



**ENDEAVOUR
MINING**

**CONDENSED INTERIM
CONSOLIDATED FINANCIAL
STATEMENTS**

For the three months ended March 31, 2018 and 2017

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ENDEAVOUR MINING CORPORATION
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Thousands of United States Dollars)
(Unaudited)

| In thousands of US\$ | Note | As at March 31, 2018 | As at December 31, 2017 |
|---|------|----------------------------|-------------------------------|
| ASSETS | | | |
| Current | | | |
| Cash | | 93,863 | 122,702 |
| Cash - restricted | | 807 | 1,327 |
| Trade and other receivables | | 46,168 | 50,698 |
| Income taxes receivable | | 378 | 627 |
| Inventories | 5 | 157,174 | 134,766 |
| Prepaid expenses and other | 6 | 45,492 | 44,514 |
| | | 343,882 | 354,634 |
| Mining interests | 7 | 1,394,833 | 1,317,952 |
| Deferred income taxes | | 6,169 | 6,267 |
| Other long term assets | 8 | 19,928 | 14,658 |
| Total assets | | \$ 1,764,812 | \$ 1,693,511 |
| LIABILITIES | | | |
| Current | | | |
| Trade and other payables | 9 | 181,470 | 220,781 |
| Current portion of finance obligations | 10 | 22,636 | 17,658 |
| Current portion of derivative financial liabilities | 16 | 4,161 | - |
| Income taxes payable | | 2,991 | 2,746 |
| | | 211,258 | 241,185 |
| Finance obligations | 10 | 56,441 | 36,744 |
| Long term debt | 11 | 341,168 | 286,440 |
| Other long-term liabilities | 12 | 52,740 | 52,615 |
| Deferred income taxes | | 71,750 | 75,906 |
| Total liabilities | | \$ 733,357 | \$ 692,890 |
| EQUITY | | | |
| Share capital | | 1,735,859 | 1,735,074 |
| Equity reserve | 13 | 58,526 | 56,041 |
| Deficit | | (793,159) | (806,251) |
| Equity attributable to shareholders of the Corporation | | 1,001,226 | 984,864 |
| Non-controlling interests | 14 | 30,229 | 15,757 |
| Total equity | | 1,031,455 | 1,000,621 |
| | | \$ 1,764,812 | \$ 1,693,511 |

COMMITMENTS AND CONTINGENCIES (NOTE 21)

Approved by the Board: May 15, 2018

"Sebastien de Montessus" Director

"Wayne McManus" Director

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

ENDEAVOUR MINING CORPORATION
Condensed Interim Consolidated Statements of Comprehensive Earnings/(Loss)
(Expressed in Thousands of United States Dollars)
(Unaudited)

| | THREE MONTHS ENDED MARCH 31, | | |
|---|-------------------------------------|------------------|-------------------|
| | Note | 2018 | 2017 |
| In thousands of US\$ | | | |
| Revenues | | | |
| Gold revenue | 18 | 240,281 | 157,924 |
| Cost of sales | | | |
| Operating expenses | | (115,417) | (96,513) |
| Depreciation and depletion | 7 | (44,067) | (31,442) |
| Royalties | | (14,657) | (7,890) |
| Earnings from mine operations | | 66,140 | 22,079 |
| Corporate costs | | (6,488) | (5,930) |
| Acquisition and restructuring costs | | - | (1,524) |
| Share-based compensation | 13 | (2,668) | (7,634) |
| Exploration costs | | (2,754) | (2,241) |
| Earnings from operations | | 54,230 | 4,750 |
| Other income (expenses) | | | |
| Loss on financial instruments | 15 | (11,934) | (9,787) |
| Finance costs | 11 | (7,758) | (5,874) |
| Other expenses | | (165) | 3,537 |
| Earnings/(loss) from continuing operations before taxes | | 34,373 | (7,374) |
| Current income tax expense | | (10,772) | (2,522) |
| Deferred income tax recovery | 17 | 4,058 | 2,078 |
| Net and comprehensive earnings/(loss) from continuing operations | | 27,659 | (7,818) |
| Net income from discontinued operations | 4 | - | 5,628 |
| Total net and comprehensive earnings/(loss) | | 27,659 | (2,190) |
| Net earnings/(loss) from continuing operations attributable to: | | | |
| Shareholders of Endeavour Mining Corporation | | 13,092 | (12,521) |
| Non-controlling interests | 14 | 14,567 | 5,034 |
| Net earnings/(loss) from continuing operations | | 27,659 | (7,487) |
| Total net earnings/(loss) attributable to: | | | |
| Shareholders of Endeavour Mining Corporation | | 13,092 | (7,714) |
| Non-controlling interests | 14 | 14,567 | 5,524 |
| Total net earnings/(loss) | | \$ 27,659 | \$ (2,190) |
| Net earnings/(loss) per share from continuing operations | 13 | | |
| Basic earnings/(loss) per share | | \$ 0.12 | \$ (0.13) |
| Diluted earnings/(loss) per share | | \$ 0.12 | \$ (0.13) |
| Net earnings/(loss) per share | 13 | | |
| Basic earnings/(loss) per share | | \$ 0.12 | \$ (0.08) |
| Diluted earnings/(loss) per share | | \$ 0.12 | \$ (0.08) |

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

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

| | | THREE MONTHS ENDED MARCH 31, | |
|--|------|-------------------------------------|--------------------|
| In thousands of US\$ | Note | 2018 | 2017 |
| Operating Activities | | | |
| Earnings/(loss) before taxes¹ | | 34,373 | (1,665) |
| Adjustments for: | | | |
| Depreciation and depletion | 7 | 44,067 | 36,092 |
| Financing costs | 11 | 7,758 | 5,924 |
| Share based compensation | 13 | 2,668 | 7,634 |
| Loss on financial instruments | 15 | 11,934 | 9,064 |
| Loss on disposal of mining interest | | - | (3,537) |
| Cash paid on settlement of share appreciation rights, DSUs and PSUs | 13 | (2,557) | (172) |
| Income taxes paid | | (2,290) | (1,202) |
| Payment of gold collar premium | 16 | (581) | (1,829) |
| Net non-cash inventory adjustments | | 4,793 | 3,600 |
| Foreign exchange loss | | (5,444) | (5,508) |
| Operating cash flows before non-cash working capital | | 94,721 | 48,401 |
| Trade and other receivables | | 2,419 | (1,201) |
| Inventories | | (23,205) | (6,380) |
| Prepaid expenses and other | | 806 | 1,724 |
| Trade and other payables | | (26,438) | 10,745 |
| Changes in non-cash working capital | | (46,418) | 4,888 |
| Cash generated from operating activities | | \$ 48,303 | \$ 53,289 |
| Investing Activities | | | |
| Expenditures and prepayments on mining interests - Mining interests | | (41,512) | (30,930) |
| Expenditures and prepayments on mining interests - Assets under construction | | (74,780) | (68,886) |
| Changes in long-term inventories | 8 | (3,055) | - |
| Other | | - | 5,504 |
| Cash used in investing activities | | \$ (119,347) | \$ (94,312) |
| Financing Activities | | | |
| Proceeds received from the issue of common shares | 13 | 602 | 4,787 |
| Payment of financing and other fees | 11 | (3,619) | - |
| Interest paid | | (388) | (282) |
| Repayment of long-term debt | 11 | (280,000) | - |
| Convertible senior bond | 11 | 330,000 | - |
| Repayment of finance lease obligation | | (4,079) | (904) |
| Deposit paid on reclamation liability bond | | (157) | (229) |
| Cash generated from financing activities | | \$ 42,359 | \$ 3,372 |
| Effect of exchange rate changes on cash | | (154) | 511 |
| Decrease in cash | | (28,839) | (37,140) |
| Cash, beginning of period | | 122,702 | 124,294 |
| Cash, end of period | | \$ 93,863 | \$ 87,154 |

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

| | | THREE MONTHS ENDED MARCH 31, | |
|--|------|-------------------------------------|----------------|
| | Note | 2018 | 2017 |
| ¹ (Loss)/earnings before taxes from continuing operations | | 34,373 | (7,374) |
| (Loss)/gain from discontinued operations before taxes | 4 | - | 5,709 |
| (Loss)/earnings before income taxes | | 34,373 | (1,665) |

ENDEAVOUR MINING CORPORATION
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Thousands of United States Dollars)
(Unaudited)

| SHARE CAPITAL | | | | | | | | | | | | | |
|--|-------------------------|------------------|----------------------------|-------------------------------|-------------|----------------------------|------------------------|---------------------|------------------|---------------------|------------------------------------|---------------------------|---------------------|
| Note | Number of Common Shares | Par Value | Additional Paid in Capital | Number of Exchangeable Shares | Par Value | Additional Paid in Capital | Total Number of Shares | Total Share Capital | Equity Reserve | Deficit | Total Attributable to Shareholders | Non-Controlling Interests | Total |
| In thousands of US\$ | | | | | | | | | | | | | |
| At January 1, 2017 | 93,521,217 | 9,348 | 1,474,723 | 25,132 | 2 | 662 | 93,546,349 | 1,484,735 | 39,727 | (615,673) | 908,789 | 51,872 | 960,661 |
| Exchangeable shares exchanged into common shares | 2,737 | - | 72 | (2,737) | - | (72) | - | - | - | - | - | - | - |
| Share options, PSU's and DSU's exercised | 333,358 | 33 | 6,122 | - | - | - | 333,358 | 6,155 | (1,368) | - | 4,787 | - | 4,787 |
| Amortization of options, PSU's and RSU's | - | - | - | - | - | - | - | - | 142 | - | 142 | - | 142 |
| Dividends to non-controlling interests | 14 | - | - | - | - | - | - | - | - | - | - | (360) | (360) |
| Net (loss)/earnings and total comprehensive earnings | - | - | - | - | - | - | - | - | - | (7,714) | (7,714) | 5,524 | (2,190) |
| At March 31, 2017 | 93,857,312 | \$ 9,381 | \$ 1,480,917 | 22,395 | \$ 2 | \$ 590 | 93,879,707 | \$ 1,490,890 | \$ 38,501 | \$ (623,387) | \$ 906,004 | \$ 57,036 | \$ 963,040 |
| At January 1, 2018 | 107,533,007 | 10,749 | 1,724,325 | - | - | - | 107,533,007 | 1,735,074 | 56,041 | (806,251) | 984,864 | 15,757 | 1,000,621 |
| Share options, PSU's and DSU's exercised | 194,515 | 19 | 766 | - | - | - | 194,515 | 785 | (184) | - | 601 | - | 601 |
| Amortization of options, PSU's and RSU's | 13 | - | - | - | - | - | - | - | 2,669 | - | 2,669 | - | 2,669 |
| Dividends to non-controlling interests | 14 | - | - | - | - | - | - | - | - | - | - | (95) | (95) |
| Net and total comprehensive earnings/(loss) | - | - | - | - | - | - | - | - | - | 13,092 | 13,092 | 14,567 | 27,659 |
| At March 31, 2018 | 107,727,522 | \$ 10,768 | \$ 1,725,091 | - | \$ - | \$ - | 107,727,522 | \$ 1,735,859 | \$ 58,526 | \$ (793,159) | \$ 1,001,226 | \$ 30,229 | \$ 1,031,455 |

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

1 DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Endeavour Mining Corporation (“Endeavour” or the “Corporation”) is a publicly listed gold mining company that operates five mines in West Africa in addition to having project development and exploration assets. Endeavour is focused on effectively managing its existing assets to maximize cash flows as well as pursuing organic and strategic growth opportunities that benefit from its management and operational expertise.

Endeavour’s corporate office is in London, England, and its shares are listed on the Toronto Stock Exchange (“TSX”) (symbol EDV) and quoted in the United States on the OTCQX International under the symbol ‘EDVMF’. The Corporation is incorporated in the Cayman Islands and its registered office is located at 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, using the accounting policies consistent with International Financial Reporting Standards (‘IFRS’).

These condensed interim consolidated financial statements should be read in conjunction with the most recently issued annual consolidated financial statements of the Corporation, which include information necessary or useful to understanding the Corporation’s business and financial statement presentation. In particular, the Corporation’s significant accounting policies were presented as Note 2 to the consolidated financial statements for the year ended December 31, 2017, and have been consistently applied in the preparation of these condensed interim consolidated financial statements, except as noted below.

2.2 BASIS OF PREPARATION

These condensed interim consolidated financial statements have been prepared on the historical cost basis, except certain financial instruments that are measured at fair value at the end of each reporting period as explained in the accounting policies below. The Corporation’s accounting policies have been applied consistently to all periods in the preparation of these condensed interim consolidated financial statements.

i. Accounting Standards Recently Issued

The Corporation has reviewed the impact of revised or new IFRS standards that have been issued effective 1 January 2018. The following evaluates the expected impact of the standards on the Corporation’s accounting policies and financial statements:

- › *IFRS 9, Financial Instruments:* (effective January 1, 2018) introduces new requirements for the classification and measurement of financial assets and liabilities. In July 2014, IFRS 9 Financial Instruments was issued as a complete standard, including the requirements previously issued related to classification and measurement of financial assets and liabilities, and additional amendments to introduce a new expected loss impairment model for financial assets including credit losses. The Corporation has adopted this standard on the effective date of January 1, 2018. IFRS 9 replaced the multiple classification and measurement models for financial assets that currently exist under IAS 39 Financial Instruments, and the basis on which financial assets are measured will determine their classification as either, at amortized cost, fair value through profit and loss, or fair value through other comprehensive income.

The key requirements of IFRS 9 as they relate to the Corporation include the following:

- Subsequent to initial measurement at fair value, all recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost in subsequent periods. For those financial assets that have a business model whose objective is achieved by both collecting the contractual cash flows and selling financial assets, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at fair value through profit and loss ("FVTPL") in subsequent accounting periods. In addition, on initial recognition, an equity investment that is not held for trading, the Corporation may irrevocably elect to present subsequent changes in the investment's FVTOCI, with only dividend income generally recognized in profit or loss. Transaction costs for financial assets held at FVTPL are expensed, for all other financial assets, they are recognized at fair value at initial measurement less any directly attributable transaction costs.
- Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the balance sheet subsequent to inception and how changes in value are recorded.
- For the impairment of financial assets, IFRS 9 requires an 'expected credit loss' model applies which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The impact of this change in accounting policy:

- None of the Corporation classification of its financial instruments have changed significantly as a result of the adoption of the new standards. Financial assets previously classified as loans and receivables are now classified as financial assets at amortized cost;
- The Corporation will assess the impairment of its receivables using the expected credit loss model, however, there is no material difference as a result, and no additional impairment has been recognized upon transition and at March 31, 2018; and
- There are no transitional impacts regarding currently classified financial liabilities in regard to classification and measurement. Trade and other payables, finance obligations

and the revolving credit facility are classified as other financial liabilities and carried on the balance sheet at amortized cost.

- › *IFRS 15 Revenue*: The Corporation has adopted the requirements of IFRS 15 Revenue from Contracts with Customers ("IFRS 15") as of January 1, 2018. The principal of IFRS 15 Revenue principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of goods to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods. Specifically, IFRS 15 introduces a five-step approach to revenue recognition with an entity recognizing revenues when a performance obligation is satisfied, which is when "control" of the goods have transferred to the customer. Upon evaluating the transfer of control, the Corporation concluded there is no material change in the timing of revenue recognized under the new standard. The point of transfer of risks and rewards for goods and services under IAS 18 compared to the transfer of control under IFRS 15 occur at the same time based on contractual terms, the delivery of gold doré. For the purposes of evaluating variable consideration, the Corporation reviewed historical assay results and adjustments, as well as variable consideration with regards to timing of residual precious metal pricing. All these factors were considered insignificant and therefore no changes to revenue were recorded upon the adoption of IFRS 15.

The Corporation has determined that there is no significant impact of the change in the accounting policy in the accounting for revenue at the transition date.

The Corporation has not applied the following standards that has been issued but was not yet effective at March 31, 2018. The Corporation is currently evaluating the impact this standard is expected to have on the Corporation's accounting policies and financial statements:

- › *IFRS 16 Leases* (effective January 1, 2019), was issued in January 2016 and provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

3 ACQUISITION AND RESTRUCTURING

3.1 ACQUISITION OF AVNEL GOLD MINING LIMITED

On September 18, 2017, the Corporation completed the acquisition of Avnel Gold Mining Ltd ("Avnel"). The Corporation acquired 100% of the share capital of Avnel in exchange for an issuance of 7,218,964 common shares. Avnel owns 80% of the Kalana gold project in Mali and the Corporation has initiated pre-development activities to optimize the Kalana gold project.

The determination of fair value of assets and liabilities acquired is based on preliminary estimates and has not been finalized as the Corporation finalises the tax filings and outstanding tax positions of Avnel from prior to the acquisition. The Corporation is currently in the process of determining the fair values of the net assets acquired, assessing and measuring the associated deferred income tax assets and liabilities and potential goodwill on the acquisition. Non-controlling interest is measured at its proportionate share of the fair value of net assets. The actual fair values of the assets and liabilities may differ materially from the amounts disclosed in the preliminary fair value below and are subject to change.

The consideration and preliminary allocation to the value of assets acquired and liabilities assumed are as follows:

| | Fair value at acquisition date |
|--|--------------------------------|
| Purchase price: | |
| Fair value of 7,218,964 Endeavour common shares issued | 134,016 |
| | \$ 134,016 |
| Net assets/(liabilities) acquired | |
| Mining interests | 171,996 |
| Cash | 7,982 |
| Provision for reclamation | (2,104) |
| Non-controlling interest | (522) |
| Net working capital acquired (excluding cash) | (15,201) |
| Deferred income and mining taxes | (28,135) |
| Net Assets | \$ 134,016 |

4 DISPOSALS OF MINING INTERESTS

4.1 DISPOSAL OF THE NZEMA MINE

On December 29, 2017, the Corporation completed the sale of its 90% interest in the Nzema Mine to BCM International Ltd (“BCM”) for total cash consideration of \$63.5 million. The cash consideration consists of a \$38.5 million payment upon completion of the transaction with additional deferred payments of up to \$25 million contingent on the future cash flows of the Nzema Mine between January 30, 2018 and December 31, 2019.

The prior year comparatives for the condensed interim consolidated statements of the Corporation have been restated to classify Nzema as a discontinued operation which had income of \$5.6 million in the period ended March 31, 2017:

| | THREE MONTHS ENDED MARCH 31, | |
|---|---------------------------------|--------------|
| | 2017 | |
| Gold revenue | | 35,216 |
| Operating costs | | (23,552) |
| Depreciation and depletion | | (4,650) |
| Royalties | | (1,978) |
| Other income | | 673 |
| Income before taxes | \$ | 5,709 |
| Current income tax expense | | (81) |
| Net gain from discontinued operations | \$ | 5,628 |
| Shareholders of Endeavour Mining Corporation | | 5,138 |
| Non-controlling interest | | 490 |
| Total earnings/(loss) from discontinued operations | \$ | 5,628 |
| Net loss per share from discontinued operations | | |
| Basic | \$ | 0.06 |
| Diluted | \$ | 0.06 |

The net cash flows from discontinued operations for the period ended 31 March 2017 were:

| | THREE MONTHS ENDED MARCH 31, | |
|--|---------------------------------|--------------|
| | 2017 | |
| Cash generated from operating activities | | 6,684 |
| Cash received (used) in investing activities | | (2,347) |
| Cash generated from financing activities | | - |
| Total | \$ | 4,337 |

5 INVENTORIES

| | March 31, 2018 | December 31, 2017 |
|-------------------------------------|-------------------|----------------------|
| Doré bars | 10,813 | 9,526 |
| Gold in circuit | 34,078 | 30,554 |
| Ore stockpiles | 42,329 | 31,212 |
| Spare parts and supplies | 69,954 | 63,474 |
| Total inventory ¹ | \$ 157,174 | \$ 134,766 |

¹ Includes a charge of \$12.1 million to adjust spare parts and supplies inventory to net realizable value (December 31, 2017 – a charge of \$14.8 million). The Corporation reclassified \$7.1 million spare parts and supplies to long-term inventories at December 31, 2017 following an assessment on the timing of consumption (Note 8).

The cost of inventories recognized as expense in the period ended March 31, 2018, was \$159.5 million, and was included in operating expenses (March 31, 2017 - \$128.0 million).

6 PREPAID EXPENSES AND OTHER

| | March 31, 2018 | December 31, 2017 |
|----------------------|-------------------|----------------------|
| Deposits | 2,537 | 1,968 |
| Insurance | 967 | 965 |
| Supplier prepayments | 41,174 | 39,961 |
| Other | 814 | 1,621 |
| Total | \$ 45,492 | \$ 44,514 |

7 MINING INTERESTS

| MINING PROPERTIES | | | | | | | |
|---|------|-------------------|-------------------|---------------------|---------------------------|-----------------|---------------------|
| In thousands of US\$ | Note | Depletable | Non depletable | Plant and equipment | Assets under construction | Non mining | Total |
| Cost | | | | | | | |
| Balance as at January 1, 2017 | | 1,001,306 | 327,279 | 699,109 | 212,144 | 2,578 | 2,242,416 |
| Acquisition of mining interest | 3 | - | 177,202 | - | - | - | 177,202 |
| Additions/expenditures | | 52,391 | 37,753 | 87,312 | 299,421 | 6,541 | 483,418 |
| Transfers related to Houunde construction to/(from) | | 223,256 | - | 201,682 | (424,938) | - | - |
| Transfers on declaration of commercial production to/(from) | | - | - | - | (16,923) | - | (16,923) |
| Reclamation liability change in estimate | | 4,231 | - | - | - | - | 4,231 |
| Disposal of the Nzema mine | 4 | (368,335) | (176,237) | (109,928) | - | - | (654,500) |
| Balance as at December 31, 2017 | | 912,849 | 365,997 | 878,175 | 69,704 | 9,119 | 2,235,844 |
| Additions/expenditures | | 13,902 | 17,337 | 10,273 | 88,812 | - | 130,324 |
| Disposals | | - | - | (4,346) | - | - | (4,346) |
| Balance as at March 31, 2018 | | \$ 926,751 | \$ 383,334 | \$ 884,102 | \$ 158,516 | \$ 9,119 | \$ 2,361,822 |
| Accumulated depreciation and impairment | | | | | | | |
| Balance as at January 1, 2017 | | 630,846 | 222,064 | 348,315 | - | 1,661 | 1,202,886 |
| Depreciation/depletion | | 84,529 | - | 63,367 | - | 1,285 | 149,181 |
| Depreciation captured in inventory | | 3,660 | - | 1,272 | - | - | 4,932 |
| Impairment | | 82,814 | 51,848 | 49,350 | - | - | 184,012 |
| Disposal of the Nzema mine | | (360,943) | (161,001) | (101,175) | - | - | (623,119) |
| Balance as at December 31, 2017 | | 440,906 | 112,911 | 361,129 | - | 2,946 | 917,892 |
| Depreciation/depletion | | 19,735 | - | 24,142 | - | 190 | 44,067 |
| Depreciation captured in inventory | | 2,513 | - | 2,517 | - | - | 5,030 |
| Balance as at March 31, 2018 | | \$ 463,154 | \$ 112,911 | \$ 387,788 | \$ - | \$ 3,136 | \$ 966,989 |
| Carrying amounts | | | | | | | |
| At December 31, 2017 | | \$ 471,943 | \$ 253,086 | \$ 517,046 | \$ 69,704 | \$ 6,173 | \$ 1,317,952 |
| At March 31, 2018 | | \$ 463,597 | \$ 270,423 | \$ 496,314 | \$ 158,516 | \$ 5,983 | \$ 1,394,833 |

At March 31, 2018, the additions of assets under construction included \$28.7 million of long-term financing equipment obligations (December 31, 2017 - \$23.2 million). Additions to assets under construction included \$4.3 million of capitalized borrowing costs (December 31, 2017 - \$10.7 million). The average capitalization rate was 2.12 % (December 31, 2017 - 1.42%) for the period.

ENDEAVOUR MINING CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

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

(Unaudited)

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

| In thousands of US\$ | Note | Tabakoto Mine | Agbaou Mine | Ity Mine | Karma Mine | Houndé Mine | Kalana Project | Exploration Properties | Non mining | Nzema Mine | Total |
|--|------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------------|------------------|-------------|---------------------|
| Cost | | | | | | | | | | | |
| Balance as at January 1, 2017 | | 770,788 | 241,598 | 58,628 | 275,752 | 240,633 | - | 3,169 | 2,578 | 649,270 | 2,242,416 |
| Acquisition of mining interest | | 5,206 | - | - | - | - | 171,996 | - | - | - | 177,202 |
| Additions/expenditures | | 32,048 | 15,167 | 94,328 | 72,699 | 253,206 | 4,203 | - | 6,537 | 5,230 | 483,418 |
| Transfers (to) from inventory | | - | - | - | - | (16,923) | - | - | - | - | (16,923) |
| Reclamation liability change in estimate | | - | 315 | - | - | 3,916 | - | - | - | - | 4,231 |
| Disposal of the Nzema Mine | 4 | - | - | - | - | - | - | - | - | (654,500) | (654,500) |
| Balance as at December 31, 2017 | | 808,042 | 257,080 | 152,956 | 348,451 | 480,832 | 176,199 | 3,169 | 9,115 | - | 2,235,844 |
| Additions/expenditures | | 8,121 | 11,692 | 78,301 | 3,879 | 13,479 | 6,960 | - | 7,892 | - | 130,324 |
| Disposals | | - | - | (4,346) | - | - | - | - | - | - | (4,346) |
| Balance as at March 31, 2018 | | \$ 816,163 | \$ 268,772 | \$ 226,911 | \$ 352,330 | \$ 494,311 | \$ 183,159 | \$ 3,169 | \$ 17,007 | \$ - | \$ 2,361,822 |
| Accumulated depreciation and impairment | | | | | | | | | | | |
| Balance as at January 1, 2017 | | 534,945 | 86,279 | 20,928 | 5,754 | - | - | 3,169 | 1,587 | 550,225 | 1,202,886 |
| Depreciation/depletion | | 42,035 | 32,536 | 19,107 | 24,236 | 12,517 | - | - | 356 | 18,394 | 149,181 |
| Depreciation captured in inventory | | (962) | 807 | 3,933 | 253 | - | - | - | - | 901 | 4,932 |
| Impairment | | 130,413 | - | - | - | - | - | - | - | 53,599 | 184,012 |
| Disposal of the Nzema Mine | 4 | - | - | - | - | - | - | - | - | (623,119) | (623,119) |
| Balance as at December 31, 2017 | | 706,431 | 119,622 | 43,968 | 30,243 | 12,517 | - | 3,169 | 1,943 | - | 917,892 |
| Depreciation/depletion | | 4,564 | 7,615 | 7,920 | 8,074 | 15,744 | - | - | 150 | - | 44,067 |
| Depreciation captured in inventory | | (343) | 373 | 1,046 | 2,432 | 1,522 | - | - | - | - | 5,030 |
| Balance as at March 31, 2018 | | \$ 710,652 | \$ 127,610 | \$ 52,934 | \$ 40,749 | \$ 29,783 | \$ - | \$ 3,169 | \$ 2,093 | \$ - | \$ 966,989 |
| Carrying amounts | | | | | | | | | | | |
| At December 31, 2017 | | \$ 101,611 | \$ 137,458 | \$ 108,988 | \$ 318,208 | \$ 468,315 | \$ 176,199 | \$ - | \$ 7,172 | \$ - | \$ 1,317,952 |
| At March 31, 2018 | | \$ 105,511 | \$ 141,162 | \$ 173,977 | \$ 311,581 | \$ 464,528 | \$ 183,159 | \$ - | \$ 14,914 | \$ - | \$ 1,394,833 |

¹ Additions to mining interests of \$130.3 million, net of leased additions and working capital changes, result in \$116.3 million of cash outflows, as found on the condensed interim consolidated statement of cash flows.

8 OTHER LONG-TERM ASSETS

Other long-term assets are comprised of:

| | March 31, 2018 | December 31, 2017 |
|---|-------------------|----------------------|
| Working capital loan receivable | 1,075 | 1,062 |
| Long term stockpiles | 9,311 | 6,256 |
| Long term critical spare parts and supplies | 9,354 | 7,132 |
| Long term receivable | 188 | 208 |
| Total | \$ 19,928 | \$ 14,658 |

Long term stockpiles

Certain low-grade stockpiles that are not expected to be processed until the end of mine life are classified as long-term assets. In the quarter ended March 31, 2018, an adjustment of \$nil million was recognized to adjust the cost to a net realizable value of \$9.3 million (March 31, 2017 - \$2.8 million).

Long term critical spare parts and supplies

The Corporation performed an assessment surrounding the timing of the consumption of its critical parts and supplies and has classified these parts as long-term inventories at March 31, 2018 as they are not expected to be used in the next twelve months. The Corporation has also reclassified \$7.1 million of inventories at December 31, 2017 from current to long-term inventories.

9 TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

| | March 31, 2018 | December 31, 2017 |
|--|-------------------|----------------------|
| Trade accounts payable | 112,376 | 183,340 |
| Trade accounts payable - assets under construction | 29,590 | 21,791 |
| Royalties payable | 1,799 | 1,934 |
| Taxes - direct and indirect | 14,381 | 4,039 |
| Payroll and social charges | 4,433 | 1,225 |
| Other payables | 18,891 | 8,452 |
| Total | \$ 181,470 | \$ 220,781 |

10 FINANCE OBLIGATIONS

The finance leases were composed of the following obligations:

| | March 31, 2018 | December 31, 2017 |
|--------------------------------------|-------------------|----------------------|
| Finance obligations | 79,077 | 54,402 |
| Less: current portion | (22,636) | (17,658) |
| Long-term finance obligations | \$ 56,441 | \$ 36,744 |

The present value of the Corporation long-term equipment financial obligations is split below. The present value of the minimum lease payments is the lease payments over the life of lease discounted to present value. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

| | MINIMUM LEASE PAYMENTS | |
|---|------------------------|----------------------|
| | March 31, 2018 | December 31, 2017 |
| Not later than one year | 26,850 | 18,513 |
| Later than one year and not later than five years | 66,102 | 44,741 |
| | 92,952 | 63,254 |
| Less future finance charges | (13,875) | (8,852) |
| Present value of minimum finance payments | \$ 79,077 | \$ 54,402 |

i. Tabakoto Financing Arrangements

On March 7, 2014, the Corporation's Malian subsidiary entered a five-year, \$18 million equipment lease financing facility. The equipment lease is a finance lease and was used to purchase a portion of the owner-operated mining equipment for the Tabakoto and Segala underground developments. The lease terms have a fixed rate of 9.5% per annum to amortize the principal and there exists a purchase option to buy the equipment outright at the end of the lease life for 0.5% of cost. The facility will mature in 2019.

ii. Houndé Financing Arrangements

On June 9, 2016, the Corporation entered into a financing arrangement with the Komatsu Group to acquire mining fleet equipment for the Houndé project. The Corporation made an initial down-payment of \$7.1 million on July 1, 2016 and the remaining \$45.8 million of payments are to be made between the first quarter of 2018 and 2022.

On March 13, 2017, Houndé Gold Operation SA, Endeavour's main operating subsidiary for the Houndé project, entered into an equipment financing facility with Caterpillar Financial Services Corporation. The \$10.7 million facility will finance the purchase of backup power gensets for the Houndé project. The facility will mature five years from the date of first drawdown, which occurred

October 10, 2017. Availability of the facility is subject to the satisfaction of customary conditions precedent, including the provision of an equipment pledge.

iii. Ity CIL Financing Arrangements

On May 9, 2017, the Corporation entered into a financing arrangement with the Komatsu Group to acquire mining fleet equipment for the Ity CIL project. The Corporation made an initial down-payment of \$5.9 million on May 25, 2017 and the remaining \$33.2 million of payments are to be made between the first quarter of 2018 and 2022.

11 LONG-TERM DEBT

| | Note | March 31, 2018 | December 31, 2017 |
|----------------------------------|------|-------------------|----------------------|
| Corporate loan facility | 11.1 | 20,000 | 300,000 |
| Deferred financing costs | | (9,208) | (13,560) |
| Revolving credit facility | | \$ 10,792 | \$ 286,440 |
| Convertible senior bond | 11.2 | 286,526 | - |
| Conversion option | 11.2 | 43,850 | - |
| Convertible senior bond | | \$ 330,376 | \$ - |
| Total long term debt | | \$ 341,168 | \$ 286,440 |

The Corporation incurred the following finance costs in the period:

| | Note | THREE MONTHS ENDED MARCH 31, | |
|--|------|---------------------------------|-----------------|
| | | 2018 | 2017 |
| Interest expense | | 5,111 | 3,200 |
| Amortisation of deferred facility fees | | 5,366 | 1,100 |
| Commitment, structuring and other fees | | 1,588 | 1,575 |
| Less: Capitalised borrowing costs | 7 | (4,307) | - |
| Total finance costs | | \$ 7,758 | \$ 5,875 |

i. Corporate Loan Facility

On September 19, 2017, the Corporation signed a \$500 million revolving credit facility ("the new RCF") with a syndicate of leading international banks. The previously held \$350 million facility was settled and derecognized.

On September 19, 2017, a drawdown of \$300 million was made resulting in an undrawn position of \$200 million on the new RCF. On February 10, 2018, the Corporation reduced the principal available

of the RCF to \$350 million, as result of the Corporation completing a private placement of \$330 million convertible senior notes (Note 11 ii).

On March 9, 2018, the Corporation made a repayment of \$280,000 on the new RCF. To align with the reduction in the amount available under the new RCF, \$3.6 million of deferred financing charges were expensed in the quarter ended March 31, 2018.

The key terms of the new RCF include:

- › Principal amount of \$350 million.
- › Interest accrues on a sliding scale of between LIBOR plus 2.95% to 3.95% based on the Corporation's leverage ratio
- › Commitment fees for the undrawn portion of the new RCF of 1.03%.
- › The term of the new RCF is four years, maturing in September 2021.
- › The principal outstanding on the new RCF is repayable as a single bullet payment on the maturity date.
- › Banking syndicate includes Société Générale, ING, Citibank N.A., Investec Bank Plc, Macquarie Bank Ltd, Barclays Bank Ltd, HSBC and BMO.
- › The new RCF can be repaid at any time without penalty.

ii. Convertible Senior Notes

On February 6, 2018, the Corporation completed a private placement of convertible senior notes with a total principal amount of \$330 million due in 2023 (the "Notes"). The initial conversion rate is 41.8363 of the Corporation's common shares ("Shares") per \$1,000 Note, or an initial conversion price of approximately \$23.90 (CAD\$29.47) per share.

The Notes bear interest at a coupon rate of 3% payable semi-annually in arrears on February 15 and August 15 of each year, beginning on August 15, 2018. The Notes mature on February 15, 2023, unless earlier redeemed, repurchased or converted in accordance with the terms of the Notes. The Corporation may, subject to certain conditions, elect to satisfy the principal amount due at maturity or upon redemption through the payment or delivery of any combination of Shares and cash.

The key terms of the Convertible Senior Notes include:

- › Principal amount of \$330 million.
- › Coupon rate of 3% payable on a semi-annual basis.
- › The term of the notes is 5 years, maturing in February 2023.
- › The notes are reimbursable through the payment or delivery of shares or, and cash.
- › The initial conversion price is \$23.90 (CAD \$29.47) per share.
- › The reference share price of the notes is \$18.04 (CAD \$22.24) per share.

For accounting purposes, the Corporation measures the Notes at amortized cost, accreted to maturity over the term of the Notes. The conversion option is an embedded derivative and is accounted for as a financial liability measured at fair value through the profit or loss, as the Corporation has the ability

to settle the option at fair value in cash, common shares, or a combination of cash and common shares in certain circumstances.

At the date of issue, the Notes were measured at fair value:

| | March 31, 2018 |
|--------------------------------------|-------------------|
| Proceeds from issue | 330,000 |
| Liability component at date of issue | (287,975) |
| Conversion option | \$ 42,025 |

The liability component for the Notes at March 31, 2018 has an effective interest rate of 6.1% and was as follows:

| | March 31, 2018 |
|-----------------------------------|-------------------|
| Liability component at issue date | 287,975 |
| Less: Deferred finance costs | (3,740) |
| Interest charged in the period | 2,291 |
| Balance at March 31, 2018 | \$ 286,526 |

The conversion option related to the Notes is recorded at fair value, and the value at March 31, 2018 is determined using a valuation model, with the following assumptions; volatility of 26%, risk free rate of 2.6%, term of the conversion option 4.9 years, and a share price of \$18.43.

| | March 31, 2018 |
|----------------------------------|-------------------|
| Conversion option at issue date | 42,025 |
| Less: Deferred finance costs | (545) |
| Fair value | 2,370 |
| Balance at March 31, 2018 | \$ 43,850 |

12 OTHER LONG-TERM LIABILITIES

Provisions are comprised of:

| | March 31, 2018 | December 31, 2017 |
|--|-------------------|----------------------|
| Environmental rehabilitation provision | 49,402 | 49,179 |
| Share based liabilities | 3,055 | 3,153 |
| Net pension obligation | 283 | 283 |
| Total | \$ 52,740 | \$ 52,615 |

13 SHARE CAPITAL

13.1 VOTING SHARES

Authorized

- › 200,000,000 voting shares of \$0.10 par value
- › 100,000,000 undesignated shares

13.2 SHARE CAPITAL

On April 17, 2017, the Corporation announced that its largest shareholder, La Mancha Holding S.A R.L (“La Mancha”) exercised its anti-dilution right to increase its stake from the current 28.1% interest to the initial 29.9% ownership position, by means of a \$47.5 million (CAD \$63.4 million) private placement for 2,573,372 shares on April 25, 2017.

Following the acquisition of Avnel, La Mancha exercised its anti-dilution right to maintain its 30% interest in the Corporation. This resulted in an initial \$30.1 million placement (CAD \$37.7 million) for 1,666,897 shares, paid on September 29, 2017, and an additional \$29.5 million (CAD \$37.7 million) for 1,666,898 shares received on November 8, 2017, resulting in La Mancha maintaining its 30% interest in the Corporation.

13.3 SHARE-BASED COMPENSATION

The following table summarizes the share-based compensation expense:

| | THREE MONTHS ENDED | |
|---|---------------------------|-----------------|
| | MARCH 31, | |
| | 2018 | 2017 |
| Amortization of option grants | 19 | 142 |
| Amortisation and change in fair value of DSUs | (95) | 915 |
| Amortisation and change in fair value of PSUs | 3,374 | 5,156 |
| Amortisation and change in fair value of RSUs | (630) | 1,421 |
| Total share-based expenses | \$ 2,668 | \$ 7,634 |

i. Options

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

| | Options outstanding | Weighted average exercise price (C\$) |
|--------------------------|------------------------|---|
| At December 31, 2016 | 1,072,622 | 14.08 |
| Exercised | (630,005) | 11.32 |
| Forfeited | (83,994) | 8.83 |
| Expired | (213,746) | 50.65 |
| At December 31, 2017 | 144,877 | 14.08 |
| Exercised | (79,025) | 9.11 |
| Forfeited | (4,485) | 10.94 |
| At March 31, 2018 | 61,367 | 12.66 |

The following table summarizes information about the exercisable share options outstanding as at March 31, 2018:

| Exercise Prices (C\$) | Outstanding | Exercisable | Weighted average exercise price (C\$) | Weighted average remaining contractual life |
|--------------------------|---------------|---------------|--|---|
| \$5.20 - \$7.99 | 10,133 | 10,133 | \$5.20 | 2.34 years |
| \$8.00 - \$14.99 | 50,069 | 50,069 | \$10.97 | 2.87 years |
| \$20.00 - \$24.99 | 466 | 466 | \$24.68 | 1.59 years |
| \$25.00 - \$233.91 | 699 | 699 | \$233.91 | 0.01 years |
| | 61,367 | 61,367 | \$12.66 | 2.74 years |

The Corporation has a share option plan whereby the Corporation's directors may from time to time grant options to directors, employees or consultants. The maximum term of any option is ten years. The exercise price of an option is set at the higher of (i) the volume weighted average trading price of the shares traded on the exchange for the five trading days immediately preceding the grant date and (ii) the closing trading price on the grant date. At March 31, 2018, there were 10,772,752 (December 31, 2017 – 10,579,301) options available for grant under the plan, of which 7,208,794 (December 31, 2017 – 8,216,029) are still available to be granted.

13.4 SHARE UNIT PLANS

A summary of the changes in share unit plans is presented below:

| | DSUs outstanding | Weighted average grant price (C\$) | PSUs outstanding | Weighted average grant price (C\$) | RSUs outstanding | Weighted average grant price (C\$) |
|--------------------------|---------------------|--|---------------------|--|---------------------|--|
| At December 31, 2016 | 173,401 | 6.82 | 1,310,056 | 12.58 | 398,446 | 21.12 |
| Granted | 31,120 | 24.75 | 1,289,094 | 18.47 | 52,645 | 20.06 |
| Exercised | (50,444) | 9.15 | (511,166) | 10.56 | (254,918) | 21.00 |
| Forfeited | - | - | (45,839) | 18.91 | - | - |
| At December 31, 2017 | 154,077 | 6.82 | 2,042,145 | 12.58 | 196,173 | 21.12 |
| Granted | 9,298 | 24.13 | 1,304,244 | 22.40 | 52,644 | 20.06 |
| Exercised | - | - | (78,090) | 6.30 | - | - |
| Forfeited | - | - | (49,975) | 17.66 | - | - |
| At March 31, 2018 | 163,375 | 7.81 | 3,218,324 | 16.63 | 248,817 | 20.90 |

13.5 DEFERRED SHARE UNITS

On January 26, 2013, the Corporation established a deferred share unit plan (“DSU”) for the purposes of strengthening the alignment of interests between non-executive directors of the Corporation and shareholders by linking a portion of the annual director compensation to the future value of the Corporation’s common shares. Upon establishing the DSU plan for non-executive directors, the Corporation no longer grants options to non-executive directors.

The DSU allows each non-executive director to choose to receive, in the form of DSUs, all or a percentage of their director’s fees, which would otherwise be payable in cash. Compensation for serving on committees must be paid in the form of DSUs. The plan also provides for discretionary grants of additional DSUs by the Board. Each DSU vests upon award but is distributed only when the director has ceased to be a member of the Board. Vested units are settled in cash based on the common share price at the date of settlement.

The total fair value of DSUs at March 31, 2018, was \$3.1 million (December 31, 2017 – \$3.2 million). The total DSU share-based compensation expense recognized in the consolidated statement of comprehensive loss was \$0.1 million for the period ended March 31, 2018 (March 31, 2017, \$0.9 million).

13.6 PERFORMANCE SHARE UNITS

In March 2014, following a comprehensive review of its executive compensation programs and pay practices, the Corporation introduced a change in its long-term incentive plan (“LTI Plan”) to include a portion of performance-linked share unit awards (“PSUs”). The PSU program is intended to increase the pay mix in favor of long-term equity-based compensation with three-year cliff-vesting to serve as an employee retention mechanism.

The fair value of the PSUs is determined based on Total Shareholder Return (“TSR”) relative to peer companies and achieving certain operational performance measures (key future operational indicators – All in Sustaining Cost “AISC”, resource and project targets). The fair value related to the TSR portion is determined using a multi-asset Monte Carlo simulation model while the fair value

related to the achievement of operational performance measures is determined based the probability of reaching the operational targets.

During 2017, the Corporation amended the terms of the previously granted PSU arrangements and the PSU's are now equity settled. As a result, management determined that the fair value of the PSU outstanding arrangements, as at September 30, 2017, should be accounted for as equity settled share-based payments and reclassified the PSU liability into equity.

The total PSU share-based expense recognized in the consolidated statements of comprehensive loss was \$1.3 million for the period ended March 31, 2018 (March 31, 2017, \$5.2 million).

13.7 RESTRICTED SHARE UNITS

In July 2016, the Corporation introduced a change in its long-term incentive plan ("LTI Plan") to include a portion of restricted share unit awards ("RSUs") for certain executives. The RSU program is intended to increase the pay mix in favor of long-term equity-based compensation to serve as an employee retention mechanism.

The total RSU share-based gain recognized was \$0.6 million in the period ended March 31, 2018 (March 31, 2017 - \$1.4 million expense). During 2017, the Corporation began settling RSU's in equity under the terms of the amendments previously made to the RSU arrangements.

13.8 BASIC AND DILUTED EARNINGS PER SHARE

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

| | THREE MONTHS ENDED MARCH 31, | |
|---|-------------------------------------|------------|
| | 2018 | 2017 |
| Basic weighted average number of shares outstanding | 107,634,310 | 93,834,248 |
| Effect of dilutive securities ¹ | | |
| Stock options, RSU's and PSU's | 314,052 | 321,726 |
| Diluted weighted average number of shares outstanding | 107,948,362 | 94,115,974 |
| Total common shares outstanding at March 31, 2018 | 107,727,522 | 93,879,707 |
| Total potential diluted common shares at March 31, 2018 | 111,256,030 | 95,462,329 |

¹ Diluted income per share was determined using the basic weighted average shares outstanding rather than the diluted weighted average shares outstanding as the effects would have been anti-dilutive.

14 NON-CONTROLLING INTERESTS

The composition of the non-controlling interests (“NCI”) is as follows:

| | Agbaou Gold Operations SA (Agbaou Mine) | Segala Mining Co SA/Kofi Mining S.à r.l. (Tabakoto Mine) | Societe des Mines d'Ity (Ity Mine) | Riverstone Karma SA (Karma Mine) | Houde Gold Operations | Societe des Mines d'Or de Kalana (Kalana Project) | Adamus Resources Limited (Nzema Mine) | Total |
|-----------------------------|---|--|------------------------------------|----------------------------------|-----------------------|---|---------------------------------------|------------------|
| Note | 15% | 20%/10% | 20% | 10% | 10% | 20% | 10% | |
| At December 31, 2016 | 38,339 | (22,045) | 40,614 | 10,641 | - | - | (15,677) | 51,872 |
| Acquisition of NCI | - | - | (22,975) | - | - | 522 | - | (22,453) |
| Net earnings (loss) | 14,125 | (34,381) | (208) | 213 | (3,441) | - | 2,961 | (20,731) |
| Dividend distribution | (5,177) | (470) | - | - | - | - | - | (5,647) |
| Disposal of the Nzema Mine | - | - | - | - | - | - | 12,716 | 12,716 |
| At December 31, 2017 | 47,287 | (56,896) | 17,431 | 10,854 | (3,441) | 522 | - | 15,757 |
| Net earnings attributable | 2,244 | 305 | 426 | 919 | 10,673 | - | - | 14,567 |
| Dividend distribution | - | (95) | - | - | - | - | - | (95) |
| At March 31, 2018 | \$ 49,531 | \$ (56,686) | \$ 17,857 | \$ 11,773 | \$ 7,232 | \$ 522 | \$ - | \$ 30,229 |

For summarized information related to these subsidiaries, refer to Note 18, Segmented Information.

15 LOSSES ON FINANCIAL INSTRUMENTS

| | Note | THREE MONTHS ENDED MARCH 31, | |
|--|------|------------------------------|-------------------|
| | | 2018 | 2017 |
| Other gains on other financial instruments | | 138 | 677 |
| Loss on gold revenue protection program | 16 | (4,742) | (10,629) |
| Unrealised loss on convertible senior bond | 11 | (1,823) | - |
| (Loss)/gain on foreign exchange | | (5,507) | 165 |
| Total | | \$ (11,934) | \$ (9,787) |

16 DERIVATIVE FINANCIAL INSTRUMENTS

The following table summarizes the derivative financial assets:

| | March 31, 2018 | December 31, 2017 |
|---|-------------------|-------------------|
| Gold revenue protection strategy | (4,161) | - |
| Derivative financial (liability) assets, current portion | \$ (4,161) | \$ - |

The following table summarizes the loss on derivative financial assets (liabilities) that have been recognized through the consolidated statements of comprehensive loss:

| | THREE MONTHS ENDED MARCH 31, | |
|---|---------------------------------|--------------------|
| | 2018 | 2017 |
| Realized loss on gold revenue protection strategy premium | (581) | (1,829) |
| Unrealized gain (loss) on gold and fuel price protection strategy | (4,161) | (8,800) |
| Loss on derivative financial instruments | \$ (4,742) | \$ (10,629) |

16.1 GOLD REVENUE PROTECTION STRATEGY

In the quarter ended March 31, 2018, the Corporation implemented a deferred premium collar strategy ("Collar") using written call options and bought put options for the 15-month period from February 2018 to April 2019. The program covers a total of 400,000 ounces, representing approximately 50% of Endeavour's total estimated gold production for the period, with a floor price of \$1,300 per ounce and ceiling price of \$1,500 per ounce.

The Collar was not designated as a hedge by the Corporation and was recorded at its fair value at the end of each reporting period with changes in fair value recorded in the consolidated statement of comprehensive loss.

As at March 31, 2018, 373,333 ounces remain outstanding under the Collar derivative liability. An unrealized loss of \$4.2 million was recognised in the period ended March 31, 2018.

The total premium payable for entering into the Collar of \$8.7 million is included as part of the Collar fair value and will be cash-settled on a net basis as monthly contracts mature. In the period ended March 31, 2018, the Corporation incurred \$0.6 million in premium costs, included in realized losses on derivative financial instruments.

17 INCOME TAXES

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

ENDEAVOUR MINING CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

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

(Unaudited)

18 SEGMENTED INFORMATION

The Corporation operates in three principal geographical areas, Burkina Faso (Karma and Hounde mine), Côte d'Ivoire (Agbaou and Ity mines), and Mali (Tabakoto Mine and Kalana Project). The following table provides the Corporation's revenue and results by reportable segment.

| THREE MONTHS ENDED 31 MARCH 2018 | | | | | | | | | |
|--|------------------------------|-----------------------|---------------------------|----------------------------|-----------------------------|------------------------|----------------|-----------------|-----------------|
| In thousands of US\$ | Agbaou Mine Côte d'Ivoire | Tabakoto Mine Mali | Ity Mine Côte d'Ivoire | Karma Mine Burkina Faso | Hounde Mine Burkina Faso | Kalana Project Mali | Exploration | Non-Mining | Total |
| Revenue | | | | | | | | | |
| Gold revenue | 44,562 | 41,387 | 23,477 | 31,725 | 99,130 | - | - | - | 240,281 |
| Cost of sales | | | | | | | | | |
| Operating expenses | (22,412) | (32,141) | (14,491) | (20,352) | (25,201) | - | - | (820) | (115,417) |
| Depreciation and depletion | (7,615) | (4,563) | (7,417) | (8,074) | (15,745) | - | - | (653) | (44,067) |
| Royalties | (1,834) | (2,474) | (919) | (2,511) | (6,919) | - | - | - | (14,657) |
| Earnings (loss) from mine operations | 12,701 | 2,209 | 650 | 788 | 51,265 | - | - | (1,473) | 66,140 |
| Impairment charge of mineral interests | - | - | - | - | - | - | - | - | - |
| Corporate costs | - | - | - | - | - | - | - | (6,488) | (6,488) |
| Share-based payments | - | - | - | - | - | - | - | (2,668) | (2,668) |
| Exploration | - | - | (51) | (1,217) | - | (13) | (1,473) | - | (2,754) |
| Earnings (loss) from operations | 12,701 | 2,209 | 599 | (429) | 51,265 | (13) | (1,473) | (10,629) | 54,230 |
| Other (expenses) income | | | | | | | | | |
| (Loss) gain on financial instruments | (314) | (531) | 1,827 | (1,221) | (5,455) | 972 | (138) | (7,074) | (11,934) |
| Finance costs | (91) | (252) | (10) | (66) | (362) | - | - | (6,977) | (7,758) |
| Other expense | - | - | - | - | (6) | - | - | (159) | (165) |
| | (405) | (783) | 1,817 | (1,287) | (5,823) | 972 | (138) | (14,210) | (19,857) |
| Earnings (loss) before taxes | 12,296 | 1,426 | 2,416 | (1,716) | 45,442 | 959 | (1,611) | (24,839) | 34,373 |
| Deferred and current income tax recovery (expense) | 1,834 | (823) | (693) | 138 | (9,439) | 2,269 | - | - | (6,714) |
| Net earnings (loss) | 14,130 | 603 | 1,723 | (1,578) | 36,003 | 3,228 | (1,611) | (24,839) | 27,659 |

| THREE MONTHS ENDED 31 MARCH 2017 | | | | | | | | | |
|---|------------------------------|-----------------------|---------------------------|----------------------------|-----------------------------|----------------|-----------------|----------------|--|
| In thousands of US\$ | Agbaou Mine Côte d'Ivoire | Tabakoto Mine Mali | Ity Mine Côte d'Ivoire | Karma Mine Burkina Faso | Hounde Mine Burkina Faso | Exploration | Non-Mining | Total | |
| Revenue | | | | | | | | | |
| Gold revenue | 48,588 | 53,743 | 22,467 | 33,126 | - | - | - | 157,924 | |
| Cost of sales | | | | | | | | | |
| Operating expenses | (21,974) | (39,948) | (13,660) | (20,931) | - | - | - | (96,513) | |
| Depreciation and depletion | (7,361) | (10,234) | (5,394) | (8,260) | - | - | (193) | (31,442) | |
| Royalties | (1,707) | (3,165) | (770) | (2,248) | - | - | - | (7,890) | |
| Earnings (loss) from mine operations | 17,546 | 396 | 2,643 | 1,687 | - | - | (193) | 22,079 | |
| Corporate costs | - | - | - | - | - | - | (5,930) | (5,930) | |
| Acquisition costs | - | - | - | - | - | - | (1,524) | (1,524) | |
| Share-based payments | - | - | - | - | - | - | (7,634) | (7,634) | |
| Exploration | - | - | (1,176) | - | - | (1,065) | - | (2,241) | |
| Earnings (loss) from operations | 17,546 | 396 | 1,467 | 1,687 | - | (1,065) | (15,281) | 4,750 | |
| Other income (expenses) | | | | | | | | | |
| Losses (Gains) on financial instruments | (250) | 2,578 | 146 | 780 | 526 | (20) | (13,547) | (9,787) | |
| Finance costs | (90) | (325) | (19) | (58) | - | - | (5,382) | (5,874) | |
| Other (expense) income | - | - | - | - | - | - | 3,537 | 3,537 | |
| Earnings (loss) before taxes | 17,206 | 2,649 | 1,594 | 2,409 | 526 | (1,085) | (30,673) | (7,374) | |
| Deferred and income tax recovery (expense) | 1,473 | (1,663) | (1,140) | 1,272 | - | 30 | (416) | (444) | |
| Net earnings (loss) from continuing operations | 18,679 | 986 | 454 | 3,681 | 526 | (1,055) | (31,089) | (7,818) | |

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales during the period ended March 31, 2018 or the year ended December 31, 2017.

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

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(Unaudited)

The Corporation's non-current assets and liabilities, including geographic location of assets are detailed below:

| THREE MONTHS ENDED 31 MARCH 2018 | | | | | | | | | |
|----------------------------------|------------------------------|-----------------------|---------------------------|----------------------------|-----------------------------|------------------------|----------------------|---------------------|------------------|
| | Agbaou Mine Côte d'Ivoire | Tabakoto Mine Mali | Ity Mine Côte d'Ivoire | Karma Mine Burkina Faso | Houndé Mine Burkina Faso | Kalana Project Mali | Exploration Other | Non-Mining Other | Total |
| Mining interests | 141,162 | 105,511 | 173,977 | 311,581 | 464,528 | 183,159 | - | 14,915 | 1,394,833 |
| Current Assets | 56,755 | 47,321 | 62,327 | 68,220 | 65,149 | 1,373 | 3,497 | 39,240 | 343,882 |
| Long-term assets | - | 5,149 | 7,767 | 4,623 | 2,279 | - | - | 110 | 19,928 |
| Deferred income taxes | - | - | 6,169 | - | - | - | - | - | 6,169 |
| Total assets | 197,917 | 157,981 | 250,240 | 384,424 | 531,956 | 184,532 | 3,497 | 54,265 | 1,764,812 |
| Current Liabilities | 29,996 | 35,272 | 28,878 | 28,597 | 46,380 | 11,979 | 4,116 | 26,040 | 211,258 |
| Long-term Liabilities | 8,735 | 17,893 | 9,114 | 4,385 | 45,139 | 29,652 | - | 335,431 | 450,349 |
| Deferred Tax Liabilities | 1,266 | - | - | 24,650 | 18,286 | 27,548 | - | - | 71,750 |
| Total liabilities | 39,997 | 53,165 | 37,992 | 57,632 | 109,805 | 69,179 | 4,116 | 361,471 | 733,357 |

| YEAR ENDED 31 DECEMBER 2017 | | | | | | | | | |
|-----------------------------|------------------------------|-----------------------|---------------------------|----------------------------|--------------------------------|------------------------|----------------------|---------------------|------------------|
| | Agbaou Mine Côte d'Ivoire | Tabakoto Mine Mali | Ity Mine Côte d'Ivoire | Karma Mine Burkina Faso | Houndé Project Burkina Faso | Kalana Project Mali | Exploration Other | Non-Mining Other | Total |
| Mineral Property | 137,457 | 101,611 | 108,988 | 318,208 | 468,315 | 176,199 | - | 7,174 | 1,317,952 |
| Current Assets | 57,200 | 40,576 | 62,900 | 64,279 | 59,235 | 2,202 | 1,561 | 66,681 | 354,634 |
| Long-term assets | - | 4,402 | 4,829 | 4,304 | 1,123 | - | - | - | 14,658 |
| Deferred Tax Asset | - | - | 6,267 | - | - | - | - | - | 6,267 |
| Total assets | 194,657 | 146,589 | 182,984 | 386,791 | 528,673 | 178,401 | 1,561 | 73,855 | 1,693,511 |
| Current Liabilities | 36,623 | 35,509 | 48,375 | 37,918 | 35,327 | 12,747 | 1,300 | 33,386 | 241,185 |
| Long-term Liabilities | 8,841 | 18,875 | 9,108 | 4,319 | 48,163 | 31,921 | - | 254,572 | 375,799 |
| Deferred Tax Liability | 3,100 | - | - | 24,789 | 18,200 | 29,817 | - | - | 75,906 |
| Total liabilities | 48,564 | 54,384 | 57,483 | 67,026 | 101,690 | 74,485 | 1,300 | 287,958 | 692,890 |

19 CAPITAL MANAGEMENT

The Corporation's objectives of capital management are to safeguard the entity's ability to support the Corporation's normal operating requirements on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

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

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

| | March 31, 2018 | December 31, 2017 |
|----------------------------|---------------------|---------------------|
| Equity | 1,031,455 | 1,000,621 |
| Current and long-term debt | 341,168 | 286,440 |
| | 1,372,623 | 1,287,061 |
| Less: | | |
| Cash | (93,863) | (122,702) |
| Cash - restricted | (807) | (1,327) |
| Marketable securities | (955) | (981) |
| Total | \$ 1,276,998 | \$ 1,162,051 |

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

20 FINANCIAL INSTRUMENTS

20.1 FINANCIAL ASSETS AND LIABILITIES

The Corporation's financial instruments consist of cash, restricted cash, marketable securities, trade and other receivables, working capital loan, long term receivable, trade and other payables, derivative financial liabilities, finance obligations and current and long-term debt. The fair value of these financial instruments approximates their carrying value, unless otherwise noted below.

The Corporation has certain financial assets and liabilities that are held at fair value. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques to measure fair value:

Classification of financial assets and liabilities

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset

or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

As at each of March 31, 2018 and December 31, 2017, the levels in the fair value hierarchy into which the Corporation's financial assets and liabilities measured and recognized in the statement of financial position at fair value are categorized are as follows:

MARCH 31, 2018

| | Note | Level 1 Input | Level 2 Input | Level 3 Input | Aggregate Fair Value |
|----------------------------|------|------------------|--------------------|------------------|-------------------------|
| Assets: | | | | | |
| Cash | | 93,863 | - | - | 93,863 |
| Cash - restricted | | 807 | - | - | 807 |
| Marketable securities | | 955 | - | - | 955 |
| Total | | \$ 95,625 | \$ - | \$ - | \$ 95,625 |
| Liabilities: | | | | | |
| Gold revenue protection | 14 | - | (4,161) | - | (4,161) |
| Conversion option on Notes | 11 | - | (43,850) | - | (43,850) |
| Total | | \$ - | \$ (48,011) | \$ - | \$ (48,011) |

DECEMBER 31, 2017

| | Note | Level 1 Input | Level 2 Input | Level 3 Input | Aggregate Fair Value |
|-----------------------|------|-------------------|------------------|------------------|-------------------------|
| Assets: | | | | | |
| Cash | | 122,702 | - | - | 122,702 |
| Cash - restricted | | 1,327 | - | - | 1,327 |
| Marketable securities | | 981 | - | - | 981 |
| Total | | \$ 125,010 | \$ - | \$ - | \$ 125,010 |

There were no transfers between level 1 and 2 during the year.

20.2 FINANCIAL INSTRUMENT RISK EXPOSURE

The Corporation's activities expose it to a variety of risks that may include credit risk, liquidity risk, currency 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, cash-restricted, marketable securities, trade and other receivables, long-term receivable and other assets.

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(Unaudited)

The Corporation closely monitors its financial assets and does not have any significant concentration of credit risk other than receivable balances owed from the governments in the countries the Corporation operates in. Other receivables include \$19.6 million related to the disposal of Nzema (Note 4) on December 29, 2017 which remains outstanding at March 31, 2018. This receivable is held with a private company and at this time there have been no significant events or financial difficulty which would raise the level of credit risk. The Corporation sells its gold to large international organizations with strong credit ratings, but the historical level of customer defaults is minimal and, as a result, the credit risk associated with gold trade receivables at March 31, 2018 is considered to be negligible. The Corporation does not rely on ratings issued by credit rating agencies in evaluating counterparties' related credit risk.

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

| | March 31, 2018 | December 31, 2017 |
|-----------------------------|-------------------|-------------------|
| Cash | 93,863 | 122,702 |
| Cash - restricted | 807 | 1,327 |
| Trade and other receivables | 46,168 | 50,698 |
| Working capital loan | 1,075 | 1,062 |
| Marketable securities | 955 | 981 |
| Long-term receivable | 188 | 208 |
| Total | \$ 143,056 | \$ 176,978 |

ii. *Liquidity Risk*

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

The following table summarizes the Corporation's liabilities that have contractual maturities as at March 31, 2018:

| | Within 1 year | 2 to 3 years | 4 to 5 years | Over 5 years | Total |
|----------------------------------|-------------------|------------------|-------------------|-----------------|-------------------|
| Trade and other payables | 181,470 | - | - | - | 181,470 |
| Corporate loan facility | 913 | 1,825 | 21,825 | - | 24,563 |
| Convertible senior bond | 9,900 | 19,800 | 349,800 | - | 379,500 |
| Derivative financial liabilities | 4,161 | - | - | - | 4,161 |
| Finance obligations | 22,310 | 40,135 | 23,768 | - | 86,213 |
| Minimum operating lease payments | 4,540 | 2,198 | - | - | 6,738 |
| Total | \$ 223,294 | \$ 63,958 | \$ 395,393 | \$ - | \$ 682,645 |

20.3 MARKET RISKS

i. Currency Risk

Currency risk relates to the risk that the fair values or future cash flows of the Corporation's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations may affect the costs that the Corporation incurs in its operations. There has been no change in the Corporation's objectives and policies for managing this risk during the period ended March 31, 2018.

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

The table below highlights the net assets (liabilities) held in foreign currencies, presented in US dollars:

| | March 31, 2018 | December 31, 2017 |
|------------------|------------------|----------------------|
| Canadian dollar | 440 | 107 |
| CFA Francs | 33,447 | (696) |
| Euro | 508 | - |
| Other currencies | (1,134) | 2,843 |
| Total | \$ 33,261 | \$ 2,253 |

The effect on earnings before taxes as at March 31, 2018, of a 10% appreciation or depreciation in the foreign currencies against the US dollar on the above mentioned financial and non-financial assets and liabilities of the Corporation is estimated to be \$3.5 million (December 31, 2017, \$0.2 million), assuming that all other variables remained constant. The calculation is based on the Corporation's statement of financial position as at March 31, 2018.

ii. Interest Rate Risk

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

The effect on earnings and other comprehensive loss before tax as at March 31, 2018, of a 10% change in the LIBOR rate on the RCF is estimated to be \$0.5 million (December 31, 2017 - \$0.1 million).

iii. Price Risk

Price risk is the risk that the fair value or future cash flows of the Corporation's financial instruments will fluctuate because of changes in market prices. There has been no change in the Corporation's objectives and policies for managing this risk and no significant changes to the Corporation's exposure to price risk during the period ended March 31, 2018.

21 COMMITMENTS AND CONTINGENCIES

- › The Corporation has commitments in place at all five of its mines and other key projects for drill and blasting services, load and haul services, supply of explosives and supply of hydrocarbon services.
- › The Corporation is subject to operating and finance lease commitments in connection with the purchase of mining equipment, light duty vehicles and workshop and rented office premises.
- › The Corporation is, from time to time, involved in various claims, legal proceedings, tax assessments and complaints arising in the ordinary course of business. The Corporation cannot reasonably predict the likelihood or outcome of these actions. The Corporation does not believe that adverse decisions in any other pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reason thereof, will have a material effect on the financial condition or future results of operations.
- › The Corporation's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Corporation believes its operations are materially in compliance with all applicable laws and regulations. The Corporation has made, and expects to make in the future, expenditures to comply with such laws and regulations.
- › The Corporation is obligated to deliver 100,000 ounces of gold (20,000 ounces per year) to Franco-Nevada Corporation and Sandstorm Gold Inc. (the "Syndicate") over a five period in exchange for 20% of the spot price of gold for each ounce of gold delivered (the "Ongoing Payment"). The amount that was previously advanced for this agreement of \$100 million is reduced on each delivery by the excess of the spot price of the gold delivered over the Ongoing Payment. Following the five year period, which commenced on March 31, 2016, the Corporation is committed to deliver refined gold equal to 6.5% of the gold production at the Karma Mine for the life of the mine in exchange for Ongoing Payments. The Corporation must deliver an additional 7,500 ounces between July 2017 and April 2019 in exchange for the additional deposit of \$5 million received in 2017. The Corporation assumed the gold stream when it acquired the Karma Mine on April 26, 2016. Gold ounces sold to the Syndicate under the stream agreement are recognized as revenue only on the actual proceeds received, which per the agreement is 20% of the spot gold price.