

2013 ANNUAL FINANCIAL REPORT
December 31, 2013 and 2012
(Expressed in Canadian dollars)

Independent Auditors' report

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 Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Endurance Gold Corporation,

We have audited the accompanying consolidated financial statements of Endurance Gold Corporation which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Endurance Gold Corporation as at December 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has limited working capital, no current sources of revenue and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.



CHARTERED ACCOUNTANTS

Vancouver, Canada

April 28, 2014

ENDURANCE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
AS AT

	December 31, 2013	December 31, 2012
ASSETS		
Current		
Cash and cash equivalents (Note 4)	\$ 233,176	\$ 553,433
Marketable securities (Note 5)	9,600	19,200
Prepaid expenses and deposits (Note 6)	13,790	16,641
Receivables (Note 7)	10,202	10,872
Total current assets	266,768	600,146
Non-current		
Exploration and evaluation assets (Note 8)	3,182,608	2,445,446
Total assets	\$ 3,449,376	\$ 3,045,592
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 63,980	\$ 115,823
Advance from optionee (Note 10)	852	24,310
Total liabilities	64,832	140,133
EQUITY		
Share capital (Note 11)	7,274,255	6,869,365
Reserves (Note 11)	1,194,531	844,531
Deficit	(5,084,242)	(4,808,437)
Total liabilities and equity	\$ 3,449,376	\$ 3,045,592

Nature and continuance of operations (Note 1)
Commitments (Note 18)
Events after reporting date (Note 19)

Approved and authorized on behalf of the Board of Directors on April 28, 2014:

/s/ Robert T. Boyd

Director
Robert T. Boyd

/s/ J. Christopher Mitchell

Director
J. Christopher Mitchell

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

ENDURANCE GOLD CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Year Ended December 31,

(Expressed in Canadian dollars)

	2013	2012
Expenses		
Business development and property investigation (Note 13)	\$ 63,397	\$ 64,902
Corporate communications (Note 13)	26,683	39,757
Listing and transfer agent fees	12,548	12,395
Management fees (Note 13)	60,000	69,675
Office and administrative	66,751	63,568
Professional fees (Note 13)	20,257	30,632
Share-based compensation (Note 11)	-	58,080
Loss before other items	(249,636)	(339,009)
Other items		
Interest income	4,632	5,551
Unrealized loss on marketable securities (Note 5)	(9,600)	-
Write-off of exploration and evaluation assets (Note 8)	(21,201)	(10,582)
	(26,169)	(5,031)
Comprehensive loss for the year	\$ (275,805)	\$ (344,040)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.01)
Basic and diluted weighted average number of common shares outstanding	65,810,394	51,755,463

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

ENDURANCE GOLD CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended December 31,

(Expressed in Canadian dollars)

	Share Capital		Reserves	Deficit	Total Equity
	No. of Shares	Amount			
Balance at December 31, 2011	53,722,586	\$ 6,627,989	\$ 536,451	\$ (4,464,397)	\$ 2,700,043
Shares issued for cash:					
Private placement	5,000,000	250,000	250,000	-	500,000
Share issuance costs	-	(8,624)	-	-	(8,624)
Share-based compensation	-	-	58,080	-	58,080
Comprehensive loss for the year	-	-	-	(344,040)	(344,040)
Balance at December 31, 2012	58,722,586	\$ 6,869,365	\$ 844,531	\$ (4,808,437)	\$ 2,905,459

	Share Capital		Reserves	Deficit	Total Equity
	No. of Shares	Amount			
Balance at December 31, 2012	58,722,586	\$ 6,869,365	\$ 844,531	\$ (4,808,437)	\$ 2,905,459
Shares issued for cash:					
Private placement	5,000,000	150,000	350,000	-	500,000
Share issuance costs	-	(6,360)	-	-	(6,360)
Exploration and evaluation assets	5,225,000	261,250	-	-	261,250
Comprehensive loss for the year	-	-	-	(275,805)	(275,805)
Balance at December 31, 2013	68,947,586	\$ 7,274,255	\$ 1,194,531	\$ (5,084,242)	\$ 3,384,544

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

ENDURANCE GOLD CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31,

(Expressed in Canadian dollars)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (275,805)	\$ (344,040)
Add adjustments:		
Share-based compensation	-	58,080
Unrealized loss on marketable securities	9,600	-
Write-off of exploration and evaluation assets	21,201	10,582
Interest income	(4,632)	(5,551)
Changes in non-cash working capital items:		
Prepaid expenses and deposits	2,851	(481)
Receivables	670	53,069
Accounts payable and accrued liabilities	(42,195)	(24,714)
Advance from Optionee	(23,458)	24,310
Net cash used in operating activities	<u>(311,768)</u>	<u>(228,745)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(530,742)	(330,088)
Exploration and evaluation asset recoveries	23,981	245,592
Interest received	4,632	5,551
Net cash used in investing activities	<u>(502,129)</u>	<u>(78,945)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	500,000	500,000
Share issuance costs	(6,360)	(8,624)
Net cash provided by financing activities	<u>493,640</u>	<u>491,376</u>
Net increase (decrease) in cash and cash equivalents during the year	(320,257)	183,686
Cash and cash equivalents, beginning of year	553,433	369,747
Cash and cash equivalents, end of year	\$ 233,176	\$ 553,433

Supplemental disclosures with respect to cash flows (Note 12)

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

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

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. The Company has not generated revenue from operations. The Company incurred a net loss of \$275,805 during the year ended December 31, 2013 and, as of that date, the Company's accumulated deficit was \$5,084,242. The Company's working capital position at December 31, 2013 was \$201,936. 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 complete its 2014 exploration programs.

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary. These consolidated financial statements 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. The factors described above suggest that there is currently substantial doubt as to the Company's ability to continue as a going concern. However, these consolidated financial statements 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 consolidated financial statements, including comparative figures, have been prepared using accounting policies in compliance with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issue by the Audit Committee and Board of Directors on April 28, 2014.

(b) *Basis of Measurement*

These consolidated financial statements have been prepared on a historical costs basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

2. BASIS OF PREPARATION (cont'd...)

(b) *Basis of Measurement* (cont'd...)

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the application of policies and reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the year. Although management uses historical experience and its best knowledge of the amounts, events or actions to form the basis for judgments and estimates, actual results could differ from these estimates. See also Note 3 (p).

(c) *Basis of consolidation*

The consolidated financial statements include the accounts of the parent company, Endurance Gold Corporation, and its subsidiary as listed below:

	Jurisdiction	Nature of Operations	Equity Interest	
			2013	2012
Endurance Resources Inc.	Virginia, USA	Exploration	100%	100%

The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated.

3. SIGNIFICANT ACCOUNTING POLICIES

Summarized below are those policies considered significant to the Company. All accounting policies have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

(a) *Foreign currencies*

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for the Company and its subsidiary is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of comprehensive loss.

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

(b) *Financial instruments*

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired, as follows:

Fair value through profit or loss ("FVTPL") - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing such financial assets in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of comprehensive loss.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired, as follows:

FVTPL - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing such financial liabilities in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Other financial liabilities: This category includes accounts payable and accrued liabilities, all of which are recognized at amortized cost.

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

(b) *Financial instruments (cont'd...)*

The Company has classified its cash and cash equivalents and marketable securities as FVTPL. The Company's receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities and advance from optionee are classified as other financial liabilities.

(c) *Cash and cash equivalents*

Cash and cash equivalents are classified as FVTPL and are accounted for at fair value. Cash equivalents typically include highly liquid investments with original maturities of three months or less, and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(d) *Exploration and evaluation assets*

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation assets are recognized and capitalized in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs and payments made to contractors. Costs not directly attributable to exploration and evaluation assets activities, including general administrative costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of its mineral interest to a third party (the "Farmee"), as consideration, for an agreement by the Farmee to meet certain exploration and evaluation assets expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the Farmee on its behalf. Any cash or other consideration received from the Farmee is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess accounted for as proceeds received in excess of costs incurred and recorded as a gain on the statement of comprehensive loss.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation asset expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation asset expenditures in excess of estimated recoveries are written off to the statement of comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mine under construction". Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized costs.

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

(e) *Reclamation bonds*

Cash which is subject to contractual restrictions on use imposed by government agencies as a condition of granting permits in connection with exploration and evaluation assets is classified separately as reclamation bonds. Reclamation bonds are classified as loans and receivables.

(f) *Equipment*

Equipment is carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized using the declining balance method at the following annual rates:

Computer and office equipment	30%
Computer software	45%
Exploration equipment	20%
Furniture and fixtures	20%
Vehicles	30%

Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, is regularly identified and written off.

Assets are measured at historical cost less accumulated amortization and impairment losses. Amortization is charged on the declining balance basis over the useful lives of these assets. Residual values, amortization methods and useful economic lives are reviewed and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance. As at December 31, 2013, the Company does not own any equipment.

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

(g) *Impairment of assets (excluding goodwill)*

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss for the year.

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

(h) *Income taxes*

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it is probable that a deferred tax asset will be recovered, deferred tax assets are not accrued.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

(i) *Share capital*

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(j) *Flow-through shares*

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred and renounced to the shareholders, the Company derecognizes the liability with the premium being recognized as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the "Look-back" Rule, in accordance with flow-through regulations pursuant to the *Income Tax Act (Canada)*. When applicable, this tax is accrued as a financial expense until paid.

(k) *Share-based payment transactions*

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. The board of directors grants 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 as defined in the policies of the TSX Venture Exchange (the "Exchange").

The fair value of stock options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the options are earned based on graded vesting. For directors and employees, the fair value of the options is measured at the date of grant. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital.

(l) *Loss per share*

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributed to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributed to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

(m) *Provision for environmental rehabilitation*

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period. At December 31, 2013, the Company does not have any provision for environmental rehabilitation.

(n) *Related party transactions*

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(o) *Provisions*

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimates of the expenditures required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as an accretion expense.

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

(p) *Significant accounting judgments and estimates*

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) Economic recoverability and probability of future benefits of exploration and evaluation costs

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geological and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

ii) Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility and interest rates. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

iii) Income taxes

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

(q) *Standards, Amendments and Interpretations Not Yet Effective*

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2014. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IAS 32 (Amendment): Standard amended to clarify requirements for offsetting financial assets and financial liabilities, effective for annual periods beginning on or after January 1, 2014.
- IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, mandatory adoption date is not yet finalized.
- IFRS 9: New standard that replaced IAS 39 for classification and measurement.

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

4. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012
Cash on deposit	\$ 33,176	\$ 28,433
Liquid short term deposit	<u>200,000</u>	<u>525,000</u>
	<u>\$ 233,176</u>	<u>\$ 553,433</u>

5. MARKETABLE SECURITIES

Marketable securities consist of equity securities of an entity or entities over which the Company does not have control or significant influence. Marketable securities are designated as FVTPL. Unrealized gains and losses due to period end revaluation to fair value are included in profit or loss for the period. At December 31, 2013, the Company owned 320,000 (320,000 at December 31, 2012) common shares of a publicly traded entity.

	December 31, 2013	December 31, 2012
Marketable securities – fair value	\$ 9,600	\$ 19,200
Marketable securities - cost	<u>\$ 114,496</u>	<u>\$ 114,496</u>

6. PREPAID EXPENSES AND DEPOSITS

The prepaid expenses for the Company are broken down as follows:

	December 31, 2013	December 31, 2012
Prepaid rent	\$ 4,706	\$ 4,706
Insurance	9,084	10,593
Vendor prepayment	<u>-</u>	<u>1,342</u>
Total	<u>\$ 13,790</u>	<u>\$ 16,641</u>

7. RECEIVABLES

The Company's receivables arise mainly from recoverable sales taxes due from Canadian government taxation authorities.

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

8. EXPLORATION AND EVALUATION ASSETS

As at December 31, 2013, 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	Pardo, Ontario, CANADA	Other Properties, CANADA	Elephant Mountain, Alaska, USA	McCord, Alaska, USA	Rattlesnake- Natrona, Wyoming, USA	Vana, Alaska, USA	TOTAL
Acquisition 12/31/12	\$ 155,856	\$ (81,250)	\$ 6,420	\$ 16,828	\$ (29,066)	\$ 31,272	\$ 8,688	\$ 108,748
Additions	307,062	-	-	25,377	-	36,724	-	369,163
Write-off	-	-	-	-	-	-	(8,688)	(8,688)
Acquisition 12/31/13	462,918	(81,250)	6,420	42,205	(29,066)	67,996	-	469,223
Deferred exploration 12/31/12	780,490	1,086,947	70,673	20,030	73,454	292,591	12,513	2,336,698
Additions:								
Field expenses	-	3,343	-	11,181	5,046	25,739	-	45,309
Geochemistry	-	671	-	6,012	-	21,022	-	27,705
Geological and miscellaneous	22,072	19,624	2,150	24,288	8,545	72,862	-	149,541
Geophysics	-	-	-	-	-	1,181	-	1,181
Helicopters	-	-	-	4,538	-	-	-	4,538
Land and recording fees	420	-	-	13,463	8,660	50,816	-	73,359
Legal and related expenses	-	91,491	-	20,057	-	-	-	111,548
Recovery of expenses	-	-	-	-	(23,981)	-	-	(23,981)
	22,492	115,129	2,150	79,539	(1,730)	171,620	-	389,200
Write-off	-	-	-	-	-	-	(12,513)	(12,513)
Deferred exploration 12/31/13	802,982	1,202,076	72,823	99,569	71,724	464,211	-	2,713,385
Total exploration and evaluation assets 12/31/13	\$ 1,265,900	\$ 1,120,826	\$ 79,243	\$ 141,774	\$ 42,658	\$ 532,207	\$ -	\$ 3,182,608

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

8. EXPLORATION AND EVALUATION ASSETS (cont'd...)

As at December 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	Elephant Mountain, Alaska, USA	McCord, Alaska, USA	Rattlesnake- Natrona, Wyoming, USA	Vana, Alaska, USA	TOTAL
Acquisition 12/31/11	\$ 99,206	\$ 6,420	\$ (31,250)	\$ -	\$ 4,110	\$ 5,664	\$ 35,799	\$ 8,688	\$ 128,637
Additions	56,650	-	-	-	12,718	-	-	-	69,368
Option payments	-	-	(50,000)	-	-	(34,730)	-	-	(84,730)
	56,650	-	(50,000)	-	12,718	(34,730)	-	-	(15,362)
Write-off	-	-	-	-	-	-	(4,527)	-	(4,527)
Acquisition 12/31/12	155,856	6,420	(81,250)	-	16,828	(29,066)	31,272	8,688	108,748
Deferred exploration 12/31/11	676,207	16,580	1,077,858	50,000	2,739	88,078	286,873	7,168	2,205,503
Additions:									
Field expenses	11,069	-	-	1,500	-	43,911	-	-	56,480
Geochemistry	3,145	-	-	-	669	13,468	-	-	17,282
Geological and miscellaneous	80,109	643	9,089	900	16,622	65,624	2,850	450	176,287
Helicopters	7,460	-	-	-	-	16,465	-	-	23,925
Land and recording fees	2,500	1,050	-	-	-	6,770	8,923	4,895	24,138
Recovery of expenses	-	-	-	-	-	(160,862)	-	-	(160,862)
	104,283	1,693	9,089	2,400	17,291	(14,624)	11,773	5,345	137,250
Write-off	-	-	-	-	-	-	(6,055)	-	(6,055)
Deferred exploration 12/31/12	780,490	18,273	1,086,947	52,400	20,030	73,454	292,591	12,513	2,336,698
Total exploration and evaluation assets 12/31/12	\$ 936,346	\$ 24,693	\$ 1,005,697	\$ 52,400	\$ 36,858	\$ 44,388	\$ 323,863	\$ 21,201	\$ 2,445,446

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

8. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Bandito Rare Earth Elements-Niobium-Nickel Property, Yukon, CANADA

In August 2010, the Company entered into an option agreement (the "Option Agreement") with True North Gems Inc. ("True North"), whereby the Company could 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 could earn an initial 51% joint venture interest in the Bandito Property by completing a total of \$125,000 in cash payments and also completing \$1,000,000 in exploration expenditures by December 31, 2013. Once the Company had earned its 51% interest, it would acquire a further option that would allow it to acquire an additional 24% interest (total of 75%) by issuing True North 200,000 shares and by completing an additional \$1,000,000 in exploration expenditures prior to December 31, 2015.

In January 2013, the Company made the final cash option payment of \$50,000 to True North under the terms of the Option Agreement and subsequently entered into a purchase and sale agreement (the "Acquisition Agreement") with True North, which replaced the Option Agreement. Under the terms of the Acquisition Agreement, the Company acquired a 100% interest in the Bandito Property by paying True North an additional \$50,000 in cash and issuing five million common shares (issued at a value of \$250,000) of the Company. True North retained a 1% net smelter returns royalty ("NSR"), one-half of which may be purchased by the Company for \$1,000,000. A further cash bonus payment of \$500,000 will be payable to True North in two tranches, with the initial \$150,000 payable upon completion and filing of a bankable feasibility study, and the balance of \$350,000 to be paid after project financing has been obtained to place the Bandito Property into commercial production.

The President and CEO of the Company also serves on the board of directors of True North and abstained from voting on approval of the Option and Acquisition agreements.

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 by making payments of \$100,000 in cash and issuing 200,000 common shares valued at \$18,750. The vendors have retained a 3% NSR, one-half of which may be purchased by the Company for \$1,500,000.

In 2009, the Company entered into an option agreement with a wholly-owned subsidiary of Ginguro Exploration Inc. ("Ginguro"), a public company listed on the TSX Venture Exchange. Under the terms of the option agreement, Ginguro earned a 55% interest in the Pardo Property by completing \$1,000,000 in exploration expenditures and making cash payments totaling \$200,000 to the Company. As a result, a 45% (the Company) and 55% (Ginguro) Pardo Joint Venture ("JV") was formed. Ginguro is the operator ("Operator") of the JV.

In April 2012, the Pardo JV Management Committee approved a program consisting of down-hole logging of bore holes using a wire-line optical televiewer, re-logging of existing drill core, expert geological analysis, followed by a core drilling campaign, all to be completed in 2012. The Company elected not to participate in its pro-rata share of the approved 2012 program, and therefore its interest in the JV was expected to be diluted accordingly. However, the Company contends that financial and technical reports and certain participation options were not provided to it as required under the JV Agreement and there is also a dispute as to the size and nature of certain of the costs allocated to the JV property by the Operator. The determination of the parties' current joint venture ownership interests is pending the outcome of an arbitration action initiated by Ginguro that commenced on October 24, 2013.

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

8. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Elephant Mountain Gold Property, Alaska, USA

In December 2013, the Company entered into an option agreement (the "Option Agreement") with Frantz LLC, which replaced the letter agreement signed in December 2011. Pursuant to the terms of the Option Agreement, the Company can earn a 100% interest in the Elephant Mountain Property located in the Manley Hot Springs placer gold mining district in Alaska by completing exploration expenditures of US\$200,000 by December 2015, issuing to the vendor 400,000 common shares (25,000 common shares currently issued at a value of \$1,250) of the Company by December 2016, and making cash payments totaling US\$200,000 (US\$35,000 paid) in stages until 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.

McCord Gold Property, Alaska, USA

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

In May 2012, the Company entered into an option agreement (the "Agreement") with Liberty Gold Corp. ("Liberty"). Under the terms of the Agreement, Liberty could earn a 60% interest in the McCord Gold Property by incurring US\$600,000 in exploration expenditures and making US\$85,000 (US\$35,000 received) in cash payments to the Company over three years. Liberty failed to make its US\$20,000 payment due on December 31, 2013. Subsequent to year end, the Company issued a default notice and the Company has now assumed full ownership interest of the McCord Property. Refer to note 10.

Rattlesnake - Natrona Gold Property, Wyoming, USA

In 2009, the Company acquired by staking a 100% interest in certain claims and in 2010, the Company was also granted leases on lands owned by the State of Wyoming. During 2012, the Company abandoned the non-core State leases, which expired without renewal. During 2013, the Company applied for and was granted a lease on lands owned by the State of Wyoming.

In July 2013, the Company entered into an option agreement (the "Option Agreement") with a private vendor (the "Vendor") which replaced the letter agreement entered into in April 2013. Pursuant to the terms of the Option Agreement, the Company can earn a 100% interest in certain federal mining claims and Wyoming state leases located in Natrona County, Wyoming, USA by competing a total of US\$300,000 in exploration expenditures in the district, making US\$100,000 (\$25,000 paid) in cash payments, and issuing 1.2 million common shares (200,000 common shares issued currently at a value of \$10,000) of the Company prior to December 31, 2016. These mineral claims and state leases immediately adjoin the Company's 100% owned claims. The Vendor retains a 1% NSR on both the Vendor's and the Company's federal lode mining claims. One-half of the NSR can be purchased by the Company for US\$500,000 at any time.

Vana Gold Property, Alaska, USA

In 2010, the Company acquired by staking a 100% interest in certain Alaska State mineral claims located in the Fairbanks District of Alaska, USA. During the current year, the Company allowed all of the claims to lapse and wrote-off the carrying value of \$21,201 in acquisition and expenditures costs incurred on the property.

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

8. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Other Properties, CANADA

Flint Lake (Dogpaw) JV Gold Property, Ontario

Metals Creek Resources Corp. ("MEK") earned its 75% interest in the Flint Lake (Dogpaw) property by incurring exploration expenses of \$450,000 and issuing 450,000 common shares of MEK with a value of \$161,000. A joint venture as to 25% (the Company) and 75% (MEK) was formed in January 2010. The JV property is currently owned 22% by the Company and 78% by MEK.

In addition, the Company retains a 2.5% NSR interest on several other claims located near the Flint Lake (Dogpaw) JV Property.

Nechako Gold Property Joint Venture, British Columbia, CANADA

The Nechako Gold Property is comprised of a mineral claim located within the Cariboo Mining Division, west of Quesnel in British Columbia.

In 2004, the Company entered into an option and joint venture agreement with Amarc Resources Inc. ("Amarc"), whereby the Company earned a 60% interest in the Nechako Gold Property by completing \$250,000 in exploration expenditures and issuing 250,000 shares to Amarc and 70,000 shares to an underlying property vendor. As a result, a joint venture as to 60% (Endurance) and 40% (Amarc) was formed in December 2005. Amarc has elected not to participate in its pro-rata share of costs incurred on the Nechako Gold Property since 2006, and thus the property is now held 76% by Endurance and 24% by Amarc. In 2011, the Company wrote off the carrying value of \$567,610 in acquisition and exploration costs incurred on the property and it has no further plans to conduct exploration on this property.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the Company are broken down as follows:

	December 31, 2013	December 31, 2012
Trade payables	\$ 48,980	\$ 36,773
Accrued liabilities	<u>15,000</u>	<u>79,050</u>
Total	<u>\$ 63,980</u>	<u>\$ 115,823</u>

All payables and accrued liabilities for the Company fall due within the next 12 months.

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

10. ADVANCE FROM OPTIONEE

The Company is managing an exploration program on behalf of an optionee, Liberty Gold Corp. ("Liberty"). According to the terms of an option agreement dated as of April 20, 2012 between the Company and Liberty, the Company recovered US\$8,000 in exploration expenditures incurred before the 2012 exploration program occurred, and also received additional cash advances of US\$195,800 (including a US\$20,000 option payment) from Liberty.

Since the commencement of the 2012 exploration program, the Company has incurred a further US\$174,999 of this advance on behalf of Liberty, leaving an unexpended balance of US\$801 (C\$852) in the advance account at December 31, 2013. Subsequent to year end, the Company issued a default notice and the Company has now assumed full ownership interest of the McCord Property.

11. 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

During the fiscal year ended December 31, 2013, the Company:

- (i) issued 5,000,000 common shares, with a value of \$250,000, as consideration towards the acquisition of the Bandito Property. See note 8.
- (ii) issued 200,000 common shares, with a value of \$10,000, as an option payment pursuant to a mineral property agreement on the RH Property in Wyoming, USA. See note 8.
- (iii) issued 25,000 common shares, with a value of \$1,250, as an option payment pursuant to a mineral property agreement on the Elephant Mountain Property in Alaska, USA. See note 8.
- (iv) completed a non-brokered private placement financing of 5,000,000 units at a price of \$0.10 per unit for gross proceeds of \$500,000. Each unit (the "Unit") consists of one common share and one non-transferable common share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.10 per share for a period of 5 years from the date of closing. The Company adopted the residual value approach to bifurcate the fair value of the warrants from the common shares pursuant to the unit offering, and determined the fair value for the common share to be \$0.03 and the warrant to be \$0.07. Accordingly, the Company allocated \$150,000 of the proceeds to Share Capital and attributed the balance of \$350,000 to Reserves. The Units were fully subscribed by directors and a private company controlled by a director of the Company.

During the fiscal year ended December 31, 2012, the Company completed a non-brokered private placement of 5,000,000 units (each, a "Unit") at a price of \$0.10 per Unit for gross proceeds of \$500,000. Each Unit consists of one common share and one non-transferable common share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.10 per share for a period of 5 years from the date of closing. The Company adopted the residual value approach to bifurcate the fair value of the warrants from the common shares pursuant to the unit offering, and determined the fair value of each common share and warrant to be \$0.05. Accordingly, the Company allocated half of the proceeds to Share Capital and attributed the balance of \$250,000 to Reserves. A total of 3,200,000 Units were subscribed by directors and private companies controlled by directors of the Company.

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

11. SHARE CAPITAL (cont'd...)

(c) Stock Options and Warrants Outstanding

The Company has an incentive stock option plan that conforms to the requirements of the TSX Venture 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 the Discounted Market Price per share, subject to a minimum exercise price of \$0.10 per share in any event.

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

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2011	3,500,000	\$ 0.11
Options granted	1,100,000	0.10
Options expired	(250,000)	0.15
Outstanding at December 31, 2012	4,350,000	0.11
Outstanding at December 31, 2013	4,350,000	\$ 0.11
Number of options currently exercisable	4,350,000	\$ 0.11

The following stock options were outstanding and exercisable at December 31, 2013:

Number Outstanding	Exercise Price \$	Expiry Date
1,700,000	0.10	February 14, 2014 (subsequently expired)
750,000	0.10	March 31, 2015
500,000	0.10	April 9, 2015
300,000	0.21	April 28, 2016
1,100,000	0.10	August 22, 2017
4,350,000		

At December 31, 2013, the weighted average remaining life of the outstanding options was 1.49 years (2012 – 2.49 years).

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

	Number of Warrants	Weighted Average Exercise Price \$
Outstanding at December 31, 2011	875,000	0.30
Warrants granted	5,000,000	0.10
Warrants expired	(875,000)	0.30
Outstanding at December 31, 2012	5,000,000	0.10
Warrants granted	5,000,000	0.10
Outstanding at December 31, 2013	10,000,000	0.10

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

11. SHARE CAPITAL (cont'd...)

(c) Stock Options and Warrants Outstanding (cont'd...)

The following warrants to acquire common shares were outstanding at December 31, 2013:

Number Outstanding	Exercise Price \$	Expiry Date
5,000,000	0.10	May 24, 2017
5,000,000	0.10	July 11, 2018
<u>10,000,000</u>		

(d) Share-based compensation

The fair value of stock options reported as compensation expense during the year has been estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	2013	2012
Description		
Expected dividend yield	-	0.0%
Risk free interest rate	-	1.39%
Expected stock price volatility	-	148.52%
Expected life of options	-	5 years
Weighted average fair value	-	\$0.0528

Based on the foregoing, share-based compensation expense of \$nil (2012 - \$58,080) was recorded for options that vested during the year ended December 31, 2013. The off-setting credit was recorded in Reserves.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

(e) Reserves

The following is a summary of changes in Reserves at December 31:

	2013	2012
Warrants	\$ 620,064	\$ 270,064
Stock options	574,467	574,467
Total Reserves	\$ 1,194,531	\$ 844,531

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	December 31, 2013	December 31, 2012
Cash paid during the year for income taxes	\$ -	\$ -
Cash paid during the year for interest	\$ -	\$ -

Supplementary disclosure of non-cash investing and financing activities during the year ended December 31:

	2013	2012
Stock-based compensation (note 11)	\$ -	\$ 58,080
Exploration and evaluation assets expenditures in accounts payable and accrued liabilities	\$ 58,755	\$ 68,403
Shares issued for Exploration and evaluation assets (note 8)	\$261,250	

13. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities is \$15,829 (December 31, 2012 - \$28,257) due to related parties. Amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

During the year ended December 31, 2013, the Company entered into the following related party transactions:

- Paid to Cooper Jack Investments Limited, a private company controlled by the President, CEO and director, Robert Boyd, an aggregate amount of \$139,500 (2012 - \$125,775), of which \$99,450 (2012- \$73,575) was capitalized as geological project management fees, \$nil (2012 - \$9,675) was expensed as administration management fees, \$32,400 (2012 - \$30,150) was expensed as business development and property investigation, and \$7,650 (2012 - \$12,375) was expensed as corporate communication expenses.
- Paid to T.P. Cheng & Company Ltd., a private company controlled by an officer, Teresa Cheng, \$60,000 (2012 - \$60,000) for administration management fees.
- Paid or accrued to Adera Company Management Inc., a private company controlled by a director, J. Christopher Mitchell, an aggregate amount of \$5,407 (2012 - \$6,825) for professional fees, of which \$4,282 (2012 - \$3,950) was capitalized as project consulting fees, \$1,125 (2012 - \$2,375) was expensed as administration consulting fees, and \$nil (2012 - \$500) was expensed as corporate communication expenses.
- Paid share-based compensation relating to directors and officers of \$nil (2012 - \$58,080).

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 management believes that they were incurred on the same basis as similar transactions with non-related parties.

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

14. 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 December 31, 2013, 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.

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

December 31, 2013

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 233,176	\$ -	\$ -	\$ 233,176
Marketable securities	9,600	-	-	9,600
Total	\$ 242,776	\$ -	-	\$ 242,776

December 31, 2012

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 553,433	\$ -	\$ -	\$ 553,433
Marketable securities	19,200	-	-	19,200
Total	\$ 572,633	\$ -	-	\$ 572,633

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.

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

14. FINANCIAL INSTRUMENTS AND RISK (cont'd...)

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 December 31, 2013, the Company had a cash balance of \$233,176 to settle current liabilities of \$64,832. 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.

(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 December 31, 2013, the Company has cash and an advance from an optionee denominated in US dollars of US\$5,058 and \$801 respectively. Each 1% change in the Canadian dollar versus the U.S. dollar will result in a gain/loss of approximately \$46.

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

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

Based on its 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.

15. 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 share value.

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

15. CAPITAL MANAGEMENT (cont'd...)

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 capital and operating expenditures, and other investing and financing activities. The forecast is regularly updated based on changes that the Company views as material to the accuracy of the forecast.

The Company's working capital as at December 31, 2013 was \$201,936 (December 31, 2012 - \$460,013). 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.

16. DEFERRED TAXES

A reconciliation of income taxes at statutory rates is as follows:

	2013	2012
Net loss before income taxes	\$ (275,805)	\$ (344,040)
Expected income tax recovery	(75,000)	(86,000)
Non-deductible expenses for tax purposes	-	15,000
Adjustment to prior years provision versus statutory returns and other	(5,000)	(3,000)
Change in unrecognized deductible temporary differences	80,000	74,000
Deferred tax expense (recovery)	\$ -	\$ -

The significant components of the Company's deductible and taxable temporary differences and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

	<i>As of December 31,</i>			
	2013	Expiry Dates	2012	Expiry Dates
Share issue costs	\$ 20,000	2032 to 2037	\$ 30,000	2032 to 2036
Allowable capital losses	19,000	Not applicable	19,000	Not applicable
Non-capital losses	2,847,000	2014 to 2033	2,554,000	2014 to 2032
Capital assets	16,000	Not applicable	16,000	Not applicable
Exploration and evaluation assets	30,000	Not applicable	212,000	Not applicable
Investment tax credits	84,000	2027 to 2033	70,000	2027 to 2032
Marketable securities	105,000	Not applicable	95,000	Not applicable

Subject to certain restrictions, the Company's resource exploration expenditures are available to reduce taxable income of future years. Deferred tax benefits which may arise as a result of these losses and resource deductions have not been recognized in these financial statements. Tax attributes are subject to review, and potential adjustment, by tax authorities.

ENDURANCE GOLD CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013

17. 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:

	December 31, 2013	December 31, 2012
Exploration and evaluation assets in:		
- Canada	\$ 2,465,969	\$ 2,019,136
- United States	716,639	426,310
TOTAL	\$ 3,182,608	\$ 2,445,446

18. COMMITMENTS

The Company entered into a new office lease agreement commencing March 1, 2011 and ending February 28, 2015. Future minimum lease payments as at December 31, 2013 are as follows:

2014	44,996
2015	<u>7,657</u>
	<u>\$ 52,653</u>

19. EVENTS AFTER THE REPORTING DATE

From January 1 to April 28, 2014:

- a) 1,700,000 stock options expired unexercised.
- b) The Company completed a non-brokered private placement financing of 4,285,714 units at a price of \$0.07 per unit for gross proceeds of \$300,000 in two tranches. Each unit (the "Unit") consists of one common share and one non-transferable common share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.10 for a period of 5 years from the date of closing. A total of 1,522,714 Units were subscribed by directors and a private company controlled by a director of the Company.