

**2012 FIRST QUARTER REPORT**  
**MARCH 31, 2012**  
(Expressed in Canadian dollars)

Unaudited Condensed Interim Consolidated Financial Statements

- Consolidated Statements of Financial Position
- Consolidated Statements of Comprehensive Loss
- Consolidated Statements of Changes in Equity
- Consolidated Statements of Cash Flows
- Notes to the Condensed Interim Consolidated Financial Statements

NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements for the three months ended March 31, 2012 of **Endurance Gold Corporation** (“the Company”) have been prepared by the Company’s management and have not been reviewed by the Company’s independent auditor.

**ENDURANCE GOLD CORPORATION**  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
*(Expressed in Canadian dollars)*  
*(Unaudited, Prepared by Management)*  
AS AT

	March 31, 2012	December 31, 2011
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 301,881	\$ 369,747
Marketable securities (Note 4)	27,200	19,200
Prepaid expenses and deposits	13,311	16,160
Receivables	15,969	63,941
<b>Total current assets</b>	<b>358,361</b>	<b>469,048</b>
<b>Non-current</b>		
Exploration and evaluation assets (Note 5)	2,343,689	2,334,140
<b>Total assets</b>	<b>\$ 2,702,050</b>	<b>\$ 2,803,188</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 72,153	\$ 103,145
<b>Total liabilities</b>	<b>72,153</b>	<b>103,145</b>
<b>EQUITY</b>		
Share capital (Note 6)	6,492,989	6,627,989
Reserves (Note 6)	536,451	536,451
Deficit	(4,399,543)	(4,464,397)
<b>Total liabilities and equity</b>	<b>\$ 2,702,050</b>	<b>\$ 2,803,188</b>

**Nature and continuance of operations** (Note 1)

**Commitments** (Note 13)

**Events after reporting date** (Note 14)

**Approved and authorized on behalf of the Board of Directors on May 17, 2012:**

/s/ Robert T. Boyd  
\_\_\_\_\_  
Director  
Robert T. Boyd

/s/ J. Christopher Mitchell  
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Director  
J. Christopher Mitchell

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

**ENDURANCE GOLD CORPORATION**

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the three-month periods ended March 31

*(Expressed in Canadian dollars)**(Unaudited, Prepared by Management)*

	2012	2011
<b>Expenses</b>		
Business development and property investigation (Note 9)	\$ 13,484	\$ 31,804
Corporate communications (Note 9)	13,961	6,932
Listing and transfer agent fees	9,384	10,312
Management fees (Note 9)	21,300	36,375
Office and administrative (Note 9)	16,146	27,798
Professional fees (Note 9)	4,615	19,661
Loss before other items	(78,890)	(132,882)
<b>Other items</b>		
Interest income	744	1,072
Realized loss on sales of marketable securities	-	(214)
Unrealized gain (loss) on marketable securities (Note 4)	8,000	(46,386)
	8,744	(45,528)
Loss for the period before income taxes	(70,146)	(178,410)
Deferred tax recovery (Note 8)	135,000	-
<b>Comprehensive income (loss) for the period</b>	\$ 64,854	\$ (178,410)
<b>Basic and diluted loss per common share</b>	\$ 0.00	\$ (0.00)
<b>Basic and diluted weighted average number of common shares outstanding</b>	53,722,586	48,272,856

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

**ENDURANCE GOLD CORPORATION**

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three-month periods ended March 31,

*(Expressed in Canadian dollars)**(Unaudited, Prepared by Management)*

	Share Capital		Reserves	Deficit	Total Equity
	No. of Shares	Amount			
<b>Balance, January 1, 2011</b>	<b>47,472,586</b>	<b>\$ 5,757,508</b>	<b>\$ 479,271</b>	<b>\$ (3,386,049)</b>	<b>\$ 2,850,730</b>
Shares issued for cash:					
Private placement	4,500,000	540,000	-	-	540,000
Share issuance costs	-	(12,284)	-	-	(12,284)
Comprehensive (loss) for the period	-	-	-	(178,410)	(178,410)
<b>Balance March 31, 2011</b>	<b>51,972,586</b>	<b>\$ 6,285,224</b>	<b>\$ 479,271</b>	<b>\$ (3,564,459)</b>	<b>\$ 3,200,036</b>

	Share Capital		Reserves	Deficit	Total Equity
	No. of Shares	Amount			
<b>Balance at December 31, 2011</b>	<b>53,722,586</b>	<b>\$ 6,627,989</b>	<b>\$ 536,451</b>	<b>\$ (4,464,397)</b>	<b>\$ 2,700,043</b>
Deferred income taxes on exploration expenditures renounced	-	(135,000)	-	-	(135,000)
Comprehensive gain for the period	-	-	-	64,854	64,854
<b>Balance at March 31, 2012</b>	<b>53,722,586</b>	<b>\$ 6,492,989</b>	<b>\$ 536,451</b>	<b>\$ (4,399,543)</b>	<b>\$ 2,629,897</b>

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

**ENDURANCE GOLD CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the three-month periods ended March 31,

*(Expressed in Canadian dollars)**(Unaudited, Prepared by Management)*

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	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net gain (loss) for the period	\$ 64,854	\$ (178,410)
Add adjustments:		
Realized loss on sales of marketable securities	-	214
Unrealized (gain) loss on marketable securities	(8,000)	46,386
Deferred tax recovery	(135,000)	-
Interest income	(774)	(1,072)
Changes in non-cash working capital items:		
Prepaid expenses and deposits	2,849	(799)
Receivables	47,972	(9,269)
Marketable securities	-	1,575
Accounts payable and accrued liabilities	(16,656)	75,659
Net cash used in operating activities	<u>(44,755)</u>	<u>(65,716)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	(73,885)	(24,401)
Exploration and evaluation asset recovery	50,000	-
Interest received	774	1,072
Net cash used in investing activities	<u>(23,111)</u>	<u>(23,329)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of share capital	-	540,000
Share issuance costs	-	(12,284)
Net cash provided by financing activities	<u>-</u>	<u>527,716</u>
<b>Net increase (decrease) in cash and cash equivalents during the period</b>	(67,866)	438,671
<b>Cash and cash equivalents, beginning of period</b>	369,747	534,882
<b>Cash and cash equivalents, end of period</b>	<u>\$ 301,881</u>	<u>\$ 973,553</u>

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**Supplemental disclosures with respect to cash flows (Note 7)**

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

## ENDURANCE GOLD CORPORATION

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2012

(Unaudited, Prepared by Management)

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#### 1. NATURE AND CONTINUANCE OF OPERATIONS

Endurance Gold Corporation (the "Company") was incorporated under the *Canada Business Corporations Act* on December 16, 2003 and continued into British Columbia on August 16, 2004. The head office and principal address of the Company is 1700-750 West Pender Street, Vancouver, British Columbia, Canada V6C 2T8. The Company's registered address and records office is 1040-999 West Hastings Street, Vancouver, British Columbia, Canada, V6C 2W2.

The Company is engaged in the exploration and development of mineral properties in North America and has not yet determined whether its properties contain ore reserves that are economically recoverable. The mining exploration business involves a high degree of risk. The recoverability of the amounts expended on mineral interests by the Company is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development of its mineral properties and upon future profitable production or proceeds from disposition of its mineral interests.

These condensed interim consolidated financial statements ("Condensed Interim FS") include the financial statements of the Company and its wholly-owned subsidiary. These Consolidated Interim FS have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these Condensed Interim FS do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

#### 2. BASIS OF PREPARATION

##### a) Statement of Compliance

These Condensed Interim FS have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard 34 ("IAS 34") *Interim Financial Reporting*.

The policies applied in these Condensed Interim FS are consistent with the policies disclosed in Notes 2 and 3 of the Company's audited consolidated financial statements for the year ended December 31, 2011.

These Condensed Interim FS were authorized for issue by the Audit Committee and Board of Directors on May 17, 2012 and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2011.

##### b) Going Concern of Operations

The Company has not generated revenue from operations. After a deferred tax recovery of \$135,000 on renouncement of exploration expenditures, the Company reported a gain of \$64,854 during the three months ended March 31, 2012 and, as of that date the Company's deficit was \$4,399,543. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company may not have sufficient funds to continue for the next 12 months, and will have to raise additional funds to continue operations and to meet with its 2012 exploration programs, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

## ENDURANCE GOLD CORPORATION

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2012

(Unaudited, Prepared by Management)

#### 3. FUTURE ACCOUNTING POLICY CHANGES ISSUED BUT NOT YET IN EFFECT

The following new standards and interpretations are not yet effective and have not been applied in preparing these Condensed Interim FS. The Company is currently evaluating the potential impacts of these new standards.

- IFRS 9, *Financial Instruments* (effective January 1, 2015) introduces new requirements for the classification and measurement of financial assets, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options available in IAS 39.
- IFRS 10, *Consolidated Financial Statements*, IFRS 11, *Joint Arrangements*, IFRS 12, *Disclosure of Interests in Other Entities* (all effective January 1, 2013) provide revised guidance on the accounting treatment and associated disclosure requirements for joint arrangements and associates, and a revised definition of “control” for identifying entities which are to be consolidated.
- IFRS 13, *Fair Value Measurements* (effective January 1, 2013) provides new guidance on fair value measurement and disclosure requirements.
- Amendments to IAS 1, *Presentation of Comprehensive Income* (effective for annual periods beginning on or after July 1, 2012) require that elements of other comprehensive income that may subsequently be recycled through profit or loss be differentiated from those items that will not be recycled.
- IAS 27, *Consolidated and Separate Financial Statements* (effective January 1, 2013) provides new guidance on fair value measurement and disclosure requirements and IAS 28, *Investments in Associates and Joint Ventures* were revised and reissued to align with the new consolidation guidance.

#### 4. MARKETABLE SECURITIES

Marketable securities consist of equity securities over which the Company does not have control or significant influence. Marketable securities are designated as fair value through profit or loss. Unrealized gains and losses due to period end revaluation to fair value are included in profit or loss for the period. At March 31, 2012, the Company owned 320,000 (320,000 at December 31, 2011) common shares.

	March 31, 2012	December 31, 2011
Marketable securities – fair value	\$ 27,200	\$ 19,200
Marketable securities - cost	\$ 114,496	\$ 114,496



## ENDURANCE GOLD CORPORATION

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2012

(Unaudited, Prepared by Management)

#### 5. EXPLORATION AND EVALUATION ASSETS

As at March 31, 2012, the Company's exploration and evaluation assets are located in North America. Expenditures incurred on exploration and evaluation assets are as follows:

	Bandito, Yukon CANADA	Fuego, Yukon CANADA	Pardo, Ontario, CANADA	Other Properties, CANADA	Rattlesnake- Natrona, Wyoming, USA	McCord, Alaska, USA	Vana, Alaska, USA	Elephant, Alaska, USA	TOTAL
<b>Acquisition 12/31/11</b>	<b>\$ 99,206</b>	<b>\$ 6,420</b>	<b>\$ (31,250)</b>	<b>\$ -</b>	<b>\$ 35,799</b>	<b>\$ 5,664</b>	<b>\$ 8,688</b>	<b>\$ 4,110</b>	<b>\$ 128,637</b>
Additions	2,900	-	-	-	-	-	-	2,748	5,648
Recoveries	-	-	(50,000)	-	-	-	-	-	(50,000)
	2,900	-	(50,000)	-	-	-	-	2,748	(44,352)
<b>Acquisition 3/31/12</b>	<b>102,106</b>	<b>6,420</b>	<b>(81,250)</b>	<b>-</b>	<b>35,799</b>	<b>5,664</b>	<b>8,688</b>	<b>6,858</b>	<b>84,285</b>
<b>Deferred Exploration 12/31/11</b>	<b>676,207</b>	<b>16,580</b>	<b>1,077,858</b>	<b>50,000</b>	<b>286,873</b>	<b>88,078</b>	<b>7,168</b>	<b>2,739</b>	<b>2,205,503</b>
Additions:									
Field expenses	(1,835)	-	-	-	-	-	-	-	(1,835)
Geochemistry	1,499	-	-	-	-	-	-	-	1,499
Geological and miscellaneous	28,206	643	4,889	-	1,463	8,805	-	10,231	54,237
	27,870	643	4,889	-	1,463	8,805	-	10,231	53,901
<b>Deferred Exploration 3/31/12</b>	<b>704,077</b>	<b>17,223</b>	<b>1,082,747</b>	<b>50,000</b>	<b>288,336</b>	<b>96,883</b>	<b>7,168</b>	<b>12,970</b>	<b>2,259,404</b>
<b>Total Exploration and evaluation assets 3/31/12</b>	<b>\$ 806,183</b>	<b>\$ 23,643</b>	<b>\$ 1,001,497</b>	<b>\$ 50,000</b>	<b>\$ 324,135</b>	<b>\$ 102,547</b>	<b>\$ 15,856</b>	<b>\$ 19,828</b>	<b>\$ 2,343,689</b>

## ENDURANCE GOLD CORPORATION

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2012

(Unaudited, Prepared by Management)

#### 5. EXPLORATION AND EVALUATION ASSETS (cont'd...)

As at December 31, 2011, the Company's exploration and evaluation assets are located in North America. Expenditures incurred on exploration and evaluation assets are as follows:

	Bandito, Yukon CANADA	Fuego, Yukon CANADA	Pardo, Ontario, CANADA	Nechako, B.C. CANADA	Other Properties, CANADA	Rattlesnake- Natrona, Wyoming, USA	McCord, Alaska, USA	Vana, Alaska, USA	Elephant, Alaska, USA	TOTAL
<b>Acquisition 12/31/10</b>	<b>\$ 45,406</b>	<b>\$ -</b>	<b>\$ 18,750</b>	<b>\$ 80,000</b>	<b>\$ -</b>	<b>\$ 35,799</b>	<b>\$ 5,664</b>	<b>\$ 8,688</b>	<b>\$ -</b>	<b>\$ 194,307</b>
Additions	53,800	6,420	-	-	-	-	-	-	4,110	64,330
Recoveries	-	-	(50,000)	-	-	-	-	-	-	(50,000)
	53,800	6,420	(50,000)	-	-	-	-	-	4,110	14,330
<b>Written-off</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(80,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(80,000)</b>
<b>Acquisition 12/31/11</b>	<b>99,206</b>	<b>6,420</b>	<b>(31,250)</b>	<b>-</b>	<b>-</b>	<b>35,799</b>	<b>5,664</b>	<b>8,688</b>	<b>4,110</b>	<b>128,637</b>
<b>Deferred Exploration 12/31/10</b>	<b>104,351</b>	<b>-</b>	<b>1,077,858</b>	<b>487,235</b>	<b>50,000</b>	<b>265,445</b>	<b>13,649</b>	<b>4,956</b>	<b>-</b>	<b>2,003,494</b>
Additions:										
Drilling	106,013	-	-	-	-	-	-	-	-	106,013
Field expenses	122,136	1,430	-	-	-	-	7,875	-	-	131,441
Geochemistry	56,990	1,200	-	-	-	650	10,575	-	-	69,415
Geological and miscellaneous	197,243	7,315	-	375	-	9,797	42,917	1,135	2,739	261,521
Helicopters	83,535	6,231	-	-	-	-	12,020	-	-	101,786
Land and recording fees	5,939	404	-	-	-	10,981	1,042	1,077	-	19,443
	571,856	16,580	-	375	-	21,428	74,429	2,212	2,739	689,619
<b>Written-off</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(487,610)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(487,610)</b>
<b>Deferred Exploration 12/31/11</b>	<b>676,207</b>	<b>16,580</b>	<b>1,077,858</b>	<b>-</b>	<b>50,000</b>	<b>286,873</b>	<b>88,078</b>	<b>7,168</b>	<b>2,739</b>	<b>2,205,503</b>
<b>Total Exploration and evaluation assets 12/31/11</b>	<b>\$ 775,413</b>	<b>\$ 23,000</b>	<b>\$ 1,046,608</b>	<b>\$ -</b>	<b>\$ 50,000</b>	<b>\$ 322,672</b>	<b>\$ 93,742</b>	<b>\$ 15,856</b>	<b>\$ 6,849</b>	<b>\$ 2,334,140</b>

## **ENDURANCE GOLD CORPORATION**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three month period ended March 31, 2012

*(Unaudited, Prepared by Management)*

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#### **5. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

##### **Bandito Rare Earth Element-Niobium-Nickel Property, Yukon, CANADA**

In August 2010, the Company entered into an option agreement (the "Agreement") with True North Gems Inc. ("TGX"), whereby the Company can earn up to a 75% interest in the Bandito property located in the Watson Lake district, Yukon Territory. Under the terms of the agreement, the Company can earn an initial 51% joint venture interest in the Bandito property by completing a total of \$125,000 (\$75,000 paid) in cash payments by December 31, 2012 and also completing \$1,000,000 in exploration expenditures by December 31, 2013. Once the Company earns its 51% interest, it has a further option that will allow the Company to acquire an additional 24% interest (total 75%) by issuing TGX 200,000 shares of the Company and by completing an additional \$1,000,000 in exploration expenditures prior to December 31, 2015. The President and CEO of the Company also serves on the board of directors of TGX and abstained from voting on approval of the Agreement.

##### **Fuego Property, Yukon, CANADA**

In March 2011, the Company acquired by staking a 100% interest in certain mineral claims located in the Watson Lake district, Yukon Territory.

##### **Pardo Gold Property, Ontario, CANADA**

The Company acquired a 100% interest in the Pardo Property located northeast of Sudbury, Ontario, from three vendors (one of whom was the late President of the Company), by making payments of \$100,000 in cash and issuing 200,000 common shares (at a value of \$18,750). The vendors have retained a 3% net smelter return royalty interest ("NSR"), one-half of which may be purchased by the Company for \$1,500,000.

In June 2009, the Company entered into an option agreement (the "Agreement") with Ginguro Exploration Inc. ("Ginguro"), an Exchange issuer. Under the terms of the Agreement, Ginguro can earn an initial 55% interest in the Pardo Property by completing \$1,000,000 (incurred) in exploration expenditures and making cash payments totaling \$200,000 (paid) to the Company over a three year period. In March 2012, Ginguro notified the Company that it has fulfilled all of its obligations under the option agreement and earned its 55% interest in the Pardo Property. As a result, a joint venture ("JV") as to 45% (the Company) and 55% (Ginguro) was formed.

##### **Rattlesnake - Natrona Gold Property, Wyoming, USA**

In 2009, the Company acquired by staking a 100% interest in certain claims and in addition the Company was granted leases on lands owned by the State of Wyoming in 2010.

##### **McCord Gold Property, Alaska, USA**

In September 2010, the Company acquired by staking a 100% interest in certain Alaska State mineral claims located in the Fairbanks District in Alaska, USA.

Subsequent to March 31, 2012, the Company entered into an option agreement (the "Agreement") with Liberty Gold Corporation ("Liberty"). Under the terms of the Agreement, Liberty can earn a 60% interest in the McCord Gold Property by incurring US\$600,000 in exploration expenditures and making US\$85,000 (US\$15,000 received) in cash payments over three years.

## ENDURANCE GOLD CORPORATION

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2012

(Unaudited, Prepared by Management)

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#### 5. EXPLORATION AND EVALUATION ASSETS (cont'd...)

##### **Vana Gold Property, Alaska, USA**

In September 2010, the Company acquired by staking a 100% interest in certain Alaska State mineral claims located in the Fairbanks District in Alaska, USA.

##### **Elephant Gold Property, Alaska, USA**

In December 2011, the Company entered into an option agreement (the "Agreement") with a private vendor ("Vendor"), whereby the Company can earn a 100% interest in the Elephant property located in the Rampart-Eureka-Hot Springs placer gold mining district in Alaska. Under the terms of the agreement, the Company is required to complete exploration expenditures of US\$200,000 by December 2013, issue to the vendor 400,000 common shares of the Company by December 2016, and make cash payments totalling US\$200,000 (US\$2,000 paid) in phases ending December 2017. The option is subject to a 2% NSR interest, one-half of which can be purchased by the Company at any time for US\$750,000.

##### **Other Properties, CANADA**

###### *Nechako Gold Property JV, British Columbia, CANADA*

The Nechako Gold Property is comprised of several mineral claims located within the Cariboo Mining Division, west of Quesnel in British Columbia. The JV property is currently owned 75% by Endurance and 25% by Amarc Resources Ltd.

###### *Dogpaw Property, Ontario*

The Company entered into an option agreement dated April 16, 2007 with Metals Creek Resources Corp. ("MEK"), whereby MEK earned a 75% interest in a majority of the claims comprising the Dogpaw property by incurring exploration expenses of \$450,000 and issuing 450,000 common shares of MEK (with a value of \$161,000). As a result, a joint venture as to 25% (the Company) and 75% (MEK) was formed in January 2010.

In addition, the Company retains a 2.5% NSR interest on several other claims forming part of the Dogpaw Property.

#### 6. SHARE CAPITAL

- (a) The authorized share capital of the Company consists of an unlimited number of common shares without par value.
- (b) Issued and outstanding:

##### **Share issuances**

No shares were issued during the quarter ended March 31, 2012.

During the year ended December 31, 2011, the Company:

- i) completed a non-brokered private placement financing of 4,500,000 flow-through shares at a price of \$0.12 per flow-through share for gross proceeds of \$540,000. A total of 220,000 flow-through shares were subscribed by two directors of the Company.

## ENDURANCE GOLD CORPORATION

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2012

(Unaudited, Prepared by Management)

#### 6. SHARE CAPITAL (cont'd...)

- ii) completed a non-brokered private placement financing of 4,500,000 flow-through shares at a price of \$0.12 per flow-through share for gross proceeds of \$540,000. A total of 220,000 flow-through shares were subscribed by two directors of the Company.
- ii) completed a non-brokered private placement financing of 1,750,000 Units (the "Unit") at a price of \$0.20 per Unit for gross proceeds of \$350,000 in August 2011. Each Unit consists of one common share and one-half non-transferable common share purchase warrant. Each whole warrant is exercisable into one common share at a price of \$0.30 per share for a period of 12 months from the date of closing. The financing was fully subscribed by the Company's insiders.

#### (c) Stock Options, Warrants and Agent's Compensation Options Outstanding

The Company has an incentive stock option plan that conforms to the requirements of the TSX Venture Exchange (the "Exchange"). Under the Company's Stock Option Plan, the Company may grant stock options for the purchase of up to 10% of its issued common shares. The board of directors may grant such options for periods of up to ten years, with vesting periods determined at its discretion and at prices not less than \$0.10 per share or the Discounted Market Price.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
<b>Outstanding at January 1, 2011</b>	<b>3,200,000</b>	<b>\$ 0.10</b>
Options granted	300,000	0.21
<b>Outstanding at December 31, 2011</b>	<b>3,500,000</b>	<b>0.11</b>
<b>Outstanding at March 31, 2012</b>	<b>3,500,000</b>	<b>\$ 0.11</b>
Number of options currently exercisable	3,500,000	\$ 0.11

The following stock options were outstanding and exercisable at March 31, 2012:

Number Outstanding	Exercise Price \$	Expiry Date
250,000	0.15	October 11, 2012
1,700,000	0.10	February 14, 2014
750,000	0.10	March 31, 2015
500,000	0.10	April 9, 2015
300,000	0.21	April 28, 2016
<b>3,500,000</b>		

**ENDURANCE GOLD CORPORATION**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2012

*(Unaudited, Prepared by Management)***6. SHARE CAPITAL (cont'd...)**

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
<b>Outstanding at January 1, 2011</b>	1,500,000	\$ 0.30
Warrants exercised	875,000	0.30
Warrants expired	<u>(1,500,000)</u>	0.30
<b>Outstanding at December 31, 2011</b>	<u>1,500,000</u>	0.30
<b>Outstanding at March 31, 2012</b>	875,000	\$ 0.30

The following warrants to acquire common shares were outstanding at March 31, 2012:

Number Outstanding	Exercise Price \$	Expiry Date
<u>875,000</u>	0.30	August 9, 2012

**(d) Share-based compensation**

There were no share-based compensation expenses reported during the three-month periods ended March 31, 2012 and 2011.

**(e) Reserves**

The following is a summary of changes in Reserves from December 31, 2011 to March 31, 2012:

	<b>March 31, 2012</b>	<b>December 31, 2011</b>
Warrants / Agent's compensation Options	\$ 20,064	\$ 20,064
Stock options	\$ 516,387	\$ 516,387
<b>Total Reserves</b>	\$ 536,451	\$ 536,451

## ENDURANCE GOLD CORPORATION

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2012

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#### 7. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	March 31, 2012	December 31, 2011
Cash paid during the period for income taxes	\$ -	\$ -
Cash paid during the period for interest	\$ -	\$ -

Supplementary disclosure of non-cash investing and financing activities during the three month period ended March 31:

	2012	2011
Exploration and evaluation assets expenditures in accounts payable and accrued liabilities	\$ 16,675	\$ 71,689

#### 8. INCOME TAXES

##### Flow-Through Expenditures

Under the Canadian *Income Tax Act* a company may issue securities referred to as flow-through shares, whereby the investors may claim the tax deductions arising from the qualifying expenditure (Canadian Exploration Expense) of the proceeds by the company. When resource expenditures are renounced to the investors and the company has reasonable assurance that the expenditures will be completed, deferred tax liabilities are recognized (renounced expenditures multiplied by the effective corporate tax rate), thereby reducing share capital. Previously unrecognized tax assets may then offset or eliminate the liability recorded.

In January 2012, the Company renounced \$540,000 of exploration expenditures raised through the issuance of flow-through shares in 2011, resulting in a deferred tax liability of \$135,000, which was deducted from share capital (see also Note 6). The Company subsequently reduced the deferred tax liability by recognizing previously unrecorded deferred tax assets equal to the amount of deferred tax liability. This decrease in the valuation allowance has resulted in a deferred tax recovery of \$135,000 disclosed on the Consolidated Statement of Comprehensive Loss.

At March 31, 2012, the remaining balance of \$26,411 qualified exploration expenditures had been spent. The Company has fulfilled its commitment to incur exploration expenditures in relation to the flow-through share financing in 2011.

## ENDURANCE GOLD CORPORATION

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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*(Unaudited, Prepared by Management)*

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#### 9. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities is \$24,163 (2011 - \$32,195) due to related parties. Amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

During the three month period ended March 31, 2012, the Company entered into the following related party transactions:

- a) Paid to Cooper Jack Investments Limited, a private company controlled by the current President, CEO and director, Robert Boyd, an aggregate amount of \$49,500 (2011 - \$55,350), of which \$26,325 (2011- \$11,700) was capitalized as geological project management fees, \$6,300 (2011 – \$21,375) was expensed as administration management fees, \$8,325 (2011 - \$20,475) was expensed as business development and property investigation, and \$8,550 (2011 - \$1,800) was expensed as corporate communication expenses.
- b) Paid to T.P. Cheng & Company Ltd., a private company controlled by an officer, Teresa Cheng, \$15,000 (2011 - \$15,000) for administration management fees.
- c) Paid or accrued to Adera Company Management Ltd., a private company controlled by a director, J. Christopher Mitchell, an aggregate amount of \$2,025 (2011 - \$2,850) for professional fees, of which \$2,000 (2011 - \$nil) was capitalized as project consulting fees, \$25 (2011 - \$900) was expensed as administration consulting fees, \$nil (2011 - \$1,950) was included in business development and property investigation.
- d) Paid to First Point Minerals Corp., an TSX Venture Exchange listed company, with a common director, J. Christopher Mitchell, \$nil (2011 - \$4,698) for rent included in office and administrative.

The amounts charged to the Company for the transactions provided have been determined by negotiations amongst the parties. These transactions were in the normal course of operations and were measured at the same value as if the transactions had occurred with non-related parties.

#### 10. FINANCIAL INSTRUMENTS AND RISK

##### *Fair value*

IFRS 7 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

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

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31, 2012, the Company's financial instruments are comprised of cash and cash equivalents, marketable securities, receivables, and accounts payable and accrued liabilities. The carrying value of receivables, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments.



## ENDURANCE GOLD CORPORATION

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2012

(Unaudited, Prepared by Management)

#### 10. FINANCIAL INSTRUMENTS AND RISK (cont'd...)

Financial instruments measured at fair value on the statements of financial position are summarized in levels of fair value hierarchy as follows:

March 31, 2012

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 301,881	\$ -	\$ -	\$ 301,881
Marketable securities	<u>27,200</u>	<u>-</u>	<u>-</u>	<u>27,200</u>
Total	\$ 329,081	\$ -	-	\$ 329,081

#### **Risk Management**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

##### *Credit risk*

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the statement of financial position and arises from the Company's cash and cash equivalents, marketable securities, and receivables.

The Company's cash and cash equivalents are held through a Canadian chartered bank, which is a high-credit quality financial institution. The Company's receivables primarily consist of recoverable sales tax due from the Government of Canada.

##### *Liquidity risk*

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2012, the Company had a cash balance of \$301,881 to settle current liabilities of \$72,153. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

##### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

##### (a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term certificates of deposits issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its bank.

## ENDURANCE GOLD CORPORATION

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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*(Unaudited, Prepared by Management)*

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#### 10. FINANCIAL INSTRUMENTS AND RISK (cont'd...)

##### (b) Foreign currency rate risk

While the Company is domiciled in Canada and its capital is raised in Canadian dollars, a portion of its business is conducted in the United States of America. As such, it is subject to risk due to fluctuations in the exchange rate between the Canadian and US dollars. At March 31, 2012, the Company has cash denominated in US dollars of US\$9,921. Each 1% change in the Canadian dollar versus the U.S. dollar will result in a gain/loss of approximately \$99.

Management believes the foreign exchange risk derived from currency conversions is insignificant and therefore does not hedge its foreign exchange risk.

The carrying value of cash and cash equivalents, marketable securities, receivables, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturities of these financial instruments.

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be materially affected by credit risk, liquidity risk or market risk.

#### 11. CAPITAL MANAGEMENT

The Company manages its cash and cash equivalents, and common shares as capital. The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the on-going business objectives including, but not limited to pursuing the exploration of its exploration and evaluation assets, funding of future growth opportunities, and pursuit of new acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company manages its capital structure by issuing new shares, adjusting capital spending or disposing of assets. In addition, management of the Company's capital structure is facilitated through its financial and operational forecasting processes. The forecast of the Company's future cash flows is based on estimates of commodity prices, forecast capital and operating expenditures, and other investing and financing activities. The forecast is regularly updated based on new commodity prices and other changes, which the Company views as critical in the current environment.

The Company's working capital as at March 31, 2012 was \$286,208 (December 31, 2011 - \$365,903). The Company's capital management objectives, policies and processes have not been changed over the period presented. The Company is not subject to any externally imposed capital requirements.

## ENDURANCE GOLD CORPORATION

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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#### 12. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the exploration and development of exploration and evaluation assets in Canada and the United States.

Geographic information is as follows:

	March 31, 2012	December 31, 2011
Exploration and evaluation assets in:		
- Canada	\$ 1,881,322	\$ 1,895,021
- United States	462,367	439,119
TOTAL	\$ 2,343,689	\$ 2,334,140

#### 13. COMMITMENTS

The Company entered into a new office lease agreement commencing March 1, 2011 and ending February 28, 2015. Minimum lease payments are as follows:

2012	\$ 40,349
2013	43,858
2014	44,996
2015	<u>7,657</u>
	<u>\$ 136,860</u>

#### 14. EVENTS AFTER THE REPORTING DATE

From April 1, 2012 to May 17, 2012, the Company announced that it intends to complete a non-brokered private placement of up to 5,000,000 units (the "Unit") at a price of \$0.10 per Unit for gross proceeds of up to \$500,000 (the "Offering"). Each Unit consists of one common share and one non-transferable common share purchase warrant (the "Warrant"). Each Warrant is exercisable into one common share at a price of \$0.10 per share for a period of five years from the date of closing (the "Closing"). The Warrants are subject to an accelerated expiry date which comes into effect when the trading price of the common shares of the Company closes at or above \$0.30 per share for twenty consecutive trading days in the period commencing four months after the Closing. In the event that the Company gives an expiry acceleration notice (the "Notice") to holder of the warrants, the expiry date of the Warrants will be 30 days from the date of the Notice.