

# ENDEAVOUR MINING

**A GOLD PRODUCER  
DELIVERING GROWTH**

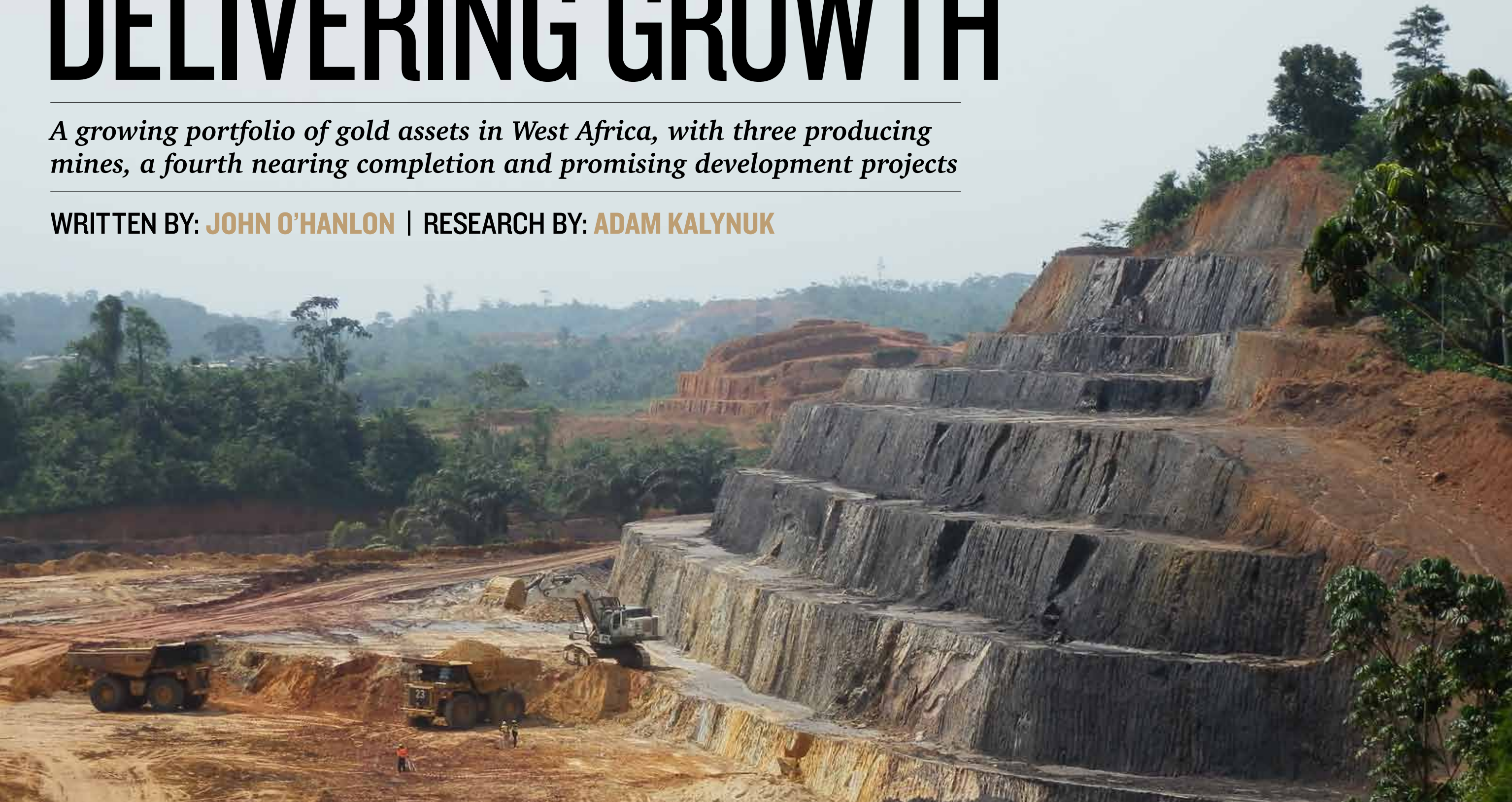




# A GOLD PRODUCER DELIVERING GROWTH

*A growing portfolio of gold assets in West Africa, with three producing mines, a fourth nearing completion and promising development projects*

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Underground mining  
at Endeavour's  
Tabakoto Gold Mine

Every person involved in gold mining or trading must have been shaken when the gold price slumped in mid April, so it's reassuring to hear that one well-respected investor, the Canadian financier, Frank Giustra, said recently that he has complete faith in the continuation of the bull run. When it comes to investment Giustra has been so right for so long that it's encouraging to know he is on Endeavour Mining's Strategic Advisory Board.

Endeavour Mining was founded in 2008 by Neil Woodyer, who until then had been a partner with Frank Giustra in the merchant bank Endeavour Financial. When cold winds started to blow through the financial markets and the world's great currency blocs all went into meltdown gold started to look even more attractive to investors. Why not actually build a gold mining company, Woodyer asked himself – so he did just that, acquiring a series of highly productive or prospective assets in West Africa, all of them in financial difficulty.

The initial acquisition search in 2009 brought in the Youga gold mine when Endeavour took control of a financially struggling Canadian company, Etruscan Resources, buying the remaining shares the following year. By the end of 2011 Youga was producing over 87,000 ounces of gold a year. In 2012 that figure rose to over 91,000 ounces. Youga is a hard rock, drill and blast

open pit operation that employs contractor mining and is located 280 kilometres to the south east of Ouagadougou in Burkina Faso. It is 90 percent owned by Endeavour, with the remaining 10 percent held by the Burkina Faso government. Grid power is delivered to site from Ghana via a 21 kilometre transmission line. Earlier this year Endeavour completed a preliminary economic assessment on the Ouaré deposit 40 kilometres to the north east to explore the economics of trucking the Ouaré material to the Youga plant, in the process adding three years to the current six year projected life of the mine.

In late 2011, following a merger with Perth based Adamus Resources, Endeavour added the Nzema mine, an open pit project located in south western Ghana, just a couple of hundred kilometres from the capital Accra, which is where Endeavour has chosen

to establish its operational headquarters. The Accra office is the base for the company's COO Attie Roux and all HR, finance, exploration, purchasing and other key management functions. The company holds a 90 percent interest at Nzema, with the remainder being in the hands of the Ghana government. In 2012 Nzema yielded nearly 110,000 ounces of gold from ore processed through a conventional gravity carbon-in-leach (CIL) gold plant with a semi-autogenous grinding (SAG) mill, a gravity circuit, and two counter current

**\$180  
MILLION**

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**Endeavour's 2013  
capital programme**



decant thickeners for water and cyanide recovery. The mill has a design capacity of 2.1 million tonnes per annum.

In October 2012, Woodyer spotted another opportunity, this time in Mali, and acquired the assets of another distressed gold mining company, Avion Gold, for \$389 million. An observer might think it risky to engage in a country which has so recently been in the news for all the wrong reasons. It's true that Avion had been hurt by the political uncertainty, in particular the contractor building an expansion of the Tabakoto mill withdrawing following a Canadian government advisory notice. However Tabakoto is only 18 kilometres from the border with Senegal and some 1,000 kilometres away from the problem area in Northern Mali, and thus the mine's production was not affected by the coup or its aftermath.

Tabakoto is 80 percent owned by Endeavour, 20 percent by the government of Mali, and its current open pit and single underground mine produced over 110,000 ounces of gold in 2012. A doubling of the mill capacity at Tabakoto from 2,000 tonnes per day (tpd) to 4,000 has just been achieved, in anticipation of the completion of a second underground mine at Segala, just five kilometres away. This part of Mali could



Tabakoto Gold Mine mill expansion is ramping up

be very important for Endeavour over the coming decade – another nearby 470 square kilometre property at Kofi 40 kilometres to the north of Tabakoto contains resources estimated at 1.2 million ounces.

So Endeavour is definitely a company

that has moved fast thus far. It has three producing mines in three different countries. “We are going through a phase of considerable growth,” says Woodyer. “We put together our three mines over the last three or four years by acquisition. We had to digest those acquisitions, sort them out financially because they were all troubled companies that we took over and then address some of their associated management problems.” As an example, he says Tabakoto was producing its gold alright, but at an unsustainably high cost – around \$1,250 an ounce. It was

over-staffed with around 1,900 people. In six months headcount has come down by 450, and in the last quarter its cost of production was cut to \$932 an ounce. The mill expansion has already been completed and production is being ramped up to around 150,000 ounces a year.

And Endeavour's impetus is far from spent. Next year will see the start of production at its most advanced development project, a fourth mine in a fourth West African country – Côte d'Ivoire. Agbaou is one of the largest undeveloped gold resources in that country and has significant upside

“AGBAOU SHOULD, TOGETHER WITH THE RECENTLY COMPLETED TABAKOTO MILL EXPANSION, RAISE OUR ANNUAL GOLD PRODUCTION TO 450,000 IN 2014”



potential that was targeted through a \$6 million exploration programme in 2012. Construction of the mine started in 2012, using the same team that developed Nzema, including the Australian EPCM company Lycopodium. “Agbaou should produce just below 100,000 ounces next year at relatively low cost, so it should bring our average cost base down and at the same time, together with the recently completed Tabakoto mill expansion, raise our annual gold production from around 330,000 ounces currently to 450,000 in 2014, with very positive cash generation as well,” says Woodyer.

The distribution of the projects makes a lot of sense. If there are problems at one mine, the others are there to fall back on and thus Endeavour is protected from the troubles that affected the single-mine companies it took over. Neil Woodyer’s long and extensive involvement in the market means that financial risk is minimised. Endeavour’s experienced mine operators and mine builders ensure that operational risk is well-managed. As former CEO of Lloyds International Trading before running his own merchant bank he is uniquely qualified to steer a gold production company

“WE ARE IN A GOOD POSITION NOW TO MEET OUR TARGET OF 330,000 OUNCES THIS YEAR AND 450,000 NEXT!”

at a time when gold futures are anyone’s guess. “We have a \$200 million credit facility that we have to start paying back in about 18 months. I am in the process of trying to increase that facility and extend it to give us more flexibility,” he explains.

“We may want to spend some capital on our existing operations and fine tune them to get better economic value out of them. I am making sure we have the financial flexibility to optimise the return without having to dilute the shareholding.”

Until things get a bit more predictable, Endeavour has throttled back its exploration drilling while keeping the core drilling going that will extend existing operations. Operationally, synergies have been pursued and a raft of best practices, from common purchasing to pooling of resources introduced. For example excess inventory of chemicals like cyanide at Nzema will be sent to Côte d’Ivoire so that Agbaou will have less to buy when it starts up.

Agbaou is a \$160 million project and is progressing remarkably well, he says, though cautiously. The mine is already 75 percent complete, and long lead-time items are on their way in plenty of time for the projected start of gold production in the first quarter of 2014 thanks to Lycopodium as the EPCM contractor and the in-house team: “It is really impressive the speed and skill that this team has delivered – we are in a good position now to meet our target of 330,000 ounces this year and 450,000 next!”

It was an inspiration to run the operations



Youga Gold Mine: primary crusher and crushed ore stockpile



**4,000 TPD**

Upgraded capacity of Tabakoto mill

from Accra. Ghana is the most stable and settled mining country in West Africa, but that means that an individual incoming investor can't have that much influence on government policy. Côte d'Ivoire is at the other extreme, he thinks, a country hungry for mining development and in which Endeavour is seen as a major investor whereas Burkina Faso is the ideal West Africa economy for a new mining project, with well developed mining laws and an economic framework that encourages foreign investment.

There's no denying these are anxious times for gold producers, unlike a year ago. Endeavour is committed to a large capital programme this year – something like \$180 million – but he is convinced the entire gold sector is undervalued, and with it the market value of gold producers. If Neil Woodyer and Frank Giustra are right then Endeavour stands to reap great rewards. Meanwhile it can only do the next right thing: "If we can optimise our three mines and build and commission the Agbaou mine we can end the year with the financial stability we need - and I have a great team to help me do that." **BE**

For more information about Endeavour Mining visit: [www.endeavourmining.com](http://www.endeavourmining.com)

Tabakoto Gold Mine: Segala portal for second underground mine (under development)







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