



Creating a Premier African Gold Producer

## NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

**Meeting Date: November 5, 2015**

### MANAGEMENT INFORMATION CIRCULAR



Aerial view of the Ity Gold Mine, Côte d'Ivoire

[www.endeavourmining.com](http://www.endeavourmining.com)

If you have any questions regarding the information described in this Management Information Circular or require assistance with voting your shares, please contact Laurel Hill Advisory Group at 1-877-452-7184 (416-304-0211 collect) or by e-mail at [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

## Letter from the Chairman of the Board and the Chief Executive Officer



Michael Beckett



Neil Woodyer

### US\$63M

Cash investment into Endeavour reduces net debt and gives the ability to fund construction of our Houndé Project

### 8.5Moz

22% increase in our P&P reserves to 4.8Moz and 23% increase in M&I resources to 8.5Moz

### 5<sup>th</sup> Mine

Adding low-cost production to increase group production rate to 580koz/year.

Aggressive exploration program at Ity has increased its M&I resources to 2.9Moz, supporting on-going studies to build a CIL plant to increase annual production and extend mine life to +10 years

Dear fellow shareholders,

It is our pleasure to invite you to a special meeting of shareholders to be held on November 5, 2015. On September 21, 2015, Endeavour announced it has entered into a long-term strategic partnership with La Mancha Holding S.à.r.l., a privately-held gold investment company held by the Sawiris family group. This partnership builds on our respective successes in Côte d'Ivoire to secure Endeavour's platform for growth in Africa.

The highlights of the partnership include:

- Endeavour will acquire La Mancha's 55% interest in Société des Mines d'Ity S.A. (SMI), which operates the Ity Gold Mine in Côte d'Ivoire, plus various regional exploration properties
- La Mancha will contribute US\$63 million of cash to Endeavour
- La Mancha will be issued new Endeavour shares representing 30% of the enlarged share capital, and will nominate Naguib Sawiris, Chairman of the La Mancha Advisory Board, and Sébastien de Montessus, CEO of the La Mancha Group, to expand Endeavour's 7 member board to 9
- La Mancha has expressed an in-principle commitment to fund up to US\$75 million of Endeavour's future organic and/or corporate growth opportunities
- La Mancha has agreed to a two year standstill at the 30% level, and will have the right to maintain this ownership level in Endeavour by participating in new equity offerings, thereby demonstrating the long-term nature of the partnership

We already have a very attractive growth pipeline with our Houndé Project in Burkina Faso, which would now add the Ity CIL Project, and its rapidly growing M&I mineral resources of 2.9Moz as at July 31, 2015. The Ity CIL Project envisions construction of a 2.0 to 3.0 Mtpa CIL plant at the Ity Gold Mine to expand the existing annual production from the current 80koz/yr to +120koz/yr and significantly extend mine life beyond the current Ity Heap Leach Operation. While these studies progress, Endeavour's management team will be focused on maintaining the current Ity Heap Leach Operation as a contributor to our group cashflow.

With this transaction, we are also strengthening our platform to take advantage of the current market environment to seize accretive growth opportunities. Given the tremendous opportunities available in Africa, we look forward to working with Naguib Sawiris and La Mancha to create value for all Endeavour shareholders.

Your vote is important, and you can vote by proxy on the Internet, by phone, by fax or by mail. You can also vote in person at the meeting. This circular provides additional details about the items for consideration at the meeting, please read it carefully. Completion of the transaction is subject to several conditions including Endeavour shareholder approval (50%+1 share) and receipt of certain third party and regulatory approvals, including the approval of the Toronto Stock Exchange.

**1. You will be asked to approve the issuance of 177,061,572 new shares to La Mancha, representing 30% of Endeavour's enlarged share capital.** All of Endeavour's directors and senior executives are supporting this transaction by committing to vote all of their shares in favour.

- At Endeavour's pre-announcement market value of C\$0.58 per share, the value of the approximate 177 million new shares is US\$78 million, which includes the US\$63 million cash portion
- The implied value for the Ity Gold Mine and mineral interests indicates a highly accretive acquisition for Endeavour's shareholders with meaningful upside potential
- The immediate cash infusion which will result from the transaction, combined with increased operating cash flow from the Ity Heap Leach Operation, strengthens Endeavour's balance sheet and funding position to secure our growth platform

**2. You will be asked to approve the consolidation of our shares on a 1 new for 10 old basis.** Following the issuance of the approximate 177 million shares to La Mancha, Endeavour will have approximately 590 million shares outstanding. The Board recommends that shareholders vote in favour of the proposed share consolidation in order to position Endeavour more attractively with a broader range of investors, recognizing that our solid mid-tier producer status is inconsistent with our current 'junior penny stock' appearance. With the addition of the Ity Gold Mine, Endeavour will produce gold at a rate of +580koz in 2015.

Thank you for your support and continued confidence in Endeavour Mining.

Sincerely,



*Michael Beckett*  
Chairman of the Board



*Neil Woodyer*  
Chief Executive Officer

October 1, 2015

## NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that a special meeting of shareholders (the "**Meeting**") of Endeavour Mining Corporation ("**Endeavour**") will be held at Bureau 76, 7 Boulevard des Moulins, 98000 Monaco on November 5, 2015 at 10:00 a.m. (CET) to:

- (1) consider and, if deemed fit, authorize, approve and confirm, with or without variation, an ordinary resolution, the full text of which is attached as Schedule "A" to the accompanying management information circular of Endeavour (the "**Circular**"), approving the issuance of 177,061,572 ordinary shares in the capital of Endeavour ("**Shares**") to La Mancha Holding S.à.r.l. ("**La Mancha**") or any of its subsidiaries, all as more particularly set forth in the share purchase agreement dated September 18, 2015 among Endeavour, its wholly-owned subsidiary Endeavour Resources Inc. and La Mancha filed on SEDAR on September 28, 2015 and described in the Circular;
- (2) consider and, if deemed fit, authorize, approve and confirm, with or without variation, an ordinary resolution, to authorize, if and when the board of directors of Endeavour resolves to do so, within 12 months of the date of such ordinary resolution, the consolidation of the authorized, issued and outstanding Shares on the basis of one post-consolidation Share for every 10 pre-consolidation Shares, as more particularly described in the Circular; and
- (3) transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

This Notice of Meeting is accompanied by the Circular, which provides additional information relating to the matters to be dealt with at the Meeting.

The record date for determining the holders of Shares that will be entitled to receive notice of and vote at the Meeting, and any adjournment or postponement thereof, has been fixed at the close of business (PST) on October 1, 2015.

**If you are a registered Endeavour shareholder, you are requested to complete, sign, date and return the enclosed form of proxy or, alternatively, to vote by telephone or over the internet, in each case in accordance with the enclosed instructions. To be used at the Meeting, the completed form of proxy must be deposited at the office of Endeavour's transfer agent, Computershare Investor Services Inc. ("Computershare"), 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1, by 1:00 a.m. (PST) / 4:00 a.m. (EST) / 10:00 a.m. (CET) on November 3, 2015, or not less than 48 hours before the commencement of any adjournment or postponement of the Meeting.**

**If you are a non-registered Endeavour shareholder, a holder of CHESS depositary interests in Australia or a holder of non-voting redeemable preferred shares in the capital of Avion Gold Corporation which are exchangeable for Shares, and you receive a voting instruction form ("VIF") with the Circular, please complete and return the VIF in accordance with the instructions provided thereon. If you do not complete and return the VIF in accordance with such instructions, you may lose your right to instruct the registered holder of your Shares on how to vote at the Meeting on your behalf.**

**If you have any questions or require assistance in voting your proxy, please contact our proxy solicitation agent, Laurel Hill Advisory Group, at 1-877-452-7184 toll free in North America, or call collect outside North America at 416-304-0211 or by email at [assistance@laurelhill.com](mailto:assistance@laurelhill.com).**

**DATED** at Vancouver, Canada as of October 1, 2015.

By Order of the Board of Directors

"Neil Woodyer"

Neil Woodyer

Chief Executive Officer & Director

## SPECIAL MEETING OF SHAREHOLDERS CDI VOTING PROCESS

The special meeting (the "**Meeting**") of holders of ordinary shares ("**Shares**") in the capital of Endeavour Mining Corporation ("**Endeavour**") will be held at Bureau 76, 7 Boulevard des Moulins, 98000 Monaco on November 5, 2015 at 10:00 a.m. (CET). Please see the accompanying Notice of Special Meeting of Shareholders for further details.

As Shares are listed on the Australian Securities Exchange (the "**ASX**") in the form of CHESS Depositary Interests ("**CDIs**"), CDI holders are subject to particular voting requirements and restrictions. Each CDI represents a beneficial interest in one Share. CDI holders do not actually own direct legal title to the underlying Shares, which are held for and on behalf of CDI holders by CHESS Depositary Nominees Pty Ltd. ("**CDN**"), a wholly-owned subsidiary of ASX Limited. This structure exists because Endeavour is a Cayman Islands exempted company incorporated with limited liability, with a right to have its securities traded on the ASX by way of CDIs.

This arrangement impacts how CDI holders can record their votes for the matters to be tabled at the Meeting. As CDIs are technically rights to Shares held on behalf of CDI holders by CDN, CDI holders need to provide confirmation of their voting intentions to CDN before the Meeting. CDN will then exercise the votes on behalf of CDI holders. If a CDI holder wishes to vote, they must register their vote with CDN by using the CDI voting instruction form ("**CDI VIF**") provided.

**To have a CDI vote counted, CDI holders must return their completed CDI VIF to CDN by no later than 9:00 a.m. (AWST) on November 2, 2015.** This deadline has been set to allow CDN sufficient time to collate the votes of CDI holders and submit them to Endeavour prior to the Meeting.

Endeavour appreciates your support and encourages CDI holders to lodge their votes ahead of the Meeting in the manner specified above.

**DATED** at Vancouver, Canada as of October 1, 2015.

By Order of the Board of Directors

"Neil Woodyer"

Neil Woodyer

Chief Executive Officer & Director

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## **2015 MANAGEMENT INFORMATION CIRCULAR**

This Circular has been prepared for the holders of Shares in connection with the Meeting. References in this Circular to the Meeting include any adjournment(s) or postponement(s) thereof.

In this Circular, "you", "your" and "shareholder" refer to direct and indirect holders of Shares and "we", "us", "our", "Endeavour" and the "Corporation" refer to Endeavour Mining Corporation, unless otherwise indicated.

Information in this Circular is as of October 1, 2015, unless otherwise indicated. Doug Reddy, P.Geo., Endeavour's Executive Vice President Business Development, is a Qualified Person under NI 43-101, and has reviewed and approved the technical information in this Circular except if noted otherwise.

## **NOTICE TO UNITED STATES SECURITYHOLDERS**

Endeavour is an exempted company incorporated with limited liability in the Cayman Islands. The proxy solicitation rules under Section 14(a) of the U.S. Exchange Act are not applicable to Endeavour or this solicitation, and, accordingly, this solicitation is not being effected in accordance with such rules. Securityholders should be aware that disclosure requirements under Canadian securities laws may be different from requirements under the U.S. Exchange Act.

Information concerning the properties and operations of Endeavour and the Purchased Corporations has been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of United States securities laws. Unless otherwise indicated, all mineral reserve and mineral resource estimates included or incorporated by reference in this Circular have been prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum definitions and classification system. NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects.

Canadian standards, including NI 43-101, differ significantly from the requirements of the SEC, and mineral reserve and mineral resource information contained or incorporated by reference in this Circular may not be comparable to similar information disclosed by United States companies. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserve". Under United States standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Among other things, all necessary permits would be in hand or issuance imminent in order to classify mineralized material as reserves under SEC standards. The SEC's disclosure standards normally do not permit the inclusion of information concerning "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by United States standards in documents filed with the SEC. United States investors should also understand that "inferred mineral resources" have an even greater amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" will ever be upgraded to a higher category. Under Canadian rules, estimates of "inferred mineral resources" may not form the basis of feasibility or pre-feasibility studies except in rare cases. Investors are cautioned not to assume that all or any part of an "inferred mineral resource" exists or is economically or legally mineable. Disclosure of "contained tonnes" in a mineral resource estimate is



permitted disclosure under NI 43-101 provided that the grade or quality and the quantity of each category is stated; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of "reserves" are also not the same as those of the SEC, and reserves reported in compliance with NI 43-101 may not qualify as "reserves" under SEC standards. Accordingly, information contained in this Circular and the documents incorporated by reference herein containing descriptions of mineral deposits may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the U.S. federal securities laws and the rules and regulations thereunder.

Financial information included in this Circular have been prepared in accordance with International Financial Reporting Standards, which differ from U.S. generally accepted accounting principles in certain material respects, and thus they may not be comparable to financial statements of U.S. companies.

The enforcement by securityholders of civil liabilities under U.S. securities laws may be affected adversely by the fact that Endeavour is incorporated or organized outside the United States, that some or all of its directors and officers and the experts named in this Circular are not residents of the United States and that all or a substantial portion of its assets and said persons may be located outside the United States. As a result, it may be difficult or impossible for U.S. securityholders to effect service of process within the United States upon Endeavour, its officers and directors or the experts named herein, or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States. In addition, U.S. securityholders should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States.

## **STATEMENTS REGARDING FORWARD-LOOKING INFORMATION**

This Circular, including the pro forma financial information included herein and certain of the material incorporated by reference into this Circular contain "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the *United States Private Securities Litigation Reform Act of 1995* (collectively, "forward-looking statements"). These forward-looking statements are made as of the date of this Circular or as of the date of the document from which they are incorporated by reference.

Forward-looking statements relate to future events or future performance and reflect the expectations or beliefs of management of Endeavour regarding future events, and include, but are not limited to, statements with respect to the timing and implementation of the proposed Transaction and Consolidation, the anticipated benefits of the proposed Transaction and Consolidation, the integration of Endeavour and the Purchased Corporations following the Transaction, estimation of mineral reserves and mineral resources, availability of cash flow to fund capital requirements, including without limitation the in-principle commitment from La Mancha to invest up to \$75 million, the timing and amount of estimated future production, availability of project financing, and success of mining and development operations. Material factors and assumptions upon which such forward-looking statements are based include: that the required approvals will be obtained from the Endeavour shareholders; that TSX approval and all other required third party, regulatory and governmental approvals to the Transaction will be obtained; assumptions made in connection with the preparation of the pro forma financial information included herein; that all other conditions to the completion of the Transaction

will be satisfied or waived; that the future business operations and prospects of Endeavour and the Purchased Corporations will be consistent with Endeavour's current expectations; that synergies and related benefits of the Transaction will be realized; that projections are accurate; as well as the long term metals and consumable commodity prices and foreign exchange rates. These assumptions are based on factors and events that are not within the control of Endeavour and there is no assurance they will prove to be correct.

In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "potential", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "will", "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Endeavour and the Purchased Corporations to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. A variety of material factors include, among others: failure to complete the Transaction could negatively impact the market price of Shares and future business and financial results; the integration of Endeavour and the Purchased Corporations may not occur as planned; Endeavour may be subject to significant capital requirements and operating risks associated with its expanded operations and its expanded portfolio of growth projects; as well as those risks described under the headings "*Risks Associated with the Transaction*" and "*Risks Associated with the Consolidation*" in this Circular, the risks relating to Endeavour set forth in its annual information form for the year ended December 31, 2014, as well as any other risk factors detailed from time to time in Endeavour's condensed interim and annual consolidated financial statements and management's discussion and analysis of those statements, all of which are filed and available for review on SEDAR at [www.sedar.com](http://www.sedar.com). Although Endeavour has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Endeavour provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Endeavour does not intend, and does not assume any obligation, to update any forward-looking statements, other than as required by applicable law. Accordingly, readers should not place undue reliance on forward-looking statements.

## **INFORMATION CONCERNING LA MANCHA AND THE PURCHASED CORPORATIONS**

The information concerning the La Mancha Group contained in this Circular has been provided by the La Mancha Group for inclusion in this Circular. Pursuant to the Share Purchase Agreement, La Mancha has covenanted to provide to Endeavour all information regarding La Mancha and the Purchased Corporations as may be reasonably required by Endeavour, and to ensure that such information does not contain a misrepresentation. Although Endeavour has no knowledge that would indicate that any statements contained herein concerning the La Mancha Group contains a misrepresentation, neither Endeavour nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, including the Purchased Corporations' mineral reserve and mineral resource estimates, or for any failure by La Mancha to disclose events or facts which may have occurred or which may affect the significance or accuracy of any such information but which are unknown to Endeavour.

## **REPORTING CURRENCIES AND ACCOUNTING PRINCIPLES**

Unless otherwise indicated, all references in this Circular to "US\$" refer to United States dollars, references to "C\$" refer to Canadian dollars and references to "A\$" refer to Australian dollars. Endeavour's financial

statements are reported in United States dollars and are prepared in accordance with International Financial Reporting Standards.

## CURRENCY EXCHANGE RATE INFORMATION

The following table sets forth the high and low exchange rates for one U.S. dollar expressed in Australian dollars for each period indicated, the average of the exchange rates for each period indicated and the exchange rate at the end of each such period, provided by the Reserve Bank of Australia:

<b>A\$</b>	<b><u>9 Months Ended</u></b>	<b><u>Year Ended December 31</u></b>		
	<b><u>September 30, 2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
High	1.444	1.233	1.132	1.034
Low	1.213	1.057	0.945	0.925
Rate at end of period	1.427	1.219	1.118	0.963
Average rate for period	1.310	1.108	1.033	0.965

On October 1, 2015, the exchange rate for one U.S. dollar expressed in Australian dollars provided by the Reserve Bank of Australia was A\$1.417.

The following table sets forth the high and low exchange rates for one U.S. dollar expressed in Canadian dollars for each period indicated, the average of the exchange rates for each period indicated and the exchange rate at the end of each such period, based upon the noon buying rates provided by the Bank of Canada:

<b>C\$</b>	<b><u>9 Months Ended</u></b>	<b><u>Year Ended December 31</u></b>		
	<b><u>September 30, 2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
High	1.341	1.164	1.070	1.042
Low	1.173	1.061	0.984	0.971
Rate at end of period	1.339	1.160	1.064	0.995
Average rate for period	1.260	1.105	1.030	1.000

On October 1, 2015, the exchange rate for one U.S. dollar expressed in Canadian dollars based upon the noon buying rates provided by the Bank of Canada was C\$1.324.

## GLOSSARY OF TERMS

In this Circular, unless otherwise defined herein or unless there is something in the subject matter inconsistent therewith, the following terms have the respective meanings set out below, words importing the singular number include the plural and vice versa and words importing any gender include all genders.

"**affiliate**" has the meaning specified in *National Instrument 45-106 – Prospectus and Registration Exemptions* of the Canadian Securities Administrators in effect as of the Record Date.

"**ASX**" means ASX Limited or, as the context requires, the Australian Securities Exchange operated by it.

"**Avion**" means Avion Gold Corporation.

"**Broadridge**" means Broadridge Financial Solutions, Inc.

"**Business Day**" means any day, other than a Saturday, a Sunday or a statutory or civic holiday in Vancouver, British Columbia, Toronto, Ontario, George Town, Grand Cayman, Paris, France, Luxembourg and Malta.

"**CDI**" means a CHESS Depository Interest of Endeavour in respect of a Share.

"**CDI VIF**" mean voting instruction form for holders of CDIs.

"**CDN**" means CHESS Depository Nominees Pty Ltd, a wholly owned subsidiary of ASX.

"**Circular**" means this management information circular.

"**Closing Date**" means a date within five Business Days of the date of the Meeting, as determined by Endeavour, Endeavour Resources and La Mancha, or such earlier or later date as Endeavour, Endeavour Resources and La Mancha may agree in writing.

"**Closing Time**" means 10:00 a.m. or such earlier or later time on the Closing Date as Endeavour, Endeavour Resources and La Mancha may agree in writing.

"**Companies Law**" means Companies Law (2013 Revision) of the Cayman Islands.

"**Computershare**" means Computershare Investor Services Inc., Endeavour's registrar and transfer agent.

"**Consideration Shares**" means 177,061,572 Shares to be issued to the La Mancha Group in consideration for the acquisition by Endeavour, indirectly through Endeavour Resources, of the La Mancha Cayman Shares.

"**Consolidation**" means the proposed consolidation of the authorised, issued and outstanding Shares at a ratio of 10:1.

"**Consolidation Resolution**" means an ordinary resolution of the Endeavour shareholders to be considered at the Meeting authorizing, if and when the Endeavour Board resolves to do so, the Consolidation.

"**Endeavour**" means Endeavour Mining Corporation.

"**Endeavour Board**" means the board of directors of Endeavour as constituted from time to time.

**"Endeavour Resources"** means Endeavour Resources Inc., an exempted company incorporated with limited liability in the Cayman Islands wholly-owned by Endeavour.

**"Exchangeable Shares"** means non-voting redeemable preferred shares in the capital of Avion.

**"Governmental Entity"** means: (i) any governmental or public department, central bank, court, minister, governor-in-council, cabinet, commission, tribunal, board, bureau, agency, commissioner or instrumentality, whether international, multinational, national, federal, provincial, state, county, municipal, local, or other; (ii) any subdivision or authority of any of the above; (iii) any stock exchange; and (iv) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.

**"Investor Rights Agreement"** means the investor rights agreement dated September 18, 2015 between Endeavour and La Mancha.

**"Ity Technical Report"** means the independent technical report dated September 30, 2015 prepared by Kathleen Jane Body, B.Sc., G.Dip.Eng., Pr.Sci.Nat. and Mpfariseni Mudau, B.Sc., M.Sc., Pr.Sci.Nat. of Coffey Mining (South Africa) (Pty) Ltd, Gordon Ian Cunningham, B.Eng., Metallurgical Engineer, Pr.Eng. of Turnberry Projects (Pty) Ltd., Rémi Bosc, Ing.Geol., Eur.Geol. of Arethuse Geology Sarl, Patrick Perez, M.Eng., P.Eng. of SGS Canada, Jason Baker, B.A.Sc., P.Eng., Daniel Gauthier, B.A.Sc., MBA, Eng., Pierre Larochelle, B.A.Sc., Eng. and Henri P. Sangam, BEng, B.A.Sc., M.A.Sc., Ph.D., P.Eng. of SNC-Lavalin Inc., all of whom are independent of Endeavour, for Endeavour under NI 43-101 and entitled "Technical Report for the Ity Gold Mine, Ivory Coast, West Africa".

**"Key Regulatory Approvals"** means those sanctions, rulings, consents, orders, exemptions, permits and other approvals (including the lapse, without objection, of a prescribed time under a statute or regulation that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection being made) of Governmental Entities set out in Schedule A to the Share Purchase Agreement.

**"Key Third Party Consents"** means those consents, approvals and notices required from any third party to proceed with the transactions contemplated by the Share Purchase Agreement set out in Schedule B to the Share Purchase Agreement.

**"La Mancha"** means La Mancha Holding S.à.r.l.

**"La Mancha Cayman"** means La Mancha Cayman, an exempted company incorporated with limited liability in the Cayman Islands wholly-owned by La Mancha.

**"La Mancha Cayman Shares"** means the ordinary shares of La Mancha Cayman with a par value of US\$1.00 per share.

**"La Mancha Cayman Subsidiaries"** means La Mancha's indirect 55% interest in SMI and La Mancha's indirect 100% interest in LMCI.

**"La Mancha Group"** means, collectively, La Mancha and its subsidiaries.

**"LMCI"** means La Mancha Côte d'Ivoire.

**"Lock-Up Agreement"** means the lock-up agreement dated September 18, 2015 between La Mancha and each director and executive officer of Endeavour.

**"Meeting"** means the special meeting of Endeavour shareholders to be held at Bureau 76, 7 Boulevard des Moulins, 98000 Monaco on November 5, 2015 at 10:00 a.m. (CET), including any postponement or adjournment thereof.

**"NI 43-101"** means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators in effect as of the Record Date.

**"NI 51-102"** means National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators in effect as of the Record Date.

**"NOBO"** means non-objecting beneficial owner.

**"OBO"** means objecting beneficial owner.

**"Outside Date"** means February 28, 2016.

**"Person"** means an individual, partnership, limited partnership, limited liability partnership, corporation, limited liability company, unlimited liability company, joint stock company, trust, unincorporated association, joint venture or other entity or Governmental Entity, and pronouns have a similarly extended meaning.

**"Pre-Closing Reorganization"** means a pre-closing reorganization of the La Mancha Group as a result of which (i) an entity of the La Mancha Group will hold 100% of the issued and outstanding shares of La Mancha Cayman, and (ii) La Mancha Cayman will hold 55% of the issued and outstanding shares of SMI, all of the issued and outstanding shares of LMCI, as well as an aggregate amount of US\$63 million in cash.<sup>1</sup>

**"Purchased Corporations"** means, collectively, La Mancha Cayman and the La Mancha Cayman Subsidiaries.

**"Record Date"** means October 1, 2015.

**"SEC"** means the United States Securities and Exchange Commission.

**"SEDAR"** means the System for Electronic Document Analysis and Retrieval.

**"Shares"** means ordinary shares of Endeavour with a par value of US\$0.01 per share.

**"Share Issuance Resolution"** means an ordinary resolution of the Endeavour shareholders to be considered at the Meeting approving the issuance of the Consideration Shares to the La Mancha Group contemplated by the Share Purchase Agreement.

**"SMI"** means Société des Mines d'Ity S.A.

**"Share Purchase Agreement"** means the share purchase agreement dated September 18, 2015 among Endeavour, Endeavour Resources and La Mancha.

**"subsidiary"** has the meaning specified in National Instrument 45-106 – *Prospectus and Registration Exemptions* of the Canadian Securities Administrators in effect as of the Record Date.

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<sup>1</sup> The US\$63 million cash investment by La Mancha is inclusive of an expected US\$25 million of attributable cash held in SMI (representing 55% of an anticipated US\$45 million cash balance at closing), with the balance being invested into La Mancha Cayman.

**"Support Agreement"** means the exchangeable share support agreement dated October 18, 2012 among Endeavour, Avion and certain subsidiaries of Endeavour.

**"Transaction"** means the acquisition by Endeavour, indirectly through Endeavour Resources, of the Purchased Corporations in consideration for the issuance by Endeavour to the La Mancha Group of the Consideration Shares.

**"TSX"** means the Toronto Stock Exchange.

**"U.S. Exchange Act"** means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder from time to time.

**"VIF"** means voting instruction form.

**"Voting Agreement"** means the voting and exchange trust agreement dated October 18, 2012 among Endeavour, Avion, Computershare, as trustee, and certain subsidiaries of Endeavour.

## **Q & A ON THE TRANSACTION AND VOTING RIGHTS**

This Circular is dated October 1, 2015 and, unless otherwise stated, the information in this Circular is as of October 1, 2015. For ease of reference, a glossary of capitalized terms used in this Circular can be found starting at page 5.

### **What is this document?**

This Circular is a management information circular sent to Endeavour shareholders in advance of a special meeting of Endeavour shareholders to be held in connection with the proposed Transaction with the La Mancha Group, as set out in the Notice of Meeting. This Circular provides additional information respecting the business of the Meeting. References in this Circular to the Meeting include any adjournment or postponement that may occur. A form of proxy or VIF accompanies this Circular.

### **When and where is the Meeting?**

The Meeting will be held at Bureau 76, 7 Boulevard des Moulins, 98000 Monaco on November 5, 2015 at 10:00 a.m. (CET).

### **Why is the Meeting being held?**

The Meeting is being held in order to approve the issuance of the Consideration Shares in connection with the Transaction and to approve the Consolidation.

Pursuant to Section 611(c) of the TSX Company Manual, the Transaction requires Endeavour shareholder approval, as more than 25% of the issued and outstanding Shares will be issued pursuant to the Transaction. In addition, pursuant to Section 604 of the TSX Company Manual, Endeavour shareholder approval is required as the Transaction is deemed to materially affect control of Endeavour as it will result in a new holding of more than 20% of Endeavour's voting securities by one securityholder. Accordingly, Endeavour is seeking the approval of Endeavour shareholders to issue to the La Mancha Group 177,061,572 Shares in connection with the Transaction, representing approximately (i) 42.9% of the 413,143,668 Shares outstanding as at October 1, 2015, and (ii) 30% of the issued and outstanding Shares upon completion of the Transaction.

In addition, pursuant to the Companies Law, an ordinary resolution of shareholders is required in order to implement a consolidation of the shares of a Cayman company. Accordingly, Endeavour is seeking the approval of Endeavour shareholders to, if and when the Endeavour Board resolves to do so, effect the Consolidation on the basis of 1 post-Consolidation Share for every 10 pre-Consolidation Shares.

## **Why is Endeavour proposing the La Mancha strategic partnership and the acquisition of the Purchased Corporations?**

In reaching its decision to approve the Transaction and recommend that Endeavour shareholders vote in favour of the Share Issuance Resolution, the Endeavour Board considered the compelling strategic benefits and future opportunities that the partnership with the La Mancha Group can bring to Endeavour and its shareholders, together with the positive results of the due diligence review conducted by management and by Endeavour's financial, technical and legal advisors. The Endeavour Board specifically considered the following factors.

- ***Strengthening an Established African Gold Platform.*** By creating a long-term strategic partnership, Endeavour and La Mancha are underscoring their shared vision to build a leading African gold producer. Both Endeavour and La Mancha have had considerable success in gold exploration, project development and mining operations in Côte d'Ivoire, and we believe this success will extend to new opportunities in Africa. La Mancha is a gold industry investment vehicle owned by the Sawiris family group, and the Transaction partners Endeavour with a successful and sophisticated global investor whose long-term interest in gold is fully aligned with that of Endeavour's shareholders. Through its planned investment and participation in Endeavour, La Mancha is endorsing and supporting Endeavour's growth strategy.
- ***Cornerstone Long-term Shareholder.*** Endeavour shareholders will benefit from the support La Mancha can bring in terms of long-term strategic perspective and funding capability. As a result of the Transaction, the La Mancha Group will become a 30% shareholder in Endeavour and will appoint two additional directors as nominees to the Endeavour Board (being Naguib Sawiris and Sébastien de Montessus). The long-term nature of the partnership is demonstrated by La Mancha's agreement to a "standstill" of two years with customary terms, during which the La Mancha Group will not sell its Shares and would be prevented from increasing its holding in Endeavour. The La Mancha Group will have the option to maintain its holding at 30% through certain anti-dilution provisions. La Mancha has also expressed an in-principle (non-binding) commitment to fund up to US\$75 million of future organic and/or corporate growth opportunities with Endeavour.
- ***Improved Liquidity and Balance Sheet.*** Under the framework of the Transaction, La Mancha will inject US\$63 million of attributable cash at closing. On a pro forma and consolidated basis this is expected to result in a reduction of Endeavour's net debt from US\$242 million to US\$159 million, which is equivalent to a Net Debt/EBITDA reduction from 1.3 times to 0.7 times.<sup>2</sup> In the current environment of weaker gold prices, this injection of fresh liquidity has two principal advantages: the immediate positive balance sheet impact to Endeavour's net debt position, and the availability of additional funding for Endeavour's attractive pipeline of growth projects, including the Houndé Project in Burkina Faso.

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<sup>2</sup> Using Endeavour balance sheet values as of June 30, 2015 and 2015 EBITDA estimate of US\$180M; pro forma additions include US\$63 million cash investment (estimated to be US\$83M on a consolidated basis) and 12m trailing 12m EBITDA of \$45M (6m actual to June 30, 2015 and 50% of 12m actual to December 31, 2014) resulting in 55% attributable amount of \$29.5M.



- **Additional Cash Flow.** Through its acquisition of the Ity Gold Mine in Côte d'Ivoire, Endeavour adds immediate gold production capacity from the Ity open-pit Heap Leach Operation currently operating at over 80,000 ounces of gold per annum and at a low AISC of US\$696/oz (H1 2015). The Ity Heap Leach Operation has a further two years based on current mineral reserves but the mine life can reasonably be expected to be extended to approximately five years through mining of some oxide reserves that are currently planned for the Ity CIL Project, and also through drilling of additional resources and reserves. Pro forma annual production for the Endeavour group in 2015 is approximately 580,000 ounces (100% basis). Ity is an accretive, low-cost, bolt-on acquisition that Endeavour will integrate into its existing West African operations.
- **Enhanced Growth Profile.** The Transaction gives Endeavour the ability to finance the construction of the Houndé Project in Burkina Faso at an appropriate gold price, with a construction decision anticipated for early 2016. In addition to the existing production from the Ity Heap Leach Operation, the Ity Gold Mine is currently the subject of an ongoing independent definitive feasibility study by SNC Lavalin, and has the potential for both increased annual gold production and extended mine life to +10 years through the construction of a CIL plant. Endeavour's in-house Construction Services team is well-positioned to implement and construct the Ity CIL Project, having successfully completed both the Agbaou and Nzema mines and advanced the Houndé Project to a near-term construction decision.
- **Reserves & Resources Impact.** Aside from the strategic, liquidity and valuation benefits of the Transaction, Endeavour will increase its proven & probable reserves by 22% to 4.8 million gold ounces and its measured & indicated resources by 23% to 8.5 million gold ounces. Endeavour will be the holder of the largest exploration land package in Côte d'Ivoire, totalling in excess of 5,000 km<sup>2</sup>.
- **Compelling Valuation.** Based on the cash contribution of US\$63 million by La Mancha,<sup>3</sup> and the Endeavour share price of C\$0.58 (at which the Transaction was priced), the value of the pro forma La Mancha Group 30% stake (approximately 177 million shares) is approximately US\$78 million. The implied value paid for the Ity Gold Mine and mineral interests is approximately US\$17 per attributable proven & probable reserve ounce or \$9 per attributable measured & indicated ounce. These valuation metrics are indicative of a highly accretive acquisition for Endeavour shareholders with meaningful upside potential from the sizable resource base.

## Who is eligible to vote?

Holders of Shares (either directly or through an intermediary), CDIs or Exchangeable Shares as of the close of business (PST) on October 1, 2015 are eligible to vote.

## How is the Transaction being implemented?

The Transaction involves the acquisition by Endeavour, through Endeavour Resources, of the Purchased Corporations from the La Mancha Group in exchange for the issuance by Endeavour to the La Mancha Group of the Consideration Shares, subject to satisfaction or waiver of certain conditions. Upon closing of the Transaction, La Mancha Cayman will be an indirect, wholly-owned subsidiary of Endeavour, existing Endeavour shareholders will hold 413,143,668 or 70% of the issued and outstanding Shares and the La Mancha Group will hold 177,061,572 or 30% of the issued and outstanding Shares.

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<sup>3</sup> The US\$63 million cash investment by La Mancha is inclusive of an expected US\$25 million of attributable cash held in SMI (representing 55% of an anticipated US\$45 million cash balance at closing), with the balance being invested into La Mancha Cayman.

## When does Endeavour expect the Transaction to be completed?

The completion of the Transaction is subject to several conditions that must be satisfied or waived, including Endeavour shareholder approval and receipt of Key Third Party Consents and Key Regulatory Approvals, including TSX approval. Assuming that all of the conditions to the Transaction are satisfied, Endeavour expects that the Transaction will become effective in early to mid-November.

## What does the Endeavour Board and management think of the Transaction?

**After careful consideration of the Transaction and the rationale set forth in "The Transaction – Reasons for the Transaction", as set out below, the Endeavour Board has determined that entering into the Share Purchase Agreement is in the best interests of Endeavour and UNANIMOUSLY RECOMMENDS that Endeavour shareholders VOTE IN FAVOUR of the Share Issuance Resolution.**

Each member of the Endeavour Board and each executive officer has informed Endeavour that they intend to vote the voting rights attached to all Shares over which they have control in favour of the Share Issuance Resolution (subject to the terms of the Share Purchase Agreement and the Lock-Up Agreement) and have formally agreed to do so by entering into the Lock-Up Agreement.

## What does the Endeavour Board and management think of the Consolidation?

**After careful consideration of the Consolidation and the rationale set forth in "The Consolidation – Reasons for the Consolidation", as set out below, the Endeavour Board has determined that undertaking the Consolidation is in the best interests of Endeavour and UNANIMOUSLY RECOMMENDS that Endeavour shareholders VOTE IN FAVOUR of the Consolidation Resolution.**

## Who will be on the Endeavour Board?

Upon completion of the Transaction, the Endeavour Board will be increased from seven to nine directors. In addition to the Chairman, Michael Beckett, it is expected that the Endeavour Board will be comprised of the following current directors: Wayne McManus, Ian Cockerill, Frank Giustra, Ian Henderson, Miguel Rodriguez and Neil Woodyer; and that Naguib Sawiris, Chairman of La Mancha's Advisory Board and Sébastien de Montessus, CEO of the La Mancha Group will be appointed as new directors. As a result of these changes to the Endeavour Board, it is expected that the composition of certain committees of the Endeavour Board will be adjusted upon completion of the Transaction.

## Who will be the management of Endeavour?

On completion of the Transaction, it is expected that Sébastien de Montessus will resign his current position as CEO of the La Mancha Group and join, together with part of his team, Endeavour's management in the newly created position of President. Attie Roux, Endeavour's COO, will continue to report to Neil Woodyer, Endeavour's CEO. Within 24 months of the Closing Date, it is envisioned that Sébastien de Montessus will transition to Endeavour's CEO position and that Neil Woodyer will transition to an Executive Chairman role.

## What other conditions must be satisfied to complete the Transaction?

The Transaction is conditional upon, among other things, the satisfaction or waiver of the following conditions:

- the completion of the Pre-Closing Reorganization;

- the approval of the Share Issuance Resolution by Endeavour shareholders at the Meeting;
- the TSX having conditionally approved for listing, subject to the payment of fees and the filing of customary required documents, the Consideration Shares;
- the Key Regulatory Approvals having been obtained; and
- the Key Third Party Consents having been obtained.

Approval of the Consolidation Resolution is not a condition precedent of the Transaction.

### **Am I entitled to dissent rights?**

No. Endeavour shareholders are not entitled to dissent rights in connection with the actions to be taken at the Meeting.

### **How will the Transaction affect my ownership and voting rights as a shareholder of Endeavour?**

Following completion of the Transaction, Endeavour shareholders will continue to hold their existing Shares, CDIs and/or Exchangeable Shares, as the case may be. Pursuant to the Transaction, Endeavour will issue 177,061,572 Shares to the La Mancha Group, representing approximately 42.9% of the 413,143,668 Shares outstanding as at October 1, 2015. Upon completion of the Transaction, existing Endeavour shareholders will hold 413,143,668 or 70% of the issued and outstanding Shares and the La Mancha Group will hold 177,061,572 or 30% of the issued and outstanding Shares. As a result of the Transaction, Endeavour shareholders' ownership and voting interests in Endeavour will be diluted, relative to their current proportional ownership and voting interests in Endeavour.

### **Are there risks I should consider in connection with the Transaction or the Consolidation?**

Yes. A number of risk factors that you should consider in connection with the Transaction and the Consolidation are described in the sections of this Circular entitled "*Risks Associated with the Transaction*" and "*Risks Associated with the Consolidation*".

### **How do I vote?**

Endeavour shareholders consist of registered (or direct) shareholders, beneficial (or indirect) shareholders, holders of CDIs in Australia and holders of Exchangeable Shares. You are a registered shareholder if your name appears on a physical share certificate or direct registration statement (DRS) advice issued by Computershare. You are a beneficial shareholder if you hold Shares through an intermediary, such as a bank, trust company, securities dealer, broker or other nominee or a clearing agency. Most of Endeavour's shareholders are beneficial shareholders.

If you owned Shares (either directly or through an intermediary), CDIs or Exchangeable Shares as of the Record Date, being October 1, 2015, you are entitled to have your vote counted at the Meeting. The instructions provided below set forth the different procedures to be followed to ensure you are represented at the Meeting whether you are a registered shareholder, beneficial shareholder, CDI holder or holder of Exchangeable Shares.

If your Shares are held in more than one form, you should sign and submit all forms of proxy and VIF received in accordance with the instructions provided.

## Registered Endeavour Shareholders

Registered Endeavour shareholders have two methods by which they can vote their Shares at the Meeting: in person or by proxy. To assure representation at the Meeting, registered Endeavour shareholders are encouraged to complete and return the enclosed form of proxy.

Proxies must be completed in accordance with the instructions provided on the form of proxy and must be received by Computershare by 1:00 a.m. (PST) / 4:00 a.m. (EST) / 10:00 a.m. (CET) on November 3, 2015, or not less than 48 hours before the commencement of any adjournment or postponement of the Meeting. Registered shareholders must return the properly completed form of proxy to Computershare as follows: **by mail or personal delivery** to Computershare, 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1 **by fax** to Computershare, to the attention of the Proxy Department at 1-866-249-7775 (toll free within Canada and the U.S.) or 416-263-9524 (international); **by calling** 1-866-732-8683 (toll free within Canada or the U.S.) from a touch tone telephone and referring to your control number provided on the form of proxy delivered to you; or **over the internet** by going to [www.investorvote.com](http://www.investorvote.com) and following the online voting instructions given to you and referring to your control number provided on the form of proxy delivered to you.

If you are a registered Endeavour shareholder and plan to attend the Meeting and wish to vote your Shares in person, please register with the scrutineer upon arrival at the Meeting.

## Beneficial Endeavour Shareholders

If your Shares are not registered in your name, they will be held by an intermediary, such as a bank, trust company, securities broker or other financial institution, on your behalf as a beneficial shareholder.

**Each intermediary will have its own procedures to permit voting of Shares held on behalf of beneficial Endeavour shareholders, including requirements as to when and where proxies or VIFs are to be delivered. Beneficial Endeavour shareholders should carefully follow the instructions provided by their intermediaries to ensure that their Shares are voted at the Meeting.**

If you are a Beneficial Endeavour shareholder and wish to vote in person at the Meeting, change voting instructions given to your intermediary or revoke voting instructions given to your intermediary, follow the instructions given by your intermediary or contact your intermediary to discuss what procedure to follow.

## CDI Holders

Beneficial holders in Australia hold CDIs, which are units of beneficial ownership of the underlying Shares, which are registered in the name of CDN. As holders of CDIs are not the legal owners of the underlying Shares, CDN is entitled to vote at the Meeting at the instruction of the holders of the CDIs.

As a result, holders of CDIs will receive a CDI VIF, together with the meeting materials from Computershare in Australia. These CDI VIFs are to be completed and returned to Computershare in Australia in accordance with the instructions contained therein. CDN is required to follow the voting instructions properly received from holders of CDIs.

If you hold your interest in CDIs through an intermediary, you will need to follow the instructions of your intermediary.

To obtain a copy of CDN's Financial Services Guide, go to [www.asx.com.au](http://www.asx.com.au) or phone 131 279 (within Australia) or +61 2 9338 0000 (overseas) if you would like a copy sent to you in the mail.

### Holders of Avion Exchangeable Shares

Pursuant to the Voting Agreement, registered holders of Exchangeable Shares have been granted contractual voting rights with respect to Endeavour, exercisable through Computershare. Such holders are entitled to instruct Computershare as to the voting of the underlying Shares at the Meeting or attend the Meeting personally to vote the underlying Shares.

If you are a registered holder of Exchangeable Shares, you can vote by using the form of proxy enclosed with the Meeting materials mailed to you and ensuring receipt by Computershare of such instructions via any of the means of delivery described above under the heading "*Registered Shareholders*" by 1:00 a.m. (PST) / 4:00 a.m. (EST) / 10:00 a.m. (CET) on November 3, 2015 or not less than 48 hours before the commencement of any adjournment or postponement of the Meeting. The form of proxy permits you to instruct Computershare to cause a number of votes to be cast at the Meeting equal to the number of Exchangeable Shares held by you at the Record Date in accordance with your instructions. You also can use your form of proxy to request a proxy to personally attend and vote at the Meeting or to designate a proxyholder to represent you at the Meeting. To do so, simply fill in your name or the name of the person that you wish to appoint to represent you in the space provided on the form of proxy.

### What constitutes a quorum at the Meeting?

Under Endeavour's articles of association, the quorum for the transaction of business at the Meeting consists of two or more registered shareholders holding at least five per cent (5%) of the paid up voting share capital of Endeavour present in person or by proxy.

The Share Issuance Resolution and Consolidation Resolution are ordinary resolutions requiring the approval of a simple majority (50% plus one vote) of the votes cast.

### What happens if I sign the enclosed form of proxy?

Signing the enclosed form of proxy gives authority to Neil Woodyer or Morgan Carroll, who are designated as proxyholders by management of Endeavour, to vote your Shares at the Meeting in accordance with your instructions. An Endeavour shareholder desiring to appoint some other person or company (who need not be an Endeavour shareholder) to represent him or her at the Meeting may do so, either by striking out the printed names of the persons designated on the enclosed form of proxy and inserting the desired person's name in the blank space provided in the form of proxy or by completing another proper form of proxy.

## If I change my mind, can I take back my proxy once I have given it?

Registered shareholders who have given a proxy may revoke it as to any matter on which a vote has not already been cast pursuant to the authority conferred by the proxy. Registered shareholders may revoke a proxy by depositing a written instrument giving notice of revocation: (a) at the office of Computershare set out above or at the registered office of Endeavour on or before the last Business Day preceding the day of the Meeting at which the proxy is to be used; or (b) to the Chairman of the Meeting on the day of the Meeting (prior to the commencement of the Meeting). The written notice of revocation may be executed by the registered shareholder or by an officer or attorney upon presentation of written authorization of the shareholder.

In addition, a proxy may be revoked by: (a) the registered shareholder executing another form of proxy bearing a later date and depositing the same at the offices of Computershare prior to the deadline for depositing proxies set out above; or (b) by the registered shareholder personally attending the Meeting, identifying himself or herself to the scrutineer as a registered shareholder as of the Record Date present in person, and voting his or her Shares. A proxy may also be revoked by any other method permitted by applicable law.

## How will my Shares be voted if I give my proxy?

The Shares represented by a properly executed and deposited proxy will be voted on any poll that may be called for or required by law and, if the Endeavour shareholder specifies a choice with respect to any matter to be acted upon, the Shares will be voted accordingly. **If a choice with respect to such matters is not clearly specified, your proxyholder can vote your Shares as he or she thinks fit. If an Endeavour shareholder appoints the persons designated by management in the form of proxy as his or her as proxyholder, such proxyholders will, unless you give contrary instructions, vote the Shares represented by the proxy FOR the Share Issuance Resolution and the Consolidation Resolution.**

## What if amendments are made to these matters or other business is brought before the Meeting?

The accompanying form of proxy confers discretionary authority on the persons named in it as proxies with respect to amendments to or variations in matters described in the accompanying Notice of Meeting and other matters that may properly come before the Meeting, or any adjournment or postponement thereof. As at the date of this Circular, management of Endeavour is not aware of any such amendments, variations or other matters. If such should occur, the proxyholder will vote thereon in accordance with their best judgment, exercising discretionary authority.

## How many Shares are entitled to vote?

As at October 1, 2015, there were 413,143,668 Shares outstanding (including 42,852,328 Shares which are represented by CDIs that are listed on the ASX) and 560,079 Exchangeable Shares outstanding. Each Share and each Exchangeable Share carries the right to one vote.

## Who is Endeavour's proxy solicitation agent?

If you have any questions or require assistance in voting your proxy, please contact our proxy solicitation agent, Laurel Hill Advisory Group, at 1-877-452-7184 toll free in North America, or call collect outside North America at 416-304-0211 or by email at [assistance@laurelhill.com](mailto:assistance@laurelhill.com).

## GENERAL PROXY INFORMATION

## Solicitation of Proxies

Both the Endeavour Board and management of Endeavour encourage you to vote. We are soliciting proxies for the Meeting to be held on November 5, 2015 or any adjournment or postponement thereof at the time and place and for the purposes set forth in the accompanying Notice of Meeting. Proxies may also be solicited personally or by telephone, facsimile, mail or electronically by the directors and regular employees of the Corporation at a nominal cost to the Corporation.

Laurel Hill Advisory Group is acting as the Corporation's proxy solicitation agent. If you have any questions or require assistance in voting your proxy, please contact our proxy solicitation agent, Laurel Hill Advisory Group, at 1-877-452-7184 toll free in North America, or call collect outside North America at 416-304-0211 or by email at [assistance@laurelhill.com](mailto:assistance@laurelhill.com). The Corporation will be paying Laurel Hill Advisory Group a fee of approximately C\$35,000, plus out-of-pocket expenses.

## Voting Procedures

Endeavour's shareholders consist of registered (or direct) shareholders, beneficial (or indirect) shareholders, holders of CDIs in Australia and holders of Exchangeable Shares, which are exchangeable for Shares in accordance with their terms. You are a registered shareholder if your name appears on a physical share certificate or direct registration statement (DRS) advice issued by Computershare. You are a beneficial shareholder if you hold Shares through an intermediary, such as a bank, trust company, securities dealer, broker or other nominee or a clearing agency. Most of Endeavour's shareholders are beneficial shareholders.

If you owned Shares (either directly or through an intermediary), CDIs or Exchangeable Shares as of the Record Date, being October 1, 2015, you are entitled to have your vote counted at the Meeting. The instructions provided below set forth the different procedures to be followed to ensure you are represented at the Meeting whether you are a registered shareholder, beneficial shareholder, CDI holder or holder of Exchangeable Shares. If your Shares are held in more than one form, you should sign and submit all forms of proxy and VIFs received in accordance with the instructions provided.

## Registered Shareholders

Registered shareholders have two methods by which they can vote their Shares at the Meeting: in person or by proxy. To ensure representation at the Meeting, registered shareholders are encouraged to complete and return the form of proxy enclosed with the Meeting materials mailed to them whether or not they intend to attend the Meeting. Sending in a form of proxy will not prevent a registered shareholder from voting in person at the Meeting; if the Meeting is attended, the registered shareholder's vote will be taken and counted at the Meeting.

A shareholder appointing a proxyholder may indicate the manner in which the appointed proxyholder is to vote regarding any specific item by checking the space opposite the item on the proxy. The Shares represented by the proxy submitted by a shareholder will be voted or withheld from voting in accordance with the directions, if any, given in the proxy. If the shareholder giving the proxy wishes to confer a discretionary authority regarding any item of business, then the space opposite the item should be left blank; your proxyholder will thereby be entitled to vote your Shares as he or she thinks fit.

**A shareholder can appoint another person, who need not be a shareholder, to represent such shareholder at the Meeting by inserting such person's name in the blank space provided in the form of proxy and striking out the names of the persons designated by management in the form of proxy, or by completing another proper form of proxy. If you appoint the persons designated by management**



**in the form of proxy as your proxyholder, such proxyholder will, unless you give contrary instructions, vote the Shares represented by the proxy for or in favour of all matters described herein.**

Proxies must be completed in accordance with the instructions provided on the form of proxy and must be received by Computershare by 1:00 a.m. (PST) / 4:00 a.m. (EST) / 10:00 a.m. (CET) on November 3, 2015, or not less than 48 hours before the commencement of any adjournment or postponement of the Meeting. Registered shareholders must return the properly completed form of proxy to Computershare as follows:

1. **By mail or personal delivery** to Computershare, 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1;
2. **By fax** to Computershare, to the attention of the Proxy Department at 1-866-249-7775 (toll free within Canada and the U.S.) or 416-263-9524 (international);
3. **By telephone** by calling 1-866-732-8683 (toll free within Canada or the U.S.) from a touch tone telephone and referring to your control number provided on the form of proxy delivered to you; or
4. **Over the internet** by going to [www.investorvote.com](http://www.investorvote.com) and following the online voting instructions given to you and referring to your control number provided on the form of proxy delivered to you.

The Chairman of the Meeting will have the discretion to accept or reject proxies deposited in any other manner.

If you are a registered shareholder and plan to attend the Meeting at Bureau 76, 7 Boulevard des Moulins, 98000 Monaco on November 5, 2015 at 10:00 a.m. (CET), and wish to vote your Shares in person, please register with the scrutineer upon arrival at the Meeting.

### **Revocation of a Proxy**

Registered shareholders who have delivered a completed proxy may revoke it as to any matter on which a vote has not already been cast pursuant to the authority conferred by the proxy. Registered shareholders may revoke a proxy by depositing a written instrument giving notice of revocation: (a) at the office of Computershare set out above or at the registered office of Endeavour on or before the last business day preceding the day of the Meeting at which the proxy is to be used; or (b) with the Chairman of the Meeting on the day of the Meeting (prior to the commencement of the Meeting). The written notice of revocation may be executed by the registered shareholder or by an officer or attorney upon presentation of written authorization of the shareholder.

In addition, a proxy may be revoked by: (a) the registered shareholder executing another form of proxy bearing a later date and depositing the same at the offices of Computershare prior to the deadline for depositing proxies set out above; or (b) by the registered shareholder personally attending the Meeting, identifying himself or herself to the scrutineer as a registered shareholder as of the Record Date present in person, and voting his or her Shares. A proxy may also be revoked by any other method permitted by applicable law.

### **Beneficial Shareholders**

*The information set out in this section is important to many of Endeavour's shareholders as a substantial number of shareholders do not hold their Shares in their own names.*

If your Shares are not registered in your name, they will be held by an intermediary, such as a bank, trust company, securities broker or other financial institution, on your behalf as a beneficial shareholder. There are two kinds of beneficial shareholders:



1. OBOs: those who object to their name being made known to the issuers of securities which they own; and
2. NOBOs: those who do not so object.

Endeavour has distributed materials for the Meeting to intermediaries for distribution to beneficial shareholders (both NOBOs and OBOs). Typically, intermediaries will use a service company, such as Broadridge, to forward meeting materials to beneficial shareholders. Beneficial shareholders who have not waived the right to receive Meeting materials will also receive either a VIF or, less frequently, a form of proxy. The purpose of these forms is to permit beneficial shareholders to direct the voting of the Shares they beneficially own.

Endeavour may utilize the Broadridge QuickVote™ service to assist NOBOs with voting their Common Shares. NOBOs may be contacted by Laurel Hill Advisory Group to conveniently obtain a vote directly over the telephone.

**Each intermediary will have its own procedures to permit voting of Shares held on behalf of beneficial shareholders, including requirements as to when and where proxies or VIFs are to be delivered. Beneficial shareholders should carefully follow the instructions provided by their intermediaries to ensure that their Shares are voted at the Meeting.**

If you are a beneficial Endeavour shareholder and wish to:

- Vote in person at the Meeting; or
- Change voting instructions given to your intermediary; or
- Revoke voting instructions given to your intermediary,

follow the instructions given by your intermediary or contact your intermediary to discuss what procedure to follow.

In addition, management of Endeavour has elected to pay to distribute its meeting materials to the OBOs.

## CDI Holders

Beneficial holders in Australia hold CDIs, which are units of beneficial ownership of underlying Shares registered in the name of CDN. As holders of CDIs are not the legal owners of the underlying Shares, CDN is entitled to vote at the Meeting on the instruction of the holders of the CDIs.

As a result, holders of CDIs will receive a CDI VIF, together with the Meeting materials mailed to them, as applicable, from Computershare in Australia. These CDI VIFs are to be completed and returned to Computershare in Australia in accordance with the instructions contained therein. CDN is required to follow the voting instructions properly received from holders of CDIs.

If you hold your interest in CDIs through an intermediary, you will need to follow the instructions of your intermediary.

To obtain a copy of CDN's Financial Services Guide, go to [www.asx.com.au](http://www.asx.com.au) or phone 131 279 (within Australia) or +61 2 9338 0000 (overseas) if you would like a copy sent to you in the mail.

## **Background Information for CDI Holders**

Endeavour was incorporated on July 25, 2002 under the laws of the Cayman Islands. The Shares are listed on the TSX under the symbol "EDV" and quoted in the United States on OTCQX International under the symbol "EDVMF". Endeavour's CDIs are quoted on the ASX under the symbol "EVR". Each CDI represents a beneficial ownership interest in one Share.

The Corporation is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act 2001(Cth) (Australia) dealing with the acquisition of shares. These chapters deal with substantial holdings, takeover bids, compulsory acquisitions, as well as certain rules on continuous disclosure. The Corporation is governed by applicable Canadian securities laws and the Companies Law with respect to these matters. There are no limitations on the acquisition of securities of the Corporation under the Companies Law. Under applicable Canadian securities laws, the Corporation is subject to rules applicable to takeover bid regulation, as well as rules relating to reporting requirements for shareholders holding 10% or more of the securities of the Corporation.

### Holders of Avion Exchangeable Shares

On October 18, 2012, Endeavour completed its acquisition of Avion, resulting in Endeavour acquiring all of the outstanding voting shares of Avion. Pursuant to the terms of the acquisition, in lieu of receiving Shares of Endeavour for their Avion shares, eligible Avion shareholders were entitled to elect to receive Exchangeable Shares. Exchangeable Shares are exchangeable or redeemable for Shares on a one-for-one basis in accordance with their terms. Each Exchangeable Share carries, to the extent practicable, economic and voting rights equivalent to those of a Share. As of the Record Date, 560,079 Exchangeable Shares were outstanding. The underlying Shares for which outstanding Exchangeable Shares may be exchanged have been issued by Endeavour and are held by a wholly-owned subsidiary of Endeavour.

Pursuant to the Voting Agreement, registered holders of Exchangeable Shares have been granted contractual voting rights with respect to Endeavour, exercisable through Computershare. Such holders are entitled to instruct Computershare as to the voting of the underlying Shares at the Meeting or attend the Meeting personally to vote the underlying Shares.

If you are a registered holder of Exchangeable Shares, you can vote by using the form of proxy enclosed with the Meeting materials mailed to you and ensuring receipt by Computershare of such instructions via any of the means of delivery described above under the heading "*Registered Shareholders*" by 1:00 a.m. (PST) / 4:00 a.m. (EST) / 10:00 a.m. (CET) on November 3, 2015, or not less than 48 hours before the commencement of any adjournment or postponement of the Meeting. The form of proxy permits you to instruct Computershare to cause a number of votes to be cast at the Meeting equal to the number of Exchangeable Shares held by you at the Record Date in accordance with your instructions. You also can use your form of proxy to request a proxy to personally attend and vote at the Meeting or to designate a proxyholder to represent you at the Meeting. To do so, simply fill in your name or the name of the person that you wish to appoint to represent you in the space provided on the form of proxy.

If instructions are not received from a holder of Exchangeable Shares, the voting rights associated with the underlying Shares to which such holder is entitled will not be exercised at the Meeting. Voting instructions may be revoked by a registered Exchangeable Shareholder by any method described above under the heading "*Registered Shareholders – Revocation of a Proxy*".

If you are an OBO or a NOBO of Exchangeable Shares and have received the Meeting materials from your intermediary, carefully follow the instructions provided by your intermediary to ensure your votes are recorded at the Meeting.

Endeavour may utilize the Broadridge QuickVote™ service to assist NOBOs with voting their Exchangeable Shares. NOBOs may be contacted by Laurel Hill Advisory Group to conveniently obtain a vote directly over the telephone.

In addition, management of Endeavour has elected to pay to distribute its meeting materials to the OBOs of Exchangeable Shares.

Additional information about the contractual voting rights provided to holders of Exchangeable Shares is set out in the Voting Agreement, a copy of which is available under Endeavour's SEDAR profile at [www.sedar.com](http://www.sedar.com).

### **Quorum and Votes Necessary to Pass an Ordinary Resolution**

Under Endeavour's articles of association, the quorum for the transaction of business at the Meeting consists of two or more registered shareholders holding at least five per cent (5%) of the paid up voting share capital of Endeavour present in person or by proxy.

The Share Issuance Resolution and Consolidation Resolutions are ordinary resolutions requiring the approval of a simple majority (50% plus one vote) of the votes cast.

### **Voting Shares and Principal Holders Thereof**

The authorized capital of Endeavour is US\$20,000,000 divided into 1,000,000,000 Shares with a par value of US\$0.01 each, and 1,000,000,000 undesignated shares with a par value of US\$0.01 each, none of which undesignated shares have been issued.

October 1, 2015 has been fixed in advance by the Endeavour Board as the Record Date for the purposes of determining those Endeavour shareholders entitled to receive notice of, and to vote in person or by proxy at the Meeting or any adjournment or postponement thereof. As at the close of business on the Record Date, Endeavour had 413,143,668 Shares issued and outstanding, each Share carrying the right to one vote.

At the Meeting on a show of hands, every individual who is present as a registered shareholder or as a representative of one or more registered corporate shareholders, or who is holding a proxy on behalf of an Endeavour shareholder who is not present at the Meeting, will have one vote, and on a poll every Endeavour shareholder present in person or represented by proxy and every person who is a representative of one or more corporate Endeavour shareholders, will have one vote for each Share of which such person, or the person represented, is the holder. The register of registered shareholders is available for inspection during normal business hours at the office of Computershare and will be available for inspection at the Meeting. At the Meeting, a resolution put to the vote of the Meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by one or more shareholders present in person or by proxy entitled to vote. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the Meeting shall be entitled to a second or casting vote.

To the knowledge of the directors and senior officers of Endeavour, no person beneficially owns, directly or indirectly, or exercises control or direction over, Shares carrying 10% or more of the voting rights attached to all the issued and outstanding Shares as at the date of this Circular. Upon completion of the Transaction, La Mancha will beneficially own, directly or indirectly, or exercise control or direction over, Shares carrying 30% of the voting rights attached to all the issued and outstanding Shares.

## **THE TRANSACTION**

## General

At the Meeting, Endeavour shareholders will be asked to consider and, if deemed fit, to pass, the Share Issuance Resolution to approve the issuance of the Consideration Shares to the La Mancha Group as consideration for the acquisition by Endeavour of the Purchased Corporations. The Transaction and the terms of the Share Purchase Agreement are summarized below. This summary does not purport to be complete and is qualified in its entirety by reference to the Share Purchase Agreement, which has been filed by Endeavour under its profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The Transaction involves the acquisition by Endeavour, indirectly through Endeavour Resources, of the La Mancha Cayman Shares from the La Mancha Group in exchange for the issuance by Endeavour to the La Mancha Group of the Consideration Shares, subject to satisfaction or waiver of certain conditions. Upon closing of the Transaction, La Mancha Cayman will be an indirect, wholly-owned subsidiary of Endeavour, existing Endeavour shareholders will hold 413,143,668 or 70% of the issued and outstanding Shares and the La Mancha Group will hold 177,061,572 or 30% of the issued and outstanding Shares. The Transaction is premised on a long term strategic partnership with the La Mancha Group, a privately-held gold investment company ultimately held by the Sawiris family group.

The Transaction involves the acquisition by Endeavour of La Mancha's indirect 55% interest in SMI, which operates the Ity Gold Mine in Côte d'Ivoire, plus various regional exploration properties, and La Mancha will contribute US\$63 million cash<sup>4</sup> into the Purchased Corporations. This US\$63 million cash contribution will strengthen the balance sheet of Endeavour, by significantly reducing net debt from US\$242 million to US\$159 million, thereby lowering our leverage ratio from 1.3 times to 0.7 times<sup>5</sup>. The Transaction also gives Endeavour the ability to finance the construction of the Houndé Project in Burkina Faso at an appropriate gold price. The La Mancha Group has also expressed an in-principle commitment to invest up to US\$75 million in additional funds to support Endeavour's future organic and/or corporate growth opportunities. The Transaction is a first step in a long-term partnership with the Sawiris family group, a well-respected global investor with a shared vision to create a premier African gold producer. Endeavour's portfolio will be enhanced by the low-cost and cash generative Ity Heap Leach Operation as well as a significant expansion prospect with the Ity CIL Project development. On a pro forma basis, Endeavour will have an annual gold production rate of 580,000 ounces from five operations across West Africa. The Transaction will immediately add to Endeavour's operating cash flow, increase its attributable mineral reserve and resource base by 22% and 23%, respectively.

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<sup>4</sup> The US\$63 million cash investment by La Mancha is inclusive of an expected US\$25 million of attributable cash held in SMI (representing 55% of an anticipated US\$45 million cash balance at closing), with the balance being invested into La Mancha Cayman.

<sup>5</sup> Using Endeavour balance sheet values as of June 30, 2015 and 2015 EBITDA estimate of US\$180M; pro forma additions include US\$63 million cash investment (estimated to be US\$83M on a consolidated basis) and Ity trailing 12m EBITDA of \$45M (6m actual to June 30, 2015 and 50% of 12m actual to December 31, 2014) resulting in 55% attributable amount of \$29.5M.

Upon completion of the Transaction, the Endeavour Board will be increased from seven to nine directors. In addition to the Chairman, Michael Beckett, it is expected that the Endeavour Board will be comprised of the following current directors: Wayne McManus, Ian Cockerill, Frank Giustra, Ian Henderson, Miguel Rodriguez and Neil Woodyer; and that Naguib Sawiris, Chairman of La Mancha's Advisory Board and Sébastien de Montessus, CEO of the La Mancha Group will be appointed as new directors. As a result of these changes to the Endeavour Board, it is expected that the composition of certain committees of the Endeavour Board will be adjusted upon completion of the Transaction. In addition, on completion of the Transaction, it is expected that Endeavour's current management will remain the same and that Sébastien de Montessus, the current CEO of the La Mancha Group, will join Endeavour's management team as President, concurrently resigning as CEO of the La Mancha Group. Within 24 months of the Closing Date, it is envisioned that Sébastien de Montessus will transition to Endeavour's CEO position and that Neil Woodyer will transition to an Executive Chairman role.

In connection with the Transaction, La Mancha has agreed to a two-year standstill with respect to the Shares to be held by it and has been granted an anti-dilution right to maintain its percentage holding in Endeavour following completion of the Transaction. See "*Investor Rights Agreement*".

The Transaction will not constitute a "significant acquisition" for Endeavour as that term is defined under Part 8 of NI 51-102.

For more information regarding the Purchased Corporations, see Schedule B.

### Selected Unaudited Pro Forma Financial Information

The following financial information has been obtained from Endeavour's audited consolidated financial statements for the year ended December 31, 2014 and unaudited interim consolidated financial statements for the 6 months ended June 30, 2015 combined with the results of La Mancha's Ity Mine for the corresponding periods. The pro forma presentation gives effect as if the Transaction had occurred on January 1, 2014. The results presented for the Ity Mine in the tables below are unaudited and have not been independently verified.

12 months ended December 31, 2014	Endeavour	Ity Mine	Endeavour & Ity Mine combined on pro forma basis	Impact of adding Ity Mine
<b>Gold production (koz)</b>	466	81	547	+17%
<b>All-in sustaining cost per ounce</b>	\$1,010	\$921	\$997	-1%
<b>Revenue (US\$M)</b>	584	100	684	+17%
<b>Operating EBITDA (US\$M)</b>	143	36	179	+25%

1. All data for Endeavour and the Ity Mine are presented on a 100% basis.
2. The Ity Mine results are presented using Endeavour's methodology of calculating All In Sustaining Costs and Operating EBITDA, both non-GAAP measures, and using average applicable foreign exchange rates.

<b>6 months ended June 30, 2015</b>	<b>Endeavour</b>	<b>Ity Mine</b>	<b>Endeavour &amp; Ity Mine combined on pro forma basis</b>	<b>Impact of adding Ity Mine</b>
<b>Gold production (koz)</b>	255	45	300	+18%
<b>All-in sustaining cost per ounce</b>	\$922	\$696	\$888	-4%
<b>Revenue (US\$M)</b>	307	52	359	+17%
<b>Operating EBITDA (US\$M)</b>	98	27	125	+28%

1. All data for Endeavour and the Ity Mine are presented on a 100% basis.
2. The Ity Mine results are presented using Endeavour's methodology of calculating All In Sustaining Costs and Operating EBITDA, both non-GAAP measures, and using average applicable foreign exchange rates.

## **La Mancha Nominees to Endeavour Board**

Upon completion of the Transaction, the Endeavour Board will be increased from seven to nine directors, with Naguib Sawiris, Chairman of La Mancha's Advisory Board, and Sébastien de Montessus, CEO of the La Mancha Group, being appointed as new directors of Endeavour effective as of the Closing Date.

### **About Naguib Sawiris**

Mr. Naguib Sawiris is Chairman of the Advisory Board of La Mancha, Chairman of the Board of Orascom TMT Investments S.à.r.l., and Executive Chairman and Chief Executive Officer of Orascom Telecom Media and Technology Holding S.A.E. The Sawiris family group has substantial interests in the telecom, construction and fertiliser, cement, real estate and hotel development industries and other businesses.

Mr. Sawiris founded Orascom Telecom Holding and developed it into a leading regional telecom player until a merger with Vimpelcom Ltd created the world's sixth largest mobile telecommunications provider. Mr. Sawiris has received a number of honorary degrees, industry awards and civic honors, including the "Legion d'honneur", the highest award given by the French Republic for outstanding services rendered to France, the Honor of Commander of the Order of the "Stella della Solidarietà Italiana", and the prestigious "Sitara-e-Quaid-e-Azam" award for services rendered to the people of Pakistan in the field of telecommunication, investments and social sector work.

Mr. Sawiris serves on a number of additional Boards, Committees and Councils including the Advisory Committee to the NYSE Board of Directors, the International Advisory Board to the National Bank of Kuwait, the Egyptian Council for Foreign Affairs, and the Arab Thought Foundation.

Mr. Sawiris holds a diploma of Mechanical Engineering with a Masters in Technical Administration from the Swiss Federal Institute of Technology Zurich ETH Zürich and a Diploma from the German Evangelical School, Cairo, Egypt.

### **About Sébastien de Montessus**

Mr. de Montessus is the Chief Executive Officer of the La Mancha since 2012. Under the leadership of Mr. de Montessus, La Mancha doubled its production through optimization efforts before undergoing a portfolio restructure which enabled the Sawiris family group become the main shareholder of Evolution Mining Limited ("**Evolution Mining**"), a leading Australia gold miner, and of Endeavour upon completion of the proposed Transaction. In September 2015, Mr. de Montessus was appointed to the board of Evolution Mining.

Prior to his role with La Mancha, Mr. de Montessus was a member of the Executive Board and Group Deputy CEO of AREVA Group (a world leader in nuclear energy) and CEO of AREVA Mining (uranium), where he oversaw the design and implementation of a five-year strategic plan, which saw Areva Mining significantly increase profitability and become the largest uranium producer in the world with 6 mines in operations over Canada, Africa and Kazakhstan and a total turn-over of \$1.5B in 2012. Mr. de Montessus was a Board member of ERAMET, a world leader in nickel/manganese and alloy metals, between 2010 and 2012.

Before joining AREVA in 2002, Mr. de Montessus was an investment banker at Morgan Stanley in London (M&A and Equity Capital Markets).

Mr. de Montessus is a business graduate from ESCP-Europe Business School in Paris.

## **Background to the Transaction**

The Share Purchase Agreement is the result of arm's length negotiations conducted between representatives of Endeavour and La Mancha.

As part of its strategic planning process, Endeavour's management reviews the activities and assets of other gold mining, development and exploration companies to identify and investigate prospective transactions that could complement Endeavour's existing operations and support its strategic growth plans.

In April 2015, initial discussions were held between Mr. Neil Woodyer and Mr. Sébastien de Montessus, CEO of the La Mancha Group, which explored the concept of establishing a strategic partnership to build a premier African gold producer, and to vend La Mancha's indirect interest in the Ity Gold Mine into Endeavour as a first step.

The parties entered into a reciprocal confidentiality agreement allowing information to be shared on April 30, 2015, and discussions between Endeavour and La Mancha intensified through May and June.

On July 8 and 9, 2015, Endeavour's senior technical team completed site visits to La Mancha's Ity Gold Mine in Côte d'Ivoire. Endeavour representatives also met with La Mancha's operations management and staff in Abidjan. During this period, La Mancha's executive and senior technical teams visited Endeavour's Agbaou, Tabakoto and Nzema mines, as well as Endeavour's Regional Office in Accra, Ghana.

Following this Mr. Woodyer maintained an active dialog with Mr. de Montessus and then met in Paris with both Mr. Naguib Sawiris and Mr. de Montessus in mid-July; the purpose was to discuss the results of the site visits and continue to develop the nature and vision of the strategic partnership. Throughout July, August and into early September, Endeavour's in-house technical team completed the necessary technical and operational due diligence. In early September, Endeavour had financial and tax due diligence on La Mancha conducted by Deloitte & Touche LLP, and legal due diligence undertaken by Stikeman Elliott LLP.

Between September 2 and 3, 2015, Endeavour's executive team (supported by UBS as financial advisor) and La Mancha's executive team (supported by Credit Suisse as financial advisor) met in London and engaged in extensive discussions that led to agreement of key terms of the strategic partnership. On September 8, 2015, Mr. Woodyer and Mr. Sawiris met in Paris, together with Mr. de Montessus, to review the terms that had been developed and confirm there was sufficient alignment on the key elements to allow a more detailed negotiation of specific terms to begin.

The Share Purchase Agreement, Investor Rights Agreement and Lock-up Agreement were developed and negotiated between September 8 and 18, 2015, which negotiations included a round of meetings in London



between the parties and their legal and financial advisers. Transaction documents were agreed and executed after the close of markets on Friday, September 18, 2015. On Sunday, September 20, 2015, at approximately 6:00 p.m. (EST) Endeavour contacted the ASX to request an immediate trading halt pending release of an announcement. The Transaction was publically announced by Endeavour before the opening of North American markets on Monday, September 21, 2015 at 6:38 a.m. (EST) and Endeavour held a conference call and webcast on September 21, 2015 at 10:00 a.m. (EST) to discuss the Transaction.

## Reasons for the Transaction

In reaching its decision to approve the Transaction and recommend that Endeavour shareholders vote in favour of the Share Issuance Resolution, the Endeavour Board considered the compelling strategic benefits and future opportunities that the partnership with the La Mancha Group can bring to Endeavour and its shareholders, together with the positive results of the due diligence review conducted by management and by Endeavour's financial, technical and legal advisors. The Endeavour Board specifically considered the following factors.

- **Strengthening an Established African Gold Platform.** By creating a long-term strategic partnership, Endeavour and La Mancha are underscoring their shared vision to build a leading African gold producer. Both Endeavour and La Mancha have had considerable success in gold exploration, project development and mining operations in Côte d'Ivoire, and we believe this success will extend to new opportunities in Africa. La Mancha is a gold industry investment vehicle owned by the Sawiris family group, and the Transaction partners Endeavour with a successful and sophisticated global investor whose long-term interest in gold is fully aligned with that of Endeavour's shareholders. Through its planned investment and participation in Endeavour, La Mancha is endorsing and supporting Endeavour's growth strategy.
- **Cornerstone Long-Term Shareholder.** Endeavour shareholders will benefit from the support La Mancha can bring in terms of long-term strategic perspective and funding capability. As a result of the Transaction, the La Mancha Group will become a 30% shareholder in Endeavour and will appoint two additional directors as nominees to the Endeavour Board (being Naguib Sawiris and Sébastien de Montessus). The long-term nature of the partnership is demonstrated by La Mancha's agreement to a "standstill" of two years with customary terms, during which the La Mancha Group will not sell its Shares and would be prevented from increasing its holding in Endeavour. The La Mancha Group will have the option to maintain its holding at 30% through certain anti-dilution provisions. La Mancha has also expressed an in-principle (non-binding) commitment to fund up to US\$75 million of future organic and/or corporate growth opportunities with Endeavour.
- **Improved Liquidity and Balance Sheet.** Under the framework of the Transaction, La Mancha will inject US\$63 million of attributable cash at closing. On a pro forma and consolidated basis this is expected to result in a reduction of Endeavour's net debt from US\$242 million to US\$159 million, which is equivalent to a Net Debt/EBITDA reduction from 1.3 times to 0.7 times.<sup>6</sup> In the current environment of weaker gold prices, this injection of fresh liquidity has two principal advantages: the immediate positive balance sheet impact to Endeavour's net debt position, and the availability of additional funding for Endeavour's attractive pipeline of growth projects, including the Houndé Project in Burkina Faso.

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<sup>6</sup> Using Endeavour balance sheet values as of June 30, 2015 and 2015 EBITDA estimate of US\$180M; pro forma additions include US\$63 million cash investment (estimated to be US\$83M on a consolidated basis) and 12m trailing 12m EBITDA of \$45M (6m actual to June 30, 2015 and 50% of 12m actual to December 31, 2014) resulting in 55% attributable amount of \$29.5M.



- **Additional Cash Flow.** Through its acquisition of the Ity Gold Mine in Côte d'Ivoire, Endeavour adds immediate gold production capacity from the Ity open-pit Heap Leach Operation currently operating at over 80,000 ounces of gold per annum and at a low AISC of US\$696/oz (H1 2015). The Ity Heap Leach Operation has a further two years based on current mineral reserves but the mine life can reasonably be expected to be extended to approximately five years through mining of some oxide reserves that are currently planned for the Ity CIL Project, and also through drilling of additional resources and reserves. Pro forma annual production for the Endeavour group in 2015 is approximately 580,000 ounces (100% basis). Ity is an accretive, low-cost, bolt-on acquisition that Endeavour will integrate into its existing West African operations.
- **Enhanced Growth Profile.** The Transaction gives Endeavour the ability to finance the construction of the Houndé Project in Burkina Faso at an appropriate gold price, with a construction decision anticipated for early 2016. In addition to the existing production from the Ity Heap Leach Operation, the Ity Gold Mine is currently the subject of an ongoing independent definitive feasibility study by SNC Lavalin, and has the potential for both increased annual gold production and extended mine life to +10 years through the construction of a CIL plant. Endeavour's in-house Construction Services team is well-positioned to implement and construct the Ity CIL Project, having successfully completed both the Agbaou and Nzema mines and advanced the Houndé Project to a near-term construction decision.
- **Reserves & Resources Impact.** Aside from the strategic, liquidity and valuation benefits of the Transaction, Endeavour will increase its proven & probable reserves by 22% to 4.8 million gold ounces and its measured & indicated resources by 23% to 8.5 million gold ounces. Endeavour will be the holder of the largest exploration land package in Côte d'Ivoire, totalling in excess of 5,000 km<sup>2</sup>.
- **Compelling Valuation.** Based on the cash contribution of US\$63 million by La Mancha,<sup>7</sup> and the Endeavour share price of C\$0.58 (at which the Transaction was priced), the value of the pro forma La Mancha Group 30% stake (approximately 177 million shares) is approximately US\$78 million. The implied value paid for the Ity Gold Mine and mineral interests is approximately US\$17 per attributable proven & probable reserve ounce or \$9 per attributable measured & indicated ounce. These valuation metrics are indicative of a highly accretive acquisition for Endeavour shareholders with meaningful upside potential from the sizable resource base.

The foregoing summary of the information and factors considered by the Endeavour Board is not, and is not intended to be, exhaustive. In view of the variety of factors and the amount of information considered in connection with its evaluation of the Transaction, the Endeavour Board did not find it practicable to, and did not, quantify or otherwise attempt to assign relative weights to specific factors in reaching its conclusions and recommendations. The recommendations of the Endeavour Board were made after consideration of all of the above-noted factors and in light of their collective knowledge of the business, financial condition and prospects of the Purchased Corporations, and were also based upon the advice of financial and legal advisors. In addition, individual directors of Endeavour may have assigned different weights to different factors.

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<sup>7</sup> The US\$63 million cash investment by La Mancha is inclusive of an expected US\$25 million of attributable cash held in SMI (representing 55% of an anticipated US\$45 million cash balance at closing), with the balance being invested into La Mancha Cayman.

## Lock-Up Agreement

All of Endeavour's directors and executive officers, who collectively hold or exercise control or direction over an aggregate of approximately 2.25% of the issued and outstanding Shares as of the Record Date, have entered into the Lock-Up Agreement with La Mancha. The Lock-Up Agreement sets forth, among other things, the terms and conditions upon which each Endeavour director and executive officer has agreed, among other things, to vote in favour of the Share Issuance Resolution. The following is a summary of certain material provisions of the Lock-Up Agreement, and is qualified in its entirety by reference to the full text of the Lock-Up Agreement, which has been filed on Endeavour's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Pursuant to the Lock-Up Agreement, each director and executive officer has agreed, among other things:

- (a) to vote or to cause to be voted the Shares held by such holder at the Meeting (or any adjournment or postponement thereof) in favour of the Share Issuance Resolution;
- (b) not option, sell, transfer, pledge, encumber, grant a security interest in, hypothecate, assign, gift or otherwise dispose of or enter into any forward sale, repurchase agreement or other monetization transaction with respect to any of the Shares or stock options held by such holder, or any right or interest therein, to any Person or group or agree to do any of the foregoing; provided that, the holder may exercise stock options in exchange for Shares in accordance with their terms and the holder may authorize Endeavour to (i) withhold Shares otherwise due to the holder pursuant to the exercise of the stock options; and (ii) sell those Shares to fund employee withholding taxes which must be remitted by Endeavour with respect to the exercise of the stock options; and
- (c) not take any other action of any kind which might reasonably be regarded as likely to reduce the success of, or delay or interfere with the completion of, the Transaction.

The Lock-Up Agreement provides that nothing in the Lock-Up Agreement is intended to fetter a holder's discretion to act, when acting in his capacity as an officer or director of Endeavour, in a manner consistent with all fiduciary obligations imposed on such holder in that capacity. In particular, the obligations of each holder to vote in favour of the Share Issuance Resolution and not take any actions inconsistent with that support are intended to apply to such holder only in his capacity as a holder of securities of Endeavour and not in such holder's capacity as an officer or director of Endeavour, and any such actions taken by a holder in such capacity will not constitute a breach or violation of the Lock-Up Agreement.

The Lock-Up Agreement will automatically terminate on the earlier of: (a) the Outside Date, if the Closing Date has not occurred by the Outside Date; (b) upon termination of the Share Purchase Agreement in accordance with its terms; and (c) the Closing Time.

## Recommendation of the Board

**After careful consideration of the Transaction and the rationale set forth in "*The Transaction – Reasons for the Transaction*", the Endeavour Board has determined that entering into the Share Purchase Agreement is in the best interests of Endeavour and UNANIMOUSLY RECOMMENDS that Endeavour shareholders VOTE IN FAVOUR of the Share Issuance Resolution.**

## Approvals

### *Endeavour Shareholder Approval*

Pursuant to Section 611(c) of the TSX Company Manual, the Transaction requires Endeavour shareholder approval, as more than 25% of the issued and outstanding Shares will be issued pursuant to the Transaction. In addition, pursuant to Section 604 of the TSX Company Manual, Endeavour shareholder approval is required as the Transaction is deemed to materially affect control of Endeavour as it will result in a new holding of more than 20% of Endeavour's voting securities by one securityholder.

Accordingly, Endeavour is seeking the approval of Endeavour shareholders to issue to the La Mancha Group 177,061,572 Shares in connection with the Transaction, representing approximately (i) 42.9% of the 413,143,668 Shares outstanding as at October 1, 2015, and (ii) 30% of the issued and outstanding Shares upon completion of the Transaction. Based on the volume weighted average price on the TSX for the 20 trading day period ended September 18, 2015, the date on which Endeavour, Endeavour Resources and La Mancha entered into the Share Purchase Agreement, the 177,061,572 Shares are being issued to La Mancha at an issue price of C\$0.58 per Share.

The Share Issuance Resolution, the full text of which is set out in Schedule A to this Circular, must be approved by at least a simple majority (50% plus one) of the votes cast by Endeavour shareholders present in person or represented by proxy at the Meeting.

### *Regulatory Approvals*

#### **TSX**

The Shares are listed and posted for trading on the TSX under the symbol "EDV". It is a condition precedent to the obligations of Endeavour and La Mancha to complete the Transaction that the TSX has conditionally approved the listing of the Consideration Shares, subject to the payment of fees and the filing of customary required documents.

#### **ASX**

The Shares are listed on the ASX in the form of CDIs. La Mancha's right to maintain its ownership level in Endeavour by participating in new equity offerings pursuant to the terms of the Investor Rights Agreement is subject to Endeavour obtaining a waiver from ASX to ASX listing rule 6.18 which prohibits a company listed on ASX from providing an option exercisable over a percentage of the company's capital (the "**Waiver**"). The Waiver is not a condition to the Transaction, however, pursuant to the terms of the Investor Rights Agreement, Endeavour has agreed that if the Waiver has not been obtained within ninety (90) days of the Closing Date, Endeavour will apply to delist its securities from the ASX.

### *Minister of Mines of the Republic of Côte d'Ivoire*

It is a condition precedent to the obligations of the La Mancha Group to complete the Transaction that La Mancha obtain the approval of the Minister of Mines of Côte d'Ivoire to transfer its indirect 55% interest in SMI as well as its indirect 100% interest in LMCI.

## Completion of the Transaction

The Transaction will become effective on the Closing Date. The Closing Date is expected to take place within five Business Days of the date of the Meeting or such earlier or later date as Endeavour and La Mancha may agree in writing. It is possible that completion may be delayed if the conditions to completion of the Transaction cannot be met on a timely basis, but in no event will completion of the Transaction occur later than the Outside Date. Assuming that all of the conditions to the Transaction are satisfied, Endeavour expects that the Transaction will become effective in early to mid-November.

## Share Purchase Agreement

*The description of the Share Purchase Agreement, both below and elsewhere in this Circular, is a summary only, is not exhaustive and is qualified in its entirety by reference to the terms of the Share Purchase Agreement, which is incorporated by reference herein and may be found under Endeavour's profile on SEDAR at [www.sedar.com](http://www.sedar.com).*

The following is a summary of certain material provisions of the Share Purchase Agreement, which is not comprehensive and is qualified in its entirety by reference to the full text of the Share Purchase Agreement. Endeavour shareholders are encouraged to read the Share Purchase Agreement in its entirety. Capitalized terms used but not otherwise defined herein have the meanings set out in the Share Purchase Agreement.

### General

On the terms and subject to the conditions set forth in the Share Purchase Agreement, on the Closing Date Endeavour will acquire, indirectly through Endeavour Resources, the La Mancha Cayman Shares in exchange for the issuance by Endeavour to the La Mancha Group of the Consideration Shares.

### Conditions to Closing

The respective obligations of Endeavour, Endeavour Resources and La Mancha to complete the Transaction and the other transactions contemplated by the Share Purchase Agreement are subject to the satisfaction, on or before the Closing Date, of the following conditions, each of which may be waived only by the mutual consent of Endeavour, Endeavour Resources and La Mancha:

- the completion of the Pre-Closing Reorganization;
- the approval of the Share Issuance Resolution by Endeavour shareholders at the Meeting;
- the absence of any actions or proceedings pending or threatened by any Person (other than Endeavour, Endeavour Resources and La Mancha) in any jurisdiction, and the absence of any orders or notices made, issued or delivered by any Governmental Entity, seeking to enjoin, restrict or prohibit, or enjoining, restricting or prohibiting, on a temporary or permanent basis any of the transactions contemplated by the Share Purchase Agreement or imposing any temporary or permanent terms or conditions on the transactions contemplated by the Share Purchase Agreement;
- the TSX having conditionally approved for listing, subject to the payment of fees and the filing of customary required documents, the Consideration Shares;
- the Key Regulatory Approvals having been obtained;
- the Key Third Party Consents having been obtained; and

- the Share Purchase Agreement not having been terminated in accordance with its terms.

The obligation of Endeavour and Endeavour Resources to complete the Transaction and the other transactions contemplated by the Share Purchase Agreement are subject to the following conditions being satisfied on or before the Closing Date, which conditions are for the exclusive benefit of Endeavour and Endeavour Resources and may be waived, in whole or in part, by Endeavour and Endeavour Resources in their sole discretion:

- the accuracy of La Mancha's representations and warranties;
- performance by La Mancha of all its covenants;
- the absence of any event, occurrence or development which has or would be reasonably expected to have a material adverse effect on La Mancha or the Purchased Corporations, as applicable;
- the Purchased Corporations having, in the aggregate, at least US\$63,000,000 in cash;
- the Purchased Corporations having, in the aggregate, net positive working capital; and
- the delivery by La Mancha of certain closing documents.

The obligation of La Mancha to complete the Transaction and the other transactions contemplated by the Share Purchase Agreement are subject to the following conditions being satisfied on or before the Closing Date, which conditions are for the exclusive benefit of La Mancha and may be waived, in whole or in part, by La Mancha in its sole discretion:

- the accuracy of Endeavour and Endeavour Resources' representations and warranties;
- performance by Endeavour and Endeavour Resources of all their respective covenants;
- the absence of any event, occurrence or development which has or would be reasonably expected to have a material adverse effect, as applicable;
- two nominees of La Mancha having been appointed to the Endeavour Board; and
- the delivery by Endeavour and Endeavour Resources of certain closing documents.

### *Representation and Warranties*

The Share Purchase Agreement contains customary representations and warranties for transactions of this nature on the part of Endeavour, Endeavour Resources and La Mancha in respect of matters pertaining to, among other things: incorporation and qualification; the execution, delivery and enforceability of the Share Purchase Agreement, and the same not resulting in a violation, or breach of or default under a Party's or any of its subsidiaries' constating documents, contracts or laws; compliance with laws; capitalization; title to Purchased Shares; issuance of the Consideration Shares as fully-paid and non-assessable; financial statements; absence of undisclosed liabilities; real properties and mineral interests and rights; mineral reserves and resources; operational matters; employment matters; absence of certain changes and events; litigation; taxes; books and records; insurance; benefit plans; environmental matters; material contracts; and relationships with customers, suppliers, distributors, sales representatives, non-governmental entities and community groups.

*The representations and warranties made by Endeavour, Endeavour Resources and La Mancha in the Share Purchase Agreement were made solely for the purposes of the Share Purchase Agreement and may be subject to*

*important qualifications and limitations agreed to by the Parties in connection with negotiating and entering into the Share Purchase Agreement. In addition, these representations and warranties were made as of specified dates, may be subject to a contractual standard of materiality that is different from what may be viewed as material to Endeavour shareholders or may have been used for the purpose of allocating risk between the Parties rather than for the purpose of establishing facts. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the Share Purchase Agreement. For the foregoing reasons, you should not rely on the representations and warranties contained in the Share Purchase Agreement as statements of factual information at the time they were made or otherwise.*

### *Pre-Closing Covenants*

The Share Purchase Agreement, includes, among other things, covenants of Endeavour and La Mancha customary for transactions of this nature, which are intended to ensure that until the earlier of the Closing Time and the time that the Share Purchase Agreement is terminated in accordance with its terms Endeavour and each of its subsidiaries and each of the Purchased Corporations conducts its business in the ordinary course and uses commercially reasonable efforts to maintain and preserve their business organization, assets, employees, goodwill and business relationships, except as required or permitted by the Share Purchase Agreement, required by applicable Laws or any Governmental Entities or consented to by the other Party.

Each of La Mancha and Endeavour has also covenanted and agreed that it will, and will cause each of the Purchased Corporations or Endeavour Resources, as applicable, to perform all obligations required or desirable to be performed by it under the Share Purchase Agreement, cooperate with the other party in connection therewith and do or cause to be done all such acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated by the Share Purchase Agreement.

### *Non-Solicitation Covenants and Rights to Accept a Superior Proposal*

Endeavour has agreed that, except as otherwise provided in the Share Purchase Agreement, Endeavour will not, directly or indirectly, or through any of its Representatives, and will cause its subsidiaries and their representatives not to solicit, assist, initiate, knowingly encourage or otherwise knowingly facilitate (including by way of furnishing information or entering into any form of agreement, arrangement or understanding) any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to an acquisition proposal.

If at any time prior to the approval of the Share Issuance Resolution by the Endeavour shareholders Endeavour receives an acquisition proposal that constitutes a superior proposal, the Endeavour Board may, provided it is in compliance with its obligations under Article 6 of the Share Purchase Agreement and subject to compliance with the termination procedures of the Share Purchase Agreement, terminate the Share Purchase Agreement to enter into a definitive agreement with respect to such superior proposal. Endeavour has agreed that it will not enter into a definitive agreement in respect of such superior proposal unless it provides La Mancha with written notice that the Endeavour Board has determined that it has received a superior proposal, provides La Mancha with a copy of any proposed agreement and allows a specified period to elapse from the date such notice and definitive agreement were provided to La Mancha during which La Mancha will have the opportunity but not the obligation to offer to amend or supersede the Share Purchase Agreement in order for the acquisition proposal to cease to be a superior proposal.

If La Mancha does not offer to amend the terms of the Share Purchase Agreement during such specified period or the Endeavour Board determines, acting in good faith and in the proper discharge of its fiduciary duties, after consultation with its outside legal counsel and financial advisors, that the acquisition proposal continues

to constitute a superior proposal compared to the terms of the Transaction as proposed to be amended by La Mancha and therefore rejects La Mancha's offer to amend the Share Purchase Agreement, Endeavour will be entitled to terminate the Share Purchase Agreement and enter into the proposed agreement upon payment to La Mancha of a termination fee of \$5,000,000.

### *Termination*

The Share Purchase Agreement may, by notice in writing given prior to or on the Closing Date, be terminated:

- (a) by mutual consent of the Parties;
- (b) by any Party if the Closing Date has not occurred by the end of the day on the Outside Date, provided that neither Party may terminate the Share Purchase Agreement if such Party has failed to perform any one or more of its material obligations or covenants under the Share Purchase Agreement required to be performed at or prior to the Closing Time and the Closing Time has not occurred because of such failure;
- (c) by any party if after the date of the Share Purchase Agreement any law is enacted or made (or any Law is amended) that makes the consummation of any of the transactions contemplated by the Share Purchase Agreement illegal or otherwise prohibited or enjoins any of the transactions contemplated by the Share Purchase Agreement, and such law (if applicable) or injunction shall have become final and non-appealable;
- (d) by any party if approval of the Share Issuance Resolution by Endeavour shareholders is not obtained at the Meeting;
- (e) by any party if any of the conditions for the benefit of such party have not been satisfied or waived at or prior to the Closing Time;
- (f) by any party if there has been a material breach of the Share Purchase Agreement by the other Party and such breach has not been cured within fifteen (15) days following notice of such breach by the non-breaching party.
- (g) by Endeavour if prior to the approval by the Endeavour shareholders of the Share Issuance Resolution, the Endeavour Board authorizes Endeavour to enter into a written agreement (other than a confidentiality agreement permitted by and in accordance with the Share Purchase Agreement) with respect to a superior proposal, provided Endeavour is then in compliance with its non-solicitation covenants and that prior to or concurrent with such termination, Endeavour pays to, or to the order of, La Mancha a termination fee of \$5,000,000 by wire transfer of immediately available funds.

If the Closing Date has not occurred by the end of the day on the Outside Date due to a failure by La Mancha to obtain the Key Regulatory Approvals in respect of the Purchased Corporations listed in Schedule A of the Share Purchase Agreement and Endeavour or Endeavour Resources terminates the Share Purchase Agreement pursuant to Section 9.1(b) thereof, La Mancha must pay to, or to the order of, Endeavour a termination fee of \$1,500,000 by wire transfer of immediately available funds within two Business Days of such termination.

If approval of the Share Issuance Resolution by Endeavour shareholders is not obtained at the Meeting and La Mancha terminates the Share Purchase Agreement pursuant to Section 9.1(d) thereof, Endeavour must pay to, or to the order of, La Mancha an expense reimbursement fee of \$900,000 by wire transfer of immediately available funds within two Business Days of such termination.



## Investor Rights Agreement

*The description of the Investor Rights Agreement, both below and elsewhere in this Circular, is a summary only, is not exhaustive and is qualified in its entirety by reference to the terms of the Investor Rights Agreement, which is incorporated by reference herein and may be found under Endeavour's profile on SEDAR at [www.sedar.com](http://www.sedar.com).*

The following is a summary of certain material provisions of the Investor Rights Agreement, which is not comprehensive and is qualified in its entirety by reference to the full text of the Investor Rights Agreement. Endeavour shareholders are encouraged to read the Investor Rights Agreement in its entirety.

Concurrent with the entering into of the Share Purchase Agreement, Endeavour and La Mancha entered into the Investor Rights Agreement to provide for certain rights and restrictions in connection with the Consideration Shares to be issued to the La Mancha Group pursuant to the Share Purchase Agreement.

Commencing on the later of the Closing Date and the date on which Endeavour obtains the Waiver, if Endeavour proposes or becomes obligated to issue Shares or other voting or equity shares of Endeavour (collectively, "**Voting Shares**"), or any securities convertible into Voting Shares or entitling the holder thereof to acquire Voting Shares (collectively, "**Convertible Securities**"), the La Mancha Group will have the right but not the obligation to subscribe for additional Voting Shares or Convertible Securities, as is sufficient to enable it to maintain its ownership percentage in Endeavour (subject to certain exceptions and compliance with any shareholder or regulatory approvals that may be required for any such issue). Such anti-dilution right will terminate and be of no further force or effect if La Mancha directly or indirectly beneficially owns less than 10% of the issued and outstanding Voting Shares. If the Waiver is not obtained within ninety (90) days of the Closing Date, Endeavour will apply forthwith to de-list its securities from the ASX. The La Mancha Group's anti-dilution rights will be preserved in the event Endeavour issues securities after the Closing Date and before the Waiver is obtained or its securities are de-listed from the ASX.

Subject to certain exceptions as set out in the Investor Rights Agreement, La Mancha has agreed that for a period of two years following the Closing Date, it will not sell, transfer or otherwise dispose, directly or indirectly, all or any portion of the Voting Shares or Convertible Securities beneficially owned, directly or indirectly, by La Mancha or its affiliates without Endeavour's prior written consent. Following such two year period, La Mancha will be permitted to sell Voting Shares or Convertible Securities owned by it or its affiliates either by private agreement or through the facilities of any stock exchange on which Voting Shares or Convertible Securities are traded provided, however, that in the case of a sale through the facilities of any such stock exchange, La Mancha disposes of such Voting Shares or Convertible Securities in a manner that does not disrupt orderly trading in such securities.

In addition, La Mancha has agreed, subject to certain exceptions as set out in the Investor Rights Agreement, to a two-year standstill from the Closing Date during which it will not, among other things, acquire any Voting Shares or rights or options to acquire Voting Shares if, following such acquisition, La Mancha would, in the aggregate, directly or indirectly beneficially own 30% or more of the Voting Shares or shares to which are attached 30% or more of the voting rights attaching to all voting shares of Endeavour.

The restrictions on dispositions and standstill covenants described above will be suspended and not be applicable for any period of time during which La Mancha ceases to be a beneficial owner of more than 10% of the outstanding Voting Shares in the aggregate and will automatically become applicable and in full force and effect if, within two years of the Closing Date, La Mancha again becomes a beneficial owner of more than 10% of the outstanding Voting Shares.



Provided La Mancha holds at least 10% of the outstanding Voting Shares and subject to the restrictions on dispositions described above, La Mancha will also have certain resale qualification rights to distribute its Voting Shares pursuant to a public offering that is initiated by Endeavour or undertaken by Endeavour at La Mancha's request.

As of the Closing Date, La Mancha will also have the right to nominate two representatives to the Endeavour Board. If La Mancha's holding in Endeavour falls below 20% (but remains above 10%), it will be entitled to nominate one representative to the Endeavour Board. If La Mancha's holding in Endeavour falls below 10%, it will no longer have the right to appoint a representative to the Endeavour Board. For as long as La Mancha directly or indirectly beneficially owns more than 20% of the issued and outstanding Voting Shares, it will be entitled to nominate one non-executive representative to each of Endeavour's: (i) Corporate Governance and Nominating Committee; (ii) Safety, Health and Environment Committee; and (iii) Remuneration Committee.

### **Securities Law Matters**

Endeavour is a reporting issuer in each of the provinces of Canada except Quebec. The distribution of the Consideration Shares pursuant to the Transaction will constitute a distribution of securities which is exempt from the prospectus requirements of Canadian securities laws. The Consideration Shares received by the La Mancha Group pursuant to the Transaction will be subject to a statutory four month hold period in accordance with the requirements of National Instrument 45-102 – *Resale of Securities*.

The Transaction will not constitute a "significant acquisition" for Endeavour as that term is defined under Part 8 of NI 51-102.

### **Regulatory Law Matters**

Other than the approval of the TSX and the approval of the Minister of Mines of Côte d'Ivoire, Endeavour is not aware of any material approval, consent or other action by any Governmental Entity that would be required to be obtained in order to complete the Transaction. If any such approval or consent is determined to be required, such approval or consent will be sought, although any such additional requirements could delay the Closing Date or prevent the completion of the Transaction. While there can be no assurance that any regulatory consents or approvals that are determined to be required will be obtained, Endeavour currently anticipates that any such consents and approvals that are determined to be required will have been obtained or otherwise resolved by the Closing Date, which, subject to receipt of the approval of the Endeavour shareholders at the Meeting and the satisfaction or waiver of all other conditions specified in the Share Purchase Agreement, is expected to take place as soon as reasonably practicable after the Meeting.

### **Risks Associated with the Transaction**

In evaluating the Transaction, Endeavour shareholders should carefully consider the following risk factors relating to the Transaction. The following risk factors are not a definitive list of all risk factors associated with the Transaction. Additional risks and uncertainties, including those currently unknown or considered immaterial by Endeavour, may also adversely affect the Shares and/or the business of Endeavour following the Transaction. In addition to the risk factors relating to the Transaction set out below, Endeavour shareholders should also carefully consider the risk factors associated with the business of Endeavour set forth in the section entitled "*Risk Factors*" in Endeavour's annual information form for the year ended December 31, 2014 which is available on SEDAR at [www.sedar.com](http://www.sedar.com), as such risk factors will continue to be associated with the business of Endeavour following completion of the Transaction. If any of the risk factors materialize, the predictions

based on them may need to be re-evaluated. The risks associated with the Transaction include, without limitation:

*Closing conditions outside the control of Endeavour or La Mancha may prevent the completion of the Transaction.*

There are a number of conditions to the Transaction which are outside the control of Endeavour or La Mancha including, but not limited to, receipt of Endeavour shareholder approval, the TSX conditionally approving the listing of the Consideration Shares and receipt of the Key Regulatory Approvals and Key Third Party Consents. See "*The Transaction – Share Purchase Agreement – Conditions to Closing*". If for any reason the conditions to the Transaction are not satisfied or waived and the Transaction is not completed, the market price of Shares may be adversely affected.

*Endeavour may fail to realize anticipated benefits of the Transaction.*

In the event the Transaction is completed, the intended reasons for the Transaction and the anticipated benefits may not materialize or be realized. Achieving the benefits of acquisitions depends in part on successfully consolidating functions, retaining key employees and customer relationships and continuing operations and procedures in a timely and efficient manner. Such integration may require substantial management effort, time and resources, may divert management's focus from other strategic opportunities and operational matters and ultimately Endeavour may fail to realize the anticipated benefits of the Transaction.

Actual revenue and cost synergies, if achieved at all, may not be achieved at the levels expected and may take longer than anticipated. If these challenges are not adequately addressed, Endeavour may be unable to realize the anticipated benefits of the integration of the two companies. An inability to realize the full extent of, or any of, the anticipated benefits of the Transaction, as well as any delays encountered in the integration process, could have an adverse effect on Endeavour's business and results of operations, which may affect the value of Shares.

*Endeavour may incur significant costs as a result of the integration of its operations with the Purchased Corporations.*

There are inconsistencies in standards, controls, accounting principles, procedures and policies, business cultures, and compensation structures between Endeavour and the Purchased Corporations. The integration of Endeavour's operations and the operations of the Purchased Corporations and reconciling the inconsistencies in the standards, controls, accounting principles, procedures and policies, business cultures, and compensation structures between Endeavour and the Purchased Corporations may result in additional costs for Endeavour. There are no assurances that such inconsistencies can be reconciled seamlessly or at all. The failure to reconcile such inconsistencies may lessen the anticipated benefits of the Transaction.

*Failure to complete the Transaction could negatively impact the market price of Shares and future business and financial results.*

If the Transaction is not completed for any reason, Endeavour's ongoing business and financial results may be adversely affected. In addition, if the Transaction is not completed, the price of Shares may decline to the extent that the current market price of Shares reflects a market assumption that the Transaction will be completed and that the related benefits will be realized, or as a result of the market's perceptions that the Transaction was not consummated due to an adverse change in Endeavour's business or financial condition.

Whether or not the Transaction is completed, the pending Transaction could adversely affect Endeavour's operations because matters relating to the Transaction require substantial commitments of time and resources by the Endeavour Board and Endeavour's management and employees that could otherwise have been devoted to other opportunities that may have been beneficial to Endeavour.

Endeavour cannot guarantee when, or whether, the Transaction will be completed, that there will not be a delay in the completion of the Transaction or that all or any of the anticipated benefits of the Transaction will be obtained. If the Transaction is not completed or is delayed, Endeavour may experience the risks discussed above which may adversely affect Endeavour's business, financial results and Share price.

*The dilutive effect on Endeavour shareholders arising from the Transaction could impact Share value.*

With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in Endeavour's earnings per Share. Pursuant to the Transaction, the La Mancha Group will receive 177,061,572 Shares, representing 30% of the issued and outstanding Shares upon completion of the Transaction.

*The Share Purchase Agreement may be terminated by Endeavour or La Mancha in certain circumstances.*

Endeavour and La Mancha each have the right to terminate the Share Purchase Agreement in certain circumstances. See "*The Transaction – Share Purchase Agreement – Termination*". Accordingly, there is no certainty that the Share Purchase Agreement will not be terminated by Endeavour or La Mancha before the completion of the Transaction. For example, each of Endeavour and La Mancha has the right to terminate the Share Purchase Agreement if the other party is in material breach of the Share Purchase Agreement. It is possible that one or more circumstances may arise which would give either party the right to terminate the Share Purchase Agreement, in which case the Transaction would not proceed.

*There may be undetected or unregistered interests or claims over the properties of the Purchased Corporations.*

Although Endeavour believes it has taken reasonable measures to ensure that the Purchased Corporations have proper title to their mining properties, there is no guarantee that title to their mining properties is not defective or will not be challenged, altered or impaired. Third parties may have valid claims underlying portions of the Purchased Corporations' interests, including prior unregistered liens, agreements, transfers or claims, including indigenous land claims, and title may be affected by, among other things, undetected defects or unforeseen changes to the boundaries of the properties by governmental authorities. An impairment to or defect in the Purchased Corporations' title to their mining properties could have an adverse effect on Endeavour's interest.

*The ability of Endeavour to develop and operate the combined business post-Transaction may be impaired.*

The ability to operate the business is subject to many risks and uncertainties. These include the ability of Endeavour and its management to direct the business of Endeavour to focus on the business of the Purchased Corporations, obtaining and maintaining various permits and approvals from Governmental Entities, and to satisfy the requirements for ongoing capital for the combined business, Endeavour will be required to obtain adequate financing. Global financial conditions have been subject to increased volatility and this may impact the ability of Endeavour to obtain required equity or debt financing in the future and, if obtained, on terms favourable to Endeavour. If these increased levels of volatility and market turmoil continue, Endeavour's operations could be adversely impacted and the value and the price of Shares could be adversely affected. If equity financing is required, such financings could result in significant additional dilution to existing Endeavour shareholders.

*Prevailing political risk may affect the value of Endeavour shares*

The recent political climate and uncertainty in Burkina Faso could adversely affect the value of Endeavour shares prior to the Transaction closing. The attempted coup d'état on September 16, 2015 by a faction within the Burkina Faso military appears to have been unsuccessful; and the interim-government has now been reinstalled, but there can be no certainty that the presidential elections will take place in October 2015 as planned and that further political dislocation may not occur. The market may perceive these factors as negative for the operations or growth prospects of Endeavour.

## **CONSOLIDATION**

At the Meeting, Endeavour shareholders will also be asked to consider, and, if deemed fit, to pass the Consolidation Resolution.

Subject to the approval of the TSX, the approval of the Consolidation Resolution by Endeavour shareholders would give the Endeavour Board authority to implement the Consolidation within 12 months of the date of the Consolidation Resolution. Notwithstanding approval of the proposed Consolidation by Endeavour shareholders, the Endeavour Board, in its sole discretion, may abandon the Consolidation without further approval or action by or prior notice to Endeavour shareholders.

Assuming receipt of Endeavour shareholder and TSX approval, Endeavour expects to implement the Consolidation concurrently with the closing of the Transaction, which is anticipated to occur within 5 Business Days of receipt of Endeavour shareholder approval. Endeavour will publicly release the timetable for the Consolidation when it is finalized.

The reasons for the Consolidation, and certain risks associated with the Consolidation and related information, are described below.

### **Reasons for the Consolidation**

The Endeavour Board believes that it is in the best interests of Endeavour to reduce the number of outstanding Shares by way of the Consolidation, particularly following the issuance of an aggregate of 177,061,572 Shares in connection with the Transaction. The potential benefits of the Consolidation include:

- *More Attractive Share Price.* The market price of Shares that may result from the Consolidation could heighten the interest of the financial community in Endeavour and broaden the pool of investors that may consider investing in Endeavour. As a matter of policy, many institutional investors and

investment funds are prohibited from purchasing stocks below certain minimum price thresholds. In addition, brokers often discourage their customers from purchasing such stocks. To the extent that the price per Share remains at a higher price per Share as a result of the Consolidation, some of these concerns may be alleviated.

- *Improved Trading Liquidity.* An increased interest from investors may ultimately improve the trading liquidity of Shares.
- *Raise Additional Capital at a Higher Price per Share.* The higher anticipated price of the post-Consolidation Shares could allow Endeavour to raise additional capital through the sale of additional Shares at a higher price per Share than would be possible in the absence of the Consolidation.
- *A Reduction in Transaction Costs for Shareholders.* Many investors pay commissions based on the number of Shares traded when they buy or sell Shares. If the Share price were higher, investors may pay lower commissions to trade a fixed dollar amount than they would if the Share price is lower.

## **Risks Associated with the Consolidation**

*Endeavour's total market capitalization immediately after the proposed Consolidation may be lower than immediately before the proposed Consolidation.*

There are numerous factors and contingencies that could affect the Share price prior to or following the Consolidation, including market conditions, the status of Endeavour's reported results in future periods, and general economic, geopolitical, stock market and industry conditions. Accordingly, the market price of Shares may not be sustainable at the direct arithmetic result of the Consolidation, and may be lower. If the market price of Shares is lower than it was before the Consolidation, Endeavour's total market capitalization (the aggregate value of all Shares at the then market price) after the Consolidation may be lower than before the Consolidation.

*A decline in the market price of the Shares after the Consolidation may result in a greater percentage decline than would occur in the absence of the Consolidation and the liquidity of the Shares could be adversely affected following the Consolidation.*

While Endeavour believes that a higher market price may generate investor interest in Shares, the Consolidation may not result in a market price of Shares that will attract institutional investors or investment funds or satisfy the investment guidelines of institutional investors or investment funds.

If the Consolidation is implemented and the market price of Shares declines, the percentage decline may be greater than would occur in the absence of the Consolidation. However, the market price of Shares will also be based on Endeavour's performance and other factors, which are unrelated to the number of Shares outstanding. Furthermore, the liquidity of Shares could be adversely affected by the reduced number of Shares that would be outstanding after the Consolidation.

*The Consolidation may result in some Endeavour shareholders owning "odd lots" of less than 100 Shares on a post-Consolidation basis, which may be more difficult to sell, or require greater transaction costs per Share to sell.*

The Consolidation may result in some Endeavour shareholders owning "odd lots" of less than 100 Shares on a post-Consolidation basis. "Odd lots" may be more difficult to sell, or require greater transaction costs per Share to sell, than Shares held in "board lots".

## **Effective Date of Consolidation**

Subject to the approval of the TSX, if the Consolidation is approved by Endeavour shareholders and the Endeavour Board determines to implement the Consolidation, the Consolidation will become effective on the date specified in a resolution of the Endeavour Board. No further action on the part of the Endeavour shareholders would be required in order for Endeavour to implement the Consolidation. If the Consolidation has not become effective within 12 months of the date of approval of the Consolidation Resolution by Endeavour shareholders, the authority granted in the Consolidation Resolution to implement the Consolidation will terminate. The Endeavour Board reserves its right to elect not to proceed and abandon the Consolidation if it determines, in its sole discretion, that this proposal is no longer in the best interests of Endeavour.

Assuming receipt of Endeavour shareholder and TSX approval, Endeavour expects to implement the Consolidation concurrently with the closing of the Transaction.

## **Impact of the Consolidation if Implemented**

If approved and implemented, the Consolidation will occur simultaneously for all Shares. Except for any variances attributable to fractional shares, the change in the number of issued and outstanding Shares that will result from the Consolidation will cause no change in the capital attributable to Shares and will not materially affect any Endeavour shareholder's percentage ownership in Endeavour even though such ownership will be represented by a smaller number of Shares.

In addition, the Consolidation will not materially affect any Endeavour shareholder's proportionate voting rights. Each Share outstanding after the Consolidation will be entitled to one vote and will be fully paid and non-assessable.

Exchangeable Shares are exchangeable or redeemable for Shares on a one-for-one basis in accordance with their terms. Pursuant to the terms of the Support Agreement which governs the rights of the holders of Exchangeable Shares and pursuant to and the rights, privileges, restrictions and conditions attached to the Exchangeable Shares, Endeavour is permitted to undertake the Consolidation without the prior approval of the holders of Exchangeable Shares as an economically equivalent change will be simultaneously made to the rights of such holders. In particular, following completion of the Consolidation, each outstanding Exchangeable Share will be exchangeable or redeemable for one-tenth of a post-Consolidation Share such that the aggregate 560,079 Exchangeable Shares outstanding as of the date hereof, representing approximately 0.1356% of the Shares outstanding as of the date hereof, will be redeemable for an aggregate of approximately 56,007 post-Consolidation Shares, representing approximately 0.1356% of the approximately 41,314,366 post-Consolidation Shares that will be outstanding on completion of the Consolidation.

## **Mechanics of the Consolidation**

On or prior to the effective date of the Consolidation, Endeavour will give written notice thereof to all registered Endeavour shareholders and on or promptly following the effective date of the Consolidation, Endeavour will provide registered Endeavour shareholders with a form of a letter of transmittal to be used for the purpose of surrendering their certificates representing the currently outstanding Shares to Computershare at 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1, in exchange for new share certificates representing whole post-Consolidation Shares. After the Consolidation, current issued share certificates representing pre-Consolidation Shares will: (a) constitute good delivery for the purposes of trades of post-Consolidation Shares; and (b) be deemed for all purposes to represent the number of post-Consolidation

Shares to which the Endeavour shareholder is entitled as a result of the Consolidation. No delivery of a new share certificate to an Endeavour shareholder will be made until the Endeavour shareholder has surrendered his, her or its current issued share certificate(s).

Beneficial Endeavour shareholders holding their Shares through an intermediary, such as a bank, trust company, securities broker or other financial institution should note that such intermediary may have different procedures for processing the Consolidation than those that will be put in place by Endeavour for registered Endeavour shareholders. All beneficial Endeavour shareholders who hold Shares through an intermediary, such as a bank, trust company, securities broker or other financial institution are encouraged to contact their intermediaries to obtain instructions for processing the Consolidation.

Existing Shares held by CDN on behalf of CDI holders will be replaced with post-Consolidation Shares. CDI holders will receive 1 CDI representing 1 post-Consolidation Share for every 10 CDIs held pre-Consolidation. CDI holders will receive a holding statement for the number of post-Consolidation CDIs held following completion of the Consolidation, which is anticipated to occur within 5 Business Days of receipt of Endeavour shareholder approval. Endeavour will publicly release the timetable for the Consolidation when it is finalized.

Holders of Exchangeable Shares are not required to take any action in respect of the Consolidation. As noted above, upon completion of the Consolidation, each outstanding Exchangeable Share will be exchangeable or redeemable for one-tenth of a post-Consolidation Share.

### **No Fractional Shares to be Issued**

No fractional Shares will be issued in connection with the Consolidation and, in the event that an Endeavour shareholder would otherwise be entitled to receive a fractional Share upon the Consolidation, such fraction will be rounded down to the nearest whole number of Shares.

### **No Dissent Rights**

Endeavour shareholders do not have dissent rights with respect to the proposed Consolidation.

### **Consolidation Resolution**

The text of the proposed Consolidation Resolution is as follows:

**"BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:**

1. The Corporation is hereby authorized, if and when the board of directors of the Corporation (the "**Board**") resolves to do so, within 12 months of the date of this ordinary resolution, to consolidate all of the authorised, issued and outstanding ordinary shares of the Corporation (the "**Shares**") at a ratio of 10:1 (the "**Consolidation**");
2. No fractional Shares shall be issued in connection with the Consolidation and any fractional Shares resulting from the Consolidation shall be rounded down to the nearest whole Share; and
3. Notwithstanding any of the foregoing, the Board is hereby authorized, at its sole discretion and without further approval of or notice to the shareholders of the Corporation, to determine not to implement the Consolidation."

A simple majority of the votes cast at the Meeting in person or represented by proxy is required in order to pass the Consolidation Resolution.

**The Endeavour Board recommends a vote FOR the approval of the Consolidation. In the absence of a contrary instruction, the persons designated by management of Endeavour in the enclosed form of proxy intend to vote FOR the approval of the Consolidation.**

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Since January 1, 2015, no informed person of Endeavour or any associate or affiliate of an informed person, has or had any material interest, direct or indirect, in any transaction or any proposed transaction which has materially affected or will materially affect Endeavour or its subsidiaries.

## INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

As at the date of this Circular, Endeavour directors and executive officers beneficially own, directly or indirectly, or exercise control or direction over, the following number of Shares and Options:

NAME	SHARES	OPTIONS
Michael E Beckett, Director and Chairman	160,000	250,000
Wayne McManus, Director	80,000	200,000
Ian Cockerill, Director	94,000	Nil
Frank Giustra, Director	5,307,215 <sup>1</sup>	2,296,600
Ian Henderson, Director	Nil	Nil
Miguel Rodriguez, Director	Nil	Nil
Neil Woodyer, Director and Chief Executive Officer	1,007,127 <sup>2</sup>	4,561,067
Morgan Carroll, Executive VP Corporate Finance & General Counsel	176,744	915,689
Ota Hally, Chief Financial Officer	110,000	692,582
Adriaan "Attie" Roux, Chief Operating Officer	314,294	1,567,000
Douglas Bowlby, Executive VP Corporate Development	346,357	1,262,547
Jeremy Langford, Executive VP Construction Services	200,000	998,000
Richard Thomas, Executive VP Technical Services	139,400	799,000
Doug Reddy, Executive VP Business Development	49,460	1,004,689

1. Includes 1,500,000 Endeavour Shares held by Radcliffe Foundation, a charitable foundation controlled by Mr. Giustra.
2. Ashdell Ltd., a company beneficially owned by a Woodyer family trust, holds 2.8 million Endeavour Shares as at the date of this Circular. Ashdell is controlled by this trust which operates through an independent trustee. Neil Woodyer has no control or direction over or beneficial interest in Ashdell Ltd. or the trust.

Other than as set out in the table above, no director or executive officer of Endeavour who has held such position at any time since January 1, 2015 or any of his associates or affiliates has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.



## **INTERESTS OF EXPERTS**

Kathleen Jane Body, B.Sc., G.Dip.Eng., Pr.Sci.Nat., Mpfariseni Mudau, B.Sc., M.Sc., Pr.Sci.Nat., Coffey Mining (South Africa) (Pty) Ltd, Gordon Ian Cunningham, B.Eng., Metallurgical Engineer, Pr.Eng., Turnberry Projects (Pty) Ltd., Rémi Bosc, Ing.Geol., Eur.Geol., Arethuse Geology Sarl, Patrick Perez, M.Eng., P.Eng., SGS Canada, Jason Baker, B.A.Sc., P.Eng., Daniel Gauthier, B.A.Sc., MBA, Eng., Pierre Larochelle, B.A.Sc., Eng., Henri P. Sangam, BEng, B.A.Sc., M.A.Sc., Ph.D., P.Eng. and SNC-Lavalin Inc., each being companies, partnerships or persons who are named as having prepared or certified a report, statement or opinion in this Circular, or any director, officer, employee or partner thereof, as applicable, have not received a direct or indirect interest in a property of Endeavour or any associate or affiliate thereof.

None of the aforementioned persons nor any directors, officers, employees and partners, as applicable, of each of the aforementioned companies and partnerships, is currently expected to be elected, appointed or employed as a director, officer or employee of Endeavour or any associate or affiliate of Endeavour.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation may be found under Endeavour's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com). Financial information relating to the Corporation is provided in the Corporation's comparative financial statements for year ended December 31, 2014 and related management discussion and analysis, copies of which may be requested by contacting the Corporation at [investor@endeavourmining.com](mailto:investor@endeavourmining.com).

Shareholders, employees, and other interested parties may communicate directly with the Endeavour Board through the Chairman, by writing to:

Chairman of the Board of Directors  
Endeavour Mining Corporation  
Suite 3123 – 595 Burrard Street  
P.O. Box 49139, Vancouver, BC  
V7X 1J1 Canada

## **APPROVAL OF THIS INFORMATION CIRCULAR**

The Endeavour Board has approved the content of this Circular and its delivery to the Endeavour shareholders.

Dated at Vancouver, Canada as of October 1, 2015.

## Schedule A – Share Issuance Resolution

"BE IT RESOLVED, AS AN ORDINARY RESOLUTION THAT:

1. The issuance (the "**Issuance**") of 177,061,572 ordinary shares (the "**Shares**") in the capital of Endeavour Mining Corporation (the "**Corporation**") to La Mancha Holding S.à.r.l. ("**La Mancha**") or any of its subsidiaries, which is deemed to materially affect control of the Corporation, pursuant to the terms of a share purchase agreement dated September 18, 2015 (the "**Share Purchase Agreement**") among the Corporation, its wholly-owned subsidiary Endeavour Resources Inc. and La Mancha is hereby approved.
2. The actions of the directors of the Corporation in approving the Issuance and the actions of the directors and officers of the Corporation in executing and delivering the Share Purchase Agreement and all documents ancillary thereto, and any amendments, are hereby ratified and approved.
3. Notwithstanding that this resolution has been passed (and the Issuance approved) by the shareholders of the Corporation, the directors of the Corporation are hereby authorized and empowered, without further notice to, or approval of, the shareholders of the Corporation:
  - (a) to amend the Share Purchase Agreement to the extent permitted by the Share Purchase Agreement; and
  - (b) subject to the terms of the Share Purchase Agreement, not to proceed with the Issuance.
4. Any one or more directors or officers of the Corporation is hereby authorized, for and on behalf and in the name of the Corporation, to execute and deliver, whether under corporate seal of the Corporation or otherwise, all such agreements, forms, waivers, notices, certificates, confirmations and other documents and instruments and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to these resolutions and the Share Purchase Agreement, including:
  - (a) all actions required to be taken by or on behalf of the Corporation, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities; and
  - (b) the signing of the certificates, consents and other documents or declarations required under the Share Purchase Agreement or otherwise to be entered into by the Corporation,

such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing."

## Schedule B – Information Concerning the Purchased Corporations

***All capitalized terms used in this Schedule B and not defined herein have the meaning ascribed to such terms in the "Glossary of Terms" section of the Circular or elsewhere in the Circular. Unless otherwise indicated, all references in this Circular to "US\$" refer to United States dollars, references to "C\$" refer to Canadian dollars and references to "A\$" refer to Australian dollars.***

***The information concerning the Purchased Corporations contained in this Schedule B has been provided by La Mancha for inclusion in this Schedule B. Although Endeavour has no knowledge that would indicate that any statements contained herein relating to the Purchased Corporations taken from or based upon such information provided by La Mancha are untrue or incomplete, neither Endeavour nor any of its officers or directors assumes any responsibility for the accuracy or completeness of the information relating to the Purchased Corporations or for any failure by La Mancha to disclose facts or events that may have occurred or may affect the significance or accuracy of any such information but which are unknown to La Mancha.***

### About Société des Mines d'Ity

SMI's headquarters are located in Abidjan. SMI was incorporated in 1984 in Côte d'Ivoire as a vehicle for developing the gold deposit discovered in the Ity district of western Côte d'Ivoire, located 700 km northwest of Abidjan.

SMI is the 100% owner and operator of the Ity Gold Mine ("Ity"), which is an open-pit and heap leach gold operation. The construction of Ity began in 1990 and the first gold from the Flotouo deposit was poured in January 1991. Ity is currently constituted as an open pit mine with heap leach ore treatment. Over 1.0 million ounces (Moz) have been produced since first development.

The current SMI operation comprises mining, crushing and stacking at a rate of 0.95 million tonnes per annum (MTPA), with processing facilities designed for the treatment of oxidized soft clay and laterite ore. In 2015, heap leaching using cyanide is expected to recover 88koz of gold. The site is linked by road to Abidjan.

As of the date of this Circular, SMI's ownership structure is as follows:

- La Mancha, as majority shareholder, holds a 55% equity interest in SMI through two of its direct subsidiaries;
- Société pour le Développement Minier de la Côte d'Ivoire (SODEMI) holds a 30% equity interest in SMI;
- The State of Côte d'Ivoire holds a 10% equity interest in SMI; and
- Didier Drogba Group (Keyman Investment) holds a 5% equity interest in SMI.

Immediately prior to the Closing Time, La Mancha Cayman will hold a 55% equity interest in SMI.

## About La Mancha

In July 2012, La Mancha Resources Inc. ("**La Mancha Resources**"), a TSX-listed company, announced that it had reached a definitive agreement pursuant to which it would be acquired by Weather Investments II S.à.r.L., an investment vehicle backed by the Sawiris family group.

As a result of the 2012 transaction, La Mancha Resources' shares were delisted from the TSX at the close of business (Toronto time) on November 12, 2012 and from the Deutsche Börse AG at the close of business (Frankfurt time) on November 12, 2012.

The newly appointed management team for the privatized company, which included Sébastien de Montessus as Chief Executive Officer and Naguib Sawiris as Chair of the Advisory Board, elected to retain the operating name of "La Mancha".

Since 2006, the La Mancha Group has held an ownership interest in Ity. In January 2014, the La Mancha Group acquired an additional 9.1% controlling interest in Ity from Côte d'Ivoire State miner, Société pour le Développement Minier de la Côte d'Ivoire, increasing its total stake from 45.9% to 55%.

## Ity Asset Optimisation

The current La Mancha management team initiated numerous operational improvements at Ity since the 2012 transaction, which resulted in the highest production levels being achieved at Ity.

In early 2013, the new La Mancha management team launched a 2.5 year €28m exploration program consisting of +135,000m of drilling on the SMI portfolio in Côte d'Ivoire.

Following early exploration success and the discovery of large fresh ore deposits, a business plan was developed based on a conventional carbon in leach ("**CIL**") process plant capable of processing oxidized and fresh ore. An internal scoping study was completed in 2013, investigating the construction of a CIL plant to allow processing of tailings and sulphide ore.

In 2014, a pre-feasibility study ("**PFS**") was completed by SNC-Lavalin on behalf of the La Mancha Group using a processing rate of 1.5 MTPA based on Indicated mineral resources at the time. Following the positive PFS results, in late 2014 and early 2015, the La Mancha Group conducted drilling programs at Daapleu, Zia NE and Mont Ity that were designed to upgrade all Inferred material from the latest resource estimate to Indicated, as well as to delineate each deposit further along strike. The resulting resource estimate update yielded a significant increase in Indicated resource for all three areas. An updated PFS was completed in July 2015 for the CIL Project using a processing rate of 2.0 MTPA.

La Mancha's aggressive exploration program has increased Measured and Indicated mineral resources to 2.9Moz and Proven and Probable reserves to 1.6Moz. A definitive feasibility study (DFS) is currently underway using a 3.0MTPA processing rate.

## Côte d'Ivoire Exploration Potential and Mining Framework

Most gold deposits in West Africa are located in Birimian greenstone belts and the largest portion of the Birimian greenstone is located in Côte d'Ivoire (approximately 35%) while hosting only

around 8% of the known reserves to date. Limited historical exploration investment has taken place in Côte d'Ivoire relative to countries such as Ghana which currently hosts the largest share of resources (circa 110Moz), despite having a much smaller proportion of the Birimian greenstone belts. With the improved social, political and regulatory environment, a number of mines have now opened in Côte d'Ivoire. Today, over 30 companies are exploring in the country.

The Parliament of Côte d'Ivoire adopted a new mining code in March 2014, which replaces the former mining code from 1995. The new mining code is aimed at enhancing mining investment in Côte d'Ivoire by introducing, among others, a more favourable mining tax and customs regime and greater transparency in the permit allocation procedures, particularly in the gold sector, and strengthening its contribution to local development.

### **About La Mancha Côte d'Ivoire**

In addition to La Mancha's indirect participation in SMI and in order to expand its geographical presence in Côte d'Ivoire, LMCI was incorporated in January 2014 as an entity exclusively dedicated to mineral exploration.

As of the date hereof, LMCI is an indirect wholly-owned subsidiary of La Mancha. LMCI currently holds and/or manages seven exploration permits located in Côte d'Ivoire.

Immediately prior to the Closing Time, La Mancha Cayman will hold a 100% equity interest in LMCI.

### **About La Mancha Cayman**

La Mancha Cayman is an exempted company within the La Mancha Group incorporated in the Cayman Islands with limited liability on September 16, 2015 and, as of the Closing Date, its sole purpose will be to serve as a holding company for LMCI and SMI.

### **Ity Gold Mine**

The information below has been extracted in whole or in part from the summary contained in the Ity Technical Report. Endeavour shareholders are encouraged to read the entire Ity Technical Report, which will be filed on Endeavour's SEDAR profile at [www.sedar.com](http://www.sedar.com) concurrently with the filing of the Circular on SEDAR.

### **Introduction**

Coffey Mining (South Africa) Pty Limited (Coffey) has been requested by Endeavour Mining Corporation (Endeavour), the Issuer, to compile an Independent Technical Report on the Ity Gold Mine (Ity Mine) in Côte d'Ivoire which is operated by Société des Mines d'Ity (SMI), a subsidiary of La Mancha Holding S.à.r.l. (La Mancha). This document complies with disclosure and reporting requirements set forth in the Toronto Stock Exchange Manual, National Instrument 43-101 (NI43-101) Standards of Disclosure for Mineral Project, Companion Policy 43-101CP and Form 43-101F1.

SMI operates the open-pit and heap leach gold mine in the Ity district of western Côte d'Ivoire. Production commenced in 1991, with a total of over 1.0 million ounces (Moz) produced to date from multiple deposits. The mine currently processes 950 ktpa of ore and produced 82,000 ounces of gold in 2014 and 45,000 ounces of gold production from the first six months of 2015.

As the mining progresses and deeper ore is extracted, over the next several years recoveries from the heap-leach plant for several ore types will be reduced and the construction of a carbon-in-leach (CIL) plant may result in an improvement in overall project economics.

In 2014, SNC-Lavalin Inc. conducted a Pre-Feasibility Study (PFS) on behalf of SMI to evaluate the potential of a CIL plant using a processing rate of 1.5 Mtpa. The results of the study were positive and in late 2014 through to early 2015, SMI carried out drilling programs at the Daapleu, Zia North East (ZiaNE) and Mont Ity deposits designed to upgrade all Inferred Mineral Resource material from the 2014 mineral resource estimate to Indicated Mineral Resources, the Daapleu deposit Indicated Mineral Resource to Measured Mineral Resource, and to delineate each deposit further along strike. The resulting 2015 mineral resource estimate update yielded a significant increase in Measured and Indicated Mineral Resources to 2.9 Moz of gold contained in five deposits, two dumps, decommissioned leach pads and a stockpile. SNC-Lavalin was mandated by SMI to update the PFS for the CIL Project using a processing rate of 2.0 Mtpa. The results of that study are summarized here.

The mineral deposits described in this summary are all part of the mine property of SMI's exploitation permit or the adjacent exploration permit in the Côte d'Ivoire and are centred on 06° 52' 16" north latitude and 08° 06' 30" west longitude. Côte d'Ivoire is located in West Africa at the extreme west of the Gulf of Guinea and is bordered by Ghana in the east, Mali and Burkina Faso in the north and Guinea and Liberia in the west. The Ity gold deposits are located in the west of Côte d'Ivoire, 480km (direct) from the economic capital of Abidjan, near the border with Liberia and Guinea (Figure 0\_1 and 0\_2).

Figure 0\_1  
Location of the SMI Properties, Côte d'Ivoire

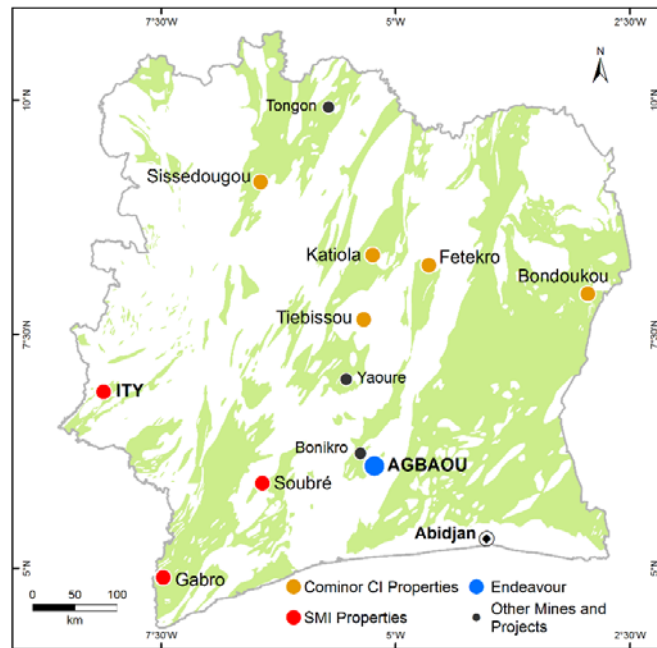
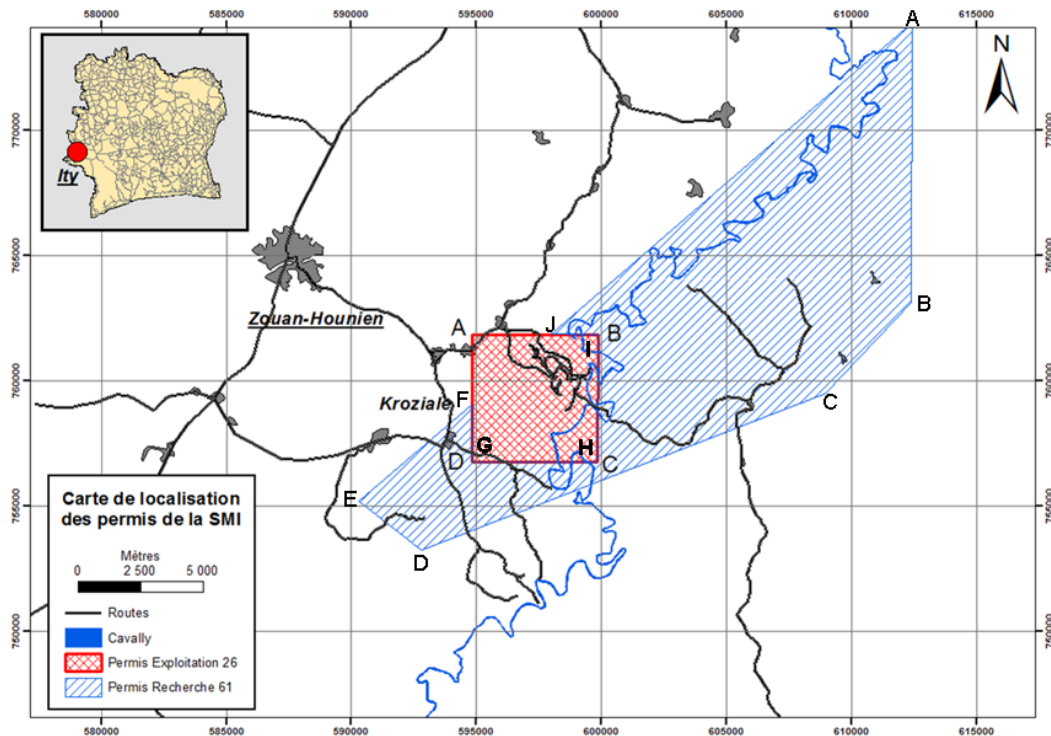


Figure 0\_2  
Permit Areas SMI, Côte d'Ivoire



The Ity Mine currently operates two open pits; Mont Ity and Tontouo. As of the Effective Date of this report the Tontouo open pit is near the end of its life and is not included in this technical report. Recent drill programs have defined additional mineral resources for Mont Ity, as well as new in-situ mineral resources at Daapleu, ZiaNE, Walter and Gbeitouo and also the decommissioned heap leach pads at Aires de Lixiviation (Aires), the former waste dumps of Verse Ouest and Teckraie.

The SMI properties, which are the subject of this report, include two permits which contain the Ity gold deposits (Figure 0\_2). These permits are:

- Permis d'Exploitation PE26 (Mining Permit)
- Permis de Recherche PR61 (Exploration Permit)

PR61 is situated over parts of the Zouan-Hounien and Bolequin prefectures. The permit has a surface area of 153km<sup>2</sup> and is oriented northeast-southwest and is comprised of two sub portions, including the following deposits and prospects: Gbeitouo, Daapleu, Yacetouo, Morgane, Mlamboppleu to the east of the Cavally River and Floleu to the west of the river. PR61 was first issued in 1995 and extended in two year intervals with land area reductions down to the current holdings.

Mining Permit PE26 with an area of 25km<sup>2</sup> comprises the Ity Gold Mine which includes the Mont Ity, ZiaNE and Walter deposits, the Aires (decommissioned heap leach pads) and the Verse Ouest and Teckraie dumps which are to the west of the Cavally River.

Mineral rights are 100% held by SMI, a registered company of Côte d'Ivoire at address 08 BP 872 Abidjan 08 – Cocody 180 logements Boulevard Latrille, immeuble Palm Club, 2nd floor. La Mancha holds a 55% stake and management control of SMI, the remainder is held 30% by SODEMI (the State Mining Agency), 10% by the Government of Côte d'Ivoire, and 5% by a private investor.

### **History**

Copper and gold were first discovered near the village of Ity in the 1950's during regional exploration by the Bureau Minière de la France d'Outre-Mer. Initial attempts to recover the gold were unsuccessful due to the fineness of the gold and the rheology of the ore. In 1983 the Société Minière d'Ity was incorporated to develop the Flotouo deposit which poured its first gold in 1991. Substantial exploration was done in the 1990s and many of the deposits were discovered or expanded at that time. Since then ownership has changed several times until the La Mancha Group acquired a large stake in SMI in 2012. In 2014 a change in shareholders was authorized by the Government of the Côte d'Ivoire leading to the current ownership structure.

### **Geology**

The Ity deposits are located in the Lower Proterozoic Birimian Formations of the Toulépleu-Ity klippe. The Toulépleu-Ity klippe is a small remnant of Birimian within the older Archean portion of the West African Craton. The Ity area is characterized by a series of granodioritic intrusions into a sedimentary sequence of volcano-sediments and carbonates with a general NE-SW strike. The volcanic rocks are generally tuffaceous with chemistry that ranges from basic to acidic. All formations have been subjected to regional metamorphism.



The deposits of Ity, ZiaNE, and Walter are skarns developed at the contacts of the granodiorite with the carbonates. The remaining in-situ deposits are more typical shear-hosted, greenstone deposits. The Daapleu deposit is characterized by the presence of a "rhyolitic" intrusive surrounded by a package of volcano-sediments. The "rhyolite" is locally called "daaplite" and is leucocratic (grey to white), microgranular, schistose and rich in micas, essentially a fine grained granite. The Gbeitouo deposit is hosted within volcano-sediments.

The Teckraie and Verse Ouest deposits are rock dumps of the now depleted Flotouo (skarn) open pit and sit on top of weathered granodiorite. Aires consists of the decommissioned heap leach pads from the historic operation of the mine.

### **Exploration**

La Mancha's evaluation of the Ity Mine began in 2012 following the change in ownership and management. Exploration since then has been carried out under the supervision of technically qualified personnel applying standard industry approaches. All data acquired meets or exceeds industry standards and all exploration work has been carried out by, or supervised by technical personnel of the operator. Work prior to 2012 has been validated or replaced with new information.

### **Data**

A summary of the drilling for all eight deposits is given in Table 1.5\_1.

<b>Table 1.5_1</b> <b>SMI Gold Project</b> <b>Drilling Summary</b>			
<b>Deposit</b>	<b>Method</b>	<b>Boreholes</b>	<b>Metres</b>
Aires leach pads	AirCore	159	6,455
Verse Ouest dump	Diamond	32	1,180
Teckraie dump	AirCore	85	3,191
	RC	2	28
	Diamond	31	1,079
Daapleu	RC	47	3,892
	Diamond	559	45,329
ZiaNE	RC	10	926
	Diamond	243	26,920
Mont Ity	RC	286	13,287
	Diamond	299	39,918
Walter	RC	103	6,919
	RC-DD	6	613
	Diamond	32	3,916
Gbeitouo	RAB	19	2,240
	Diamond	67	6,854

Drilling and survey procedures observed are to acceptable industry standards, are appropriate to the deposits being drilled and are appropriate for mineral resource estimation.

The Walter and Gbeitouo deposits still have a large proportion of historical boreholes utilized in the mineral resource estimates. Historical drilling was poorly documented between 2002 and 2012. Sufficient additional drilling allowed verification of historic drilling for use in industry standard resource estimates. Drilling practices from 2012 onward were all documented and regularly assessed by independent senior consultants and are to acceptable industry standards, are appropriate to the deposits being drilled and are appropriate for mineral resource estimation.

Control samples used during drill campaigns on the Aires, Teckraie, Verse Ouest, Daapleu, ZiaNe and Mont Ity project areas contained within this report comprised the insertion of standards, blanks and field duplicates into the sample stream. The intended aim should be approximately 5% coverage for standards, blanks and duplicates. The quality control data was analysed on an on-going basis and generated some queries with the laboratory that were resolved.

During the different campaigns on the deposit areas the duplicates were comprised of a quarter split of the core, a second coarse-split of the RC sample or a second split of the pulp. A total of 18 different commercial standards (Geostats, Gannet Holdings and Rock Labs of Australia) were used, of various grades. Two different sources of blank material were used, beach sand and coarse rock chips that were confirmed to not contain any gold.

All assays for the most recent exploration campaigns were done by Bureau Veritas laboratory, Abidjan, Côte d'Ivoire for 50g fire-assay analyses. In addition to the above, six batches of samples were sent to ALS Chemex, Ouagadougou, Burkina Faso as umpire checks. These samples came from the Mont Ity, and ZiaNE project areas.

In general the results of the assays were within acceptable limits and deemed suitable for use in the mineral resource database. Any data deemed not to be suitable was removed from the database.

### ***Metallurgy and Heap Leach Process***

No heap leach testwork has been conducted on the project during the last number of years and anything completed historically is no longer available. The heap leach has been in operation for many years and remains in operation and as such production data can be used to give an indication of the metallurgical performance expected from the plant.

It is reported by mine management that regular bottle-roll tests are completed to determine the recoverable gold from a -2mm pulverised 50 gram sample.

Historically, as reported in 2008, regular column leach tests were completed, but this practise has been discontinued.

The analytical techniques available on the mine do not include total contained gold methods and as such the actual head grade samples cannot be determined. Comparing gold recovered with the above determined leachable gold content results in a historical yield of between 75% and almost 80%.

### ***Metallurgy and CIL Process***

Considerable metallurgical testwork has been conducted to confirm the metallurgical response for a CIL plant. The metallurgical testing used for the 2.0 Mtpa CIL project was completed during 2014

at ALS Minerals Division (Metallurgy) located in Kamloops, BC, Canada. Additional work was conducted in 2015 but has not been integrated into this report and is part of ongoing feasibility studies.

Mineralogical and metallurgical test work was completed in order to generate sufficient mineralogical and metallurgical information to:

- Establish the processing route (process flow diagrams);
- Determine the plant operating parameters for the ores to be processed;
- Evaluate the variability in metallurgical performance for the different deposits, and;
- Define parameters required for the engineering and design of the plant (process design criteria, mass and water balance and equipment sizing).

The mineralogical study and metallurgical test work program were executed on the geological samples from the following deposits and facies:

Daapleu deposit included three different geological facies called Daaplite, Volcano sediment and a High Grade contact zone between both;

- Gbeitouo deposit included two different geological facies called Oxidized Clay and Meta-volcano sediment;
- Mont Ity Deep Extension test work was on two different geological facies called Oxidized Clay and Reduced Clay;
- ZiaNE deposit test work was on two different geological facies called Oxidized Clay and Laterite;
- Aires deposit – four composite samples representing four geographical areas of the heap leach pads.

The sample material was selected and prepared by SMI geologists and personnel to create what is believed to be the most representative facies samples. The metallurgical test work results allowed the process development steps described in the following paragraphs.

A mineral sizer type crusher has been selected for the soft sticky ore facies, such as oxidized clay, reduced clay and heap leach residues. A jaw crusher has been selected for the more competent (hard) ore facies, such as daaplite and volcano-sediments.

The preliminary results from the test grinds indicate the grinding mill has been sized to process ore at an average rate of 254tph (tonnes per hour) with a finished product 80% passing 75µm.

Gravity concentration did not improve overall gold recoveries and has not been considered in the process development as the mean gold particle diameter is only in the 18 µm range.

A high rate thickener has been selected for the pre-leach thickener. The thickener underflow density of 43% (w/w) is anticipated.

Whole ore cyanidation leach tests were performed and a final grind of 75µm has been selected with air sparging for the process design criteria. The cyanide leach kinetic curves developed during the

test work show that gold extraction with 32-hour retention time was selected for the CIL plant process design criteria. The gold extraction for the composite samples averaged about 93% for the non-sulphide composites and 72% for the sulphide composites.

### ***Mineral Resources***

Ity is an operating gold mine. The mineral resource models supporting the current mineral reserves estimates for Ity were updated as of July 31st, 2015 by independent consultants, Coffey and Arethuse Geology Sarl (Arethuse).

Coffey estimated the mineral resource for the Mont Ity, Daapleu, ZiaNE, Aires, Teckraie, and Verse Ouest deposits using a combination of Nearest Neighbour and Inverse Distance methods. The volume modelling and mineral resource estimation was completed in the 3D software package Micromine™, Datamine™ Studio 3 and Isatis.

Arethuse estimated the mineral resources for the Walter and Gbeitouo deposits using a combination of Ordinary Kriging and Inverse Distance methods. Geological modelling and mineral resource estimation was done using GEOVIA Surpac 6.6, XLStat, Autotats and Isatis software packages.

The mineral resource estimates were prepared by conventional block modelling techniques. Grade shells were generally defined using a threshold assay of 0.50g/t Au as the lower limit for inclusion within the grade shell.

Samples were composited to standard one-metre lengths, starting from the top of the mineralized zone wireframe for each hole. Statistical analysis was employed to define high-grade outlier gold assays, and all composites inside the grade shells were capped. Capping strategies ranged from Daapleu and Verse Ouest deposits where capping was deemed unnecessary to Walter where gold values were capped to 40g/t.

The quality of the estimations was validated using summary statistics, comparison of the estimate mean versus the mean of the composite dataset, visual checks of cross sections, long sections, and plans, and comparison of different estimation methods.

The mineral resources are defined within an optimal pit shell generated using the following parameters:

- Overall pit slope of approximately 30 to 40 degrees;
- Commodity price of USD1,500/oz Au;
- Process recovery between 73% and 96%;
- Process cost between USD12.1/t and USD16.5/t;
- Refinery, selling and royalty costs of 4% of sell price.

Mineral resource estimates from five in-situ deposits, two rock dumps and the decommissioned heap leach pads are given in Table 1.8\_1. The weathered zones are generally feed for the Heap Leach Plant over the next three years. The rest of the material is planned as feed for the CIL plant and is mostly comprised of material which cannot be as effectively treated in the Heap Leach

process. The Verse Ouest dump has not yet been considered for mineral reserve heap leach processing or for the CIL project.

<b>Table 1.8_1</b> <b>SMI Gold Project</b> <b>Mineral Resources as of the Effective date of 31 July 2015</b>										
Deposit	Cut-off grade	Measured			Indicated			Inferred		
		Tonnes ('000)	Grade g/t	Au oz ('000)	Tonnes ('000)	Grade g/t	Au oz ('000)	Tonnes ('000)	Grade g/t	Au oz ('000)
Mont lty	0.5g/t Au				5,100	2.35	385.6	140	2.75	12.4
Daapleu	0.5g/t Au	21,188	1.45	984.7	9,604	1.46	452.0	1,553	1.21	60.5
ZiaNE	0.5g/t Au				6,741	1.56	337.9	3,838	1.78	219.8
Walter	0.5g/t Au				2,613	2.24	188.5	200	1.42	9.1
Gbeitouo	0.8g/t Au				1,954	2.30	144.7	57	1.29	2.3
Aires leach pads	0.0g/t Au	6,134	1.04	205.9						
Verse Ouest dump	0.0g/t Au				3,844	1.22	150.8	3,591	1.25	144.3
Teckraie dump	0.0g/t Au				1,945	1.11	69.5	304	1.01	9.9
<b>Total</b>		<b>27,322</b>	<b>1.36</b>	<b>1,190.6</b>	<b>31,801</b>	<b>1.69</b>	<b>1,729.0</b>	<b>9,682</b>	<b>1.47</b>	<b>458.3</b>
Note: <ul style="list-style-type: none"> <li>Mineral resources include mineral reserves</li> <li>Numbers may not sum exactly due to rounding.</li> </ul>										

### **Mineral Reserves (Heap Leach)**

The deposits planned to be mined during the current mine plan have been optimized for a "Heap Leach and CIL scenario" that envisioned a 2016 construction decision of the CIL plant with commercial operation at the start of 2018. If the CIL construction decision was deferred then the "Heap Leach scenario" would have to be revised. The material to be mined is often overlying material that will be mined later and included in the optimization of the "Carbon-In-Leach scenario". The goal was to identify the most profitable shell for a "Heap Leach scenario" for each suitable deposit with the constraint of processing only the oxidized material. The material mined for the "Heap Leach" i.e. the open pit shells, are contained within the locations of the material to be mined as the "CIL" shells. Mineral reserves in the "Heap Leach scenario" pit design shells are inclusive of mining dilution and mine recovery, considering plant recovery and are summarized in Table 0\_1.

Some material that is not processable using the Heap Leach facility (essentially reduced clay material and granodiorite) and will be mined before the CIL plant will be operational. SMI aims at

stockpiling this material in a dedicated stockpile until the start of the CIL plant. This limited amount of material located inside the Heap Leach pit limit is considered as "mineral reserve material" and will be accounted for in the CIL production plan scenario.

Process costs, inclusive of the general and administrative (G&A) costs, and recoveries were used to generate the mineral reserves for the Heap Leach operation. The metallurgical recoveries used to calculate the mineral reserves are based on SMI recommendations and are in line with 2014 actual results.

The cut-off grade parameters used for the models are based on costs, royalties, process recoveries and metal prices supplied by SMI.

<b>Table 0_1</b> <b>SMI Gold Project</b> <b>Mineral Reserves for Heap Leach Operation as of the Effective Date of 31 July 2015</b>						
<b>Deposit</b>	<b>Category</b>	<b>Tonnes ('000)</b>	<b>Grade g/t</b>	<b>Contained Au kg</b>	<b>Contained Au oz ('000)</b>	<b>Processing Method</b>
Mont Ity	Probable	775	3.71	2,874	92	Heap Leach
Walter	Probable	356	2.82	1,004	32	Heap Leach
ZiaNE	Probable	213	1.48	315	10	Heap Leach
Teckraie dump	Probable	913	1.31	1,199	39	Heap Leach
<b>Total</b>	<b>Probable</b>	<b>2,257</b>	<b>2.39</b>	<b>5,393</b>	<b>173</b>	<b>Heap Leach</b>

\* The material within the HL pit limit that cannot be processed using HL processing method will be stockpiled until the CIL plant starts operation

### **Mineral Reserves (Carbon-in-Leach)**

The base case mining production schedule for the CIL operation was completed on a bench-by-bench level for all deposits. Daapleu and Ity were designed with interim pits targeting high-grade material. In order to mine the Daapleu pit, a section of the Cavally River requires diversion creating a risk exposure related to hydrogeology.

The mining recovery used is industry standard for similar type operations and material types. The mine operation cost estimation is based on the tonnage of each type of material from the different pits and the specific pit location. Using these parameters, the cycle times were calculated based on SMI production factors and hauling distances for each pit. Finally, an operating cost per type of material was calculated based on the labour cost, fuel consumption, maintenance cost, etc. Table 0\_1 presents the mineral reserves for the CIL operation.

<b>Table 0_1</b> <b>SMI Gold Project</b> <b>Mineral Reserves for Carbon-in-Leach Operation as of the Effective Date of 31 July 2015</b>		
<b>Description</b>	<b>Proven Reserve</b>	<b>Probable Reserve</b>

	Tonnes (‘000)	Grade g/t	Au oz (‘000)	Tonnes (‘000)	Grade g/t	Au oz (‘000)
<b>Mont Ity</b>				187	7.51	44
<b>Daapleu</b>				15,219	1.61	787
<b>Walter</b>				1,053	2.00	68
<b>ZiaNe</b>				3,952	1.60	204
<b>Gbeitouo</b>				1,264	2.56	104
<b>Aires leach pads</b>				6,135	1.04	206
<b>Stockpiles</b>				161	3.17	16
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27,968</b>	<b>1.59</b>	<b>1,429</b>

Currently the CIL recovery rate is estimated to be between 93% for the non-sulphide composites and 72% for the sulphide composites. The ongoing Definitive Feasibility Study (DFS) will investigate processing technologies that may enhance the recovery rate.

### *Mining*

The Ity Heap Leach mine is an existing conventional open pit mine using articulated trucks (40t class) and hydraulic backhoes or front shovel excavators (80t class). Limited drill and blast activities are required as the material that is currently mined is largely oxidized (clay or laterites). This material is processed at the existing heap leach facility.

Mining for the CIL scenario is envisioned to be similar operations developing five in-situ open pits, one decommissioned leach pad and two former waste dumps.

### *Infrastructure*

SMI started its mining operation in the area in 1991 with a 200ktpa processing capacity with all open-pit mining. Since that time the facilities have been upgraded to process approximately 950ktpa of ore using heap leaching as the processing method.

The current mine facilities include:

- Mining administration building;
- Main workshop and repair facilities;
- Mining equipment re-fuelling centre;
- Explosive storage, located away from the main facilities;
- Plant administration buildings such as the security office, workshop, administration offices and metallurgical lab;
- Warehouses;
- Camp accommodations for 200 persons;
- Water services inclusive of raw water abstraction, potable water, fire water, and;
- Medical facilities.

The electrical power is supplied from the Ivorian national grid as well as back-up diesel generators.

The CIL operation will require infrastructure development as described in this report. This will include, within the property limits, a CIL plant, the diversion of the Cavally River to allow development of the Daapleu pit and associated bridge, construction of the haulage roads for the new pits, and the construction of a staged Tailing Storage Facilities (TSF) for disposal of the related tailings from the CIL plant.

Outside the property limit, a new power transmission line will have to be installed by the local electrical utility.

### **Environmental**

Several environmental studies have been conducted in the last 15 years. Geostat Systems International Corporation has conducted two internal reports for SMI: an environmental management plan (Plan de Management Environnemental) dated March 2000 and a rehabilitation plan (Réaménagement du site minier d'Ity) dated June 2005. An Environmental Impact Study (EIS) for the Ity Mine has been carried out in 2000 by SMI. This study has been used as a reference in the rehabilitation report titled "Réaménagement du Site Minier d'Ity" (SMI, 2005). The Ministry of the Environment also conducted an environmental audit of the Ity Mine at the end of December 2005.

In order to renew the Mining Permit PE26 and in consideration of the plans for the CIL project, two social and environmental impact assessments (SEIA) have also been completed:

- *Étude d'impact environnemental et social du projet de construction d'une usine de traitement de minerai de type CIL sur le permis d'exploitation PE26 de la mine d'or ITY (Roche, 2013).*
- *Étude d'impact environnemental et social dans le cadre du projet d'exploitation des gisements de Gbeitouo et de Daapleu dans le département de Bolequin (2D Consulting, 2015).*

In addition to the exploitation of two new deposits, the CIL project includes the diversion of the Cavally River (four river closure dams), the construction of a bridge and of three perimeter dikes to protect the Walter, Gbeitouo and Daapleu deposits.

There is an SEIA in progress related to this planned infrastructure for the CIL project. The public meeting process is planned to start at the end of September 2015. It is anticipated that the decree, which authorizes the construction and operation of the planned infrastructure, may be granted as early as the fourth quarter of 2015.

The three SEIAs were performed according to the Loi Cadre No. 96-766 of 3 October 1996 on the Environmental Code, the Décret No. 96-894 of 8 November 1996 establishing the rules and procedures applicable to studies of the environmental impacts of development projects and the Arrêté No. 00972 of 14 November 2007 on the application of Décret No. 96-894.

The SEIA for the construction for the CIL plant was approved by the Ivorian authorities in December 2013 (Arrêté 008/Mine SUDD/ANDE). A revision will be required for a larger throughput rate of the CIL plant and modifications to the locations of some of the associated infrastructure.

A resettlement action plan is also currently in preparation.



## **Capital Costs**

### *Heap Leach*

The total capital expenditures planned for the Heap Leach operation until the end of 2017 is approximately at 18.3 MUSD (16.6 MEUR).

The planned expenditures are as follows:

- Mining fleet equipment renewal and / or additional equipment – 8.0 MUSD (7.3 MEUR)
- Mine dewatering equipment and borehole drilling – 2.2 MUSD (2.0 MEUR)
- Processing plant sustaining capital and permanent infrastructure - 2.8 MUSD (2.5 MEUR)
- Other smaller capital items (light vehicles, buses, IT, security, etc.) – 5.3 MUSD (4.8 MEUR)

### *CIL Project*

SNC-Lavalin's mandate for the CIL project was to develop a PFS level capital and operating cost estimate with a target accuracy of  $\pm 30\%$ .

The total estimated CAPEX for the project is 219 MUSD (199 MEUR), which includes:

- Total Direct Costs – 128.5 MUSD (116.8 MEUR)
- Total EPCM Indirect Costs – 65.4 MUSD (59.5 MEUR)
- Total Owner's Costs – 25.1 MUSD (22.8 MEUR)

## **Operating Costs**

### *Heap Leach*

Ongoing operating costs based on costs incurred operationally in 2014 include:

- Mining Costs – 2.1 USD/t moved
- Milling Costs – 20.4 USD/t processed
- G&A Costs – 13.6 MUSD/a

The All-In Sustaining Cost (AISC) for 2014 and for the first 6-months of 2015 are, respectively, USD 921/oz and USD 696/oz.

### *CIL Project*

The data used to prepare the operating cost estimate are based on the June 2015 geological block model and associated mining schedule. This mining schedule was based on a mining plan that excludes Inferred Mineral Resources. The target accuracy of this OPEX estimate update is  $\pm 30\%$ .

The mine operation cost was calculated based on the tonnage of each type of material from the different pits and the specific pit location. Using these parameters, the cycle times were calculated

based on SMI production factors and hauling distances for each pit. Finally, an operating cost per type of material was calculated based on the labour cost, fuel consumption, maintenance cost, etc.

The mining costs used in the PFS are presented for each facies of each of the deposits and range from USD 1.45 /t (1.32 €/t) to USD 3.11 /t (2.83 €/t).

The processing cost per material type was evaluated in laboratory tested on samples taken from the site. These samples were subjected to various tests to simulate reagent dosing, wear factors and other parameters. The combination of all these results was used to calculate the processing cost per material type. It is important to mention that metallurgical testing results used in this PFS update are not including the recent laboratory testing results performed in 2015. The processing costs in the PFS are estimated to be USD 13.67/t (12.43 €/t) on average over the life of the CIL project.

The building maintenance and administrative supplies have been calculated based on building CAPEX value and factored plant labour cost. The labour cost has been estimated based on a plant general crew by function and salary.

Site G&A costs, estimated at USD 9.7 MUSD/a (8.8 MEUR/a), were provided by SMI.

### **Economic Analysis**

An economic analysis has been conducted using a cash flow model prepared on the basis and assumptions as stated in the following discussion. The results of the economic analysis represent forward-looking information (production rates, cash flows, net present value, etc.) that are subject to a number of unknown risks, uncertainties and other factors that may cause actual results to differ materially from those presented here.

Table 1.16\_1 summarizes the property's valuation, on the basis of the below described assumptions. The base case has been run using a flat gold price of USD1,150/oz (€1,045/oz), net of USD4.55 (€5/oz) bullion transport, insurance and refining costs. A flat USD/euro exchange rate of 1.10 has been assumed. A 3.5% gold royalty, payable to the State of Côte d'Ivoire, has been applied over the life of both the Heap Leach and CIL operations based on the retained gold sale price assumptions. This royalty is in accordance with the rate applicable, under the Ivorian mining code.

The financial analysis supports the economic viability of both the Heap Leach operation and the CIL project.

Table 1.16_1		
SMI Gold Project		
Basis and Assumptions of the Economic Model for the HL and CIL Project		
On a 100% basis	Flat US\$1,150/oz	Flat €1,045/oz
HL Physicals		
Tonnes moved (Mt)	12.083	
Ore processed (Mt)	2.257	
Grade processed (g/t)	2.39	
Production (Koz)	147	
CIL Physicals		

<b>Tonnes moved (Mt)</b>	89.399	
<b>Ore processed (Mt)</b>	27.967	
<b>Grade processed (g/t)</b>	1.59	
<b>Production (Koz)</b>	1,144	
<b>Financials (HL + CIL)</b>	MUSD	MEUR
<b>EBITDA</b>	612.5	556.8
<b>CAPEX</b>	289.6	263.3
<b>TAXES</b>	77.8	70.7
<b>Post Tax Free Cash Flow</b>	245.2	222.9
<b>Valuation (100% basis)</b>	MUSD	MEUR
<b>HL – Post Tax NPV (5% discount)</b>	32	29
<b>CIL – Post Tax NPV (5% discount)</b>	87	79

The Heap Leach mine production schedule currently extends to 2017. The CIL project at 2.0 Mtpa has a life of mine of 14 years.

### **Conclusions**

Historical exploration activities have been of variable quality while the work undertaken in the last three years is to international standards. Current exploration practices are appropriate to the deposits being evaluated. All historical data has been assessed for accuracy and incorporated into the database and it was found acceptable for use in geological and mineral resource evaluations.

The mineral resources and mineral reserves at the Ity property are robust. There remain sufficient Heap Leach reserves to be economically exploited over the next several years until the CIL project construction decision is made and construction is completed. Additional opportunities exist to increase the Heap Leach reserves with known oxidized mineral resources should an extension of the Heap Leach operation life be required.

The quality and quantity of metallurgical testwork performed for the 2 Mtpa CIL is considered adequate for the PFS level developed for the project. The ore facies not containing sulphide are substantially free-milling and do not show any preg-robbing characteristics. However, the ore facies containing sulphide are partially refractory and direct cyanidation (CIL process) yields a lower gold recovery.

The PFS demonstrated the economic potential of the CIL project with the possibility of extending the Ity Mine Life of Mine by over 10 years by adding substantial mineral reserves. The positive results of the PFS justify proceeding to the Definitive Feasibility Study (DFS) which is now underway.

Several additional targets at different stages of exploration (i.e. Verse Ouest and others) have been identified in the very close vicinity of present Ity facilities, on both the Exploitation Permit and Exploration Permit. The company considers that additional resources could be defined and potentially provide additional feed for the Heap Leach operation to extend its life by 2 to 3 years and also to increase the CIL project mineral resource and mineral reserve base.

### **Recommendations**

A follow-up exploration program aiming at achieving the targets of: (1) providing additional feed for the Heap Leach operation to extend its life by 2 to 3 years; and (2) increasing the CIL project

mineral resource and mineral reserve base has been proposed for the Ity Project. The program consists of approximately 25,000m of drilling (80% diamond/20% RC drilling) and is designed to maximize the opportunity to expand the potential of known deposits and for discovery of new zones of gold mineralization for the minimum exploration expenditures in the shortest time frame. The total exploration budget to complete most of the required work is estimated to be roughly USD 5.5M. This program is scheduled to begin in Q4 2015 and to be completed within 9 to 12 months.

The mining plan shows that, while most of the planned plant feed was tested, some geological facies have not been tested during the PFS stage. These facies should be tested to confirm the adequacy of the currently developed process.

Additional mineralogical and metallurgical test work is also required to firm up the process flowsheet that has been developed. The additional test work will allow determination of optimum operating parameters (final grind, reagent consumption, etc.) in order to minimize CAPEX and OPEX.

Additional rheology and settling testwork is also recommended for equipment selection sizing and design, as there are wide variability characteristics in the various facies.

The increase in mineral resources of the sulphide facies (particularly in the Daapleu deposit) may warrant investigation of alternate processing methods such as pressure oxidation process (POX) for these sulphidic facies. Pressure oxidation followed by POX product cyanidation along with the flotation tailings stream, will likely produce a higher gold recovery than direct cyanidation of the ore. However the additional CAPEX and OPEX associated with the POX processing needs to be investigated and evaluated to demonstrate the economics.

It is recommended, at the next stage of technical reporting, that a more detailed scheduling exercise be undertaken to determine the optimal scenario for feeding ore from the various pits and stockpiles to the mill, particularly with the different types of ore coming from the pits (hard versus soft, and also based on sulphide contents).

A more detailed pit phasing plan for ZiaNE and Daapleu should also be carried out in future studies of the project as these pits have the potential to bring higher grade material to the mill earlier in the production schedule, especially from Daapleu.

During the next phase of the work, an optimization of the TSF in terms of location, dam alignment and footprint will need to be carried out.

During the next phase of the study, significant work will be required to optimize the design diversion of the Cavally River and minimize the environmental and social impacts.

A geotechnical investigation program for all proposed pits to obtain the geotechnical information required for the DFS level open pit slope design is recommended in addition to a geotechnical field investigation for all infrastructure.

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