion from the fair value increase of the Adamus mining interests at the time of the Adamus merger and the increase in ounces produced during the nine months ended September 30, 2012 compared to the six months ended September 30, 2011.

- Corporate costs increased by $6.8 million to $16.8 million. The increase relates to the $3.1 million of one-off transaction costs incurred for the acquisition of Avion Gold Corporation and the $0.7 million of transaction costs that were incurred for the Nzema Gold Mine that were incurred in 2012.

- Losses on financial instruments of $21.3 million compared to a loss of $5.6 million for the nine months ended September 30, 2011. The loss is due to a net loss of $19.6 million (September 30, 2011 – $9.4 million loss) on the realized and change in unrealized loss on the gold hedge due to the increase in the gold price and therefore a larger realized and unrealized loss on the gold hedge liability, and a $9.1 million net loss on marketable securities comprised of a $7.0 million realized loss from the write-down of marketable securities and a $2.5 million of unrealized losses. Offsetting these losses was a $6.0 million (September 30, 2011 – $16.6 million) unrealized gain on the fair value of the share purchase warrants due to a decrease in the Corporation's share price, a $0.5 million gain on foreign currency and interest income of $0.9 million.

- Endeavour Capital incurred a one-time expense of C$1.5 million for a final settlement agreement with Gold Reserve Inc.

REVIEW OF QUARTERLY FINANCIAL RESULTS (CONTINUED)

Nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 (continued)

- Share of loss of investment in associate totaled $1.8 million for the nine months ended September 30, 2012 (September 30, 2011 – $2.4 million). The loss for the nine months ended September 30, 2012 pertains to Endeavour recording its non-cash share of the cost of NREI's further exploration of potential mineral property with no associated revenue. As of October 15, 2012 all of the NREI shares are free trading.

- Finance costs totaled $3.6 million for the nine months ended September 30, 2012 compared to $2.1 million for the nine months ended September 30, 2011. The finance costs primarily relate to the commitment fees on the undrawn portion and interest on the drawn portion of the $200 million Corporate Facility.

- The current income tax expense totaled $7.1 million for the nine months ended September 30, 2012 compared to an income tax expense of $0.4 million for the nine months ended September 30, 2011. The higher current income tax expense is due to the depletion of tax loss carry forwards and the settlement of the gold hedge program at Youga in Burkina Faso.

- Deferred income taxes totaled $6.4 million for the nine months September 30, 2012 compared to a recovery of $1.9 million for the nine months ended September 30, 2011. The increase in deferred income taxes is non-cash in nature and is primarily from a first quarter 2012 one-time $39.4 million deferred tax expense from the tax rate change in Ghana from 25% to 35%. The expense was offset from losses arising from a realized hedge loss. Deferred tax assets due to the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for unused tax losses and other income tax deductions have given rise to the deferred income tax recovery, primarily from the merger and acquisition of Adamus and Etruscan.

- Net earnings attributable to shareholders of Endeavour for the nine months ended September 30, 2012 was $7.6 million, or $0.03 per share, compared with net earnings of $42.3 million, or $0.36 per share, for the nine months ended September 30, 2011.

STATEMENT OF FINANCIAL POSITION REVIEW

Assets

As at September 30, 2012 Endeavour had cash and cash equivalents (excluding restricted cash of $4.5 million in support of a reclamation guarantee in Ghana) of $122.6 million, (December 31, 2011 – $115.3 million) and marketable securities of $7.9 million (December 31, 2011 - $17.2 million). These amounts do not include the shares of NREI which are equity accounted as an investment in associate and had a fair value of $9.1 million at September 30, 2012 (December 31, 2011 - $11.7 million). Working capital as at September 30, 2012 was $182.5 million (December 31, 2011 - $154.1 million).

Cash - restricted

On July 31, 2012 the Corporation and CAL Bank Limited ("CAL") entered into a facility agreement whereby CAL is to provide a bank guarantee (the "Bank Guarantee") to enable the Corporation to fulfill its reclamation obligations with the Environmental Protection Agency of Ghana ("EPA") in respect of disturbed mining lands at Nzema in the Western Region of Ghana. Under the Bank Guarantee the Corporation has provided US$3.3 million in cash collateral to CAL plus US$1.2 million by way of security to the EPA. The Bank Guarantee with CAL shall remain in effect for an initial period of twelve months and may be renewed thereafter.

Marketable Securities

The fair value of marketable securities has decreased from $17.3 million as at December 31, 2011 to $7.9 million as at September 30, 2012 due to write-downs of historical bridge loans and a decrease in current valuations of marketable securities held, in line with the overall market performance for junior resource company share prices during the nine months ended September 30, 2012.

Trade and other receivables

Trade and other receivables have increased from $15.2 million as at December 31, 2011 to $17.4 million as at September 30, 2012 primarily due to the increase in VAT receivable.

Inventories

Inventories have remained relatively unchanged from $40.5 million as at December 31, 2011 to $41.8 million as at September 30, 2012. Endeavour is working on improving working capital efficiencies through joint purchasing and sharing parts and supplies at the two mines.

Prepaid expenses and other

Prepaid expenses and other increased from $10.0 million as at December 31, 2011 to $21.9 million as at September 30, 2012 primarily due to prepaying suppliers for reagents, specifically for cyanide.

Exchangeable loan

On August 7, 2012, Endeavour entered into a loan agreement with Avion, whereby Endeavour provided a $20.0 million exchangeable loan (the "Loan") to a wholly-owned subsidiary of Avion. The Exchangeable Loan is for an initial term of six months, bears interest at the rate of LIBOR plus 6% and is secured against the common shares in the capital of two wholly-owned subsidiaries of Avion. In addition, Avion has agreed to guarantee the Loan.

STATEMENT OF FINANCIAL POSITION REVIEW (CONTINUED)

Exchangeable loan (continued)

On October 18, 2012 Avion became a wholly-owned subsidiary of the Corporation, and on October 22, 2012 the common shares of Avion were delisted from the Toronto Stock Exchange, with the result that the Loan became an intra-group debt obligation and will be eliminated on consolidation after October 18, 2012. The two Avion subsidiaries, whose shares were charged as security for the Loan, also became wholly-owned by the Corporation.

Goodwill

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

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

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

Investment in associates

The investment in the associate pertains to the Corporation's 38.5% interest in NREI. The investment decreased in 2011 as Endeavour wrote-down the value of its investment in NREI as the shares had been trading in a range well below their carrying value. Furthermore, NREI continues to explore potential mineral properties in Namibia with no associated revenue. The fair value of $9.1 million is based on the publicly quoted share price at September 30, 2012. As of October 15, 2012 all of the NREI shares are free trading.

Promissory note and other assets

The promissory note and other assets of $10.9 million as at September 30, 2012 (December 31, 2011 - $10.1 million) pertains to the fair value of the $20.0 million consideration for the sale of the Advisory Business comprised of: a $10 million promissory note, the $2.5 million intellectual property assignment fee related to Endeavour Financial brand name and the $7.5 million service fee related to future earnings. The consideration will be received out of the Advisory Business' future profits which are uncertain and therefore have been valued on a discounted cash flow basis. During the third quarter of 2012, the Corporation received a distribution of $0.2 million.

Credit facilities

On November 28, 2011 the Corporation entered into the $200.0 million Corporate Facility which is a four year revolving corporate loan facility. The Corporate Facility is for general corporate purposes, including working capital, capital expenditure, and any acquisition of an asset or assets that are engaged in the exploitation of precious metal ores. The Corporate Facility matures four years from the closing date with a mandatory reduction in availability of $75.0 million on December 31, 2014 and is subject to an interest rate of LIBOR plus a variable margin of between 2.5% and 4.25% depending on the leverage ratio. This Corporate Facility replaces the $100.0 million acquisition facility with UniCredit. The Corporate Facility is secured by shares of Endeavour's material gold mining subsidiaries and the material assets of those subsidiaries. The Corporate Facility contains various covenants customary for a revolving corporate loan facility of this nature, including financial covenants and limits on indebtedness, asset sales and liens.

STATEMENT OF FINANCIAL POSITION REVIEW (CONTINUED)

Credit facilities (continued)

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

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

Derivative financial liabilities

As at September 30, 2012, derivative financial liabilities of $84.5 million (December 31, 2012 - $75.1 million) were comprised of the fair value of the outstanding gold price protection program and the share purchase warrants.

During the quarter ended September 30, 2012 the Corporation delivered 2,366 ounces of gold into the Nzema gold price protection program (108,512 ounces remain at September 30, 2012), resulting in a realized loss of $1.4 million. During the same period in 2011, the Corporation delivered 8,934 ounces into the Youga gold price protection program, resulting in a realized loss of $9.4 million.

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

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

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

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

The traded share purchase warrants are valued by taking the publicly traded market price and the non-traded share purchase warrants are fair valued using the Black-Scholes methodology. At September 30, 2012 the derivative liability pertaining to the share purchase warrants was $16.6 million (December 31, 2011 - $22.5 million).

Current and deferred income taxes

The current income tax liability increased by $6.3 million as at September 30, 2012 from $nil at December 31, 2011 to $6.3 million as at September 30, 2012. The change in the current income tax liability is due to the depletion of tax loss carry forwards and the settlement of the gold hedge program at Youga in Burkina Faso.

The net deferred income tax liability increased by $6.4 million from $87.2 million at December 31, 2011 to $93.6 million at September 30, 2012. The increase in the net deferred income tax liability is non-cash in

STATEMENT OF FINANCIAL POSITION REVIEW (CONTINUED)

Current and deferred income taxes (continued)

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

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

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

The following table provides a reconciliation of total cash cost per ounce of gold sold for the Nzema and Youga gold mines, which includes the ounces sold from ore purchased from an independent producer, for the three and nine months ended September 30, 2012:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011[2]	2012	2011[2]
(US dollars in thousands except ounces)				
Operating expenses from continuing mining operations	$ 32,234	$ 13,629	$ 104,645	$ 44,307
Less: non-cash adjustments relating to purchase price adjustments included in operating expenses	135	(600)	705	4,750
Less: One-off Ghanaian tax audit assessment[3]	-	-	4,713	-
Total cash cost (excluding royalties)	32,099	14,229	99,227	39,557
Divided by ounces of gold sold	50,129	22,845	150,103	66,937
Total cash cost per ounce of gold sold[1] (excluding royalties)	$ 640	$ 623	$ 661	$ 591

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2012 the Corporation had cash and cash equivalents of $122.6 million and marketable securities of $7.9 million compared to cash and cash equivalents of $115.3 million and marketable securities of $17.2 million at December 31, 2011.

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

- Operating cash flows of $18.5 million from Nzema and $22.2 million from Youga which continued to increase gold production and sales and benefit from an increase in the spot price of gold;
- Working capital change of $4.5 million as a result of a transfer of cash to restricted cash on deposit to support the reclamation bond in Ghana;
- $20.0 million exchangeable loan issued to Avion for continuing the mill expansion;
- One-off Avion transaction costs of $3.1 million; and
- Investment of $20.6 million in capital projects and exploration.

During the nine months ended September 30, 2012, the Corporation invested $61.9 million from its operating cash flow into its operations and exploration programs. Of this, $54.9 million was capitalized and $7.0 million was expensed as exploration. These investments in operational improvements and growth include:

o Sustaining capital at Nzema:	$7.4 million
o Sustaining capital at Youga:	$2.2 million
o Development capital at Nzema:	$13.1 million
o Nzema & Youga "near-mine" exploration:	$11.6 million
o Nzema sulphides project:	$5.3 million
o Agbaou feasibility study (completed June 2012):	$4.5 million
o Agbaou 2012 "near-pit design" exploration:	$4.0 million
o Agbaou construction spending:	$9.4 million
o Regional exploration:	$4.3 million

As at September 30, 2012, the Corporation had a working capital position of $182.5 million. In the opinion of management, the working capital at September 30, 2012, together with cash flows from operations, are sufficient to support the Corporation's normal operating requirements on an ongoing basis.

OUTLOOK

Our strong financial position and cash flows from three operating mines are expected to fund internal growth beyond 300,000 ounces per year through construction of Agbaou and the Tabakoto mill expansion. In order to supplement internal growth, Endeavour continues to consider expansion opportunities through mergers and acquisitions.

Endeavour's future profits, cash flows and financial position are strongly linked to the price of gold. Management believes that the mid to long term economic environment is likely to remain broadly supportive for gold prices. Endeavour is largely unhedged and has strong exposure to movements in the gold price. The residual gold hedge currently in place represents approximately 5% of pro forma reserves.

For 2012, full year guidance for the Nzema and Youga mines is for production of between 187,000 to 202,000 ounces of gold at a total cash cost per ounce produced (excluding royalties and purchased ore) of $670 to $690. The Corporation's newly acquired mine, Tabakoto, is expected to produce 95,000 to 102,000 ounces of gold during 2012, of which only the operating results from the date of acquisition (October 18, 2012) to December 31, 2012 will be included in Endeavour's 2012 results. The combined pro forma production from the three mines is expected to be approximately 300,000 ounces of gold for 2012.

Endeavour has an exploration budget of approximately $34.0 million for 2012, of which $27.0 million has been spent in the nine months ended September 30, 2012. Approximately 80% of this amount is directed towards increasing resources and reserves to extend mine lives at the Nzema, Youga and Agbaou operations. The balance is directed towards exploring and delineating resources as well as performing studies required for Preliminary Economic Assessments for Ouaré and Nzema Sulphides and advancing earlier-stage exploration.

Endeavour has a capital expenditure budget for Youga and Nzema of $31.0 million for 2012: $4.0 million in sustaining capital at Youga (expenditures in the nine months ended September 30, 2012 were $2.2 million) and $27.0 million in development and sustaining capital at Nzema (expenditures in the nine months ended September 30, 2012 were $25.8 million). Capital spending on Agbaou during the first nine months of 2012 was $9.4 million out of a total estimated construction cost of $159.0 million, the majority of which will occur in 2013.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Derivative instrument liability

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

(US dollars in thousands) Period	Forward contracts (ounces)	Price Per Ounce	Fair Value
2012	2,349	$ 1,061.75	$ 1,647
2013	10,000	1,061.75	6,792
2014	32,000	1,061.75	20,684
2015	32,000	1,061.75	19,734
2016	32,163	1,061.75	19,047
Total	108,512	$ 1,061.75	$ 67,904

Contracts and Leases

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

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

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

Endeavour selected its Engineering, Procurement and Construction Manager ("ECPM") for the Agbaou Gold Mine processing plant and certain other facilities in June 2012. The Corporation has commitments with the EPCM contractor and other service providers for the Agbaou project from 2012 through to the final completion of the project.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS (CONTINUED)

Contracts and leases (continued)

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

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

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

(US dollars in thousands)	Within 1 year	2-3 years	4-5 years	After 5 years	Total
Operating leases	$ 1,358	$ 1,296	$ 230	$ -	$ 2,884
Engineering and construction	27,160	2,199	-	-	29,359
Drill and blasting contract	5,809	3,787	751	-	10,347
Load and hauling contract	21,019	1,502	-	-	22,521
	$ 55,346	$ 8,784	$ 981	$ -	$ 65,111

Bonuses

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

CONTINGENCIES

Burkina Faso Mines Services S.A.

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

Hightime Investments Pty Ltd

The Corporation is subject to a claim from Hightime Investments Pty Ltd ("Hightime") which alleges that, in or about early 2003, the Corporation entered into an arrangement with Hightime under which Hightime asserts that it allowed the Corporation to apply for, and obtain, a prospecting license over ground near the Southern Ashanti geological belt in Ghana in exchange for the Corporation paying Hightime the fair market value of the ground after the Corporation had completed its feasibility study. Hightime withdrew its claim for restitution of the benefit (the prospecting license) that the Corporation obtained allegedly to the detriment of Hightime. The claim was heard by the Supreme Court of Western Australia in April and June 2012. The court rendered its judgment on August 21, 2012, and ordered that Hightime's action be dismissed with Hightime to pay Endeavour's costs in connection with the action. On September 10, 2012, Hightime lodged an appeal against the decision of the Supreme Court of Western Australia, which was subsequently discontinued on October 10, 2012.

Gold Reserve Inc.

On September 20, 2012 the Corporation reached a settlement agreement with Gold Reserve Inc., whereby, in exchange for a full and final settlement of all the claims between the parties and without any admission as to liability, Endeavour paid CAD $1.5 million to Gold Reserve.

OUTSTANDING SHARE DATA

Endeavour's authorized capital is US$20,000,000 divided into 1,000,000,000 ordinary shares with a par value of US $0.01 each and 1,000,000,000 undesignated shares; no undesignated shares have been issued. The table below summarizes Endeavour's share structure as of November 14, 2012**.**

Shares issued and outstanding	409,098,369
Stock options	27,663,979
Warrants	33,167,238

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition

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

Marketable securities

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

Inventories

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

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

Mining properties

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

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

Decommissioning and restoration provisions

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

Business combinations

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

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

Impairment

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

Impairment (continued)

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

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

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

Impairment of goodwill cannot be reversed.

Income taxes

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

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

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

Earnings per share

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

Earnings per share (continued)

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

Foreign currency translation

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

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

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

Accounting Standards issued but not yet effective

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

The following standards are effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

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

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

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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

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

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

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

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

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

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

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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

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

RISK FACTORS

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

FINANCIAL INSTRUMENTS AND RELATED RISKS

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

(i) ***Credit risk***

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

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

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

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

FINANCIAL INSTRUMENTS AND RELATED RISKS (CONTINUED)

(i) ***Credit risk*** *(continued)*

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

	September 30, 2012	December 31, 2011
Cash and cash equivalents	122,648	115,279
Cash - restricted	4,517	-
Marketable securities	7,938	17,227
Trade and other receivables	17,383	15,184
Exchangeable loan	20,195	-
Promissory note and other assets	10,918	10,095
	$ 183,599	$ 157,785

(ii) ***Liquidity risk***

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

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

	Within 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total
Trade and other payables	$ 43,751	$ -	$ -	$ -	$ 43,751
Long-term debt	-	-	100,000	-	100,000
Gold price protection program	7,355	36,188	24,361	-	67,904
Service contract obligations	26,828	5,289	751	-	32,868
Engineering and construction	27,160	2,199	-	-	29,359
Purchased ore obligations	6,220	2,743	-	-	8,963
Minimium operating lease payments	1,358	1,296	230	-	2,884
Reclamation and closure cost obligations	-	-	-	12,216	12,216
	$ 112,672	$ 47,715	$ 125,342	$ 12,216	$ 297,945

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

(iii) ***Currency risk***

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

FINANCIAL INSTRUMENTS AND RELATED RISKS (CONTINUED)

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

dollars, Côte d'Ivoire CFA franc, Euros, Ghana Cedi, Liberian dollars, Malian CFA franc, South African Rand and US dollars.

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

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

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

	September 30, 2012	December 31, 2011
Canadian dollar	$ (7,229)	$ (7,185)
Euro	8,044	647
Other currencies	8,942	5,303
	$ 9,757	$ (1,235)

The effect on earnings and other comprehensive earnings before tax as at September 30, 2012 of a 10% appreciation or depreciation in the foreign currencies against the US dollar on the above mentioned financial and non-financial assets and liabilities of the Corporation is estimated to be $1.0 million (December 31, 2011 - $0.1 million) assuming that all other variables remained constant. This calculation is based on the Corporation's statement of financial position as at September 30, 2012.

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

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

(v) ***Price risk***

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

FINANCIAL INSTRUMENTS AND RELATED RISKS (CONTINUED)

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

and regional supply and demand and the political and economic conditions of major producing countries throughout the world.

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

CONTROLS AND PROCEDURES

Disclosure controls and procedures

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

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

Internal controls and procedures

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

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

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

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

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

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

CAUTIONARY NOTE REGARDING RESERVES AND RESOURCES

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