

Endeavour Mining Corp

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A regional success story: West Africa's enviable track record of successful gold mine construction highlights its attractions as an investment destination

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Is there really such a thing as West African execution risk when it comes to building new mining projects?

It's a commonplace amongst investors, particularly those with only a passing acquaintance with the mining sector, that investing in Africa is riskier than, say, Europe. In some jurisdictions it's probably even regarded as riskier than Central Asia and Russia.

But how much of this perception is really justified?

First, it's worth noting the wide disparity of experiences companies can have across Africa, which in itself is a vast and disparate region. The trials of those seeking to build copper mines in the Democratic Republic of Congo or diamond mines in Angola need not be matched against the more profitable experiences of miners in Africa's more southern states, like Botswana and South Africa.

But one region really stands out as a welcoming place to build mines is West Africa. As a region West Africa is recognised as a more attractive destination for investment capital than Asia or South America by the Fraser Institute Policy Perception Index, and the experience of several major miners in successfully constructing new mines and realising the resultant cashflow and profits bears this out.

Some notable examples are the three million tonnes per year Houndé mine in Burkina Faso, owned by Endeavour Mining Corporation (TSE:EDV), the 5.6mln tonnes per year Fekola mine in Mali, owned by B2Gold (TSE:BTI) and the three million tonnes per year Natougou gold project, also in Burkina Faso and owned by Semafo (TSE:SMF).

All of these projects are significant in size and scale, and all have been brought into production with relative ease and a minimum amount of fuss.

And these are not the only ones. Other mines that have come on stream in West Africa recently include two Nordgold mines: Bissa, which has a production capacity of four million tonnes per year, and Bouly, which is even larger at eight million tonnes. The Bouly mine reached full production capacity in just two months after launch, and is slated to deliver average annual production will be approximately 120,000 ounces over a ten year life.

More are coming too. The Sanbrado gold project, currently under construction in Burkina Faso, is expected to be able to process two million tonnes of ore to produce around 211,000 ounces of gold per year via a carbon-in-leach facility.

Price: 26.71

Market Cap: \$2.94 billion

Share Information

Code: EDV

Listing: TSX

52 week	High	Low
	28.98	17.24

Sector: Gold & silver

Website: www.endeavourmining.com

Company Synopsis:

Endeavour Mining is a premier intermediate gold producer, with a solid track record of operational excellence, project development and exploration in the highly prospective Birimian greenstone belt in West Africa. Endeavour operates 4 mines across Côte d'Ivoire (Agbaou and Ity) and Burkina Faso (Houndé, Karma), which produced 612koz at an All-In Sustaining Cost (AISC) of \$744/oz in 2018.

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Burkina Faso has attracted a lot of interest in recent years because it has been relatively underexplored, and so the rapid advancement of new discoveries into production has been all the more eye catching.

Nevertheless, examples of successful construction projects across the wider region abound. At Ahafo in Ghana, an expansion project undertaken by owner Newmont, continues to be the subject of ongoing development and construction work by, among others, South Africa's WBHO. And WBHO also played a substantial role in bringing one of Newmont's other major mines in the region into production, Akyem.

So all told, this is a region that's positively humming with activity, and in which it's clearly possible to achieve a great deal without busting through either schedules, or budgets.

The new gold mine recently built by Endeavour Mining at Ity in Côte D'Ivoire is a case in point. Endeavour poured its first gold at Ity in March 2019, four months ahead of schedule and with the build completed under budget. There was some involvement of Lycopodium here too, but it was also noticeable that Endeavour, having successfully completed other gold mining projects in the region is now confident enough to be taking more and more of the work in-house.

An example of this evolution of thinking and applied expertise is Endeavour's move away from using traditionally welded carbon-in-leach tanks to bolted tanks, a method first tried out at the Agbaou mine in Côte D'Ivoire during build that completed in 2013. The bolted tanks require less space, can be constructed by a local labour force under supervision, are cheaper overall and require little maintenance. To date, they have been performing beyond expectations. So, as well as boasting an enviable record of successful big mine construction projects, the region of West Africa is also amenable and open to innovation in construction methods.

And it looks set to continue. At Ity, plans for expansion will take the plant capacity up to five million tonnes per year.

And more projects are coming along behind. There are the ongoing expansion projects of Newmont, AngloGold and Endeavour, as well as big new mines like Orezone's Bombore project in Burkina Faso.

Regional governments are becoming well used to the mining industry - they like the taxes, the skills and the jobs that it brings. And the more projects that get successfully built, particularly those like Ity that come in ahead of time and under budget, the more attractive West Africa will look as a destination for mining investment capital.

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