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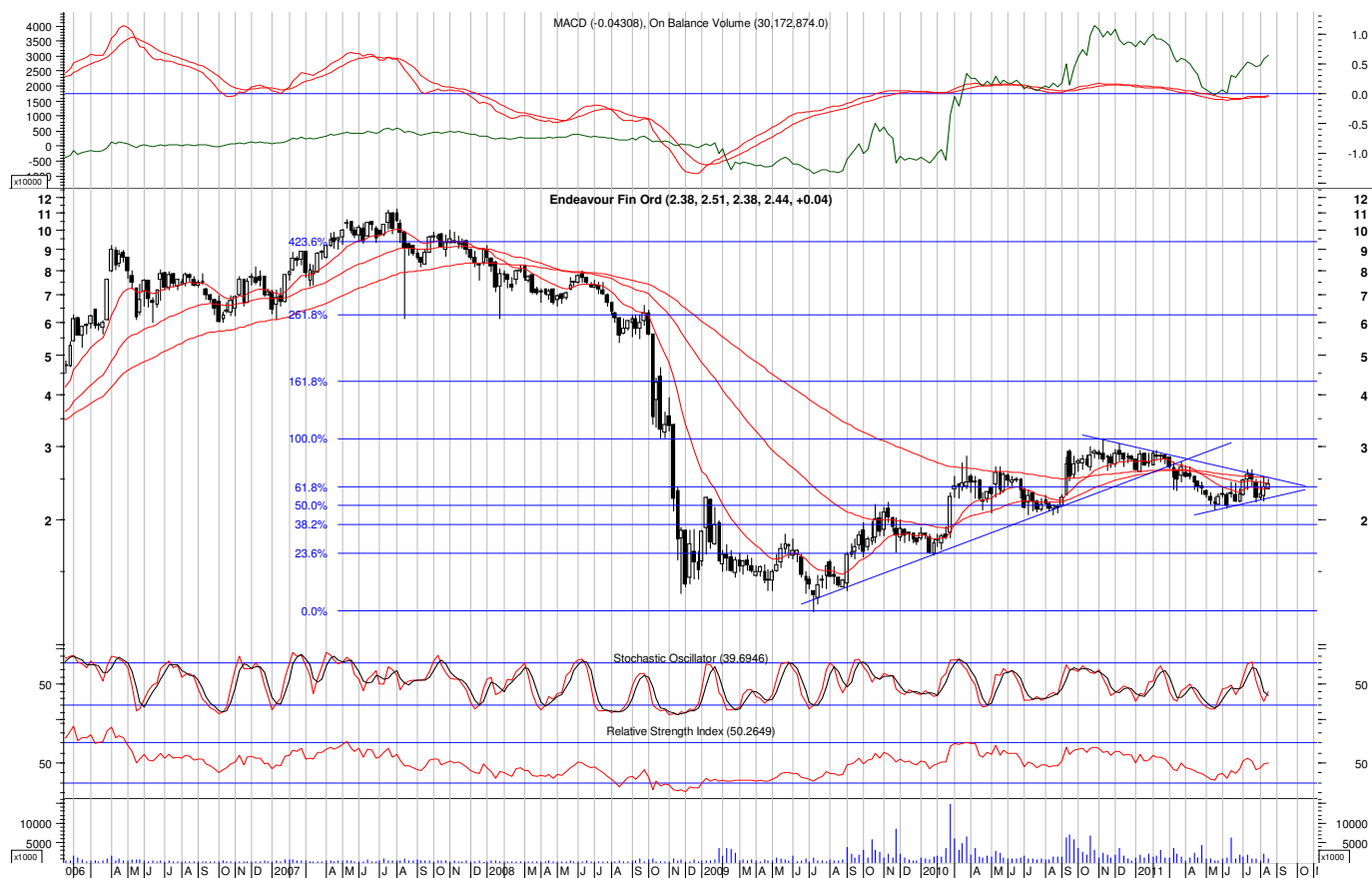
YE Apr30 Δ: '96 116.9%; '97 28.1%; '98 36.4%; '99 39.4%; '00 180.9%; '01 -50.5%; '02 18.7%; '03 28.8%; '04 166.7%; '05 28.2%; '06 153.3%; '07 8.8%; '08 -25.2%; '09 -50.3%; '10 162.3%; '11 2.6%

Junior Gold and Natural Resource Sector Report

August 21, 2011

ENDEAVOUR MINING CORP (EDV-TSX)

UPDATE



Endeavour and Adamus form Growth Focused West African Gold Producer

We had been anticipating that Endeavour Mining would announce a transaction since the sale of its interest in Crew Gold back in September 2010. Today EDV and Australia's Adamus Resources (ADU-ASX) announced that they plan to merge and create a "growth-focused West African gold producer" through an all-stock merger of equals transaction. Assuming shareholder approvals are received, the new entity is projected to have a production rate of about 250,000 oz/yr by late 2013 from existing assets, including the Agbaou project. This positions the new company firmly in the intermediate gold-producer category. EDV is targeting 500,000 ounces by 2013 as it plans to continue growing through acquisitions in West Africa.

Production this year is expected to reach 170,000 oz of gold from two mines, one in Burkina Faso and the other in Ghana. EDV owns the Youga gold mine in Burkina Faso and a pipeline of exploration and development projects in West Africa. It also owns the Agbaou feasibility stage project, one of the largest undeveloped gold deposits in Côte d'Ivoire. A construction decision on Agbaou is expected in the Q1 2012. EDV also has a 40% interest in the permitting stage Finkolo joint-venture gold project in Mali and a 38.5% interest in Namibia Rare Earths, which owns the Lofdal rare earth project in Namibia.

Adamus at its 90%-owned Nzema gold project in Ghana produced its first gold in January 2011 and commercial production began in April. The Government of Ghana owns the remaining 10%. The Nzema project covers about 665 km² in the country's Ashanti Gold Belt. Reserves at Nzema currently stand at 1.1 million ounces, derived from resources of 2.1 million ounces, "sufficient to sustain output of 100,000 oz. per year for over ten years from oxide material" according to a UBS Investment Research note to clients in July. UBS wrote that "potential exists for production to be expanded through the development of sulphide gold resources beneath the current pit designs." Adamus is also one of the largest exploration property holders in Liberia, with 3,107 km².

Endeavour intends to invest at least US\$160 million from its current cash balance to relieve the constraints of Adamus' Nzema project finance structure, including repayment of the US\$60 million project loan and at least US\$100 million towards reduction of hedged gold volumes.

The merger will be implemented as a Scheme of Arrangement under the Australian Corporations Act. Adamus shareholders will receive 0.285 of an Endeavour share for each Adamus share they hold. This exchange ratio has been determined using the ratio of Endeavour's and Adamus' volume weighted average trading prices over the 20 trading days ended on August 19, 2011 on the TSX and ASX, respectively. Upon completion, existing Endeavour shareholders and Adamus shareholders will own approximately 47.2% and 52.8%, respectively, of the issued common shares of the Merged Entity. On a fully-diluted basis, which assumes all existing Endeavour and Adamus options, warrants and share rights are exercised, the existing Endeavour and Adamus shareholders would own approximately 55% and 45%, respectively, of the issued shares of the Merged Entity.

Highlights of the Merger:

- Creates a leading West African gold production, development and exploration company as a platform for future growth and acquisitions.
- Combines experienced management teams and board of directors.
- Strong cash generation from two operating gold mines with pro forma 2011 gold production of 172,000 ounces (Youga Gold Mine, in Burkina Faso and Nzema Gold Mine, in Ghana) -- de-risking the standalone companies.
- With a construction decision to be made in Q1 2012 for the Agbaou feasibility stage project in Côte d'Ivoire, the production growth profile is expected to be approximately 250,000 ounces per year by the end of 2013 from existing assets.
- Adamus' proven mine building track record, having successfully commissioned the Nzema Gold Mine, will enhance the construction of the Agbaou feasibility stage project in Côte d'Ivoire.
- Extensive exploration portfolio in highly prospective regions of Ghana, Burkina Faso, Côte d'Ivoire, Liberia and Mali with a land package totaling over 10,400km².

- Pro forma financial strength totalling US\$516 million from Endeavour's US\$195 million cash and marketable securities, Adamus' US\$21 million cash, a new, undrawn, credit-approved US\$200 million revolving corporate loan facility provided by Unicredit Bank AG (subject to completion of the Scheme, execution of final facility agreements and satisfaction of the facility's conditions) and approximately US\$100 million from any future exercise of all Endeavour options and warrants with an exercise price of CDN\$2.50 or less.
- Financial strength will relieve constraints from Adamus' Nzema project finance structure and support the Merged Entity's growth objectives. Post-closing, the Merged Entity intends to fully repay the Nzema US\$60 million project debt and intends to invest at least US\$100 million to significantly reduce gold hedging volumes. This will result in greater leverage to the gold price, increased operating cashflow and EBITDA, and increased management flexibility.

Management & Governance:

On completion of the Scheme, Neil Woodyer from Endeavour will be Chief Executive Officer and Mark Connelly from Adamus will be Chief Operating Officer, of the Merged Entity. The Merged Entity's operational management will be led from Perth, Australia and will report to the Chief Operating Officer.

Michael E. Beckett will be Non-Executive Chairman of the Merged Entity. In addition, the Board of Directors of the Merged Entity will comprise three nominees from each of Adamus and Endeavour. Adamus' nominees are Mark Connelly, Martin Reed, and Dr. Antony Harwood. Endeavour's nominees are Neil Woodyer, Jorge L. Gamarci, and Wayne McManus.

Commenting on the business combination Mark Connelly, Managing Director and CEO of Adamus said:

"This transaction delivers considerable value to Adamus shareholders through the combination of our proven mine development skills and materially enhanced financial flexibility from Endeavour. This enables accelerated growth through the combined portfolio of development and exploration projects."

Neil Woodyer, CEO of Endeavour commented:

"This combination will create a stronger and better positioned company with the financial strength to grow through strategic acquisitions. Merging with Adamus is a significant step forward as we seek to become a mid-tier gold producer. Our financial strength will unlock value and increase operating flexibility through our ability to repay the Nzema project finance facility, significantly reduce Nzema's gold hedge and fully fund development of Agbaou. We look forward to working with Mark Connelly and his team's West African mine building experience which will enhance our Agbaou mine development team and future projects."

Michael E. Beckett, Chairman of Endeavour commented:

"As Chairman, I am pleased to recommend this combination which includes a solid plan for complementary integration of management skills from both organizations. The combined company led by Neil Woodyer and Mark Connelly will be well positioned to achieve its exciting growth objectives."

Timetable for Completion:

Announcement of proposed merger	21/22 August 2011
Dispatch Scheme Booklet to Adamus Shareholders	October 2011

Dispatch TSX Circular to Endeavour Shareholders	October 2011
Adamus Scheme Meeting	November 2011
Endeavour Shareholders Meeting	November 2011
Implementation of merger	December 2011

Conference Call and Webcast Information:

A live joint conference call, hosted by Mark Connelly, Managing Director/CEO of Adamus and Neil Woodyer, CEO of Endeavour, has been scheduled to accommodate Australian and North American time zones. Interested parties are invited to participate.

An Endeavour and Adamus joint management presentation is available on the homepage of the Endeavour at www.endeavourmining.com and Adamus websites at www.adamusresources.com.au

Conference Call Monday, August 22, 2011 -- 11:00am (Toronto), 8:00am (Vancouver), 11:00pm (Perth), which is equivalent to Tuesday, August 23, 2011 -- 1:00am (Sydney). Please access from Endeavour and Adamus websites, the V-Call website at www.investorcalendar.com or by calling the operator prior to the scheduled start time at the following numbers:

Australia 0011-800-2246-2666

North America +1-201-689-8565 or toll-free +1-877-407-0778

Please refer to our **August 3, 2011 Update Report** discussing Endeavour Mining’s operational update on their operating Youga Mine in Burkina Faso and feasibility-stage Agbaou project in Ivory Coast.

Conclusion:

We believe this combination is an excellent fit, creating a more diversified production / cash flow base. Endeavour’s proven and capable management team has a history of smart deal making, as we highlighted in our last updates. It has been barely three weeks since we postulated that the timing seemed particularly favorable for EDV to put to work their US\$195 million in cash and marketable securities and unused US\$100 million acquisition debt facility, given the very low equity valuations of gold producing companies within a steadily rising gold price environment.

This merger positions EDV as the leading West African gold producer, with strong cash generation from two operating gold mines that will leverage EDV’s production profile, with the added benefit of an unused US\$200 million revolving corporate loan facility. Production growth is expected to be ~250,000 ounces per year by the end of 2013 from existing assets, sufficient to attract a higher cash-flow multiple generally rewarded to intermediate gold producers. Endeavour is targeting 500,000 ounces by 2013 as it plans to continue growing through acquisitions in West Africa.

Institutional investors will also be drawn to the combined company’s enhanced liquidity and de-risked production profile, and the accessibility offered by its dual listing.

With an extensive exploration portfolio in highly prospective regions of Ghana, Burkina Faso, Côte d'Ivoire, Liberia and Mali, a land package totaling over 10,400km², EDV is well-positioned with a strong platform for future growth and acquisitions, combining two experienced management teams and boards.

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