ENDEAVOUR MINING

# Integrated Management Discussion & Analysis and Financials

**For the three and twelve months ended December 31, 2019 and 2018**

*(Expressed in Thousands of United States Dollars)*

1. **Section 1 – Management Discussion & Analysis**
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This Management Discussion and Analysis ("MD&A") should be read in conjunction with Endeavour Mining Corporation's ("Endeavour Mining" or the "Corporation", or the "Group") consolidated financial statements for the twelve months ended December 31, 2019, as well as the audited consolidated financial statements for the years ended December 31, 2019 and 2018 and notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS") or ("GAAP"). This Management Discussion and Analysis contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. The reader is cautioned not to place undue reliance on forward-looking statements. All figures are in United States Dollars, unless otherwise indicated. Tabular amounts are in thousands of United States Dollars, except per share amounts and where otherwise indicated. This MD&A is prepared as of March 9th, 2020. Additional information relating to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com.

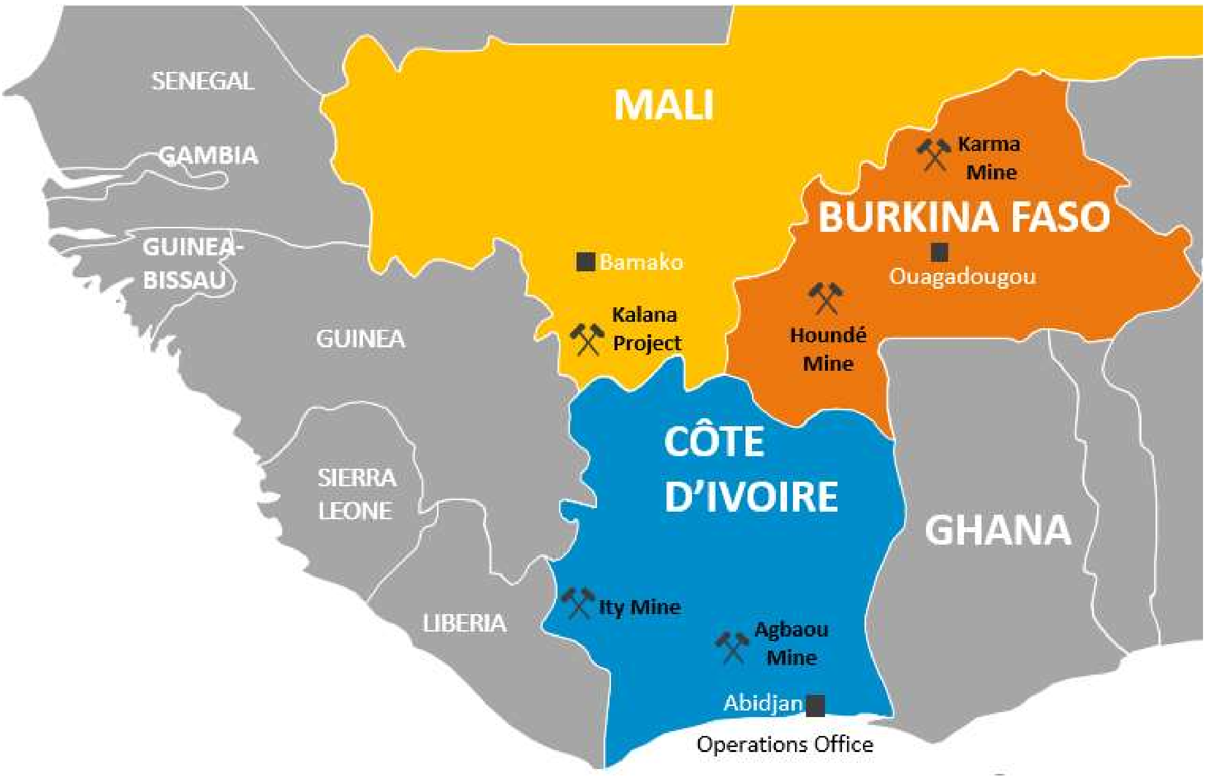
# 1. BUSINESS OVERVIEW

## 1.1. OPERATIONS DESCRIPTION

Endeavour Mining is a TSX-listed intermediate gold producer, focused on developing and operating a portfolio of high quality, low-cost, long-life mines in West Africa. The Corporation adopts an active portfolio management approach to focus on high quality assets with an investment criteria based on capital efficiency and return on capital employed. Endeavour Mining has built a solid track record of exploration, development and operation in the highly prospective Birimian greenstone belt.

Endeavour Mining operates four mines across Côte d'Ivoire (Agbaou and Ity) and Burkina Faso (Houndé and Karma) and the exploration project in Mali (Kalana).

*Figure 1: Endeavour Mining's Principal Properties in West Africa as of December 31, 2019*



# 2.2019 KEY ACHIEVEMENTS AND 2020 CATALYSTS

In 2019, Endeavour continued to deliver against its strategy, with strong progress made across its four strategic levers:

1. Operational **Excellence** – reinforced track record as Group's Lost Time Injury Frequency Rate ("LTIFR") decreased from 0.16 to 0.12 year-on-year, remaining below industry benchmarks. Production and all-in sustaining costs ("AISC")[1] guidance was met or beaten for the 7th consecutive year.
2. **Project Development** – Ity carbon-in leach ("CIL") Project completed on-budget and four months ahead of schedule with the 5Mtpa volumetric upgrade completed with minimal capital expenditure.
3. **Unlocking Exploration Value** – continued to deliver against our 5-year discovery target, with 2.1Moz of Measured & Indicated ("M&I") resources discovered in 2019, totaling 6.3Moz at a discovery cost of circa $12.0 per ounce since the strategy was set in late 2016. In 2019 successes include the 1.0Moz maiden Indicated resource for the Kari West and Kari Center deposits at Houndé, growing the Le plaque deposit at Ity by 0.4Moz to 0.5Moz and increasing the indicated resource at greenfield Fetekro property by 0.7Moz to 1.2Moz.
4. **Active Portfolio & Balance Sheet Management** – Strong cash flow was generated in H2-2019 following the completion of the Ity CIL build, finishing the year with a healthy balance sheet despite investing over $1.0 billion in the business over the past four years. The Net Debt / Adjusted EBITDA[1] (Last Twelve Months) ("LTM") decreased sharply by year end, after peaking at 2.96 at the end of Q1-2019.

## UPCOMING CATALYSTS

The key upcoming expected catalysts are summarized in the table below.

| TIMING | CATALYST | |
|---|---|---|
| Q2-2020 | Houndé | Maiden reserve for the Kari West and Kari Center discoveries |
| Q2-2020 | Houndé & Ity | Updated technical reports with mine plans including new reserves |
| Q2-2020 | Fetekro | Resource estimate update and PEA |
| Late-2020 | Houndé | Commence mining Kari Pump higher grade deposit |

[1] *Throughout this MD&A, cash costs, all-in sustaining costs, adjusted earnings before interest, taxes, depreciation and amortisation ("EBITDA"), adjusted earnings attributable to shareholders, all-in sustaining margin, all-in margin, sustaining and non-sustaining capital expenditures, growth projects, free cash flow, net debt and net debt/adjusted EBITDA are non-GAAP financial performance measures with no standard meaning under IFRS, further discussed in the section Non-GAAP Measures.*

# 3.HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2019

## 3.1. CORPORATE HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2019

- On January 11, 2019, Endeavour Mining announced that it increased its ownership stake in the Ity mine from 80% to 85%. In exchange for the additional 5% interest in the Ity mine, Endeavour granted DYD International Holding Limited, a company owned by Didier Drogba, 1,072,305 common shares amounting to a total consideration of $18.1 million (CAD$20.0 million) based on the signing reference share price of CAD$18.50.
- On March 19, 2019, Endeavour Mining announced the first gold pour from the Ity CIL project in Côte d'Ivoire, ahead of schedule.
- On April 8, 2019, Endeavour Mining announced commercial production at its Ity CIL project, in Côte d'Ivoire, at its full nameplate capacity following a quick ramp up phase.
- On June 24, 2019, Endeavour Mining announced a 41% increase of reserves at its flagship Houndé mine in Burkina Faso as a large portion of the Kari pump M&I were converted to reserves.
- On July 2, 2019, Endeavour Mining announced that an ongoing exploration program at the Houndé mine in Burkina Faso had significantly extended mineralisation at all three discoveries in the Kari area, boosting confidence that maiden resources will be delineated before year-end.
- On July 8, 2019, Endeavour Mining announced a significant addition in high-grade resources at its previously announced Le Plaque discovery at its flagship Ity mine in Côte d'Ivoire, and the definition of seven new targets boosting confidence in delineating further resources.
- On September 3, 2019, Endeavour Mining announced that it had increased indicated resources for the Ivorian Fetekro greenfield exploration property by 141% to 1.2Moz, boosting confidence in its ability to achieve its objective of discovering a standalone project through exploration.
- On November 21, 2019, Endeavour Mining announced the successful completion of the 25% volumetric upgrade of the CIL plant, from 4Mtpa to 5Mtpa, at its Ity mine in Côte d'Ivoire. The group also announced that it has obtained the highly prospective Mahapleu tenement, resulting in Endeavour now controlling the entire Birimian greenstone trend that stretches 125km along the Ity mine.
- On November 25, 2019, Endeavour Mining announced a 1.0Moz indicated maiden resource for the previously announced Kari West and Kari Center discoveries at its Houndé mine in Burkina Faso.

## 3.2. OPERATIONAL AND FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2019

- FY-2019 production amounted to 650,515 ounces, achieving the bottom end of the 650,000 – 695,000 ounces guidance range due to the slower than expected ramp-up at the newly commissioned Bouéré higher grade deposit at Houndé caused by the severe rainy season in Q3-2019.

*Table 1: Group Production*

| (All amounts in koz, on a 100% basis) | THREE MONTHS ENDED Dec. 31, 2019 | Sep. 30, 2019 | Dec. 31, 2018 | TWELVE MONTHS ENDED Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|---|---|---|
| Agbaou | 35 | 36 | 44 | 138 | 141 |
| Ity Heap Leach | - | - | 21 | 3 | 85 |
| Ity CIL | 60 | 64 | - | 190 | - |
| Karma | 27 | 26 | 33 | 97 | 109 |
| Houndé | 55 | 55 | 76 | 223 | 277 |
| **PRODUCTION FROM CONTINUING OPERATIONS** | **178** | **181** | **174** | **651** | **612** |
| Tabakoto (divested in December 2018) | - | - | 30 | - | 115 |
| **TOTAL PRODUCTION** | **178** | **181** | **204** | **651** | **727** |

- FY-2019 AISC[1] amounted to $818 per ounce, within the lower half of the $794 – 845 per ounce guidance range.

*Table 2: Group All-In Sustaining Costs*

| (All amounts in US$/oz) | THREE MONTHS ENDED Dec. 31, 2019 | Sep. 30, 2019 | Dec. 31, 2018 | TWELVE MONTHS ENDED Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|---|---|---|
| Agbaou | 846 | 767 | 776 | 796 | 819 |
| Ity Heaph Leach | - | - | 622 | 1,086 | 719 |
| Ity CIL | 697 | 575 | - | 616 | - |
| Karma | 755 | 901 | 697 | 903 | 813 |
| Houndé | 878 | 954 | 588 | 862 | 564 |
| Corporate G&A | 19 | 33 | 46 | 32 | 43 |
| Sustaining Exploration | - | - | - | - | 12 |
| **GROUP AISC FROM CONTINUING OPERATIONS** | **819** | **803** | **707** | **818** | **744** |
| Tabakoto (divested in December 2018) | - | - | 1,470 | - | 1,369 |
| **GROUP AISC** | **819** | **803** | **818** | **818** | **843** |

- Q4-2019 production of 177,656 ounces at an AISC[1] of $819 per ounce, remaining fairly flat over Q3-2019.
- FY-2019 production of 650,515 at an AISC[1] of $818 per ounce, achieving guidance for the 7th consecutive year.
- Revenue was $248.4 million in Q4-2019 and $886.4 million FY-2019 which generated $55.5 million and $210.0 million in earnings from mine operations.
- Operating Cash Flow of $120.4 million or $1.10 per share in Q4-2019, up 25% over Q3-2019; Operating Cash Flow for FY-2019 up 20% over 2018 to $301.9 million or $2.75 per share.
- An impairment charge of $127.4 was recorded at Karma Mine.
- Basic loss per share from continuing operations was $1.03 in Q4-2019 and $1.45 for FY-2019 compared to a basic loss per share of $0.29 for Q3-2019 and $0.00 for FY-2018.
- Following nearly four years of intensive growth-capital investment, Net Debt was reduced by $51.5 million in Q3-2019 and by a further $80.3 million in Q4-2019, marking a decrease of $131.8 million in H2-2019 to reach $528.2 million at year end.
- Healthy Net Debt / Adjusted EBITDA (LTM) [1] of 1.48 at year end compared to 1.97 as at Q4-2018, after peaking at 2.96 at the end of Q1-2019.
- Adjusted Net Earnings[1] for Q4-2019 up 12% over Q3-2019 to $36.9 million or $0.34 per share; Adjusted Net Earnings[1] for FY-2019 up 36% over 2018 to $73.7 million or $0.67 per share.

*[1] Throughout this MD&A, cash costs, all-in sustaining costs, adjusted EBITDA, adjusted earnings attributable to shareholders, all-in sustaining margin, all-in margin, sustaining and non-sustaining capital expenditures, growth projects, free cash flow, net debt and net debt/adjusted EBITDA are non-GAAP financial performance measures with no standard meaning under IFRS, further discussed in the section Non-GAAP Measures.*

***Table 3: Quarterly and Full Year Highlights***

| | | THREE MONTHS ENDED | | | TWELVE MONTHS ENDED | |
|---|---|---|---|---|---|---|
| ($'000s unless otherwise stated) | Unit | December 31, 2019 | September 30, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| ***Operating data from continuing operations*** | | | | | | |
| Gold produced[1] | oz | 177,656 | 180,769 | 174,221 | 650,515 | 612,118 |
| Gold sold | oz | 171,862 | 185,268 | 173,424 | 648,755 | 612,103 |
| Realized gold price[2] | $/oz | 1,445 | 1,443 | 1,198 | 1,366 | 1,228 |
| All-in sustaining costs[1] | $/oz | 819 | 803 | 707 | 818 | 744 |
| Cash cost per gold ounce sold[1] | $/oz | 685 | 613 | 647 | 646 | 655 |
| ***Cash flow data from continuing operations*** | | | | | | |
| Operating cash flow before non-cash working capital | $ | 73,302 | 115,385 | 52,896 | 294,001 | 261,322 |
| Operating cash flow before non-cash working capital per share | $/share | 0.67 | 1.05 | 0.49 | 2.68 | 2.43 |
| Operating Cash Flow | $ | 120,371 | 96,389 | 131,482 | 301,885 | 250,920 |
| Operating Cash Flow | $/share | 1.10 | 0.88 | 1.22 | 2.75 | 2.33 |
| ***Profit and loss data from continuing operations*** | | | | | | |
| Revenues | $ | 248,398 | 267,292 | 207,784 | 886,371 | 751,957 |
| Earnings from mine operations | $ | 55,445 | 83,704 | 22,498 | 210,026 | 154,894 |
| Net comprehensive loss attributable to shareholders | $ | (113,169) | (32,199) | (31,515) | (159,324) | (65) |
| Basic loss per share attributable to shareholders | $/share | (1.03) | (0.29) | (0.29) | (1.45) | (0.00) |
| Adjusted EBITDA[1] | $ | 97,984 | 122,951 | 56,466 | 355,690 | 264,838 |
| Adjusted net earnings attributable to shareholders[1] | $ | 36,890 | 33,155 | 16,271 | 73,654 | 53,132 |
| Adjusted net earnings per share attributable to shareholders[1] | $/share | 0.34 | 0.30 | 0.15 | 0.67 | 0.49 |
| ***Balance Sheet Data*** | | | | | | |
| Cash | $ | 189,889 | 120,101 | 124,022 | 189,889 | 124,022 |
| Net Debt[1] | $ | 528,192 | 608,488 | 536,359 | 528,192 | 536,359 |
| Net Debt / Adjusted EBITDA (LTM) ratio[1] | $ | 1.48 | 1.94 | 1.97 | 1.48 | 1.97 |

*[1]This is a non-GAAP measure. Refer to the non-GAAP measure section of the MD&A.*
*[2]Realized Gold Price inclusive of Karma stream*

# 4.GUIDANCE

## 4.1. OUTLOOK

- Group production is expected to increase to 680,000 – 740,000 in 2020 at an AISC of $845 – 895 per ounce. Production is expected to be higher and AISC lower during the later portion of the year, notably due to the expected commissioning of the higher-grade Kari pump deposit at Houndé. More details on the individual mine guidance have been provided in the below sections.

*Table 4: Group Production Guidance*

| *(All amounts in koz, on a 100% basis)* | 2019 Actuals | 2020 Full Year Guidance | | |
|---|---|---|---|---|
| Agbaou | 138 | 115 | - | 125 |
| Ity HL | 3 | n.a. | - | n.a. |
| Ity CIL | 190 | 235 | - | 255 |
| Karma | 97 | 100 | - | 110 |
| Houndé | 223 | 230 | - | 250 |
| **Group Production** | **651** | **680** | **-** | **740** |

*Table 5: Group All-In Sustaining Costs Guidance*

| *(All amounts in US$/oz)* | 2019 Actuals | 2020 Full Year Guidance | | |
|---|---|---|---|---|
| Agbaou | 796 | 940 | - | 990 |
| Ity HL | 1,086 | n.a. | - | n.a. |
| Ity CIL | 616 | 630 | - | 675 |
| Karma | 903 | 980 | - | 1050 |
| Houndé | 862 | 865 | - | 895 |
| Corporate G&A | 32 | | 30 | |
| Sustaining Exploration | - | | 5 | |
| **GROUP AISC** | **818** | **845** | **-** | **895** |

- As detailed in the table below, sustaining and non-sustaining capital allocations for 2020 amount to $84.0 million and $43.0 million respectively. Capital spend is expected to be higher in the first half of the year to take advantage of the dry season. More details on individual mine capital expenditures have been provided in the table below.

*Table 6: Mine Capital Expenditure Guidance*

| (All amounts in US$m) | Sustaining Capital | Non-sustaining Capital |
|---|---|---|
| Agbaou | 17 | 1 |
| Ity | 4 | 26 |
| Karma | 13 | 5 |
| Houndé | 49 | 10 |
| **Mine Capital Expenditure** | **84** | **43** |

- Growth capital spend is expected to amount to approximately $10.0 million, mainly for studies on Kalana and Fetekro, while Corporate non-sustaining capital is expected to amount to approximately $2.0 million, mainly for IT projects.

- Exploration will continue to be a strong focus in 2020 with a company-wide exploration program of $40.0-45.0 million, of which approximately 25% is expensed, 10% is sustaining, and 65% is non-sustaining. Exploration is expected to be higher in the first half of the year to take advantage of the dry season.
- The priority in 2020 is to continue near-mine exploration at Endeavour's two flagship mines, Houndé and Ity, and advancing the Fetekro greenfield project. In addition, work will also be conducted on other exploration licenses in Côte d'Ivoire (such as on the Bondoukou cluster, Toulepleu and Mahapleu) and on the Siguiri license in Guinea.

*Table 7: Exploration Guidance*

| (All amounts in US$m unless otherwise stated ) | 2020 Guidance | 2020 Allocation |
|---|---|---|
| Ity | ~14 | ~34% |
| Houndé | ~11 | ~27% |
| Fetekro | ~6 | ~15% |
| Agbaou | ~2 | ~5% |
| Karma | ~2 | ~5% |
| Kalana | ~2 | ~5% |
| Other greenfield | ~4 | ~8% |
| **Total** | **40-45** | **100%** |

- To maximize the cash flow certainty during its debt reimbursement phase, in July 2019, Endeavour put in place a short-term gold revenue protection strategy consisting of gold option contracts, similar to the strategy employed during its recent construction phases. A deferred premium collar strategy using written call options and bought put options was entered into on July 1, 2019 which ends on June 30, 2020 with a floor price of $1,358 per ounce and a ceiling price of $1,500 per ounce. A total of 210,000 ounces remained outstanding at year end 2019, representing approximately 25% of Endeavour's total estimated gold production for 2020.

# 5.OPERATIONS REVIEW

## 5.1. HEALTH, SAFETY, ENVIRONMENT AND CORPORATE RESPONSIBILITY

Endeavour Mining puts the highest priority on safe and healthy work practices and systems. The Group's business principles and policies are based on targeting the achievement of a "zero harm" performance, reducing the lost time injury frequency rate at all the operations and striving to continually improve performance. The following table shows the safety statistics for the trailing twelve months ended December 31, 2019 for continuing operations.

*Table 8: LTIFR Statistics for the trailing twelve months ended December 31, 2019*

| Incident Category | Agbaou | Karma | Ity | Houndé | Total |
|---|---|---|---|---|---|
| Fatality | - | - | - | - | - |
| Lost Time Injury | - | - | 2 | - | 2 |
| Total Man Hours | 3,444,102 | 2,797,343 | 6,166,716 | 4,136,186 | 16,544,347 |
| **LTIFR[1]** | **-** | **-** | **0.32** | **-** | **0.12** |

[1]LTIFR = (Number of LTIs in the Period X 1,000,000 / (Total man hours worked for the period)

Endeavour Mining views itself as an integral part of the communities in which it operates, as well as a responsible development partner. Endeavour Mining collaborates and engages with government, local communities and outside organisations to ensure it supports economic sustainability and social development. Projects include skills training, educational scholarships, healthcare, water and sanitation, public infrastructure maintenance, institutional capacity building and livelihood programs.

Regrettably a fatal accident occurred at the Karma mine in Burkina Faso on February 28, 2020. An employee died following an accident involving a heavy mining vehicle. Despite immediate emergency medical care, efforts to revive the employee were not successful. Endeavour is currently working to ascertain the root cause of the incident and will work with the local authorities throughout the course of the investigation.

## 5.2. GROUP RESERVES AND RESOURCES

- Measured and Indicated resources amounted to 15.1Moz at year-end 2019, up 9% over the previous year, net of mine depletion.
  - M&I resources, net of mine depletion, increased by 1.0Moz at Endeavour's two flagship mines, Houndé and Ity, and by 0.7Moz at the Fetekro project.
  - These increases were, however, offset by decreases at Karma and Agbaou of 0.3Moz and 0.1Moz respectively.
- Proven and Probable ("P&P") reserves amounted to 7.9Moz at year-end 2019, down 1% over the previous year, net of mine depletion.
  - P&P reserves, net of mine depletion, increased by 0.5Moz at Endeavour's two flagship mines, Houndé and Ity.
  - These increases were however offset by a decrease of 0.5Moz and 0.1Moz at Karma and Agbaou, respectively.
- Reserves are expected to increase in Q2-2020 following the publication of maiden reserves for the Kari Center and Kari West deposits at Houndé for which a 1.0Moz Indicated resource was delineated.
- Detailed year-over-year reserve and resource variances are available in Appendix A with details for each asset provided in the above mine sections.

***Table 9: Reserve and Resource***

| *In Moz, on a 100% basis* | **AS AT DEC. 31, 2018** | **AS AT DEC. 31, 2019** | **Variance** | |
|---|---|---|---|---|
| P&P Reserves | 8.0 | 7.9 | (0.1) | (1%) |
| M&I Resources (inclusive of Reserves) | 13.9 | 15.1 | 1.2 | +9% |
| Inferred Resources | 2.4 | 2.3 | (0.1) | (5%) |

*Notes available in Appendix A for the 2019 Mineral Reserves and Resources. For 2018 Reserves and Resource notes, please read the press release dated March 5, 2019 available on the Company's website.*

## 5.3. OPERATIONS REVIEW

The following tables summarize operating results for the three months ended December 31, 2019, September 30, 2019, and December 31, 2018 and the twelve months ended December 31, 2019 and December 31, 2018.

*Ity Gold Mine, Côte d'Ivoire*

***Table 10: Ity CIL Key Performance Indicators***

| | | THREE MONTHS ENDED | | | TWELVE MONTHS ENDED | |
|---|---|---|---|---|---|---|
| | Unit | December 31, 2019 | September 30, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| ***Operating Data:*** | | | | | | |
| Tonnes ore mined | kt | 1,571 | 1,639 | - | 5,733 | - |
| Tonnes of waste mined | kt | 2,035 | 1,583 | - | 8,320 | - |
| Open pit strip ratio[2] | w:o | 1.30 | 0.97 | - | 1.45 | - |
| Tonnes milled | kt | 1,318 | 1,183 | - | 3,693 | - |
| Average gold grade milled | g/t | 1.69 | 1.94 | - | 1.88 | - |
| Recovery rate | % | 80% | 88% | - | 86% | - |
| Gold produced: | oz | 60,387 | 63,764 | - | 190,438 | - |
| Gold sold: | oz | 56,287 | 65,354 | - | 183,630 | - |
| ***Financial Data ($'000)*** | | | | | | |
| Revenues | $ | 83,522 | 96,299 | - | 262,029 | - |
| Mining costs | $ | (18,042) | (13,743) | - | (45,781) | - |
| Processing cost | $ | (14,888) | (15,688) | - | (43,384) | - |
| General and Administrative expenses | $ | (4,625) | (4,917) | - | (14,694) | - |
| Capitalized waste | $ | 444 | - | - | 444 | - |
| Inventory adjustments and other[3] | $ | 1,276 | 1,095 | - | 1,062 | - |
| Total Cash Cost[1] | $ | (35,835) | (33,253) | - | (102,353) | - |
| Royalties | $ | (3,384) | (3,868) | - | (10,280) | - |
| Sustaining capital[1] | $ | - | (486) | - | (486) | - |
| Total All-In Sustaining Costs[1] | $ | (39,219) | (37,607) | - | (113,119) | - |
| Non-sustaining capital[1] | $ | (1,286) | (117) | - | (1,403) | - |
| **All-In Margin[1]** | **$** | **43,017** | **58,575** | **-** | **147,507** | **-** |
| add back: Sustaining and non-sustaining capital[1] | $ | 1,286 | 603 | - | 1,889 | - |
| Depreciation/depletion | $ | (10,791) | (10,908) | - | (32,197) | - |
| Non-cash operating income/(expense) | $ | 1,939 | (1,710) | - | 3,372 | - |
| **Earnings from mine operations** | **$** | **35,451** | **46,560** | **-** | **120,571** | **-** |
| ***Unit cost analysis*** | | | | | | |
| Realized gold price | $/oz | 1,484 | 1,473 | - | 1,427 | - |
| Open pit mining cost per tonne mined | $/t | 5.00 | 4.27 | - | 5.00 | - |
| Processing cost per tonnes milled | $/t | 11.30 | 13.26 | - | 11.30 | - |
| G&A cost per tonnes milled | $/t | 3.51 | 4.16 | - | 3.51 | - |
| **Cash cost per ounce sold[1]** | **$/oz** | **637** | **509** | **-** | **557** | **-** |
| **Mine All-In Sustaining Costs[1]** | **$/oz** | **697** | **575** | **-** | **616** | **-** |

*[1]Non-GAAP measure. Refer to the Non-GAAP Measures section for further details.*

*[2] Open pit strip ratio includes capital waste*

*[3] Mining cost, processing cost and G&A cost associated with pre-commercial gold produced of 8,784 ounces has been accounted for in inventory and other adjustment in the year ended 31 December 2019.*

**Ity CIL Q4 2019 vs Q3 2019 Insights**

- Production decreased slightly as lower processed grades and recoveries were partially offset by increased plant throughput.
  - Mining activities following the end of the rainy season with 3.6Mt of material moved compared to 3.2Mt in the previous quarter. Tonnes of ore mined decreased slightly due to an increase in the strip ratio, with activity focused mainly on the Ity, Daapleu and Bakatouo pits, the latter of which was not mined during the rainy season.
  - Plant throughput increased in line with the volumetric upgrade to 5Mtpa which was completed during the quarter.
  - The processed grade decreased as lower grade stockpiles were used to supplement mill feed, specifically in the first half of the quarter due to the prolonged rainy season.
  - Recovery rates decreased due to increased volumes of Daapleu fresh ore processed.
- The AISC increased due to a higher strip ratio, lower recovery rates, and higher unit mining costs which were partially offset by lower unit processing costs and lower sustaining capital.
  - Mining unit costs increased from $4.27 to $5.00 per tonne mined due to the utilization of a mining contractor to supplement load and haul activities in the Bakatouo pit in particular.
  - Processing unit costs decreased from $13.26 to $11.30 per tonne milled due to greater tonnes milled.
  - Sustaining capital decreased from $0.5 million to $nil for the quarter.
- Non-sustaining capital increased from $0.1 million to $1.3 million, which is mainly related to land compensation and waste capitalization.

**FY-2019 vs FY-2018 Insights**

- Ity had its first gold pour in March 2019 with commercial production declared in early Q2-2019.
- Comparative period production was carried out under heap leach operation which ceased in Q4-2018.

**2020 Outlook**

- Ity is expected to produce between 235,000-255,000 ounces in 2020 at an AISC of $630-675 per ounce.
  - Plant feed is expected to be sourced from the Ity, Bakatouo and Daapleu pits while continuing to be supplemented with lower grade historic dumps.
  - As expected, a greater proportion of fresh ore is planned to be processed in 2020 as mining elevations get deeper while processed grades are expected to remain stable.
  - Recoveries are expected to be lower in H1-2020 due to the processing of greater quantities of Daapleu fresh ore.
  - Sustaining capital expenditure is expected to be minimal at $4.0 million, mainly related to mid-life component change outs associated with heavy mining equipment.
- Non-sustaining capital for 2020 is expected to be approximately $15.0 million for non-mining related investments and $10.0 million for waste capitalization. Non-mining related investments mainly include the include the stage 2 tailings storage facility ("TSF") lift (brought forward due to the plant upgrade), land compensation payments following recent exploration success and various small plant optimization initiatives.

**Exploration Activities**

- Exploration efforts are mainly focused on the Le Plaque target. Due to the success of the campaign, the initial budget of 71,000 meters was exceeded with a total of 83,436 meters of drilling completed, amounting to $11.0 million.
  - As announced on July 8, 2019, the Le Plaque Indicated resource increased from 85,000 ounces to 476,000 ounces at a grade of 3.20g/t Au.
  - A maiden reserve of 5.5Mt at a grade of 2.34 g/t Au containing 415,000 ounces was published on February 24, 2020.
  - The Le Plaque resource and reserve estimates are expected to further increase in Q2-2020 based on the additional 25,695 meters drilled in H2-2019 and the 41,000-meter drilling campaign planned for H1-2020.
- An exploration program of up to $14.0 million totaling approximately 100,000 meters has been planned for 2020, with the aim of growing the Le Plaque, Bakatouo, and Daapleu deposits, and testing other targets such as Floleu and Samuel.

**Table 11: Houndé Key Performance Indicators**

| | | THREE MONTHS ENDED | | | TWELVE MONTHS ENDED | |
|---|---|---|---|---|---|---|
| | Unit | December 31, 2019 | September 30, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| *Operating Data:* | | | | | | |
| Tonnes ore mined | kt | 622 | 661 | 1,736 | 2,969 | 5,822 |
| Tonnes of waste mined | kt | 8,676 | 9,693 | 10,189 | 35,225 | 35,667 |
| Open pit strip ratio[2] | w:o | 13.94 | 14.67 | 5.87 | 11.87 | 6.13 |
| Tonnes milled | kt | 1,052 | 1,015 | 1,062 | 4,144 | 3,948 |
| Average gold grade milled | g/t | 1.78 | 1.85 | 2.38 | 1.83 | 2.29 |
| Recovery rate | % | 92% | 92% | 93% | 93% | 94% |
| Gold produced: | oz | 55,005 | 54,708 | 75,828 | 223,304 | 277,218 |
| Gold sold: | oz | 55,067 | 58,392 | 75,567 | 227,290 | 276,046 |
| *Financial Data ($'000)* | | | | | | |
| Revenues | $ | 81,343 | 86,289 | 92,959 | 316,148 | 351,129 |
| Mining costs | $ | (24,581) | (22,150) | (22,849) | (85,269) | (79,049) |
| Processing cost | $ | (12,309) | (13,160) | (12,581) | (51,698) | (46,371) |
| General and Administrative expenses | $ | (7,038) | (5,237) | (7,126) | (25,335) | (26,736) |
| Capitalized waste | $ | 6,992 | 8,337 | 412 | 24,528 | 10,603 |
| Inventory adjustments and other | $ | (2,666) | (7,890) | 3,738 | (13,622) | 14,821 |
| Total Cash Cost[1] | $ | (39,602) | (40,100) | (38,407) | (151,396) | (126,732) |
| Royalties | $ | (5,699) | (6,041) | (4,922) | (21,483) | (21,811) |
| Sustaining capital[1] | $ | (3,039) | (9,548) | (1,120) | (23,081) | (7,152) |
| Total All-In Sustaining Costs[1] | $ | (48,339) | (55,689) | (44,449) | (195,959) | (155,695) |
| Non-sustaining capital[1] | $ | (6,546) | (1,445) | (751) | (17,287) | (5,005) |
| **All-In Margin[1]** | **$** | **26,457** | **29,155** | **47,759** | **102,902** | **190,429** |
| add back: Sustaining and non-sustaining capital[1] | $ | 9,585 | 10,993 | 1,871 | 40,367 | 12,157 |
| Depreciation/depletion | $ | (15,551) | (18,375) | (17,876) | (65,846) | (65,541) |
| Non-cash operating expense | $ | (6,123) | (1,419) | (2,208) | (7,542) | (1,241) |
| **Earnings from mine operations** | **$** | **14,368** | **20,354** | **29,546** | **69,880** | **135,803** |
| *Unit cost analysis* | | | | | | |
| Realized gold price | $/oz | 1,477 | 1,478 | 1,230 | 1,391 | 1,272 |
| Open pit mining cost per tonne mined | $/t | 2.64 | 2.14 | 1.92 | 2.23 | 1.91 |
| Processing cost per tonne milled | $/t | 11.70 | 12.96 | 11.84 | 12.48 | 11.74 |
| G&A cost per tonne milled | $/t | 6.69 | 5.16 | 6.71 | 6.11 | 6.77 |
| **Cash cost per ounce sold[1]** | **$/oz** | **719** | **687** | **508** | **666** | **459** |
| **Mine All-In Sustaining Costs[1]** | **$/oz** | **878** | **954** | **588** | **862** | **564** |

*[1]Non-GAAP measure. Refer to the Non-GAAP Measures section for further details.*
*[2]Strip ratio includes capital waste.*

**Q4 2019 vs Q3 2019 Insights**

- Production remained flat as slightly higher throughput was offset by lower processed grades.
  - Mining focused mainly on the Vindaloo Main and Bouéré pits. Total tonnes of ore mined decreased as mining activities continued to prioritise waste capitalization, in particular at the Vindaloo pit due to delays caused by the severe rainy season in Q3-2019.
  - Tonnes milled increased slightly, continuing to perform nearly 30% above nameplate capacity while the ore blend continued to be mainly transitional/fresh ore.
  - Processed grades decreased, despite a circa 20% increase in mined grades, as low-grade stockpiles supplemented the mill feed.
  - Recovery rates remained flat.
- The AISC decreased mainly due to lower sustaining capital and unit processing costs which was partially offset by higher unit mining costs.
  - Mining unit costs increased from $2.14 to $2.64 per tonne as a result of the volume effect of less tonnes mined and increased maintenance costs based on planned maintenance.
  - Processing unit costs decreased from $12.96 to $11.70 per tonne driven by an increase in processing volumes and an improvement in underlying consumable costs.
  - Sustaining capital decreased from $9.5 million to $3.0 million due to scheduled waste capitalization.
- Non-sustaining capital increased from $1.4 million to $6.5 million mainly due to Bouéré non-sustaining waste capitalization and increased activities following the rainy season.

**FY-2019 vs FY-2018 Insights**

- As guided, production decreased and AISC increased due to low grade stockpiles supplementing the mill feed and a shift to processing a higher proportion of harder fresh ore compared to 2018 which benefited from high-grade soft oxide ore and a lower strip ratio.

**2020 Outlook**

- Houndé is expected to produce between 230,000-250,000 ounces in 2020 at an AISC of $865-895 per ounce.
  - Mining is expected to mainly be focused on the Vindaloo and Bouéré pits. The top end of the production guidance and low end of AISC guidance incorporates the potential to start mining the higher-grade Kari Pump deposit in the latter portion of the year. The overall strip ratio is expected to remain high in the first half of the year.
  - The plant is expected to continue to perform above nameplate capacity with the overall ore blend expected to be predominantly fresh ore.
  - Low grade stockpiles are planned to supplement the mill feed in the first half of the year, while mining focuses on waste capitalization, resulting in a higher processed grade in the second half.
- Sustaining costs are expected to increase from $23.1 million in 2019 to circa $50.0 million planned for 2020, in part due to increased production and the carryover of costs not incurred in 2019 ($12.0 million of the guided $35.0 million remained to be incurred). Roughly $40.0 million is related to waste capitalization while the remainder is mainly for fleet component replacement and a Tailings Storage Facility ("TSF") raise.
- Approximately $10.0 million of non-sustaining expenditure is planned for 2020, mainly for the Kari Pump pre-strip, compensation and resettlement, and associated mine infrastructure.

**Exploration**

- Houndé was Endeavour's largest exploration focus in 2019 with a total of 174,710 meters drilled on the near-mine Kari anomalies.
- A combined maiden Indicated resources of 19.4Mt at 1.61 g/t Au containing 1.0Moz was announced on November 25, 2019, based on a 0.5 g/t Au cut-off. This included 7.2Mt at a higher grade of 2.55 g/t Au for 590,000 ounces at Kari West based on a 1.5 g/t Au cut-off.
- The mineralization at Kari West remains open at depth, to the west and the east, while Kari Center remains open to the southwest. Reserves are expected to be published in Q2-2020.
- An exploration program of up to $11.0 million totaling approximately 94,000 meters has been planned for 2020, with the aim of delineating additional resources in the Kari area and at the Vindaloo South and Vindaloo North targets. In addition, other targets such as Dohun and Sia/Sianikoui are expected to be tested.

*Table 12: Agbaou Key Performance Indicators*

| | Unit | THREE MONTHS ENDED December 31, 2019 | THREE MONTHS ENDED September 30, 2019 | THREE MONTHS ENDED December 31, 2018 | TWELVE MONTHS ENDED December 31, 2019 | TWELVE MONTHS ENDED December 31, 2018 |
|---|---|---|---|---|---|---|
| *Operating Data* | | | | | | |
| Tonnes ore mined | kt | 580 | 589 | 481 | 2,183 | 2,399 |
| Tonnes of waste mined | kt | 5,761 | 5,647 | 6,560 | 23,166 | 27,337 |
| Open pit strip ratio[2] | w:o | 9.94 | 9.59 | 13.65 | 10.60 | 11.40 |
| Tonnes milled | kt | 662 | 672 | 708 | 2,699 | 2,830 |
| Average gold grade milled | g/t | 1.55 | 1.77 | 2.21 | 1.62 | 1.70 |
| Recovery rate | % | 96% | 95% | 95% | 95% | 94% |
| Gold produced: | oz | 35,017 | 36,129 | 44,360 | 137,537 | 141,335 |
| Gold sold: | oz | 32,804 | 36,081 | 43,880 | 137,006 | 142,559 |
| *Financial Data ($'000)* | | | | | | |
| Revenues | $ | 48,992 | 53,374 | 54,138 | 191,523 | 180,256 |
| Mining costs | $ | (14,154) | (16,855) | (16,731) | (62,464) | (78,128) |
| Processing cost | $ | (5,173) | (5,052) | (5,421) | (20,663) | (21,764) |
| General and Administrative expenses | $ | (4,405) | (2,772) | (2,955) | (13,353) | (12,451) |
| Capitalized waste | $ | 2,616 | 3,591 | 5,055 | 15,466 | 20,016 |
| Inventory adjustments and other | $ | (1,815) | (824) | (6,336) | (4,155) | (4,232) |
| Total Cash Cost[1] | $ | (22,931) | (21,912) | (26,387) | (85,170) | (96,558) |
| Royalties | $ | (2,015) | (2,152) | (1,931) | (7,581) | (6,761) |
| Sustaining capital[1] | $ | (2,806) | (3,619) | (5,750) | (16,241) | (13,438) |
| Total All-in Sustaining Costs[1] | $ | (27,751) | (27,683) | (34,069) | (108,992) | (116,758) |
| Non-sustaining capital[1] | $ | (697) | (1,590) | (3,339) | (7,413) | (14,297) |
| **All-In Margin[1]** | **$** | **20,543** | **24,101** | **16,730** | **75,119** | **49,201** |
| add back: Sustaining and non-sustaining capital[1] | $ | 3,503 | 5,209 | 9,090 | 23,654 | 27,736 |
| Depreciation/depletion | $ | (13,119) | (10,819) | (9,875) | (44,731) | (33,419) |
| Non-cash operating expense | $ | - | - | (1) | - | (1,317) |
| **Earnings from mine operations** | **$** | **10,927** | **18,491** | **15,944** | **54,042** | **42,201** |
| *Unit cost analysis* | | | | | | |
| Realized gold price | $/oz | 1,493 | 1,479 | 1,234 | 1,398 | 1,264 |
| Open pit mining cost per tonne mined | $/t | 2.23 | 2.70 | 2.38 | 2.46 | 2.63 |
| Processing cost per tonne milled | $/t | 7.81 | 7.52 | 7.66 | 7.66 | 7.69 |
| G&A cost per tonne milled | $/t | 6.65 | 4.13 | 4.17 | 4.95 | 4.40 |
| **Cash cost per ounce sold[1]** | **$/oz** | **699** | **607** | **601** | **622** | **677** |
| **Mine All-In Sustaining Costs[1]** | **$/oz** | **846** | **767** | **776** | **796** | **819** |

*[1]Non-GAAP measure. Refer to the Non-GAAP Measures section for further details.*
*[2] Strip ratio includes capital waste*

**Q4 2019 vs Q3 2019 Insights**

- Production remained flat as a slightly higher recovery rate compensated for lower mill throughput and milled grades.
  - Ore tonnage mined remained steady with most of the ore being sourced from the West pit while waste capitalization progressed at the South pit. The strip ratio remained flat.
  - Processed grades decreased as low-grade stockpiles supplemented the feed.
  - Mill throughput remained flat while recovery rates improved slightly.
- The AISC increased mainly due to lower gold sales, higher G&A costs, and higher unit processing costs which were partially offset by lower unit mining costs and lower sustaining capital.
  - Mining unit costs decreased from $2.70 to $2.23 per tonne mined due to improved productivities following the rainy season and the commencement of mining in oxide material in the South Satellite pit, coupled with a shortage haulage profile.
  - Processing unit costs increased from $7.52 to $7.81 per tonne due to lower tonnes milled.
  - Sustaining capital costs decreased from $3.6 million to $2.8 million (from $100 to $88 per ounce) primarily due to the decrease in capitalized waste related to the South Satellite pit extension.
- Non-sustaining capital decreased from $1.6 million to $0.7 million, which is attributable to remaining costs associated with the TSF raise which has been completed.

**FY-2019 vs FY-2018 Insights**

- As guided, production decreased marginally due to lower mill throughput and grades which were partially offset by a higher recovery rate.
- The AISC decreased slightly as a result of a lower strip ratio and lower mining unit costs which were partially offset by increased sustaining costs and higher royalty costs.

**2020 Outlook**

- Agbaou is expected to produce between 115,000-125,000 ounces in 2020 at an AISC of $940-990 per ounce.
  - Mining is expected to focus in the North pit with contributions from the West pit in H1-2020 and from the South Satellite pit in the second half. Harder fresh ore is expected to be mined while the overall strip ratio is expected to decrease slightly.
  - Throughput and recovery rates are expected to decrease marginally due to the expected higher percentage of harder fresh ore in the blend.
  - Sustaining capital expenditure is expected to remain flat at approximately $17.0 million related to waste capitalization (as $8.0 million carried over from 2019)
- Minimal non-sustaining expenditure of approximately $1.0 million is planned for 2020.

**Exploration Activities**

- The 2019 exploration program began in Q3-2019, with full results pending from the 2,000 meters of diamond drilling and 5,100 meters of reverse circulation drilling conducted. An additional short drilling campaign on near-mine targets occurred in Q4-2019 with results pending.
- An exploration program of up to $2.0 million is being considered for 2020 with the aim of continuing to test targets located along extensions of known deposits and on parallel trends.

*Table 13: Karma Key Performance Indicators*

| | Unit | THREE MONTHS ENDED December 31, 2019 | THREE MONTHS ENDED September 30, 2019 | THREE MONTHS ENDED December 31, 2018 | TWELVE MONTHS ENDED December 31, 2019 | TWELVE MONTHS ENDED December 31, 2018 |
|---|---|---|---|---|---|---|
| ***Operating Data:*** | | | | | | |
| Tonnes ore mined | kt | 907 | 948 | 788 | 3,745 | 4,715 |
| Tonnes of waste mined | kt | 3,741 | 3,410 | 4,367 | 15,690 | 12,217 |
| Open pit strip ratio[2] | w:o | 4.13 | 3.60 | 5.54 | 4.19 | 2.59 |
| Tonnes of ore stacked | kt | 1,134 | 919 | 1,037 | 4,196 | 4,097 |
| Average gold grade stacked | g/t | 0.96 | 1.17 | 0.98 | 0.91 | 0.95 |
| Recovery rate | % | 84% | 79% | 88% | 82% | 82% |
| Gold produced: | oz | 27,247 | 26,168 | 33,459 | 96,534 | 108,733 |
| Gold sold: | oz | 27,705 | 25,442 | 33,516 | 96,615 | 108,308 |
| ***Financial Data ($'000)*** | | | | | | |
| Revenues[3] | $ | 34,541 | 31,329 | 35,506 | 111,185 | 113,061 |
| Mining costs | $ | (10,568) | (10,333) | (9,052) | (44,140) | (38,508) |
| Processing cost | $ | (7,391) | (6,653) | (7,684) | (29,556) | (34,499) |
| General and Administrative expenses | $ | (1,895) | (2,619) | (3,171) | (10,621) | (13,797) |
| Capitalized waste | $ | 871 | 2,539 | 2,881 | 13,074 | 10,172 |
| Inventory adjustments and other | $ | 786 | (2,387) | (2,807) | (4,420) | 344 |
| Total Cash Cost[1] | $ | (18,197) | (19,453) | (19,832) | (75,663) | (76,287) |
| Royalties | $ | (2,540) | (2,420) | (2,360) | (8,594) | (8,335) |
| Sustaining capital[1] | $ | (193) | (1,043) | (1,183) | (2,994) | (3,385) |
| Total All-In Sustaining Costs[1] | $ | (20,931) | (22,916) | (23,375) | (87,251) | (88,007) |
| Non-sustaining capital[1] | $ | (11,262) | (4,167) | (8,252) | (26,941) | (25,281) |
| **All-In Margin[1]** | **$** | **2,349** | **4,246** | **3,879** | **(3,007)** | **(227)** |
| add back: Sustaining and non-sustaining capital[1] | $ | 11,455 | 5,210 | 9,435 | 29,935 | 28,666 |
| Depreciation/depletion | $ | (12,350) | (12,358) | (13,215) | (47,225) | (39,852) |
| Non-cash operating income/(expense) | $ | (3,062) | 2,044 | (25,660) | (4,032) | (26,669) |
| **(Loss)/Earnings from mine operations** | **$** | **(1,608)** | **(858)** | **(25,561)** | **(24,329)** | **(38,082)** |
| ***Unit cost analysis*** | | | | | | |
| Realized gold price[3] | $/oz | 1,247 | 1,231 | 1,059 | 1,151 | 1,044 |
| Open pit mining cost per tonne mined | $/t | 2.27 | 2.37 | 1.76 | 2.27 | 2.27 |
| Processing cost per tonnes stacked | $/t | 6.51 | 7.24 | 7.41 | 7.04 | 8.42 |
| G&A cost per tonne stacked | $/t | 1.67 | 2.85 | 3.06 | 2.53 | 3.37 |
| **Cash cost per ounce sold[1]** | **$/oz** | **657** | **765** | **592** | **783** | **704** |
| **Mine All-In Sustaining Costs[1]** | **$/oz** | **755** | **901** | **697** | **903** | **813** |

*[1]Non-GAAP measure. Refer to the Non-GAAP Measures section for further details.*
*[2] Strip ratio includes capital waste.*
*[3] Revenue and realized gold price are net of gold stream sales to Franco/Nevada and Sandstorm.*

**Q4 2019 vs Q3 2019 Insights**

- Production remained fairly flat as an increase in stacked tonnage and recovery rates offset the lower stacked grades.
  - Mining activity increased following the end of the rainy season with total tonnes moved increasing by 7%. Tonnes of ore mined decreased due to a higher strip ratio based on mining exclusively in the Kao North pit.
  - Tonnage stacked increased following upgrades to the stacker system.
  - Stacked grades slightly decreased as low-grade stockpiles supplemented the feed.
  - Recovery rates increased significantly due to the benefit of solely stacking oxide ore from the recently commissioned Kao North pit.
- The AISC improved significantly due to the benefit of mining and stacking primarily oxide ore, lower unit processing costs and due to year-end accrual and working capital adjustments.
  - Mining unit costs decreased from $2.37 to $2.27 per tonne due to higher tonnes mined as a result of mining more oxide ore.
  - Processing unit costs decreased from $7.24 to $6.51 per tonne due to more tonnes stacked with the stacker upgrades coming online and the benefit of stacking primarily oxide ore.
  - Sustaining capital costs decreased from $1.0 million to $0.2 million.
- Non-sustaining capital spend increased from $4.2 million to $11.3 million due to the upgrade on the stacker and power generation.

**FY-2019 vs FY-2018 Insights**

- As guided, production decreased due to lower grades associated with supplemented ore stacked from stockpiles.
- AISC slightly increased as a result of higher waste capitalization and lower production.

**2020 Outlook**

- Karma is expected to produce between 100,000 -110,000 ounce in 2020 at an AISC of $980 - $1,050 per ounce.
  - Mining activity is expected to occur at the Kao North pit throughout the year, while the GG1 deposit is expected to commence mining in late Q1-2020. The overall strip ratio is expected to remain in line with the prior year.
  - Ore tonnes stacked are expected to increase slightly due to the completion of stacker upgrades in Q1-2020 while grades and recoveries are expected to remain constant.
  - Sustaining capital expenditure is expected to increase from $3.0 million in 2019 to approximately $13.0 million planned for 2020, comprised of $7.0 million for waste capitalization and the remainder mainly for mining fleet components.
- Non-sustaining expenditure is expected to reduce significantly from $27.0 million in FY-2019 to $5.0 million planned for 2020, mainly for the construction of a heap leach pad, and compensation and resettlement for GG1.

**Exploration Activities**

- The 2019 exploration program began in late Q3-2019 with 27,000 meters drilled, focused mainly on testing the extensions of Kao deposits and infill drilling at GG1.
- An exploration program of up to $2.0 million is being considered for 2020 with the aim of in-fill drilling and testing extensions of known deposits.

**Impairment of mining interests**

During the year ended December 31, 2019, the Corporation recorded an impairment charge on non-current assets of $127.4 million recognized at the Karma Mine. During the fourth quarter, the Corporation performed a review for indicators of impairment at each of the cash generating units. The Corporation evaluated key assumptions, significant revisions to the mine plan including current estimates of recoverable mineral reserves and resources, recent operating results, future expected production based on the reserves which led to an indicator of impairment of the Karma cash-generating unit (“CGU”)

Karma’s impairment was mainly due to the reduction in reserves. The reserves reduced due to early completion of mining of Kao Main, removal of fresh ore from the Resource model, updating the Resource model for GG1 and rerunning pit optimizations based on current unit cost, geotechnical and recovery rate assumptions, and mining depletion.

Given Karma’s low-grade nature, the updated reserve and resource models are expected to be more robust and maximize profitability. Despite Karma’s P&P reserves now standing at 0.29Moz, down from 0.76Moz the prior year, Karma has the potential to further extend its mine life as we will continue to assess near pit extensions at GG1 and Kao North/Kao Main in particular. Given the current higher gold price, Karma offers optionality to re-evaluate its significant sulfide material.

***Table 14: Ity Heap Leach Key Performance Indicators***

| | Unit | THREE MONTHS ENDED | | | TWELVE MONTHS ENDED | |
|---|---|---|---|---|---|---|
| | | December 31, 2019 | September 30, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| ***Operating Data:*** | | | | | | |
| Tonnes ore mined | kt | - | - | 200 | - | 1,127 |
| Tonnes of waste mined | kt | - | - | 294 | - | 2,901 |
| Open pit strip ratio[2] | w:o | - | - | 1.47 | - | 2.58 |
| Tonnes of ore stacked | kt | - | - | 316 | - | 1,307 |
| Average gold grade stacked | g/t | - | - | 2.37 | - | 2.49 |
| Recovery rate | % | - | - | 87% | - | 81% |
| Gold produced: | oz | - | - | 20,574 | 2,702 | 84,832 |
| Gold sold: | oz | - | - | 20,462 | 4,214 | 85,191 |
| ***Financial Data ($'000)*** | | | | | | |
| Revenues | $ | - | - | 25,180 | 5,486 | 107,511 |
| Mining costs | $ | - | - | (3,286) | - | (25,665) |
| Processing cost | $ | - | - | (4,358) | (684) | (19,566) |
| General and Administrative expenses | $ | - | - | (1,097) | (26) | (10,402) |
| Capitalized waste | $ | - | - | - | - | - |
| Inventory adjustments and other | $ | - | - | (2,786) | (3,664) | 597 |
| Total Cash Cost[1] | $ | - | - | (11,526) | (4,374) | (55,035) |
| Royalties | $ | - | - | (1,125) | (201) | (4,161) |
| Sustaining capital[1] | $ | - | - | (70) | - | (2,076) |
| Total All-In Sustaining Costs[1] | $ | - | - | (12,721) | (4,575) | (61,272) |
| Non-sustaining capital[1] | $ | - | - | - | - | - |
| **All-In Margin[1]** | **$** | **-** | **-** | **12,459** | **911** | **46,239** |
| add back: Sustaining and non-sustaining capital[1] | $ | - | - | 70 | - | 2,076 |
| Depreciation/depletion | $ | - | - | (8,372) | - | (29,028) |
| Non-cash operating expense | $ | - | - | (741) | (4,134) | (3,016) |
| **(Loss)/Earnings from mine operations** | **$** | **-** | **-** | **3,416** | **(3,223)** | **16,271** |
| ***Unit cost analysis*** | | | | | | |
| Realized gold price | $/oz | - | - | 1,231 | 1,302 | 1,262 |
| Open pit mining cost per tonne mined | $/t | - | - | 6.65 | - | 6.37 |
| Processing cost per tonnes stacked | $/t | - | - | 13.80 | - | 14.97 |
| G&A cost per tonnes stacked | $/t | - | - | 3.47 | - | 7.96 |
| **Cash cost per ounce sold[1]** | **$/oz** | **-** | **-** | **563** | **1,038** | **646** |
| **Mine All-In Sustaining Costs[1]** | **$/oz** | **-** | **-** | **622** | **1,086** | **719** |

*[1]Non-GAAP measure. Refer to the Non-GAAP Measures section for further details.*
*[2] Strip ratio includes capital waste*

## 5.4. PROJECTS UPDATE

- While the main focus for 2020 will be on cash flow generation, Endeavour will also continue to build optionality within its portfolio by advancing studies and conducting more exploration on both the Fetekro and Kalana projects.
- Studies are underway with the aim of publishing a Preliminary Economic Assessment on Fetekro in Q2-2020 and a Feasibility Study on Kalana in H2-2020.
- Based on the outcome of these studies and Endeavour's capital allocation strategy, the Kalana and Fetekro project investment cases will be reviewed against each other and other internal growth opportunities.

*Kalana Project, Mali*

- In 2019, a $2.0 million reconnaissance drilling campaign comprising approximately 20,500 meters, was conducted on targets located in proximity to the Kalana Main deposit with results currently being analyzed. In 2020, an exploration budget of up to $2.0 million has been planned to follow-up on nearby targets once the 2019 drill results have been analyzed.
- The Avnel Feasibility Study is being updated to incorporate the updated resource for the Kalana Main deposit and the new Kalanako deposit (as published in March 2019), in addition to reviewing the size of the plant and all other assumptions. This is expected to be published in H2-2020.

*Fetekro, Côte d'Ivoire*

- In 2019, a $7.0 million comprised of approximately 49,000 metres of drilling was conducted, focused primarily on the Lafigué deposit. In 2020, an exploration budget of up to $6.0 million has been budgeted to further extend the Lafigué deposit.
- The Indicated resource increased by 141% to 1.2Moz with 95% of the resource having been classified to the Indicated category, as announced on September 3, 2019.
- The Lafigué deposit is amenable to open pit mining as mineralization starts at surface and preliminary metallurgical tests indicate high gold recovery rates of above 95% with a significant portion recoverable by gravity.
- An updated resource and PEA study are expected to be published in Q2-2020.

# 6.RESULTS FOR THE PERIOD

## 6.1. STATEMENT OF COMPREHENSIVE LOSS

*Table 15: Statement of Comprehensive Loss*

| ($'000s) | THREE MONTHS ENDED December 31, 2019 | September 30, 2019 | December 31, 2018 | TWELVE MONTHS ENDED December 31, 2019 | December 31, 2018 |
|---|---|---|---|---|---|
| Revenue | 248,398 | 267,292 | 207,784 | 886,371 | 751,957 |
| Operating expenses | (124,707) | (114,599) | (124,832) | (430,987) | (386,926) |
| Depreciation and depletion | (54,608) | (54,509) | (50,116) | (197,219) | (169,069) |
| Royalties | (13,638) | (14,480) | (10,338) | (48,139) | (41,068) |
| **Earnings from mine operations** | **55,445** | **83,704** | **22,498** | **210,026** | **154,894** |
| Corporate costs | (3,250) | (6,166) | (8,001) | (20,620) | (26,573) |
| Acquisition and restructuring costs | (4,552) | - | - | (4,552) | - |
| Impairment charge of mining interests | (127,380) | - | - | (127,380) | - |
| Share-based compensation | (8,819) | (5,238) | (8,147) | (21,042) | (24,931) |
| Exploration costs | - | (3,858) | - | (9,893) | (7,621) |
| **Earnings from operations** | **(88,556)** | **68,442** | **6,350** | **26,539** | **95,769** |
| Gains/(losses) on financial instruments | 2,194 | (49,528) | (16,239) | (57,968) | 8,035 |
| Finance costs | (11,591) | (14,170) | (4,947) | (43,066) | (23,671) |
| Other expenses | (12,219) | (673) | (402) | (8,515) | (1,558) |
| **Earnings/(loss) from continuing operations before taxes** | **(110,172)** | **4,071** | **(15,238)** | **(83,010)** | **78,575** |
| Current income tax expense | (29,661) | (16,917) | (21,212) | (73,901) | (66,522) |
| Deferred tax recovery/(expense) | 31,151 | (10,699) | 2,551 | 20,145 | 5,007 |
| Net loss from discontinued operations[1] | (4,394) | - | (95,658) | (4,394) | (154,795) |
| **Total net and comprehensive earnings/(loss)** | **(113,076)** | **(23,545)** | **(129,557)** | **(141,160)** | **(137,735)** |

*[1] The financial results of Tabakoto have been classified as a discontinued operation in accordance with IFRS reporting standards.*

Review of results for the three and twelve months ended December 31, 2019:

- Revenues for Q4-2019 were $248.4 million and $886.4 million FY-2019, compared to $207.8 million and $752.0 million in the same period of 2018. The increase in Q4-2019 and FY-2019 when compared to the same periods in the prior year is due an increase in overall production and higher realized gold prices. The overall increase in production is mainly due to the commencement of commercial production of the Ity CIL processing facility on April 8, 2019.
- Operating expenses for Q4-2019 were $124.7 million and $431.0 million FY-2019, compared to $124.8 million and $386.9 million in the same period in 2018. The upward trend FY-2019 compared to FY-2018 is due to an increase in operating expenses at Houndé Mine and the transition of Ity Mine from heap leach to CIL processing facility in H1-2019.
- Depreciation and depletion in Q4-2019 were $54.6 million and $197.2 FY-2019, compared to $50.1 million and $169.1 million in the comparative period for 2018. Depreciation and depletion increased FY-2019 by $28.2 million compared to FY-2018 mainly due to a higher depreciation charge at Ity CIL assets in 2019 compared to lower depreciation charge at Ity heap leach assets in 2018, as well as increased depreciation due to the adoption of IFRS 16.
- Corporate costs were $3.3 million for Q4-2019 and $20.6 million FY-2019, compared to $8.0 million and $26.6 million in the comparative periods for 2018. The decrease over the FY comparative periods are due to the realization of corporate savings initiatives.
- Acquisition and restructuring cost of $4.5 million for the quarter and year to date relates to legal and other related business development cost.
- At Karma, due to the decrease in the reserves, an impairment test was triggered. The fair value less costs to sell was determined to be lower than the carrying value of the Karma mineral interests, which resulted in a $127.4 million impairment.
- Share based compensation was $8.8 million in Q4-2019 and $21.0 million FY-2019, compared to $8.1 million and $24.9

million in the same periods for 2018. The FY decrease is due to adjustment to the fair value of the PSUs into earnings over the terms of the previously granted PSUs.

- Exploration costs were $nil in Q4-2019 and $9.9 million FY-2019, compared to $nil and $7.6 million for the same periods in 2018. The increase is due to increased exploration in 2019 that includes more greenfield work, as management continues to focus on unlocking exploration value within the portfolio.
- Gains/losses on financial instruments were a gain of $2.2 million in Q4-2019 and a loss of $58.0 million FY-2019, compared to a loss of $16.2 million and a gain of $8.0 million in the same periods in 2018. The gain in Q4-2019 is mainly due to the net impact of gains on the gold revenue protection program of $2.8 million, unrealised gains on convertible senior bond derivative of $3.9 million offset by foreign exchange loss of $3.6 million and loss on other financial instruments of $1.0 million.
- Finance costs were $11.6 million for Q4-2019 and $43.1 million FY-2019, compared to $4.9 million and $23.7 million in the same period in 2018. Finance costs are primarily associated to interest expense on the Revolving Credit Facility and convertible debt.
- Other expenses were $12.2 million for Q4-2019 and $8.5 million FY-2019, compared to an expense of $0.4 million and $1.6 million in the same period in 2018. Other expenses for the year mainly relate to legal fees for on-going disputes.
- Current income tax expense was $29.7million in Q4-2019 and $73.9 million FY-2019 compared to $21.2 million and $66.5 million in the same period of 2018. Income tax expense FY-2019 included an $18.1 million current income tax accrual for Agbaou 2019 performance to date, $2.3 million custom tax assessment as well as $6.7 million withholding tax expense mainly associated to a 2018 dividend distribution. In the comparative period, Agbaou still had the benefit of a five-year tax holiday which ended in Q4-2018. At Ity, $15.9 million of income tax has been accrued for 2019 performance to date inclusive of the benefit from five-year tax holiday on certain deposits, $6.4 million historical tax adjustment and $1.7 million withholding tax associated with imputed interest on funding provided. A $16.8 million income tax accrual for 2019 performance at Houndé which was offset by a $6.4 million income tax accrual recovery relating to 2018 as a result of the finalization of prior year tax returns.

## 6.2. CASH FLOW

The following table reconciles the AISC margin, and all-in margin to the quarterly change in cash.

*Table 16: Free Cash Flow[1]*

| | | THREE MONTHS ENDED | | | TWELVE MONTHS ENDED | |
|---|---|---|---|---|---|---|
| (in US$ '000 unless otherwise stated) | Unit | December 31, 2019 | September 30, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| Gold Produced | oz | 177,656 | 180,769 | 174,221 | 650,515 | 612,118 |
| Gold ounces sold | oz | 171,862 | 185,268 | 173,424 | 648,755 | 612,103 |
| Realized gold price | $/oz | 1,445 | 1,443 | 1,198 | 1,366 | 1,228 |
| Revenue | $ | 248,398 | 267,292 | 207,784 | 886,371 | 751,957 |
| Total cash costs | $ | (117,778) | (113,515) | (96,225) | (418,968) | (354,685) |
| Royalties | $ | (13,638) | (14,480) | (10,338) | (48,139) | (41,068) |
| Corporate costs | $ | (3,250) | (6,166) | (8,001) | (20,620) | (26,573) |
| Sustaining capital[1] | $ | (6,037) | (14,696) | (8,123) | (42,802) | (26,051) |
| Sustaining exploration[1] | $ | - | - | - | - | (7,223) |
| **All-in Sustaining Margin from continuing operations[1]** | **$** | **107,694** | **118,435** | **85,097** | **355,842** | **296,356** |
| Less: Non-sustaining capital[1,4] | $ | (20,219) | (8,434) | (13,026) | (57,343) | (44,122) |
| Less: Non-sustaining exploration[1] | $ | (2,407) | (3,901) | (6,045) | (39,210) | (41,860) |
| **All-In Margin from continuing operations[1]** | **$** | **85,068** | **106,100** | **66,025** | **259,289** | **210,374** |
| Changes in operating working capital and long-term assets | $ | 33,377 | (18,344) | 54,434 | (13,625) | (53,657) |
| Taxes paid | $ | (14,025) | (20,738) | (6,012) | (65,997) | (24,018) |
| Interest paid, financing fees and lease repayment | $ | (9,236) | (16,444) | (11,405) | (59,014) | (47,937) |
| Cash settlements on hedge programs, gold collar premiums | $ | (2,790) | (1,633) | 5,101 | (5,360) | 5,795 |
| **Net free cash flow from continuing operations[1]** | **$** | **92,394** | **48,941** | **108,143** | **115,293** | **90,557** |
| Growth projects[1] | $ | (1,742) | (6,466) | (36,199) | (94,084) | (266,932) |
| Exploration expense[2] | $ | - | (3,858) | - | (9,893) | (7,621) |
| M&A, restructuring and asset sales[3] | $ | (677) | - | 33,179 | (1,130) | 33,179 |
| Cash paid on settlement of share appreciation rights, DSUs and PSUs | $ | - | - | (3,908) | (1,125) | (8,355) |
| Net equity (dividends)/proceeds | $ | (1,090) | (5,046) | 41 | (5,862) | (1,356) |
| Proceeds (repayment) of long-term debt | $ | - | - | 60,000 | 80,000 | (70,000) |
| Convertible senior bond | $ | - | - | - | - | 330,000 |
| Foreign exchange (losses)/gains | $ | (3,334) | 5,200 | (6,640) | (3,588) | (19,472) |
| Other (expenses)/income | $ | (15,763) | 3,653 | 1,923 | (13,744) | (5,557) |
| Cashflows used by discontinued operations[4] | $ | - | - | (69,760) | - | (73,123) |
| **Cash inflow for the period** | **$** | **69,788** | **42,424** | **86,779** | **65,867** | **1,320** |

*[1]Non-GAAP financial performance measures with no standard meaning under IFRS. Refer to the Non-GAAP Measures section for further details.*
*[2]Exploration expense per the statement of comprehensive earnings (loss). This cash outflow relates to expenditure on greenfield exploration activity.*
*[3]M&A activities include acquisition and disposal costs, as well as any cash received from disposed operations or sale of mining assets.*
*[4]Prior year non-sustaining capital has been adjusted to exclude Tabakoto figures. Tabakoto amounts have been included in cashflows used by discontinued operations.*

- While Q4-2019 production remained flat over Q3-2019, gold sales were greater than ounces produced in Q3-2019 (180,769 ounces produced compared to 185,268 ounces sold) and less in Q4-2019 (177,656 ounces produced compared to 171,862 ounces sold). Gold sales from continuing operations increased in FY-2019 compared to FY-2018 mainly due to the successful commissioning of the Ity CIL operation in Q2-2019.
- The realized gold price for FY-2019 was $1,366 per ounce compared to $1,228 per ounce in 2018. Both these amounts include the impact of the Karma stream, amounting to 20,938 ounces sold in 2019 and 23,750 in 2018, at 20% of spot prices. The realized gold price excluding the gold stream at Karma would have been $1,402 per ounce for 2019 and $1,268 per ounce for 2018.

- The royalty expense remained relatively flat, increasing slightly from $78 per ounce in Q3-2019 to $79 per ounce in Q4-2019. The FY-2019 royalty expense was $74 per ounce, up from $67 per ounce for FY-2018, due to both the higher realized gold price and an increase in the underlying royalty rate based on the applicable sliding scale (above a spot gold price of $1,300 per ounce, government royalty rates in Burkina Faso increase from 4.0% to 5.0%, and from 3.5% to 4.0% in Côte d'Ivoire).
- The sustaining capital expenditure for Q4-2019 decreased significantly over Q3-2019 due to a decrease in spend at Houndé. The sustaining capital expenditure for FY-2019 increased compared to the corresponding period of 2018 due to increases at Houndé and Agbaou.
- The All-In Sustaining Margin from continuing operations for FY-2019 increased compared to the corresponding period of 2018 due to increased gold sales and increased realized gold price which was partially offset by slightly higher AISC.
- The non-sustaining capital spend increased in Q4-2019 compared to Q3-2019, due to waste capitalization at the high grade Bouéré deposit at Houndé, and stacker and power generation upgrades at Karma. The non-sustaining capital spend for FY-2019 increased compared to the corresponding period of 2018 mainly due to an increase at Houndé and Karma which was slightly offset by a decrease at Agbaou
- The non-sustaining exploration capital spend for 2019 continued to remain high, in line with Endeavour's strategic objective of unlocking exploration value through its aggressive drilling campaign. The majority of the exploration work done was conducted in H1-2019, ahead of the rainy season, with only $6.8 million spent in H2-2019.
- Taxes paid decreased by $6.7 million in Q4-2019 compared to Q3-2019. This was due to no tax payments scheduled at Ity and Agbaou, tax payments for non-mine related activities, and a provisional tax installment payment at Houndé (required to be made in the first and third quarters). Taxed paid in FY-2019 significantly increased compared to the previous year mainly due to $39.5 million of payments made at Houndé, comprised of $27.5 million for 2018 income tax payments and $12.0 million for 2019 provisional income tax payments.
- The interest paid, financing fees and lease repayments decreased in Q4-2019 compared to Q3-2019 as the convertible bond coupon is payable during the first and third quarters. The amount for FY-2019 increased compared to the corresponding period of 2018 due to increased levels of Group debt and its associated interest charge.
- The fee for the gold collar programs for 2019 amounted to $5.4 million. In 2019, no material settlements were made as the average monthly London PM Gold Fix for the period was below the collar ceiling price
- Growth project spend decreased to only $1.7 million in Q4-2019 as the Ity CIL plant was completed in Q1-2019 and its volumetric upgrade in early Q4-2019. The amount for FY-2019 was comprised mainly of $85.5 million for the Ity CIL project construction and $8.6 million for Kalana. Spend significantly decreased in H2-2019 over H1-2019 due to the completion of the Ity CIL plant build.
- $330.0 million was received in 2018 from the convertible notes issuance.
- $80.0 million was drawn on the Revolving Credit Facility ("RCF") in H1-2019 (none in H2-2019) to fund the Ity CIL plant construction while net repayments of $70.0 million were made in 2018 following proceeds received from the convertible notes issuance

***Working Capital***

The FY 2019 working capital is an inflow of $7.9 million which is broken down as follows:

- Receivables were an inflow of $21.4 million FY-2019. This is mainly due to the decrease in VAT receivable at Karma and Houndé.
- Inventories were an outflow of $10.8 million FY-2019, this is mainly due to the increase in stockpiles, GIC and consumables at Ity CIL as the mine came into commercial production in Q2-2019.
- Prepayments FY-2019 are a $2.4 million outflow mainly due to prepaid items at Karma related to conveyor system.
- Trade and other payables were a $0.3 million outflow for FY-2019 as payables return to a normalized rate following the completion of construction of Ity CIL.

## 6.3. BALANCE SHEET

*Table 17: Balance Sheet*

| ($'000s) | As at December 31, 2019 | As at September 30, 2019 | As at December 31, 2018 |
|---|---|---|---|
| ***ASSETS*** | | | |
| Cash | 189,889 | 120,101 | 124,022 |
| Trade and other recievables | 19,228 | 30,480 | 57,782 |
| Inventories | 168,379 | 168,205 | 126,353 |
| Current portion of derivative financial assets | - | - | 1,636 |
| Prepaid expenses and other | 18,542 | 24,459 | 16,975 |
| ***CURRENT ASSETS*** | ***396,038*** | ***343,245*** | ***326,768*** |
| Mining interests | 1,410,274 | 1,571,595 | 1,543,842 |
| Deferred income taxes | 5,498 | - | 4,186 |
| Other long term assets | 60,981 | 49,101 | 47,247 |
| **TOTAL ASSETS** | **1,872,791** | **1,963,941** | **1,922,043** |
| ***LIABILITIES*** | | | |
| Trade and other payables | 173,267 | 134,324 | 177,322 |
| Current portion of equipment finance obligations | 29,431 | 21,974 | 24,034 |
| Current portion of derivative financial liabilities | 10,349 | 15,945 | - |
| Income taxes payable | 54,968 | 38,384 | 47,064 |
| ***CURRENT LIABILITIES*** | ***268,015*** | ***210,627*** | ***248,420*** |
| Equipment finance obligations | 57,403 | 75,878 | 76,347 |
| Long-term debt | 638,980 | 637,396 | 542,248 |
| Other long term liabilities | 41,911 | 42,709 | 41,877 |
| Deferred income taxes | 49,985 | 75,638 | 68,818 |
| **TOTAL LIABILITIES** | **1,056,294** | **1,042,248** | **977,710** |
| Share capital | 1,774,172 | 1,774,172 | 1,743,661 |
| Equity reserve | 72,487 | 63,517 | 65,452 |
| Deficit | (1,128,792) | (1,011,229) | (951,107) |
| Non-controlling interest | 98,630 | 95,233 | 86,327 |
| **TOTAL EQUITY** | **816,497** | **921,693** | **944,333** |
| **TOTAL EQUITY AND LIABILITIES** | **1,872,791** | **1,963,941** | **1,922,043** |

*Net Debt Position*

The following table summarizes the Corporation's net debt position as at December 31, 2019, September 30, 2019, and December 31, 2018.

***Table 18: Net Debt Position***

| ($'000s) | December 31, 2019 | September 30, 2019 | December 31, 2018 |
|---|---|---|---|
| Cash | 189,889 | 120,101 | 124,022 |
| Less: Equipment finance obligation | (78,081) | (88,589) | (100,381) |
| Less: Convertible senior bond | (330,000) | (330,000) | (330,000) |
| Less: Drawn portion of $350 million RCF | (310,000) | (310,000) | (230,000) |
| **Net Debt** | **(528,192)** | **(608,488)** | **(536,359)** |
| **Net Debt / Adjusted EBITDA LTM ratio** | **1.48** | **1.94** | **1.97** |

*Adjusted EBITDA ratio is per table 22 and is calculated using the trailing twelve months Adjusted EBIDTA as presented in prior reporting*

*Equipment Finance Obligations*

The equipment finance obligation relates to agreements relating to Komatsu mining equipment at the Houndé and ITY mines.

***Table 19: Equipment Finance Obligations***

| | December 31, 2019 | September 30, 2019 | December 31, 2018 |
|---|---|---|---|
| Houndé mine | 39,340 | 43,266 | 50,378 |
| Ity mine | 38,741 | 45,323 | 50,003 |
| **Present value of minimum finance payments** | **78,081** | **88,589** | **100,381** |

*Convertible Senior Notes*

On February 8, 2018, the Corporation completed a private placement of convertible senior notes with a total principal amount of $330.0 million due in 2023 (the "Notes"). The initial conversion rate is 41.84 of the Corporation's common shares ("Shares") per $1,000 Note, or an initial conversion price of approximately $23.90 (CAD$29.47) per share.

The Notes bear interest at a coupon rate of 3% payable semi-annually in arrears on February 15 and August 15 of each year, beginning on August 15, 2018. The Notes mature on February 15, 2023, unless earlier redeemed, repurchased or converted in accordance with the terms of the Notes. The Corporation may, subject to certain conditions, elect to satisfy the principal amount due at maturity or upon redemption through the payment or delivery of any combination of Shares and cash.

The key terms of the Convertible Senior Notes include:

- Principal amount of $330.0 million.
- Coupon rate of 3% payable on a semi-annual basis.
- The term of the notes is 5 years, maturing in February 2023.
- The notes are reimbursable through the payment or delivery of shares and/or cash.
- The initial conversion price is $23.90 (CAD$29.47) per share.
- The reference share price of the notes is $18.04 (CAD$22.24) per share.

For accounting purposes, the Corporation measures the Notes at amortized cost, accreting to maturity over the term of the Notes. The conversion option is an embedded derivative and is accounted for as a financial liability measured at fair value through the profit or loss, as the Corporation has the ability to settle the option at fair value in cash, common shares, or a combination of cash and common shares in certain circumstances.

The unrealized loss on the convertible note option for the year ended December 31, 2019 was $6.4 million (year ended December 31, 2018 unrealized gain – $16.9 million).

*Equity and Capital*

Endeavour Mining's authorized capital is 200,000,000 shares divided into 100,000,000 ordinary shares with a par value of $0.10 each and 100,000,000 undesignated shares. The table below summarizes Endeavour Mining's share structure at December 31, 2019.

***Table 20: Outstanding Shares***

| | December 31, 2019 | September 30, 2019 | December 31, 2018 |
|---|---|---|---|
| Shares issued and outstanding | 109,927,097 | 109,927,097 | 108,081,596 |
| Stock options | 14,950 | 15,416 | 50,535 |

As at March 9, 2020, the Corporation had 110,993,240 shares issued and outstanding, as well as 14,950 stock options outstanding.

*Financial instruments*

To increase the cash flow certainty during its debt reimbursement phase, Endeavour Mining has put in place a short-term Gold Revenue Protection Strategy consisting of Gold Option Contracts, similar to the strategy employed during the construction phase.

A deferred premium collar strategy using written call options and bought put options has been put in place beginning on July 1, 2019 and ending on June 30, 2020 with a floor price of $1,358 per ounce and a ceiling price of $1,500 per ounce. The program covers a total of 360,000 ounces, representing approximately 50% of Endeavour Mining's total estimated gold production for the period. The total premium payable for entering into this program was $8.7 million, which is deferred and settled as monthly contracts mature.

Once the Gold Option Contracts program ends, Endeavour Mining will return to a position where its gold production is fully exposed to spot gold prices.

## 6.4. ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS

*New accounting policies*

The Corporation has adopted the following new IFRS standards for the annual period beginning on January 1, 2019.

The Corporation adopted IFRIC 23, Uncertainty over Income Tax Treatments, but it did not have a material impact on the consolidated financial statements.

Also, IFRS 16 Leases (effective January 1, 2019), was issued in January 2016, which replaces IAS 17 "Leases" and provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases, with exemptions for lease terms 12 months or less, or if the underlying asset has a low value.

The Corporation has adopted IFRS 16 for the annual period beginning January 1, 2019 using the modified retrospective approach and therefore the comparative information has not been restated and the cumulative effect of initially applying IFRS 16 has been recorded on January 1, 2019 for any differences identified, including adjustments to the opening retained earnings balance.

*Critical judgements and key sources of estimation uncertainty*

The Corporation's management has made critical judgments and estimates in the process of applying the Corporation's accounting policies to the consolidated financial statements that have significant effects on the amounts recognized in the Corporation's consolidated financial statements. These estimates include commencement of commercial production, determination of economic viability, functional currency, business combinations, exchangeable shares, and capitalization of waste stripping. There have been no significant changes compared to December 31, 2018.

# 7.NON-GAAP MEASURES

## 7.1. ALL-IN SUSTAINING MARGIN AND ADJUSTED EBITDA

The Corporation believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use the all-in sustaining margin and adjusted earnings before interest, tax, depreciation and amortization ("Adjusted EBITDA") to evaluate the Corporation's performance and ability to generate cash flows and service debt. These do not have a standard meaning and are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The following tables provide the illustration of the calculation of this margin, for the three months ended December 31, 2019, September 30, 2019, and December 31, 2018 and twelve months ended December 31, 2019 and December 31, 2018.

*Table 21: All-In Sustaining Margin*

| | THREE MONTHS ENDED | | | TWELVE MONTHS ENDED | |
|---|---|---|---|---|---|
| ($'000s) | December 31, 2019 | September 30, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| Revenues | 248,398 | 267,292 | 207,784 | 886,371 | 751,957 |
| Less: Royalties | (13,638) | (14,480) | (10,338) | (48,139) | (41,068) |
| Less: Total cash costs | (117,778) | (113,515) | (96,225) | (418,968) | (354,685) |
| Less: Corporate G&A[1] | (3,250) | (6,166) | (8,001) | (20,620) | (26,573) |
| Less: Sustaining capital | (6,037) | (14,696) | (8,123) | (42,802) | (26,051) |
| Less: Sustaining exploration | - | - | - | - | (7,223) |
| **All-in sustaining margin from continuing operations** | **107,694** | **118,435** | **85,097** | **355,842** | **296,356** |

*[1] Corporate G&A costs included in all calculations for all-in sustaining margin and all-in sustaining cost exclude $4.5m costs incurred in relation to non-operational activities.*

*Table 22: Adjusted EBITDA*

| | THREE MONTHS ENDED | | | TWELVE MONTHS ENDED | |
|---|---|---|---|---|---|
| ($'000s) | December 31, 2019 | September 30, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| Earnings/(loss) from continuing operations before taxes | (110,172) | 4,071 | (15,238) | (83,010) | 78,575 |
| Add back: Depreciation and depletion | 54,608 | 54,509 | 50,116 | 197,219 | 169,069 |
| Add back: Impairment charge of mineral interests | 127,380 | - | - | 127,380 | - |
| Add back: Acquisiton and restructuring costs | 4,552 | - | - | 4,552 | - |
| Add back: Other expenses | 12,219 | 673 | 402 | 8,515 | 1,558 |
| Add back: Finance costs | 11,591 | 14,170 | 4,947 | 43,066 | 23,671 |
| Add back: (Gains)/losses on financial instruments | (2,194) | 49,528 | 16,239 | 57,968 | (8,035) |
| **Adjusted EBITDA from continuing operations** | **97,984** | **122,951** | **56,466** | **355,690** | **264,838** |

## 7.2. CASH AND ALL-IN SUSTAINING COST PER OUNCE OF GOLD SOLD

The Corporation reports cash costs based on ounces sold. The Corporation believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors may find this information useful. However, there are no standardized meanings, and therefore this additional information should not be considered in isolation, or as a substitute for measures of performance prepared in accordance with GAAP. The following table provides a reconciliation of cash costs per ounce of gold sold (including the ounces sold from ore purchased), for the three months ended December 31, 2019, September 30, 2019, and December 31, 2018 and twelve months ended December 31, 2019 and December 31, 2018.

*Table 23: Cash Costs*

| | THREE MONTHS ENDED | | | TWELVE MONTHS ENDED | |
|---|---|---|---|---|---|
| ($'000s except ounces sold) | December 31, 2019 | September 30, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| Operating expenses from mine operations | (124,707) | (114,599) | (124,832) | (430,987) | (386,926) |
| Non-cash and other adjustments | 6,929 | 1,084 | 28,607 | 12,019 | 32,241 |
| **Cash costs from continuing operations** | **(117,778)** | **(113,515)** | **(96,225)** | **(418,968)** | **(354,685)** |
| Operating expenses from discontinued operations | - | - | (35,144) | - | (145,108) |
| Non-cash and other adjustments from discontinued operations | - | - | 209 | - | 23,518 |
| Total cash costs | (117,778) | (113,515) | (131,160) | (418,968) | (476,275) |
| Gold ounces sold | 171,862 | 185,268 | 202,823 | 648,755 | 727,311 |
| **Total cash cost per ounce of gold sold** | **685** | **613** | **647** | **646** | **655** |
| **Excluding discontinued operations** | | | | | |
| Cash costs from continuing operations | (117,778) | (113,515) | (96,225) | (418,968) | (354,685) |
| Gold ounces sold | 171,862 | 185,268 | 173,424 | 648,755 | 612,103 |
| **Total cash cost per ounce from continuing operations** | **685** | **613** | **555** | **646** | **579** |

The Corporation is reporting all-in sustaining costs per ounce sold. The methodology for calculating all-in sustaining costs per ounce was developed internally and is calculated below. This non-GAAP measure provides investors with transparency regarding the total cash cost of producing an ounce of gold in each period. Readers should be aware that this measure does not have a standardized meaning. It is intended to provide additional information and should not be considered in isolation, or as a substitute for measures of performance prepared in accordance with GAAP.

***Table 24: All-In Sustaining Costs***

| | THREE MONTHS ENDED | | | TWELVE MONTHS ENDED | |
|---|---|---|---|---|---|
| ($'000s except ounces sold) | December 31, 2019 | September 30, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| Total cash cost for ounces sold | (117,778) | (113,515) | (131,160) | (418,968) | (476,275) |
| Royalties | (13,638) | (14,480) | (12,510) | (48,139) | (49,816) |
| Corporate G&A[1] | (3,250) | (6,166) | (8,001) | (20,620) | (26,573) |
| Sustaining capital | (6,037) | (14,696) | (14,236) | (42,802) | (53,467) |
| Sustaining exploration | - | - | - | - | (7,223) |
| All-in sustaining costs from all operations | (140,704) | (148,857) | (165,907) | (530,529) | (613,354) |
| Gold ounces sold | 171,862 | 185,268 | 202,823 | 648,755 | 727,311 |
| **All-in sustaining cost per ounce sold** | **819** | **803** | **818** | **818** | **843** |
| **Excluding discontinued operations** | | | | | |
| add back: all-in sustaining costs from Tabakoto | - | - | 43,221 | - | 157,754 |
| All-in sustaining costs from continuing operations | (140,704) | (148,857) | (122,686) | (530,529) | (455,600) |
| Gold ounces sold | 171,862 | 185,268 | 173,424 | 648,755 | 612,103 |
| **All-in sustaining costs per ounce sold from continuing operations** | **819** | **803** | **707** | **818** | **744** |

*[1] Corporate G&A costs included in all calculations for all in sustaining margin and all in sustaining cost exclude $4.5m costs incurred in relation to non-operational activities.*

***Table 25: Sustaining and Non-Sustaining Capital***

| | THREE MONTHS ENDED | | | TWELVE MONTHS ENDED | |
|---|---|---|---|---|---|
| ($'000s) | December 31, 2019 | September 30, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| **Expenditures and prepayments on mining interests[1]** | **30,405** | **33,497** | **155,467** | **233,439** | **549,379** |
| Non-sustaining capital expenditures[1] | (20,219) | (8,434) | (28,894) | (57,343) | (70,122) |
| Non-sustaining exploration[1] | (2,407) | (3,901) | (6,045) | (39,210) | (37,296) |
| Sustaining exploration | - | - | - | - | (7,223) |
| Growth projects[1] | (1,742) | (6,466) | (106,292) | (94,084) | (381,271) |
| **Sustaining Capital[1]** | **6,037** | **14,696** | **14,236** | **42,802** | **53,467** |

*[1] December 31, 2018 figures include Tabakoto.*

## 7.3. ADJUSTED NET EARNINGS AND ADJUSTED NET EARNINGS PER SHARE

Net earnings have been adjusted for items considered exceptional in nature and not related to Endeavour Mining's core operation of mining assets. The presentation of adjusted net earnings may assist investors and analysts to understand the underlying operating performance of our core mining business. However, adjusted net earnings and adjusted net earnings per share do not have a standard meaning under IFRS. They should not be considered in isolation, or as a substitute for measures of performance prepared in accordance with IFRS and are not necessarily indicative of operating profit or cash flow from operations as determined under IFRS.

The following table reconciles these non-GAAP measures to the most directly comparable IFRS measure.

*Table 26: Adjusted Net Earnings*

| | THREE MONTHS ENDED | | | TWELVE MONTHS ENDED | |
|---|---|---|---|---|---|
| ($'000s) | December 31, 2019 | September 30, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| Total net and comprehensive earnings/(loss) | (113,076) | (23,545) | (129,557) | (141,160) | (137,735) |
| Net loss from discontinued operations | 4,394 | - | 95,658 | 4,394 | 154,795 |
| Deferred income tax (recovery)/expense | (31,151) | 10,699 | (2,551) | (20,145) | (5,007) |
| (Gain)/loss on financial instruments | (2,194) | 49,528 | 16,239 | 57,968 | (8,035) |
| Other expenses | 12,219 | 673 | 402 | 8,515 | 1,558 |
| Share-based compensation | 8,819 | 5,238 | 8,147 | 21,042 | 24,931 |
| Acquisition and restructuring costs | 4,552 | - | - | 4,552 | - |
| Tax impact of adjusting items[1] | 21,705 | - | 4,886 | 21,705 | 11,828 |
| Non-cash and other adjustments | 6,929 | 1,084 | 28,607 | 12,019 | 32,241 |
| Impairment charge on mineral interest | 127,380 | - | - | 127,380 | - |
| **Adjusted net earnings** | **39,576** | **43,677** | **21,831** | **96,270** | **74,575** |
| **Attributable to non-controlling interests** | **2,686** | **10,522** | **5,560** | **22,616** | **21,444** |
| **Attributable to shareholders of the Corporation** | **36,890** | **33,155** | **16,271** | **73,654** | **53,132** |
| Weighted average number of shares issued and outstanding | 109,927,097 | 109,926,147 | 107,853,421 | 109,822,221 | 107,741,182 |
| **Adjusted net earnings per share (basic) from continuing operations** | **0.34** | **0.30** | **0.15** | **0.67** | **0.49** |

*[1] Tax impact for adjusting items relates to the deferred tax liability written off as part of Karma's impairment.*

## 7.4. FREE CASH FLOW AND ADJUSTED CASH FLOW

The Corporation believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use free cash flow to assess the Corporation's ability to generate and manage liquid resources. These terms do not have a standard meaning and are intended to provide additional information. They should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

*Table 27: Adjusted Operating Cash Flow (AOCF) and AOCF per share*

| | THREE MONTHS ENDED | | | TWELVE MONTHS ENDED | |
|---|---|---|---|---|---|
| ($'000s) | December 31, 2019 | September 30, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| **CASH GENERATED FROM OPERATING ACTIVITIES** | **120,371** | **96,389** | **131,482** | **301,885** | **251,235** |
| Add back changes in non-cash working capital | 47,069 | (18,996) | 78,901 | 7,884 | (10,087) |
| **OPERATING CASH FLOWS BEFORE NON-CASH WORKING CAPITAL** | **73,302** | **115,385** | **52,581** | **294,001** | **261,322** |
| Divided by weighted average number of O/S shares, in thousands | 109,927 | 109,926 | 107,853 | 109,822 | 107,741 |
| **OPERATING CASH FLOW PER SHARE** | **0.67** | **1.05** | **0.49** | **2.68** | **2.43** |

## 7.5. NET DEBT AND NET DEBT/ADJUSTED EBITDA RATIO

The Corporation is reporting Net Debt and Net Debt/Adjusted EBITDA ratio. This non-GAAP measure provides investors with transparency regarding the liquidity position of the Corporation. It is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The calculation of net debt is shown in table 18, calculated as nominal undiscounted debt including leases, less cash. The following table explains the calculation of net debt/Adjusted EBITDA ratio using the last twelve months of Adjusted EBITDA.

*Table 28: Net Debt/ Adjusted EBITDA ratio*

| ($'000s) | December 31, 2019 | September 30, 2019 | December 31, 2018 |
|---|---|---|---|
| Net Debt | 528,192 | 608,488 | 536,359 |
| Trailing twelve month Adjusted EBITDA[1] | 355,690 | 314,172 | 271,610 |
| **Net Debt / Adjusted EBITDA LTM ratio** | **1.48** | **1.94** | **1.97** |

## 7.6. RETURN ON CAPITAL EMPLOYED

The Corporation uses Return on Capital Employed ("ROCE") as a measure of long-term operating performance to measure how effectively management utilizes the capital it has been provided. This non-GAAP measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The calculation of ROCE, expressed as a percentage, is Adjusted EBIT (based on EBITDA as per Table 22) divided by the average of the opening and closing capital employed for the 12 months preceding the period end. Capital employed is the total assets less current liabilities.

*Table 29: Return on Capital Employed*

| **(US$ '000 unless otherwise stated)** | 2019 | 2018 |
|---|---|---|
| Adjusted EBITDA | 355,690 | 264,838 |
| Less: depreciation and amortisation | (197,219) | (169,069) |
| **Adjusted EBIT (A)** | **158,471** | **95,769** |
| | | |
| **Opening Capital employed (B)** | **1,673,623** | **1,452,326** |
| | | |
| Total Assets | 1,872,791 | 1,922,043 |
| Less: Current Liabilities | (268,015) | (248,420) |
| **Closing Capital employed (C)** | **1,604,776** | **1,673,623** |
| | | |
| **Average Capital Employed (D)=(B+C)/2** | **1,639,199** | **1,562,975** |
| | | |
| **ROCE (A)/(D)** | **10%** | **6%** |

# 8.QUARTERLY AND ANNUAL FINANCIAL AND OPERATING RESULTS

The following tables summarize the Corporation's financial and operational information for the last eight quarters and three fiscal years.

*Table 30: 2019 Quarterly Key Performance Indicators*

| | | FOR THE THREE MONTHS ENDED | | | |
|---|---|---|---|---|---|
| ($'000s) | Unit | December 31, 2019 | September 30, 2019 | June 30, 2019 | March 31, 2019 |
| Gold ounces sold | oz | 171,862 | 185,268 | 170,749 | 120,876 |
| Gold revenues | $ | 248,398 | 267,292 | 219,371 | 151,310 |
| Cash flows from continuing operations | $ | 120,371 | 96,389 | 62,209 | 22,916 |
| Earnings from mine operations | $ | 55,445 | 83,704 | 53,051 | 17,826 |
| Net earnings (loss) and total comprehensive earnings (loss) | $ | (113,076) | (23,545) | 6,904 | (11,443) |
| Net earnings (loss) attributable to shareholders | $ | (113,169) | (32,199) | 711 | (14,667) |
| Basic earnings (loss) per share from continuing operations | $ | (1.03) | (0.29) | 0.01 | 0.13 |
| Diluted earnings (loss) per share from continuing operations | $ | (1.03) | (0.29) | 0.01 | 0.13 |

*Table 31: 2018 Quarterly Key Performance Indicators*

| | | FOR THE THREE MONTHS ENDED | | | |
|---|---|---|---|---|---|
| ($'000s except ounces sold) | | December 31, 2018 | September 30, 2018 | June 30, 2018 | March 31, 2018 |
| Gold ounces sold | oz | 173,424 | 134,159 | 150,732 | 185,151 |
| Gold revenues | $ | 207,784 | 155,764 | 189,515 | 240,281 |
| Cash flows from operations | $ | 11,569 | 11,569 | 59,566 | 48,303 |
| Earnings from mine operations | $ | 22,498 | 25,322 | 43,077 | 66,140 |
| Net earnings (loss) and total comprehensive earnings (loss) | $ | (129,557) | (20,394) | (15,443) | 27,659 |
| Net earnings (loss) attributable to shareholders | $ | (31,515) | (16,775) | (15,311) | 13,092 |
| Basic earnings (loss) per share from continuing operations | $ | (0.29) | 0.14 | 0.04 | 0.12 |
| Diluted earnings (loss) per share from continuing operations | $ | (0.29) | 0.14 | 0.04 | 0.12 |

*Table 32: Annual Key Performance Indicators[1]*

| ($'000s except per share amounts) | Year Ended December 31, 2019 | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|---|---|---|---|
| Gold ounces sold | 648,755 | 612,103 | 667,569 |
| Gold revenues | 886,371 | 751,957 | 470,643 |
| Cash flows from operations | 301,885 | 250,920 | 221,791 |
| Earnings from mine operations | 210,026 | 95,769 | 121,926 |
| Net (loss)/earnings and total comprehensive(loss)/earnings | (136,766) | 17,060 | (177,068) |
| Net (loss) attributable to shareholders | (159,324) | (65) | (156,337) |
| Basic (loss) per share | (1.45) | (0.00) | (1.59) |
| Diluted (loss) per share | (1.45) | (0.00) | (1.59) |
| Total assets | 1,872,791 | 1,922,043 | 1,693,511 |
| Total long term financial liabilities | 738,294 | 660,472 | 451,705 |
| Total attributable shareholders' equity | 717,867 | 858,006 | 984,864 |
| Adjusted net earnings per share[2] | 0.67 | 0.49 | 0.60 |

[1] *Figures are presented as per prior period reporting.*

[2] *The adjusted net earnings per share is inclusive of the prior period tax adjustment included in the December 31, 2018 adjusted earnings per share.*

# 9.RISK FACTORS

Readers of this MD&A should consider the information included or incorporated by reference in this document and the Corporation's audited consolidated financial statements and related notes for the period ending December 31, 2019. The nature of the Corporation's activities and the locations in which it works mean that the Corporation's business generally is exposed to significant risk factors, many of which are beyond its control. The Corporation examines the various risks to which it is exposed and assesses any impact and likelihood of those risks. For discussion on all the risk factors that affect the Corporation's business generally, please refer to the most recent Annual Information Form filed on SEDAR at www.sedar.com, and the 2019 year-end audited consolidated financial statements. The risks that affect the financial statements specifically, and the risks that are reasonably likely to affect them in the future which are incorporated by reference in this MD&A, are discussed below.

## 9.1. FINANCIAL RISKS

*Credit risk*

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Corporation by failing to discharge its obligations. Credit risk arises from cash, restricted cash, marketable securities, trade and other receivables, long-term receivable and other assets.

The Corporation closely monitors its financial assets and does not have any significant concentration of credit risk other than receivable balances owed from the governments in the countries the Corporation operates in.

Other receivables at December 31, 2019 include $7.2 million related to the disposal of Nzema and Tabakoto. Long-term receivables and NSR of $13.3 million consist of a receivable and NSR associated with the sale of the Tabakoto mine in December 2018.

BCM Group, a private mining contractor and operator, is the counterparty who acquired the two mines and from whom the receivables are ultimately due. The Corporation received $3.7 million in the year ended December 31, 2019, in relation to the receivable from the sale of the Nzema Mine.

The Corporation sells its gold to large international organizations with strong credit ratings, and the historical level of customer defaults is minimal. As a result, the credit risk associated with gold trade receivables at December 31, 2019 is considered to be negligible. The Corporation does not rely on ratings issued by credit rating agencies in evaluating counterparties' related credit risk.

The Corporation's maximum exposure to credit risk is as follows:

***Table 33: Exposure to Credit Risk***

| ($'000s) | December 31, 2019 | September 30, 2019 | December 31, 2018 |
|---|---|---|---|
| Cash | 189,889 | 120,101 | 124,022 |
| Trade and other receivables | 19,228 | 30,480 | 57,782 |
| Working capital loan | 541 | 528 | 491 |
| Derivative financial assets | - | - | 1,636 |
| Marketable securities | 1,224 | 1,626 | 497 |
| Long-term receivable | 13,322 | 13,322 | 13,446 |
| | **224,204** | **166,057** | **197,874** |

*Liquidity risk*

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash, physical gold or another financial asset. The Corporation has a planning and budgeting process in place to help determine the funds required to support the Corporation's normal operating requirements.

*Currency risk*

Currency risk relates to the risk that the fair values or future cash flows of the Corporation's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations may affect the costs that the Corporation incurs in its operations. There has been no change in the Corporation's objectives and policies for managing this risk during the period ended December 31, 2019.

The Corporation has not hedged its exposure to foreign currency exchange risk.

The table below highlights the net assets held in foreign currencies, presented in US dollars:

***Table 34: Net Assets in Foreign Currencies***

| ($'000s) | December 31, 2019 | September 30, 2019 | December 31, 2018 |
|---|---|---|---|
| Canadian dollar | 431 | 507 | 309 |
| CFA Francs | 11,147 | 14,218 | 26,615 |
| Euro | 2,973 | 1,127 | 919 |
| Other currencies | 6,185 | 8,824 | 2,707 |
| | **20,736** | **24,676** | **30,550** |

The effect on earnings before taxes as at December 31, 2019, of a 10% appreciation or depreciation in the foreign currencies against the US dollar on the above mentioned financial and non-financial assets and liabilities of the Corporation is estimated to be $2.1 million (December 31, 2018, $3.1 million), if all other variables remained constant. The calculation is based on the Corporation's statement of financial position as at December 31, 2019.

*Interest rate risk*

Interest rate risk is the risk that future cash flows from, or the fair values of, the Corporation's financial instruments will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk primarily on its long-term debt. Since marketable securities and government treasury securities held as loans are short term in nature and are usually held to maturity, there is minimal fair value sensitivity to changes in interest rates. The Corporation continually monitors its exposure to interest rates and is comfortable with its exposure given the relatively low short-term US interest rates and LIBOR.

The effect on earnings and other comprehensive loss before tax as at December 31, 2019, of a 10% change in the LIBOR rate on the RCF is estimated to be $0.1 million (December 31, 2018 - $0.1 million).

*Price risk*

Price risk is the risk that the fair value or future cash flows of the Corporation's financial instruments will fluctuate because of changes in market prices. There has been no change in the Corporation's objectives and policies for managing this risk and no significant changes to the Corporation's exposure to price risk during the period ended December 31, 2019.

*The Corporation's business requires substantial capital expenditure and there can be no assurance that such funding will be available on a timely basis, or at all*

The Corporation may require additional capital if it decides to develop other operations properties or make additional acquisitions. The Corporation may also encounter significant unanticipated liabilities or expenses. The Corporation's ability to continue its planned exploration and development activities, as well as its ability to discharge unanticipated liabilities and expenses, depends on its ability to generate sufficient free cash flow from its operating mines, each of which is subject to certain risks and uncertainties. The Corporation may be required to obtain additional equity or debt financing in the future to fund exploration and development activities or acquisitions of additional projects. There can be no assurance that the Corporation will be able to obtain such financing in a timely manner, on acceptable terms or at all. In addition, any additional debt financings, if available, may involve financial covenants and the granting of further security over the Corporation's assets.

*The Corporation's use of derivative instruments involves certain inherent risks, including credit risk, market liquidity risk, and unrealized mark-to-market risk*

From time to time, the Corporation employs hedging tools for a portion of its gold production and commodity prices to protect a portion of its cash flows against decreases in the price of gold or increases in the price of the underlying commodities it uses. The main hedging tools available to protect against price risk are collar contracts which involve a combination of put and call options or forward sales. Various strategies are available using these tools. Although hedging activities may protect the Corporation against a low gold price or commodity price fluctuations, they may also (i) limit the price that can be realized on the portion of hedged gold where the market price of gold exceeds the strike price in forward sale or call option contracts, and (ii) stipulate a price at which a commodity (such as fuel) must be purchased, which may be higher than the prevailing market price for that commodity.

*The Corporation's business could be adversely affected by global financial conditions*

Global financial conditions have been characterized by ongoing volatility. Global financial conditions could suddenly and rapidly destabilize in response to future events, as government authorities may have limited resources to respond to future crises. Global capital markets have continued to display increased volatility in response to global events. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, changes to energy prices or sovereign defaults. Such events are illustrative of the effect that events beyond the Corporation's control may have on commodity prices, demand for metals, including gold, availability of credit, investor confidence and general financial market liquidity, all of which affect the Corporation's business.

*Commitment and contingencies*

The Corporation is, from time to time, involved in various claims, legal proceedings, tax assessments and complaints arising in the ordinary course of business from third parties. The Corporation cannot reasonably predict the likelihood or outcome of these actions. The Corporation does not believe that adverse decisions in any other pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reason thereof, will have a material effect on the financial condition or future results of operations.

The Corporation was recently served in the Cayman Islands with notice of a claim by a former service provider. The Corporation is taking legal advice on the merits of the claim and the probable outcome but intends to vigorously defend against the claims. The Corporation does not believe that the outcome of the claim will have a material impact.

The Corporation's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Corporation believes its operations are materially in compliance with all applicable laws and regulations. The Corporation has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Corporation is obligated to deliver 100,000 ounces of gold (20,000 ounces per year) to Franco-Nevada Corporation and Sandstorm Gold Inc. (the "Syndicate") over a five period in exchange for 20% of the spot price of gold for each ounce of gold delivered (the "ongoing payment"). The amount that was previously advanced for this agreement of $100.0 million is reduced on each delivery by the excess of the spot price of the gold delivered over the ongoing payment. Following the five-year period, which commenced on March 31, 2016, the Corporation is committed to deliver refined gold equal to 6.5% of the gold production at the Karma Mine for the life of the mine in exchange for ongoing payments. The Corporation delivered an additional 7,500 ounces between July 2017 and April 2019 in exchange for the additional deposit of $5.0 million received in 2017. The Corporation assumed the gold stream when it acquired the Karma Mine on April 26, 2016. Gold ounces sold to the Syndicate under the stream agreement are recognized as revenue only on the actual proceeds received, which per the agreement is 20% of the spot gold price.

# 10. CONTROLS AND PROCEDURES

## 10.1. DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). Additionally, these controls and procedures provide reasonable assurance that information required to be disclosed in the Corporation's annual and interim filings (as such terms are defined under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) and other reports filed or submitted under Canadian securities law is recorded, processed, summarised and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management including the CEO and CFO as appropriate to allow timely decisions regarding required disclosure.

As at December 31, 2019, management evaluated the design and operating effectiveness of the Corporation's disclosure controls and procedures as required by Canadian Securities Law. Based on that evaluation, the CEO and CFO concluded that as of December 31, 2019, the disclosure controls and procedures were effective.

There have been no material changes in the Corporation's disclosure controls and procedures since the year ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Corporation's public disclosures.

## 10.2. INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Corporation's management, with the participation of its CEO and CFO, is responsible for establishing and maintaining adequate internal controls over financial reporting. Under the supervision of the CFO, the Corporation's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

As at December 31, 2019, management evaluated the effectiveness of the Corporation's internal control over financial reporting as required by Canadian securities laws.

Based on that evaluation of internal control over financial reporting, the CEO and CFO have concluded that, as at December 31, 2019, the internal controls over financial reporting were effective and able to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There have been no material changes in the Corporation's internal controls over financial reporting since the year ended December 31, 2019 that have materially affected or are reasonably likely to materially affect the Corporation's internal controls over financial reporting.

## 10.3. LIMITATIONS OF CONTROLS AND PROCEDURES

The Corporation's management, including the CEO and CFO believe that any disclosure controls and procedures or internal control over financial reporting, can provide only reasonable, but not absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the actions of one individual, by collusion of two or more people, or by unauthorised override of the control. Accordingly, because of the inherent limitations in a control system, misstatements due to error or fraud may occur and not be detected.

# APPENDIX A: DETAILED RESERVES AND RESOURCE

| *Resources shown inclusive of Reserves* | ON A 100% BASIS Tonnage (Mt) | Grade (Au g/t) | Content (Au koz) | ON AN ATTRIBUTABLE BASIS Tonnage (Mt) | Grade (Au g/t) | Content (Au koz) |
|---|---|---|---|---|---|---|
| **Agbaou Mine** (85% owned) | | | | | | |
| Proven Reserves | 1.5 | 0.71 | 34 | 1.3 | 0.71 | 29 |
| Probable Reserves | 4.8 | 1.86 | 286 | 4.1 | 1.86 | 243 |
| **P&P Reserves** | **6.3** | **1.58** | **321** | **5.4** | **1.58** | **273** |
| Measured Resource (incl. reserves) | 1.5 | 0.76 | 38 | 1.3 | 0.76 | 32 |
| Indicated Resources (incl. reserves) | 6.0 | 2.49 | 481 | 5.1 | 2.49 | 409 |
| **M&I Resources (incl. reserves)** | **7.6** | **2.14** | **519** | **6.4** | **2.14** | **441** |
| Inferred Resources | 0.7 | 1.59 | 37 | 0.6 | 1.59 | 31 |
| **Houndé Mine** (90% owned) | | | | | | |
| Proven Reserves | 1.8 | 1.57 | 89 | 1.6 | 1.57 | 80 |
| Probable Reserves | 30.9 | 2.09 | 2,075 | 27.8 | 2.09 | 1,867 |
| **P&P Reserves** | **32.6** | **2.06** | **2,164** | **29.4** | **2.06** | **1,948** |
| Measured Resource (incl. reserves) | 1.7 | 1.75 | 96 | 1.5 | 1.75 | 87 |
| Indicated Resources (incl. reserves) | 58.6 | 2.01 | 3,797 | 52.8 | 2.01 | 3,417 |
| **M&I Resources (incl. reserves)** | **60.4** | **2.01** | **3,893** | **54.3** | **2.01** | **3,504** |
| Inferred Resources | 6.9 | 2.07 | 456 | 6.2 | 2.07 | 411 |
| **Ity Mine** (85% owned except 100% owned Le Plaque area) | | | | | | |
| Proven Reserves | 9.4 | 1.05 | 318 | 8.0 | 1.05 | 271 |
| Probable Reserves | 52.7 | 1.67 | 2,825 | 45.6 | 1.67 | 2,464 |
| **P&P Reserves** | **62.1** | **1.57** | **3,144** | **53.6** | **1.57** | **2,734** |
| Measured Resource (incl. reserves) | 10.3 | 1.02 | 337 | 8.7 | 1.02 | 286 |
| Indicated Resources (incl. reserves) | 68.1 | 1.61 | 3,514 | 58.6 | 1.61 | 3,059 |
| **M&I Resources (incl. reserves)** | **78.4** | **1.53** | **3,851** | **67.3** | **1.53** | **3,345** |
| Inferred Resources | 18.0 | 1.35 | 780 | 15.4 | 1.35 | 670 |
| **Karma Mine** (90% owned) | | | | | | |
| Proven Reserves | 3.1 | 0.85 | 84 | 2.8 | 0.85 | 75 |
| Probable Reserves | 6.1 | 1.06 | 209 | 5.5 | 1.06 | 188 |
| **P&P Reserves** | **9.2** | **0.99** | **293** | **8.3** | **0.99** | **264** |
| Measured Resource (incl. reserves) | 0.3 | 0.38 | 4 | 0.3 | 0.38 | 3 |
| Indicated Resources (incl. reserves) | 52.3 | 1.21 | 2,038 | 47.0 | 1.21 | 1,834 |
| **M&I Resources (incl. reserves)** | **52.6** | **1.39** | **2,350** | **47.3** | **1.39** | **2,115** |
| Inferred Resources | 15.7 | 1.35 | 681 | 14.1 | 1.35 | 613 |
| **Kalana Project** (80% owned)[7] | | | | | | |
| Proven Reserves | 5.1 | 3.00 | 492 | 4.1 | 3.00 | 394 |
| Probable Reserves | 16.6 | 2.76 | 1,472 | 13.3 | 2.76 | 1,177 |
| **P&P Reserves** | **21.7** | **2.81** | **1,964** | **17.4** | **2.81** | **1,571** |
| Measured Resource (incl. reserves) | 9.5 | 4.19 | 1,280 | 7.6 | 4.19 | 1,024 |
| Indicated Resources (incl. reserves) | 16.3 | 3.74 | 1,964 | 13.1 | 3.74 | 1,571 |
| **M&I Resources (incl. reserves)** | **25.8** | **3.92** | **3,254** | **20.7** | **3.92** | **2,603** |
| Inferred Resources | 1.9 | 4.41 | 265 | 1.5 | 4.41 | 212 |
| **Fetekro Project** (65% owned) | | | | | | |
| Proven Reserves | - | - | - | - | - | - |
| Probable Reserves | - | - | - | - | - | - |
| **P&P Reserves** | **-** | **-** | **-** | **-** | **-** | **-** |
| Measured Resource (incl. reserves) | - | - | - | - | - | - |
| Indicated Resources (incl. reserves) | 14.6 | 2.54 | 1,190 | 9.5 | 2.54 | 774 |
| **M&I Resources (incl. reserves)** | **14.6** | **2.54** | **1,190** | **9.5** | **2.54** | **774** |
| Inferred Resources | 0.9 | 2.17 | 60 | 0.6 | 2.17 | 39 |
| **Total - Endeavour Mining** | | | | | | |
| Proven Reserves | 20.9 | 1.52 | 1,017 | 17.7 | 1.49 | 849 |
| Probable Reserves | 111.1 | 1.92 | 6,868 | 96.2 | 1.92 | 5,941 |
| **P&P Reserves** | **131.9** | **1.86** | **7,885** | **114.0** | **1.85** | **6,789** |
| Measured Resource (incl. reserves) | 23.3 | 2.34 | 1,755 | 19.5 | 2.29 | 1,433 |
| Indicated Resources (incl. reserves) | 215.9 | 1.87 | 12,985 | 186.0 | 1.85 | 11,064 |
| **M&I Resources (incl. reserves)** | **239.3** | **1.96** | **15,058** | **205.5** | **1.93** | **12,782** |
| Inferred Resources | 44.1 | 1.61 | 2,280 | 38.4 | 1.60 | 1,977 |

The mineral reserves and resources were estimated as at December 31, 2019 in accordance with the provisions adopted by the Canadian Institute of Mining Metallurgy and Petroleum (CIM) and incorporated into the NI 43-101. The Qualified Persons responsible for the mineral reserve and resource estimates are detailed in the following tables.

## MINERAL RESOURCES

| QUALIFIED PERSON | POSITION | PROPERTY/DEPOSIT |
|---|---|---|
| Kevin Harris, CPG | V.P. Resources, Endeavour Mining Corp | Agbaou; Colline Sud, LaPlaque (Ity); North Kao, Yabonsgo, Rambo West, GG1 deposits (Karma); Bouere, Dohoun, Kari Pump deposits (Houndé); Lafigué (Fetekro) |
| Helen Oliver, FGS, CGeol | Group Resource Geologist, Endeavour Mining Corp. | Kari West, Kari Center (Hounde), Nami (Karma), Kalanko (Kalana) |
| Mark Zammit, MAIG | Principal, Cube Consulting Pty Ltd | Ity (except Colline Sud and La Plaque deposits); Vindaloo deposits (Houndé); GG1 (Karma) |
| Eugene Puritch, P.Eng. | President, P&E Mining Consultants Inc | GG2, Rambo, Kao Main (Karma) |
| Ivor Jones, FAusIMM | Principal Consultant, Denny Jones (Pty) Ltd | Kalana Project |

## MINERAL RESERVES

| QUALIFIED PERSON | POSITION | PROPERTY/DEPOSIT |
|---|---|---|
| Salih Ramazan, MAusIMM | Vice President – Mine Planning, Endeavour Mining | Ity, Agbaou, Houndé and Karma |
| Allan Earl, FAusIMM | Executive Consultant, Snowden Mining Industry Consultants (Pty) Ltd | Kalana Project, Ity (CIL) |

1. The mineral resources and reserves have been estimated and reported in accordance with Canadian National Instrument 43-101, 'Standards of Disclosure for Mineral Projects' and the Definition Standards adopted by CIM Council in May 2014.
2. Mineral resources that are not mineral reserves have not demonstrated economic viability.
3. All mineral resources are reported inclusive of mineral reserves.
4. Tonnages are rounded to the nearest 100,000 tonnes; gold grades are rounded to one decimal place; ounces are rounded to the nearest 1,000oz. Rounding may result in apparent summation differences between tonnes, grade and contained metal.
5. Tonnes and grade measurements are in metric units; contained gold is in troy ounces.
6. Processing recoveries vary at each pit by many factors including material types, mineralogy and chemistry of the ore. The overall average recoveries are around 81% at Ity and Karma, 90% at Hounde and Agbaou.
7. The reporting of mineral reserves and resources are based on a gold price as detailed below:

| Project[1] | Agbaou | Kalana | Ity | Karma[2] | Houndé | Fetekro |
|---|---|---|---|---|---|---|
| Reserves Au price | 1,300 | 1,200 | 1,300 | 1,350 | 1,300 | n.a. |
| Resources Au price | 1,500 | 1,400 | 1,500 | 1,500 | 1,500 | 1,500 |

[1]Cut-off grades for all resources open pits are 0.5g/tAu, except at Kalana where the cut-off grade is at 0.9g/tAu and at Karma where the cut-off grade is defined by material type: Oxide=0.2, Transition=0.2 and Sulfide=0.5.
Cut-off grades for reserves except for Kalana vary between 0.3-0.5g/t for Oxide ore, 0.3-0.8g/t for Transition ore, 0.3-0.7g/t for Sulfide ore.
Cut-off grade for Kalana pits reserve is 0.9g/t.
[2] Kao, GG2, and Rambo have a gold price of $1,557/oz. Gold price for Kao Main and Rambo West reserves is $1,350/oz.

8. The Kalana Main deposit Mineral Resource is stated as per that published by Avnel, which forms the basis on which the stated Mineral Reserves were estimated.

In March 2019, Endeavour published an updated Mineral Resource Estimate ("MRE") for the Kalana Main deposit. The comparison between the Avnel MRE and the Endeavour MRE is demonstrated in the below:

| (on a 100% basis) | PREVIOUS 2016 M&I RESOURCE | UPDATED 2019 M&I RESOURCE | |
|---|---|---|---|
| Cut-off grade (g/t Au) | 0.9 | 0.9 (For comparative purpose) | 0.5 |
| Tonnage (Mt) | 23 | 18 | 27 |
| Grade (g/t Au) | 4.14 | 3.70 | 2.69 |
| Content (Au Koz) | 3,060 | 2,092 | 2,290 |

The 2019 Kalana Main geological model was prepared by Helen Oliver. Ms Oliver FGS, CGeol is Endeavour Mining's Group Resource Geologist and a Qualified Person as defined by NI 43-101. The 2019 Kalana Main Resource Estimate was prepared by Geoff Booth, FAusIMM, Mining Consulting Manager for Snowden Mining Industry Consultants Pty Ltd and a Qualified Person as defined by NI 43-101.

The Kalana Main MRE is constrained within a US$1,500/oz gold Whittle pit shell as a limit of economic extraction, defined using the following parameters (all costs are in US dollars):

- Slope angles – Oxide 32°, Transition 45°, Fresh 54°
- Au recovery – Oxide 96.2%, Transition – 88.5%, Fresh – 89%
- Gold price = $1,500/oz
- Mining cost (Oxide base cost at 380 mRL) = Bulk $1.97/t, semi-selective $2.06/t, selective $2.34/t
- Mining cost (Transition base cost at 380 mRL) = Bulk $1.79/t, semi-selective $1.98/t, selective $2.18/t
- Mining cost (Fresh base cost at 380 mRL) = Bulk $2.41/t, semi-selective $3.08/t, selective $3.37/t
- Mining cost (depth cost below 380 mRL) = 0.005/t/m
- Processing cost – Oxide $16.64/t, Transition $20.37/t, Fresh $21.40/t
- Selling cost - $58/oz

The scientific and technical information relating to the Agbaou mine, Ity mine, Karma mine, Houndé mine and Kalana Project contained in this document has been derived from or based on the following technical reports. Copies of the reports are available electronically on SEDAR at www.sedar.com under the Corporation's profile. The Kalana report is available under the Avnel Gold Mining profile on SEDAR.

- Agbaou mine: "Technical Report, Mineral Resource and Reserve Update for the Agbaou Gold Mine, Côte d'Ivoire, West Africa" dated effective December 31, 2014.
- Ity mine: "Ity CIL Project National Instrument 43-101 Technical Report", dated December 9, 2016.
- Ity mine: Reserves and Resources were updated in 2017 after the completion of a Project Optimization Study. The results were published in the September 20, 2017 press release available on the company's website.
- Karma mine: "Technical Report on an updated Feasibility Study and a Preliminary Economic Assessment for the Karma Gold Project, Burkina Faso, West Africa" dated effective August 10, 2014.
- Houndé mine: "Houndé Gold Project, Burkina Faso, Feasibility Study NI 43-101 Technical Report", dated effective October 31, 2013.
- Houndé mine: Reserves were updated in 2015 by Orelogy "Cost review and Reserve update study", dated February 2015. Endeavour News Release February 19, 2015
- Kalana Project: "NI 43-101 Technical Report on Kalana Main Project", dated effective March 30, 2016.

## RESERVES AND RESOURCES: YEAR-OVER-YEAR COMPARISON

| *Resources shown inclusive of Reserves, on a 100% basis* | AS AT DECEMBER 31, 2018 | | | AS AT DECEMBER 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Tonnage (Mt) | Grade (Au g/t) | Content (Au koz) | Tonnage (Mt) | Grade (Au g/t) | Content (Au koz) |
| **Agbaou Mine** | | | | | | |
| Proven Reserves | 0.3 | 1.63 | 16 | 1.5 | 0.71 | 34 |
| Probable Reserves | 8.3 | 1.67 | 445 | 4.8 | 1.86 | 286 |
| **P&P Reserves** | **8.6** | **1.66** | **461** | **6.3** | **1.58** | **321** |
| Measured Resource (incl. reserves) | 1.9 | 0.87 | 54 | 1.5 | 0.76 | 38 |
| Indicated Resources (incl. reserves) | 7.6 | 2.51 | 610 | 6.0 | 2.49 | 481 |
| **M&I Resources (incl. reserves)** | **9.5** | **2.18** | **664** | **7.6** | **2.14** | **519** |
| Inferred Resources | 0.8 | 1.72 | 46 | 0.7 | 1.59 | 37 |
| **Houndé Mine** | | | | | | |
| Proven Reserves | 3.5 | 1.53 | 174 | 1.8 | 1.57 | 89 |
| Probable Reserves | 24.0 | 2.03 | 1,566 | 30.9 | 2.09 | 2,075 |
| **P&P Reserves** | **27.5** | **1.97** | **1,740** | **32.6** | **2.06** | **2,164** |
| Measured Resource (incl. reserves) | 3.6 | 1.56 | 180 | 1.7 | 1.75 | 96 |
| Indicated Resources (incl. reserves) | 41.2 | 2.23 | 2,954 | 58.6 | 2.01 | 3,797 |
| **M&I Resources (incl. reserves)** | **44.7** | **2.18** | **3,134** | **60.4** | **2.01** | **3,893** |
| Inferred Resources | 3.2 | 2.64 | 268 | 6.9 | 2.07 | 456 |
| **Ity Mine** | | | | | | |
| Proven Reserves | 0.0 | 1.45 | 2 | 9.4 | 1.05 | 318 |
| Probable Reserves | 60.7 | 1.55 | 3,036 | 52.7 | 1.67 | 2,825 |
| **P&P Reserves** | **60.8** | **1.55** | **3,039** | **62.1** | **1.57** | **3,144** |
| Measured Resource (incl. reserves) | 1.4 | 0.97 | 44 | 10.3 | 1.02 | 337 |
| Indicated Resources (incl. reserves) | 72.2 | 1.55 | 3,602 | 68.1 | 1.61 | 3,514 |
| **M&I Resources (incl. reserves)** | **73.6** | **1.54** | **3,646** | **78.4** | **1.53** | **3,851** |
| Inferred Resources | 19.1 | 1.34 | 823 | 18.0 | 1.35 | 780 |
| **Karma Mine** | | | | | | |
| Proven Reserves | 1.3 | 0.56 | 24 | 3.1 | 0.85 | 84 |
| Probable Reserves | 26.2 | 0.88 | 740 | 6.1 | 1.06 | 209 |
| **P&P Reserves** | **27.5** | **0.86** | **764** | **9.2** | **0.99** | **293** |
| Measured Resource (incl. reserves) | 1.3 | 0.66 | 28 | 0.3 | 0.38 | 4 |
| Indicated Resources (incl. reserves) | 74.0 | 1.10 | 2,627 | 52.3 | 1.21 | 2,038 |
| **M&I Resources (incl. reserves)** | **75.3** | **1.10** | **2,655** | **52.6** | **1.39** | **2,350** |
| Inferred Resources | 17.9 | 1.34 | 772 | 15.7 | 1.35 | 681 |
| **Kalana Project** | | | | | | |
| Proven Reserves | 5.1 | 3.00 | 492 | 5.1 | 3.00 | 492 |
| Probable Reserves | 16.6 | 2.76 | 1,472 | 16.6 | 2.76 | 1,472 |
| **P&P Reserves** | **21.7** | **2.81** | **1,964** | **21.7** | **2.81** | **1,964** |
| Measured Resource (incl. reserves) | 9.5 | 4.19 | 1,280 | 9.5 | 4.19 | 1,280 |
| Indicated Resources (incl. reserves) | 16.3 | 3.74 | 1,964 | 16.3 | 3.74 | 1,964 |
| **M&I Resources (incl. reserves)** | **25.8** | **3.92** | **3,254** | **25.8** | **3.92** | **3,254** |
| Inferred Resources | 1.9 | 4.41 | 265 | 1.9 | 4.41 | 265 |
| **Fetekro Project** | | | | | | |
| Proven Reserves | - | - | - | - | - | - |
| Probable Reserves | - | - | - | - | - | - |
| **P&P Reserves** | **-** | **-** | **-** | **-** | **-** | **-** |
| Measured Resource (incl. reserves) | - | - | - | - | - | - |
| Indicated Resources (incl. reserves) | 6.9 | 2.25 | 499 | 14.6 | 2.54 | 1,190 |
| **M&I Resources (incl. reserves)** | **6.9** | **2.25** | **499** | **14.6** | **2.54** | **1,190** |
| Inferred Resources | 3.0 | 2.31 | 221 | 0.9 | 2.17 | 60 |
| **Group Total** | | | | | | |
| Proven Reserves | 10.3 | 2.13 | 707 | 20.9 | 1.52 | 1,017 |
| Probable Reserves | 135.8 | 1.66 | 7,259 | 111.1 | 1.92 | 6,868 |
| **P&P Reserves** | **146.2** | **1.70** | **7,967** | **131.9** | **1.86** | **7,885** |
| Measured Resource (incl. reserves) | 17.8 | 2.78 | 1,586 | 23.3 | 2.34 | 1,755 |
| Indicated Resources (incl. reserves) | 218.1 | 1.75 | 12,255 | 215.9 | 1.87 | 12,985 |
| **M&I Resources (incl. reserves)** | **235.9** | **1.83** | **13,851** | **239.3** | **1.96** | **15,058** |
| Inferred Resources | 45.9 | 1.62 | 2,394 | 44.1 | 1.61 | 2,280 |

Notes for the period ended December 31, 2019 are available in the section above. Notes for the period ended December 31, 2018 are available in the press release dated March 5, 2019 available on the Company's website and on SEDAR.

# CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A and certain information incorporated herein by reference constitute forward-looking statements. Forward-looking statements include, but are not limited to, statements with respect to the Corporation's plans or future financial or operating performance, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, conclusions of economic assessments of projects, the timing and amount of estimated future production, costs of future production, future capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, requirements for additional capital, sources and timing of additional financing, realization of unused tax benefits and future outcome of legal and tax matters. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "will continue" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". The material factors or assumptions used to develop material forward-looking statements are disclosed throughout this document.

Forward-looking statements, while based on management's best estimates and assumptions, are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Endeavour Mining to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to the successful integration of acquisitions; risks related to international operations; risks related to joint venture operations; risks related to general economic conditions and credit availability, actual results of current exploration activities, unanticipated reclamation expenses; changes in project parameters as plans continue to be refined; fluctuations in prices of metals including gold; fluctuations in foreign currency exchange rates, increases in market prices of mining consumables, possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes, title disputes, claims and limitations on insurance coverage and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, changes in national and local government regulation of mining operations, tax rules and regulations, and political and economic developments in countries in which the Corporation operates, actual resolutions of legal and tax matters, as well as those factors discussed in the section entitled "Description of the Business – Risk Factors" in Endeavour Mining's most recent Annual Information Form available on SEDAR at www.sedar.com. Although Endeavour Mining has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Corporation's management reviews periodically information reflected in forward-looking statements. The Corporation has and continues to disclose in its Management's Discussion and Analysis and other publicly filed documents, changes to material factors or assumptions underlying the forward-looking statements and to the validity of the statements themselves, in the period the changes occur.

## CAUTIONARY NOTE REGARDING RESERVES AND RESOURCES

Readers should refer to the most recent Annual Information Form of Endeavour Mining and other continuous disclosure documents filed by Endeavour Mining available at www.sedar.com, for further information on mineral reserves and resources, which is subject to the qualifications and notes set forth therein.

Additional information relating to the Corporation is available on the Corporation's website at www.endeavourmining.com and in the Corporation's most recently filed Annual Information Form filed on SEDAR at www.sedar.com.

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# Independent Auditor's Report

To the Shareholders of Endeavour Mining Corporation

### Opinion

We have audited the consolidated financial statements of Endeavour Mining Corporation (the "Corporation"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Joanna Pearson.

***/s/ Deloitte LLP***

Chartered Professional Accountants
Vancouver, Canada
March 9, 2020

ENDEAVOUR MINING CORPORATION
Consolidated Statements of Financial Position
(Expressed in Thousands of United States Dollars)

| | Note | As at December 31, 2019 | As at December 31, 2018 |
|---|---|---|---|
| ***ASSETS*** | | | |
| Current | | | |
| Cash | | 189,889 | 124,022 |
| Trade and other receivables | 8 | 19,228 | 57,782 |
| Inventories | 6 | 168,379 | 126,353 |
| Current portion of derivative financial assets | 19 | - | 1,636 |
| Prepaid expenses and other | 7 | 18,542 | 16,975 |
| | | **396,038** | **326,768** |
| Non-current | | | |
| Mining interests | 9 | 1,410,274 | 1,543,842 |
| Deferred income taxes | 20 | 5,498 | 4,186 |
| Other long-term assets | 11 | 60,981 | 47,247 |
| **Total assets** | | **$ 1,872,791** | **$ 1,922,043** |
| ***LIABILITIES*** | | | |
| Current | | | |
| Trade and other payables | 12 | 173,267 | 177,322 |
| Current portion of finance and lease obligations | 13 | 29,431 | 24,034 |
| Current portion of derivative financial liabilities | 19 | 10,349 | - |
| Income taxes payable | 20 | 54,968 | 47,064 |
| | | **268,015** | **248,420** |
| Non-current | | | |
| Finance and lease obligations | 13 | 57,403 | 76,347 |
| Long-term debt | 14 | 638,980 | 542,248 |
| Other long-term liabilities | 15 | 41,911 | 41,877 |
| Deferred income taxes | 20 | 49,985 | 68,818 |
| **Total liabilities** | | **$ 1,056,294** | **$ 977,710** |
| ***EQUITY*** | | | |
| Share capital | 16 | 1,774,172 | 1,743,661 |
| Equity reserve | 16 | 72,487 | 65,452 |
| Deficit | | (1,128,792) | (951,107) |
| **Equity attributable to shareholders of the Corporation** | | **717,867** | **858,006** |
| Non-controlling interests | 17 | 98,630 | 86,327 |
| **Total equity** | | **816,497** | **944,333** |
| **Total equity and liabilities** | | **$ 1,872,791** | **$ 1,922,043** |

COMMITMENTS AND CONTINGENCIES (NOTE 25)

**Approved by the Board: March 4, 2020**

"Sebastien de Montessus" Director "Wayne McManus" Director

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

ENDEAVOUR MINING CORPORATION
Consolidated Statements of Comprehensive Loss
(Expressed in Thousands of United States Dollars, except per share amounts)

| | Note | YEAR ENDED December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| **Revenues** | | | |
| Gold revenue | | 886,371 | 751,957 |
| **Cost of sales** | | | |
| Operating expenses | | (430,987) | (386,926) |
| Depreciation and depletion | 9 | (197,219) | (169,069) |
| Royalties | | (48,139) | (41,068) |
| **Earnings from mine operations** | | **210,026** | **154,894** |
| Corporate costs | | (20,620) | (26,573) |
| Acquisition and restructuring costs | | (4,552) | - |
| Impairment of mining interests | 10 | (127,380) | - |
| Share-based compensation | 16 | (21,042) | (24,931) |
| Exploration costs | | (9,893) | (7,621) |
| **Earnings from operations** | | **26,539** | **95,769** |
| Other income/(expenses) | | | |
| (Loss)/gain on financial instruments | 18 | (57,968) | 8,035 |
| Finance costs | 14 | (43,066) | (23,671) |
| Other income/(expenses) | | (8,515) | (1,558) |
| **(Loss)/Earnings from continuing operations before taxes** | | **(83,010)** | **78,575** |
| Current income tax expense | 20 | (73,901) | (66,522) |
| Deferred income tax recovery | 20 | 20,145 | 5,007 |
| **Net and comprehensive (loss)/earnings from continuing operations** | | **(136,766)** | **17,060** |
| Net loss from discontinued operations | 5 | (4,394) | (154,795) |
| **Total net and comprehensive loss** | | **(141,160)** | **(137,735)** |
| **Net (loss)/earnings from continuing operations attributable to:** | | | |
| Shareholders of Endeavour Mining Corporation | | (159,324) | (65) |
| Non-controlling interests | 17 | 22,558 | 17,125 |
| **Net (loss)/earnings from continuing operations** | | **(136,766)** | **17,060** |
| **Net loss from discontinued operations attributable to:** | | | |
| Shareholders of Endeavour Mining Corporation | | (4,394) | (144,791) |
| Non-controlling interests | 17 | - | (10,004) |
| **Net loss from discontinued operations** | | **(4,394)** | **(154,795)** |
| **Total net (loss)/earnings attributable to:** | | | |
| Shareholders of Endeavour Mining Corporation | | (163,718) | (144,856) |
| Non-controlling interests | 17 | 22,558 | 7,121 |
| **Total net loss** | | **$ (141,160)** | **$ (137,735)** |
| **Net loss per share from continuing operations** | | | |
| Basic (loss) per share | 16 | $ (1.45) | $ (0.00) |
| Diluted (loss) per share | 16 | $ (1.45) | $ (0.00) |
| **Net loss per share** | | | |
| Basic (loss) per share | 16 | $ (1.49) | $ (1.34) |
| Diluted (loss) per share | 16 | $ (1.49) | $ (1.34) |

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

ENDEAVOUR MINING CORPORATION
Consolidated Statements of Cash Flows
(Expressed in Thousands of United States Dollars)

| | Note | YEAR ENDED December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| ***Operating Activities*** | | | |
| **(Loss)/earnings from continuing operations before taxes** | | (83,010) | 78,575 |
| Adjustments for: | | | |
| Depreciation and depletion | 9 | 197,219 | 169,069 |
| Finance costs | 14 | 43,066 | 23,671 |
| Share-based compensation | 16 | 21,042 | 24,931 |
| Loss/(gain) on financial instruments | 18 | 57,968 | (8,035) |
| Impairment of mining interests | 10 | 127,380 | - |
| Cash paid on settlement of share appreciation rights, DSUs and PSUs | 16 | (1,125) | (8,355) |
| Income taxes paid | | (65,997) | (24,018) |
| Net cash movement from gold collar settlements | | (5,360) | 5,795 |
| Net non-cash asset adjustments | | 6,790 | 18,413 |
| Foreign exchange loss | | (3,972) | (18,724) |
| Operating cash flows before changes in non-cash working capital | | 294,001 | 261,322 |
| Trade and other receivables | | 21,393 | (4,730) |
| Inventories | | (10,794) | (17,199) |
| Prepaid expenses and other | | (2,366) | 5,318 |
| Trade and other payables | | (349) | 6,524 |
| Operating cash flows generated from continuing operations | | 301,885 | 251,235 |
| Operating cash flows used by discontinued operations | 5 | - | (315) |
| **Cash generated from operating activities** | | **$ 301,885** | **$ 250,920** |
| ***Investing Activities*** | | | |
| Expenditures on mining interests | 9 | (233,439) | (402,203) |
| Cash paid for additional interest of Ity mine | 17 | (453) | - |
| Changes in long-term assets | 11 | (21,509) | (43,570) |
| Net proceeds from sale of assets | 9 | 3,875 | 33,179 |
| Investing cash flows used by continuing operations | | (251,526) | (412,594) |
| Investing cashflows used by discontinued operations | 5 | - | (40,725) |
| **Cash used in investing activities** | | **$ (251,526)** | **$ (453,319)** |
| ***Financing Activities*** | | | |
| Proceeds received from the issue of common shares | 16 | 292 | 600 |
| Dividends paid to non-controlling interest | 17 | (6,154) | (1,956) |
| Payment of financing fees and other | | (2,165) | (2,300) |
| Interest paid | | (33,248) | (24,434) |
| Proceeds of long-term debt | 14 | 80,000 | 210,000 |
| Repayment of long-term debt | 14 | - | (280,000) |
| Proceeds from convertible senior bond | 14 | - | 330,000 |
| Repayment of finance and lease obligation | 13 | (23,601) | (21,203) |
| Deposit paid on reclamation liability bond | | - | (157) |
| Financing cash flows generated from continuing operations | | 15,124 | 210,550 |
| Financing cashflows used by discontinued operations | 5 | - | (6,083) |
| **Cash generated from financing activities** | | **$ 15,124** | **$ 204,467** |
| Effect of exchange rate changes on cash | | 384 | (748) |
| Increase in cash | | 65,867 | 1,320 |
| Cash, beginning of year | | 124,022 | 122,702 |
| **Cash, end of year** | | **$ 189,889** | **$ 124,022** |

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

ENDEAVOUR MINING CORPORATION
Consolidated Statements of Changes in Equity
(Expressed in Thousands of United States Dollars, except per share amounts)

| | | SHARE CAPITAL | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Number of Common Shares | Par Value | Additional Paid in Capital | Total Share Capital | Equity Reserve | Deficit | Total Attributable to Shareholders | Non-Controlling Interests | Total |
| ***At January 1, 2018*** | | **107,533,007** | **10,749** | **1,724,325** | **1,735,074** | **56,041** | **(806,251)** | **984,864** | **15,757** | **1,000,621** |
| Shares issued on exercise of options, RSU's & PSU's | | 548,589 | 55 | 8,532 | 8,587 | (8,801) | - | (214) | - | (214) |
| Reclassification of RSU's to liability | | - | - | - | - | (3,909) | - | (3,909) | - | (3,909) |
| Share based compensation | 16 | - | - | - | - | 22,121 | - | 22,121 | - | 22,121 |
| Dividends to non-controlling interests | 17 | - | - | - | - | - | - | - | (3,636) | (3,636) |
| Disposal of the Tabakoto mine | | - | - | - | - | - | - | - | 67,085 | 67,085 |
| Net and total comprehensive earnings/(loss) | | - | - | - | - | - | (144,856) | (144,856) | 7,121 | (137,735) |
| **At December 31, 2018** | | **108,081,596** | **$ 10,804** | **$ 1,732,857** | **$ 1,743,661** | **$ 65,452** | **$ (951,107)** | **$ 858,006** | **$ 86,327** | **$ 944,333** |
| ***At January 1, 2019*** | | **108,081,596** | **10,804** | **1,732,857** | **1,743,661** | **65,452** | **(951,107)** | **858,006** | **86,327** | **944,333** |
| Shares issued on exercise of options and PSU's | | 773,196 | 77 | 12,819 | 12,896 | (12,603) | - | 293 | - | 293 |
| Share based compensation | 16 | - | - | - | - | 19,638 | - | 19,638 | - | 19,638 |
| Dividends to non-controlling interests | 17 | - | - | - | - | - | - | - | (6,154) | (6,154) |
| Acquisition of non-controlling interest of the Ity mine | 17 | 1,072,305 | 107 | 17,508 | 17,615 | - | (13,967) | 3,648 | (4,101) | (453) |
| Total and net comprehensive earnings/(loss) | | - | - | - | - | - | (163,718) | (163,718) | 22,558 | (141,160) |
| **At December 31, 2019** | | **109,927,097** | **$ 10,988** | **$ 1,763,184** | **$ 1,774,172** | **$ 72,487** | **$ (1,128,792)** | **$ 717,867** | **$ 98,630** | **$ 816,497** |

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

# 1 DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Endeavour Mining Corporation ("Endeavour" or the "Corporation") is a publicly listed gold mining company that operates four mines in West Africa in addition to having project development and exploration assets. Endeavour is focused on effectively managing its existing assets to maximize cash flows as well as pursuing organic and strategic growth opportunities that benefit from its management and operational expertise.

Endeavour's corporate office is in London, England, and its shares are listed on the Toronto Stock Exchange ("TSX") (symbol EDV) and quoted in the United States on the OTCQX International under the symbol 'EDVMF'. The Corporation is incorporated in the Cayman Islands and its registered office is located at 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

# 2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

### 2.1 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS').

These consolidated financial statements were approved by the Board of Directors of the Corporation on March 9, 2020.

### 2.2 BASIS OF PREPARATION

These consolidated financial statements have been prepared on the historical cost basis, except certain financial instruments that are measured at fair value at the end of each reporting period as explained in the accounting policies below. The Corporation's accounting policies have been applied consistently to all periods in the preparation of these consolidated financial statements, except for the adoption of new accounting standards described below.

### 2.3 BASIS OF CONSOLIDATION

These consolidated financial statements incorporate the financial statements of the Corporation and entities controlled by the Corporation ("Subsidiaries").

Control is achieved when the Corporation has (i) power over the investee; (ii) is exposed, or has rights, to variable returns from its involvement with the investee and (iii) has the ability to use its power to affect its returns. Subsidiaries are included in the consolidated financial results of the Corporation from the effective date of acquisition up to the effective date of disposition or loss of control. The Corporation reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

(Expressed in Thousands of United States Dollars, except per share amounts)

Details of the Corporation's material subsidiaries at the end of the reporting period are as follows:

| Entities | Principal activity | Place of incorporation and operation | Proportion of ownership interest and voting power held | |
|---|---|---|---|---|
| | | | December 31, 2019 | December 31, 2018 |
| Agbaou Gold Operations S.A. | Gold Operations | Côte d' Ivoire | 85% | 85% |
| Société des Mines d'Ity S.A. | Gold Operations | Côte d' Ivoire | 85% | 80% |
| Société des Mines de Daapleu S.A | Gold Operations | Côte d' Ivoire | 85% | 80% |
| Hounde Gold Operations S.A. | Gold Operations | Burkina Faso | 90% | 90% |
| Bouere Dohoun Gold Operations SA | Gold Operations | Burkina Faso | 90% | 90% |
| Riverstone Karma S.A. | Gold Operations | Burkina Faso | 90% | 90% |

The following UK subsidiaries are exempt from the UK requirements relating to the audit of financial statements under section 479A of the Companies Act 2006:

| Entity | Registration Number |
|---|---|
| Endeavour Management Services London Limited | 10342431 |
| Endeavour Mining Services LLP | OC425911 |
| Kalana Mine Services Limited | 4663209 |

### *i. Foreign currency translation*

› The presentation and functional currency of the Corporation is the US dollar. The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which the entity operates (its functional currency). In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates at the date of the transaction.

### *ii. Business combinations*

› A business combination is defined as an acquisition of assets and liabilities that constitute a business. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return to the Corporation and its shareholders in the form of dividends, lower costs or other economic benefits. A business consists of inputs, including non-current assets, and processes, including operational processes, that when applied to those inputs, have the ability to create outputs that provide a return to the Corporation and its shareholders. A business also includes those assets and liabilities that do not necessarily have all the inputs and processes required to produce outputs but can be integrated with the inputs and processes of the Corporation to create outputs. When acquiring a set of activities or assets in the exploration and development stage, which may not have outputs, the Corporation considers other factors to determine whether the set of activities or assets is a business. Those factors include, but are not limited to, whether the set of activities or assets:

(i) has commenced planned principal activities;
(ii) has employees, intellectual property and other inputs and processes that could be applied to those inputs;
(iii) is pursuing a plan to produce outputs; and
(iv) will be able to obtain access to customers that will purchase the outputs.

- Not all the above factors need to be present for an integrated set of activities or assets in the exploration and development stage to qualify as a business.

- The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Corporation, the liabilities, including contingent consideration, incurred and payable by the Corporation to former owners of the acquiree and the equity interests issued by the Corporation. The measurement date for equity interests issued by the Corporation is the acquisition date. The acquisition date is the date the Corporation obtains control over the acquiree, which is generally the date that consideration is transferred, and the Corporation acquires the assets and assumes the liabilities of the acquiree. The Corporation considers all relevant facts and circumstances in determining the acquisition date.
- Acquisition-related costs, other than costs to issue equity securities, of the acquirer, including investment banking fees, legal fees, accounting fees, valuation fees, severance costs and change of control payments and other professional or consulting fees are expensed as incurred. The costs to issue equity securities of the Corporation as consideration for the acquisition are reduced from share capital as share issue costs.

- It generally requires time to obtain the information necessary to complete the purchase price accounting following an acquisition. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Corporation reports in its financial statements provisional amounts for the items for which the accounting is incomplete.

- During the measurement period, the Corporation will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Corporation will also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Corporation receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable and shall not exceed one year from the acquisition date.

- Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Corporation's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. All other components of non-controlling interests are measured at acquisition date fair values or, when applicable on the basis specified in another IFRS.

- The excess of (i) total consideration transferred by the Corporation, measured at fair value, including contingent consideration, and (ii) the non-controlling interests in the acquiree, over the acquisition-date fair value of net assets acquired, is recorded as goodwill.

- Goodwill is not amortized; rather it is tested annually for impairment or at any time during the year that an indicator of impairment is identified.

***iii. Cash and cash equivalents***

- Cash and cash equivalents consist of cash on hand, cash balances held with banks and brokers and highly liquid short-term investments with terms of three months or less. There were no material cash equivalents at December 31, 2019 and 2018.

***iv. Restricted cash***

- Cash and cash equivalents unavailable for use by the Corporation or its subsidiaries due to certain restrictions that may be in place are classified as long-term assets.

### *v. Inventories*

› Supplies are valued at the lower of weighted average cost and net realizable value.

› Finished goods, gold in circuit, and stockpiled ore are valued at the lower of weighted production cost and net realizable value. Production costs include the cost of raw materials, direct labour, mine-site overhead expenses and depreciation and depletion of mining interests. Net realizable value is calculated as the estimated price at the time of sale based on prevailing metal prices less estimated future production costs to convert the inventories into saleable form.

› Ore extracted from the mines is stockpiled and subsequently processed into finished goods in the form of doré bars. Production costs are capitalized and included in gold in circuit inventory based on the current mining costs incurred up to the point prior to the refining process, including applicable overhead, depreciation and depletion relating to mining interests, and removed at the weighted production cost per recoverable ounce of gold. The production costs of finished goods represent the weighted costs of gold in circuit inventories incurred prior to the refining process, plus applicable refining costs and associated royalties. Stockpiles are segregated between current and non-current inventories in the consolidated statement of financial position based on the period of planned usage.

### *vi. Mining interests*

› Mining interests include interests in mining properties and related plant and equipment. The cost of a property acquired as an individual asset purchase or as part of a business combination represents the property's fair value at the date of acquisition.

› Mineral deposits in the reserve category are classified as depletable mining properties when operating levels intended by management have been reached and a plan to mine those reserves are in place. Prior to this, they are classified as non-depletable mining properties.

› Resources with no exploration potential and which are not categorized as reserves are classified as non-depletable mining properties. The value associated with resources and exploration potential is often referred to as value beyond proven and probable reserves, which includes amounts assigned from costs of property acquisitions. At least annually or when otherwise appropriate and subsequent to a review and evaluation for impairment, carrying amounts of non-depletable mining properties are reclassified to depletable mining properties as a result of the conversion into reserves that have reached operating levels intended by management.

### *vii. Recognition*

› Capitalized costs associated with mining properties include the following:
(i) Costs of direct acquisitions of production, development and exploration stage properties;
(ii) Costs attributed to mining properties acquired in connection with business combinations;
(iii) Expenditures related to the development of mining properties;
(iv) Expenditures related to economically recoverable exploration;
(v) Borrowing costs incurred directly attributable to qualifying assets;
(vi) Certain costs incurred during production, net of proceeds from sales prior to reaching operating levels intended by management; and
(vii) Estimates of reclamation and closure costs.

### *viii. Borrowing costs*

› Borrowing costs are capitalized when they are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale. Borrowing costs are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale, or if construction is interrupted for an extended period. Where the funds used to finance a qualifying asset form part of general borrowings, the amount capitalized is calculated using a weighted average of the rates applicable to the relevant borrowings during the period. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

*ix. Development expenditures*

› Drilling and related costs incurred to define and delineate a mineral deposit that has not been classified as proven and probable reserves at a development stage or production stage mine are capitalized as part of the carrying amount of the related property in the period incurred, when management determines that there is sufficient evidence that the expenditure will result in a future economic benefit to the Corporation.

› Drilling and related costs incurred on sites without an existing mine and on areas outside the boundary of a known mineral deposit which contains proven and probable reserves are exploration expenditures and are expensed as incurred to the date of establishing that costs incurred are economically recoverable. Further exploration expenditures, subsequent to the establishment of economic recoverability, are capitalized and included in the carrying amount of the related property.

› Management uses the following criteria in its assessments of economic recoverability and probability of future economic benefit:

- Geology: there is sufficient geologic and economic certainty of converting a residual mineral deposit into a proven and probable reserve at a development stage or production stage mine, based on the known geology and metallurgy. There is history of conversion of resources to reserves at operating mines to support the likelihood of conversion.
- Scoping: there is a scoping study or preliminary feasibility study that demonstrates the additional resources will generate a positive commercial outcome. Known metallurgy provides a basis for concluding there is a significant likelihood of being able to recoup the incremental costs of extraction and production.
- Accessible facilities: the mining property can be processed economically at accessible mining and processing facilities where applicable.
- Life of mine plans: an overall life of mine plan and economic model to support the mine and the economic extraction of resources/reserves exists. A long-term life of mine plan, and supporting geological model identifies the drilling and related development work required to expand or further define the existing ore body.
- Authorizations: operating permits and feasible environmental programs exist or are obtainable.

*x. Costs incurred during production*

› Mining expenditure incurred to maintain current production are included in profit or loss. The distinction between mining expenditures incurred to develop new ore bodies and to develop mine areas in advance of current production is mainly the production timeframe of the mining area. For those areas being developed, which will be mined in future periods, the costs incurred are capitalized and depleted when the related mining area is mined as compared to current production areas where development costs are considered as costs of sales and included in operating expenses given that the short-term nature of these expenditures matches the economic benefit of the ore being mined.

› Capitalization of costs incurred ceases when an asset can operate in the manner intended by management. Production costs incurred, and revenue earned subsequent to this point are recognized in profit or loss.

› Mining properties are recorded at cost less accumulated depletion and impairment losses.

*xi. Capitalization of waste in open pit operations*

› Capitalization of waste stripping requires the Corporation to make judgements and estimates in determining the amounts to be capitalized. In open pit mining operations, it is necessary to incur costs to remove overburden and other mine waste materials in order to access the ore body ("stripping costs"). During the development of a mine, stripping costs are capitalized and included in the carrying amount of the related mining property and depleted over the productive life of the mine using the unit-of-production method. During the production phase of a mine, stripping costs incurred to provide access to sources of reserves that will be produced in future periods that would not have otherwise been accessible are capitalized and included in the carrying amount of the related mining property. Stripping costs incurred and capitalized during the production phase are depleted using the unit-of-production method over the reserves and a portion of resources that directly benefit from the specific stripping activity. Costs incurred for regular waste removal that do not give rise to future economic benefits are considered as costs of sales and included in operating expenses.

#### *xii. Depletion*

› The carrying amounts of mining properties are depleted using the unit-of-production method over the estimated recoverable ounces, when operating levels intended by management for the mining properties have been reached. Under this method, depletable costs are multiplied by the number of ounces extracted divided by the estimated total ounces to be extracted in current and future periods based on proven and probable reserves and a portion of resources.

› Management reviews the estimated total recoverable ounces contained in depletable reserves and resources each financial year and when events and circumstances indicate that such a review should be made. Changes to estimated total recoverable ounces contained in depletable reserves and resources are accounted for prospectively.

#### *xiii. Plant and equipment*

› Plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Plant and equipment are depreciated using the unit- of production method based on ounces produced, or the straight-line method over the estimated useful lives of the related assets as follows:

| | |
|---|---|
| – Mobile equipment | 3 - 5 years |
| – Aircrafts | 25 years |
| – Office and computer equipment | 3 - 5 years |

› Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease.

› Where parts (components) of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment. Each asset or parts estimated useful life is determined considering its physical life limitations. This physical life of each asset cannot exceed the life of the mine at which the asset is utilized. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

› Amounts expended on assets under construction are capitalized until the asset becomes available for its intended use, at which time depreciation commences on the assets over its useful life. Repairs and maintenance of plant and equipment are expensed as incurred. Costs incurred to enhance the service potential of plant and equipment are capitalized and depreciated over the remaining useful life of the improved asset.

#### *xiv. Derecognition*

› Upon disposal or abandonment, the carrying amounts of mining properties and plant and equipment and accumulated depreciation and depletion are removed from the accounts and any associated gains or losses are recorded in profit or loss.

#### *xv. Commencement of commercial production*

› Commercial production is deemed to have commenced when a mining interest can operate at levels intended by management. This is achieved when management determines that the operational commissioning of major mine and plant components is complete, operating results are being achieved consistently for a period of time and that there are indications that these operating results will continue.

- The Corporation determines commencement of commercial production based on the following factors:
  - All major capital expenditures to bring the mine to the condition necessary for it to be capable for operating in the manner intended by management have been completed;
  - The completion of a reasonable period of testing of the mine plant and equipment;
  - The mine or mill has reached a pre-determined percentage of design capacity; and
  - The ability to sustain ongoing production of ore.
- The list is not exhaustive, and each specific circumstance is considered before making the decision.

***xvi. Impairment of mining interests and goodwill***

- At each reporting date, the Corporation gives consideration whether any indicators of impairment exist. If any such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.
- Recoverable amount is the higher of fair value less costs to sell and value in use. Fair value less costs to sell is calculated as the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. This is determined based on the present value of the estimated future cash flows from the development, use, eventual disposal of the asset, or the price a third party is willing to pay for the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.
- If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or a cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.
- Impairment losses reverse in some circumstances. When an impairment loss subsequently reverses, it is recognized immediately in profit or loss. The carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years.
- The Corporation performs goodwill impairment tests annually or when events and circumstances indicate that the carrying amounts may no longer be recoverable. In performing the impairment tests, the Corporation estimates the recoverable amount of its cash-generating units that include goodwill and compares recoverable amounts to the cash-generating unit's carrying amount. If a cash-generating unit's carrying amount exceeds its recoverable amount, the Corporation reduces the carrying value of the cash-generating unit or group of cash-generating units by first reducing the carrying amount of the goodwill and then reducing the carrying amount of the remaining assets on a pro-rata basis. Impairment of goodwill cannot be reversed.

***xvii. Leases***

- Subsequent to the adoption of IFRS 16, Leases, at inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Corporation has the right to direct the use of the asset. At inception or on reassessment of a contract due to modification that contains a lease component, the Corporations allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

- As a lessee, the Corporation recognizes a right-of-use asset, which is included in mining interests, and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

- The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

- A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:
  - fixed payments, including in-substance fixed payments, less any lease incentives receivable;
  - variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
  - amounts expected to be payable under a residual value guarantee;
  - exercise prices of purchase options if the Corporation is reasonably certain to exercise that option; and
  - payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

- The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to earnings/(loss) in the period incurred.

- The Corporation has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to earnings/(loss) on a straight-line basis over the lease term.

***xviii. Income and deferred taxes***

- The Corporation uses the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for unused tax losses and other income tax deductions. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary differences from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply if the related assets are realized or the liabilities are settled. To the extent that it is probable that taxable profit will not be available against which deductible temporary differences can be utilized a deferred tax asset may not be recognized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period in which the change is substantively enacted. Deferred tax assets and liabilities are considered monetary assets. Deferred tax balances denominated in currencies other than US dollars are translated into US dollars using current exchange rates at the reporting date.

- Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

### *xix. Financial instruments*

- Financial assets and financial liabilities are recognized in the Corporation's statement of financial position when the Corporation becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ("FVTPL"). The directly attributable transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred.

- Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

### *xx. Financial assets at amortised cost*

- Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are classified and measured subsequently at amortized cost.

- The Corporation's financial assets at amortized cost primarily include trade and other receivables included in current financial assets in the consolidated statement of financial position.

### *xxi. Financial instruments at fair value through other comprehensive income ("FVTOCI")*

- Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are classified and measured at FVTOCI. The Corporation's financial assets at FVTOCI include its equity securities designated as FVTOCI.

- On initial recognition, the Corporation may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to retained earnings.

### *xxii. Financial instruments at fair value through profit or loss ("FVTPL")*

- By default, all other financial assets are measured subsequently at FVTPL. Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The Corporation's financial assets at FVTPL include cash, restricted cash, and certain receivables arising from sales of metal and the sale of its Tabakoto mine (Note 5).

### *xxiii. Financial liabilities and equity*

- Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

- An equity instrument is any contract that evidences a residual interest in the assets of the Corporation after deducting all its liabilities. Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs. Repurchase of the Corporation's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Corporation's own equity instruments.

- Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using effective interest method.

***xxiv. Impairment***

- The Corporation recognizes a loss allowance for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

***xxv. Derecognition of financial assets and liabilities***

- The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Corporation neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the Corporation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

- The Corporation derecognizes financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire. The difference between carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

***xxvi. Derivative financial instruments***

- Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

***xxvii. Embedded derivatives***

- Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, and a separate instrument with the same terms as the embedded derivative would also meet the definition of a derivative.

***xxviii. Environmental rehabilitation provisions***

- The Corporation's mining and exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. The Corporation has made, and intends to make in the future, expenditures to comply with such laws and regulations or constructive obligations. The Corporation records a liability for the estimated future rehabilitation costs and decommissioning of its operating mines and development projects at the time the environmental disturbance occurs, or a constructive obligation is determined.

- Environmental rehabilitation provisions are measured at the expected value of future cash flows including expected inflation and discounted to their present value using the current market assessment of the time value of money. The unwinding of the discount, referred to as accretion expense, is included in finance costs and results in an increase in the amount of the provision.

- When provisions for closure and environmental rehabilitation are initially recognized, the corresponding cost is capitalized as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalized cost of closure and environmental rehabilitation activities is recognized in mining interests and amortized over the expected useful life of the operation to which it relates.

- Environmental rehabilitation provisions are updated annually for changes to expected cash flows and for the effect of changes in the discount rate, and the change in estimate is added or deducted from the related asset and depreciated over the expected useful life of the operation to which it relates.

- Increases or decreases to the provision also arise due to changes in legal or regulatory requirements, the extent of environmental remediation required and cost estimates. The net present value of the estimated costs of these changes is recorded in the period which the change is identified and quantifiable.

*xxix.* ***Share capital***

- Common and exchangeable shares are classified as share capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

*xxx.* ***Earnings per share***

- Earnings per share calculations are based on the weighted average number of common and exchangeable shares issued and outstanding during the period. The rights of the common and exchangeable shares are the same and therefore economically equivalent. As such, common and exchangeable shares are treated as one class of shares for the earnings per share calculation. Diluted earnings per share is calculated using the treasury stock method, whereby the proceeds from the exercise of potentially dilutive common shares with exercise prices that are below the average market price of the underlying shares are assumed to be used in purchasing the Corporation's common shares at their average market price for the period.

*xxxi.* ***Revenue recognition***

- Revenue from the sale of gold in doré bar form is recognized when the Corporation has transferred control of the gold in doré bar form to the customer at an amount reflecting the consideration the Corporation expects to receive in exchange for those products. In determining whether the Corporation has satisfied a performance obligation, it considers the indicators of the transfer of control, which include, but are not limited to, whether: the Corporation has a present right to payment; the customer has legal title to the asset; the Corporation has transferred physical possession of the asset to the customer; and the customer has the significant risks and rewards of ownership of the asset. The Corporation receives sales proceeds from its refiners, net of refining and treatment charges.

*xxxii.* ***Share-based payment arrangements***

- Equity settled share-based payments to employees and other providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 16.

- Performance share units ("PSUs") are settled in shares of the Corporation. The fair value of the estimated number of PSUs that will eventually vest, determined at the date of grant, is recognized as share-based compensation expense over the vesting period, with a corresponding amount recorded as equity. The fair value of the PSUs is estimated using the market value of the underlying shares as well as assumptions related to the market and non-market conditions at the grant date.

- Equity settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Corporation obtains the goods or the counterparty renders the service.

- The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded basis over the vesting period, based on the Corporation's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Corporation revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity reserve.

- Cash settled share-based payments to employees and other providing similar services are measured at the fair value of the instrument at the grant date and every reporting period, with changes in fair value recognized through profit or loss and a corresponding amount recorded as a liability.

- Exchanges of share options or other share-based payment awards in conjunction with a business combination are accounted for as modifications of the share-based payments awards. Where the Corporation is obliged to replace the acquiree awards, either all or a portion of the market-based measure of the Corporation's replacement awards is included in measuring the consideration transferred in the business combination. In determining the portion of the replacement award that is part of the consideration transferred for the acquiree, both the replacement awards and the acquiree awards are measured at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award. The excess of the market-based measure of the replacement awards over the market-based measure of the acquiree awards included in measuring the consideration transferred is recognized as remuneration cost for post transaction service.

***xxxiii. Provisions***

- Provisions are recorded when a present legal or constructive obligation arises as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

- Provisions are reviewed at the end of each reporting period and adjusted to reflect management's current best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

- Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance expense and included in finance costs in the statement of comprehensive earnings.

***xxxiv. Application of new accounting standards***

The Corporation has adopted the following new IFRS standards for the annual period beginning on January 1, 2019.

The Corporation adopted IFRIC 23, Uncertainty over Income Tax Treatments, but it did not have a material impact on the consolidated financial statements.

Also, *IFRS 16 Leases* (effective January 1, 2019), was issued in January 2016, which replaces IAS 17 "Leases" and provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases, with exemptions for lease terms 12 months or less, or if the underlying asset has a low value.

The Corporation has adopted IFRS 16 for the annual period beginning January 1, 2019 using the modified retrospective approach and therefore the comparative information has not been restated and the cumulative effect of initially applying IFRS 16 has been recorded on January 1, 2019 for any differences identified, including adjustments to the opening retained earnings balance.

On transition to IFRS 16, the Corporation recognized lease liabilities for leases which were previously classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the rate that reflects the asset's applicable incremental borrowing rate at each operation as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 is 6.9%.

The Corporation has made use of the following practical expedients available on transition to IFRS 16:

- Measure the right-of-use assets equal to the lease liability calculated for each lease;
- Apply the recognition exemptions for low value leases and leases that end within 12 months of the date of initial application, and account for them as low value and short-term leases, respectively;
- Reliance on previous assessments on whether leases are onerous;

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- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The impact to the Corporation's consolidated financial statements at January 1, 2019 was as follows:

| | | January 1, 2019 |
|---|---|---|
| Lease obligations as at December 31, 2018[1] | | 12,948 |
| Effect from discounting at the incremental borrowing rate as at January 1, 2019 | | (1,312) |
| Lease liabilities due to initial application of IFRS 16 as at January 1, 2019 | | 11,636 |
| Less: current portion | | (4,364) |
| **Long-term portion** | **$** | **7,272** |

[1] The Corporation revised the lease obligation from that which was disclosed in the condensed interim consolidated financial statements for the three months ended March 31, 2019, increasing the obligation at January 1, 2019 by $0.8 million.

*xxxv.* ***Future changes in accounting standards not yet effective***

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Corporation's financial statements that the Corporation reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below. The Corporation intends to adopt these standards when they become effective. Other standards and interpretations that are issued, but not yet effective, which are not expected to impact the Corporation have not been listed.

- Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations ("IFRS 3") to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarified the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements, added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs, and introduced an optional fair value concentration test. The amendments to IFRS 3 are effective for business combinations or asset acquisitions with acquisition dates on or after January 1, 2020.

- Interest Rate Benchmark Reform

In September 2019, IASB has issued first phase amendments IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Hedging and IFRS 7 Financial Instrument Disclosures to address the financial reporting impact of the reform on interest rate benchmarks, such as interbank offered rates (IBOR). The first phase amendments is effective beginning January 1, 2020 and is focused on the impact to hedge accounting requirements. The Corporation does not expect a material impact on its consolidated financial statements from phase one of the amendments. The Corporation will continue to assess the effect of the second phase amendments related to the interest rate benchmark reform on its financial statements.

# 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The critical judgements that the Corporation's management has made in the process of applying the Corporation's accounting polices, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Corporation's consolidated financial statements are as follows:

## 3.1 COMMENCEMENT OF COMMERCIAL PRODUCTION

Prior to a mine being capable of operating at levels intended by management, costs incurred are capitalized as part of the costs of related mining properties and proceeds from mineral sales are offset against costs capitalized. The Corporation defines the commencement of commercial production as the date that a mine operates at the levels intended by management. Management considers several factors (Note 2 (xvi)) in determining when commercial production has been reached. Depletion of capitalized costs for mining properties begins when the mine is capable of operating at levels intended by management.

The Corporation determined that the Ity CIL ("Carbon-in-Leach") project entered commercial production on April 8, 2019.

## 3.2 DETERMINATION OF ECONOMIC VIABILITY

Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

## 3.3 FUNCTIONAL CURRENCY

The functional currency for each of the Corporation's subsidiaries is the currency of the primary economic environment in which the entity operates. The Corporation has determined the functional currency of each entity is the US dollar. Determination of functional currency may involve certain judgements to determine the primary economic environment and the Corporation reconsiders functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

## 3.4 BUSINESS COMBINATIONS

Determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Corporation to make certain judgements, taking into account all facts and circumstances.

## 3.5 CAPITALIZATION OF WASTE STRIPPING

Capitalization of waste stripping requires the Corporation to make judgements and estimates in determining the amounts to be capitalized. These judgements and estimates include and rely on the expected stripping ratio for each separate open pit, the determination of what defines separate pits, and the expected ounces to be extracted from each component of a pit, amongst others.

# 4 KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in conformity with IFRS requires the Corporation's management to make judgements, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Corporation's assets and liabilities are as follows:

## 4.1 VALUE ADDED TAX ("VAT")

Included in trade and other receivables are recoverable VAT balances owing by the fiscal authorities in Burkina Faso, and Côte d'Ivoire. The Corporation is following the relevant process in each country to recoup the VAT balances owing and continues to engage with authorities to estimate if all amounts are recoverable and to accelerate the repayment of the outstanding VAT balances.

## 4.2 IMPAIRMENT OF MINING INTERESTS

The Corporation considers both external and internal sources of information in assessing whether there are any indications that mining interests are impaired. External sources of information the Corporation considers include changes in the market, economic and legal environment in which the Corporation operates that are not within its control and affect the recoverable amount of mining interests. Internal sources of information the Corporation considers include the manner in which mining properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

In determining the recoverable amounts of the Corporation's mining interests, the Corporation's management makes estimates of the discounted future cash flows expected to be derived from the Corporation's mining properties, costs to sell the mining properties and the appropriate discount rate. The projected cash flows are significantly affected by changes in assumptions about gold's selling price, future capital expenditures, changes in the amount of recoverable reserves, resources, and exploration potential, production cost estimates, discount rates and exchange rates. Reductions in gold price forecasts, increases in estimated future costs of production, increases in estimated future non-expansionary capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, and/or adverse current economics can result in a write-down of the carrying amounts of the Corporation's mining interests (Note 10).

## 4.3 ESTIMATED RECOVERABLE OUNCES

The carrying amounts of the Corporation's mining interests are depleted based on the estimated recoverable ounces for each mine. Changes to estimates of recoverable ounces due to revisions to the Corporation's mine plans and changes in gold price forecasts can result in a change to future depletion rates.

## 4.4 MINERAL RESERVES

Mineral reserves and mineral resources are determined in accordance with Canadian Securities Administrator's National Instrument 43-101 Standards of Disclosure for Mineral Projects. Mineral reserve and resource estimates include numerous estimates. Such estimation is a subjective process, and the accuracy of any mineral reserve or resource estimate is dependent on the quantity and quality of available data and on the assumptions made and judgements used in engineering and geological interpretation. Changes to management's assumptions including economic assumptions such as gold prices and market conditions could have a material effect in the future on the Corporation's financial position and results of operation.

### 4.5 ENVIRONMENTAL REHABILITATION COSTS

The provisions for rehabilitation are based on the expected costs of environmental rehabilitation and inputs used to determine the present value of such provisions and the related accretion expense using the information available at the reporting date. To the extent the actual costs differ from these estimates, adjustments will be recorded and the profit or loss and future cash flows may be impacted.

### 4.6 SHARE-BASED PAYMENTS

Numerous assumptions are made when accounting for share-based payments including the expected life of the contract, the volatility, the number of awards that are expected to vest, and the likelihood of the market and non-market conditions being met. Changes to these assumptions may alter the value of the share-based payment and ultimately the amount charged to profit or loss.

### 4.7 CONTINGENCIES

Due to the nature and complexity of the Corporation's operations, various legal and tax matters are ongoing at any given time and require estimation of amount and probability of outcome. In the event that the circumstances surrounding these matters change or the Corporation's outlook for the outcomes of these matters changes, the effects will be recognized in the consolidated financial statements.

(Expressed in Thousands of United States Dollars, except per share amounts)

# 5 DISPOSALS OF MINING INTERESTS

*i. Disposal of Tabakoto mine*

On December 24, 2018, the Corporation completed the sale for interest in the Tabakoto mine to Algom Resources Limited (“Algom”), a subsidiary of BCM Investments Ltd (“BCM”). The total consideration is composed of an upfront cash consideration of $35.0 million, deferred cash consideration of $10.0 million due in 2019, and a 10% net smelter royalty (“NSR”) of up to a maximum of 200,000 ounces of gold from the Dar Salaam deposit with a value of $13.3 million (Note 11).

The components of net loss from discontinued operations for the year ended December 31, 2018 were as follows:

| | | YEAR ENDED DECEMBER 31, |
|---|---|---|
| | | 2018 |
| Gold revenue | | 142,764 |
| Operating costs | | (141,798) |
| Impairment of mining interests | | (31,957) |
| Depreciation and depletion | | (13,131) |
| Royalties | | (8,747) |
| Other gains/(losses) | | (26,039) |
| Loss on disposal | | (68,718) |
| **Loss before taxes** | **$** | **(147,626)** |
| Deferred and current income tax expense | | (7,169) |
| **Net loss from discontinued operations** | **$** | **(154,795)** |
| Shareholders of Endeavour Mining Corporation | | (144,790) |
| Non-controlling interest | | (10,004) |
| **Total loss from discontinued operations** | **$** | **(154,795)** |
| **Net loss per share from discontinued operations** | | |
| Basic | $ | (1.44) |
| Diluted | $ | (1.44) |

The cash flows from discontinued operations for the year ended December 31, 2018 were as follows:

| | | YEAR ENDED DECEMBER 31, |
|---|---|---|
| | | 2018 |
| Cash used in operating activities | | (315) |
| Cash used in investing activities | | (40,725) |
| Cash used in financing activities | | (6,083) |
| **Total** | **$** | **(47,122)** |

*ii. Disposal of Nzema mine*

The corporation disposed of its Nzema mine in the year ended December 31, 2017. Included in the statement of comprehensive loss for the year ended December 31, 2019 is a net loss from discontinued operations of $4.4 million relating to a claim received from BCM for the repayment of a tax and lease liability as determined under the sale agreement of Nzema mine.

(Expressed in Thousands of United States Dollars, except per share amounts)

# 6 INVENTORIES

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Doré bars | 15,496 | 10,878 |
| Gold in circuit | 29,707 | 24,488 |
| Ore stockpiles | 52,577 | 39,508 |
| Spare parts and supplies | 70,599 | 51,479 |
| **Total** | **$ 168,379** | **$ 126,353** |

As of December 31, 2019, there was a provision of $0.7 million to adjust gold in circuit and finished goods at Karma to net realizable value (December 31, 2018 - $2.8 million). There was no provision to adjust spare parts and supplies inventory to net realizable value (December 31, 2018 – $7.3 million).

The cost of inventories recognized as expense in the year ended December 31, 2019 was $628.2 million and was included in operating expenses (year ended December 31, 2018 - $556.0).

# 7 PREPAID EXPENSES AND OTHER

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Deposits | 1,511 | 1,784 |
| Supplier prepayments | 15,893 | 13,849 |
| Other | 1,138 | 1,342 |
| **Total** | **$ 18,542** | **$ 16,975** |

# 8 TRADE AND OTHER RECEIVABLES

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Receivable for sale of Nzema mine[i] | 7,163 | 22,577 |
| Receivable for sale of Tabakoto mine[i] | - | 8,804 |
| Trade and other receivables | 12,065 | 26,401 |
| **Total** | **$ 19,228** | **$ 57,782** |

i. *Receivable for sale of Nzema mine*

In connection with certain residual deferred consideration amounts owed to Endeavour under the sale of its Nzema mine to the BCM Group of companies, and factoring in certain liabilities relating to the Nzema mine which Endeavour will agree to indemnify, Endeavour entered into an omnibus settlement agreement with BCM, dated November 29, 2019. Broadly, the settlement anticipates that, after netting off amounts between Endeavour and BCM, a series of cash instalments will be due to Endeavour totalling approximately $7.2 million. Those cash payments are expected to be received in 2020.

(Expressed in Thousands of United States Dollars, except per share amounts)

# 9 MINING INTERESTS

| MINING INTERESTS | Note | Depletable | Non depletable | Property, Plant and equipment | Assets under construction | Non mining | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Balance as at January 1, 2018 | | 912,849 | 358,683 | 878,175 | 69,704 | 9,119 | 2,228,530 |
| Additions/expenditures | | 65,631 | 30,899 | 80,614 | 371,508 | 727 | 549,379 |
| Transfers | | - | - | 43,982 | (43,982) | - | - |
| Reclamation liability change in estimate | | 3,776 | - | - | - | - | 3,776 |
| Disposals | | - | - | (10,334) | - | - | (10,334) |
| Disposal of the Tabakoto mine | 5 | (433,199) | (128,474) | (281,245) | - | - | (842,918) |
| Balance as at December 31, 2018 | | 549,057 | 261,108 | 711,192 | 397,230 | 9,846 | 1,928,433 |
| Additions/expenditures | | 50,966 | 19,085 | 33,191 | 112,599 | - | 215,841 |
| Transfers related to Ity construction | | 225,981 | - | 171,728 | (397,709) | - | - |
| Transfers to inventory on commercial production | | - | - | - | (18,463) | - | (18,463) |
| Transfers | | 20,706 | 26,630 | - | (47,336) | - | - |
| Reclamation liability change in estimate | | (3,261) | - | - | - | - | (3,261) |
| Adjustment for change in accounting policy | 2 | - | - | 11,636 | - | - | 11,636 |
| Disposals | | - | (7,317) | (4,849) | - | - | (12,166) |
| **Balance as at December 31, 2019** | | **843,449** | **299,506** | **922,898** | **46,321** | **9,846** | **2,122,020** |
| **Accumulated depreciation and impairment** | | | | | | | |
| Balance as at January 1, 2018 | | 440,906 | 112,911 | 361,129 | - | 2,946 | 917,892 |
| Depreciation/depletion | | 90,658 | - | 103,095 | - | 1,407 | 195,160 |
| Impairment | | 16,478 | 3,775 | 11,704 | - | - | 31,957 |
| Disposals | | - | - | (10,161) | - | - | (10,161) |
| Disposal of the Tabakoto mine | 5 | (377,155) | (116,264) | (256,838) | - | - | (750,257) |
| Balance as at December 31, 2018 | | 170,887 | 422 | 208,929 | - | 4,353 | 384,591 |
| Depreciation/depletion | | 80,317 | - | 119,957 | - | - | 200,274 |
| Impairment | 10 | 45,007 | - | 82,373 | - | - | 127,380 |
| Disposals | | - | - | (499) | - | - | (499) |
| **Balance as at December 31, 2019** | | **296,211** | **422** | **410,760** | **-** | **4,353** | **711,746** |
| **Carrying amounts** | | | | | | | |
| At December 31, 2018 | | 378,170 | 260,686 | 502,263 | 397,230 | 5,493 | 1,543,842 |
| **At December 31, 2019** | | **547,238** | **299,084** | **512,138** | **46,321** | **5,493** | **1,410,274** |

(Expressed in Thousands of United States Dollars, except per share amounts)

A summary of the carrying values by property is as follows:

| | Note | Agbaou Mine | Ity Mine | Karma Mine | Houndé Mine | Kalana Project | Exploration Properties | Non mining | Total (Excluding assets held for sale) | Tabakoto Mine | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | |
| Balance as at January 1, 2018 | | 257,080 | 152,956 | 348,451 | 480,832 | 168,885 | 3,169 | 9,115 | 1,420,488 | 808,042 | 2,228,530 |
| Additions/expenditures | | 30,320 | 333,539 | 25,015 | 63,150 | 24,214 | 3,481 | 27,642 | 507,361 | 42,018 | 549,379 |
| Transfers | | - | - | - | - | - | 7,142 | - | 7,142 | (7,142) | - |
| Reclamation liability change in estimate | | 3,776 | - | - | - | - | - | - | 3,776 | - | 3,776 |
| Disposals | | - | (10,334) | - | - | - | - | - | (10,334) | - | (10,334) |
| Disposal of Tabakoto mine | 5 | - | - | - | - | - | - | - | - | (842,918) | (842,918) |
| Balance as at December 31, 2018 | | 291,176 | 476,161 | 373,466 | 543,982 | 193,099 | 13,792 | 36,757 | 1,928,433 | - | 1,928,433 |
| Additions/expenditures | | 25,225 | 79,273 | 33,175 | 49,932 | 11,868 | 7,205 | 9,163 | 215,841 | - | 215,841 |
| Transfers to inventory on commercial production | | - | (18,463) | - | - | - | - | - | (18,463) | - | (18,463) |
| Transfers | | 230 | (23,301) | 1,063 | 782 | 1,020 | 23,776 | (3,570) | - | - | - |
| Reclamation liability change in estimate | | (434) | 3,622 | (648) | (5,801) | - | - | - | (3,261) | - | (3,261) |
| Adjustment for change in accounting standard | 2 | 3,291 | 2,615 | - | 2,816 | - | - | 2,914 | 11,636 | - | 11,636 |
| Disposals | | - | (4,849) | - | - | - | (7,317) | - | (12,166) | - | (12,166) |
| **Balance as at December 31, 2019** | | **319,488** | **515,058** | **407,056** | **591,711** | **205,987** | **37,456** | **45,264** | **2,122,020** | **-** | **2,122,020** |
| **Accumulated depreciation and impairment** | | | | | | | | | | | |
| Balance as at January 1, 2018 | | 119,622 | 43,968 | 30,243 | 12,516 | - | 3,169 | 1,943 | 211,461 | 706,431 | 917,892 |
| Depreciation/depletion | | 35,440 | 29,120 | 46,730 | 70,772 | - | - | 1,229 | 183,291 | 11,869 | 195,160 |
| Impairment | | - | - | - | - | - | - | - | - | 31,957 | 31,957 |
| Disposals | | - | (10,161) | - | - | - | - | - | (10,161) | - | (10,161) |
| Disposal of Tabakoto mine | 5 | - | - | - | - | - | - | - | - | (750,257) | (750,257) |
| Balance as at December 31, 2018 | | 155,062 | 62,927 | 76,973 | 83,288 | - | 3,169 | 3,172 | 384,591 | - | 384,591 |
| Depreciation/depletion | | 45,129 | 36,733 | 48,288 | 65,039 | - | 207 | 4,878 | 200,274 | - | 200,274 |
| Impairment | 10 | - | - | 127,380 | - | - | - | - | 127,380 | - | 127,380 |
| Disposals | | - | (499) | - | - | - | - | - | (499) | - | (499) |
| **Balance as at December 31, 2019** | | **$ 200,191** | **$ 99,161** | **$ 252,641** | **$ 148,327** | **$ -** | **$ 3,376** | **$ 8,050** | **$ 711,746** | **$ -** | **$ 711,746** |
| Carrying amounts | | | | | | | | | | | |
| At December 31, 2018 | | $ 136,114 | $ 413,234 | $ 296,493 | $ 460,694 | $ 193,099 | $ 10,623 | $ 33,585 | $ 1,543,842 | $ - | $ 1,543,842 |
| **At December 31, 2019** | | **$ 119,297** | **$ 415,897** | **$ 154,415** | **$ 443,384** | **$ 205,987** | **$ 34,080** | **$ 37,214** | **$ 1,410,274** | **$ -** | **$ 1,410,274** |

(Expressed in Thousands of United States Dollars, except per share amounts)

# 10 IMPAIRMENT OF MINING INTERESTS

During the year ended December 31, 2019, the Corporation recorded an impairment charge on non-current assets of $127.4 million recognized at the Karma Mine. During the fourth quarter, the Corporation performed a review for indicators of impairment at each of the cash generating units and evaluated key assumptions such as significant revisions to the mine plan including current estimates of recoverable mineral reserves and resources, recent operating results, future expected production based on the reserves which led to an indicator of impairment of the Karma cash-generating unit ("CGU").

| | Depletable mineral property | Property, plant & equiptment | Assets under construction | Total carrying value |
|---|---|---|---|---|
| **Impairment allocation** | | | | |
| Net book value before impairment | 93,090 | 170,377 | 18,328 | 281,795 |
| Total impairment | (45,007) | (82,373) | - | (127,380) |
| **Closing net book value after impairment** | **48,083** | **88,004** | **18,328** | **154,415** |

*i. Key Assumptions in the year ended December 31, 2019*

The recoverable amounts of the Karma CGU were based primarily on the future after-tax cash flows expected to be derived from the Corporation's mining interests and represents the FVLCD, a Level 3 fair value measurement. The projected cash flows used in impairment testing is significantly affected by changes in assumptions for metal prices, changes in the amount of recoverable reserves, resources, and exploration potential, production costs estimates, capital expenditures estimates, and discount rates. The Corporation's impairment testing incorporated the following key assumptions: The estimates used for long term gold price is $1,500 per ounce (December 31, 2018 - $1,321 per ounce). Projected cash flows were discounted using an after-tax discount rate of 7.5% which represented the Company's weighted average cost of capital and which included estimates for risk-free interest rates, market value of the Company's equity, market return on equity, share volatility and debt-to-equity financing ratio.

(Expressed in Thousands of United States Dollars, except per share amounts)

## 11 OTHER LONG-TERM ASSETS

Other long-term assets are comprised of:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Working capital loan receivable | 541 | 491 |
| Restricted cash[i] | 9,958 | 1,073 |
| Long-term stockpiles[ii] | 22,490 | 23,951 |
| Long-term critical spare parts and supplies[iii] | 14,670 | 8,286 |
| Long-term receivable[iv] | 13,322 | 13,446 |
| **Total** | **$ 60,981** | **$ 47,247** |

i. *Restricted cash*

Restricted cash consists out of reclamation bonds.

ii. *Long-term stockpiles*

Certain low-grade stockpiles that are not expected to be processed in the current period are classified as long-term assets.

iii. *Long-term critical spare parts and supplies*

Certain items of inventory that are considered critical for the continuation of production but are not deemed to be consumed in the current period are classified as long-term assets.

iv. *Long-term receivable*

Long-term receivables consist of the NSR surrounding the sale of the Tabakoto mine, which is not expected to be received in the next twelve months and has been classified as long-term as at December 31, 2019.

## 12 TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Trade accounts payable | 147,461 | 152,164 |
| Royalties payable | 2,444 | 2,187 |
| Payroll and social charges | 10,714 | 4,240 |
| Other payables | 12,648 | 18,731 |
| **Total** | **$ 173,267** | **$ 177,322** |

(Expressed in Thousands of United States Dollars, except per share amounts)

# 13 FINANCE OBLIGATIONS

The Corporation has entered into the following finance obligations:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Financing arrangements[i] | 78,081 | 100,381 |
| Lease liabilities[ii] | 8,753 | - |
| **Finance obligations** | **$ 86,834** | **$ 100,381** |

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Finance obligations | 86,834 | 100,381 |
| Less: current portion | (29,431) | (24,034) |
| **Long-term finance obligations** | **$ 57,403** | **$ 76,347** |

*i. Financing arrangements*

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Financing arrangements | 78,081 | 100,381 |
| Less: current portion | (25,529) | (24,034) |
| **Long-term financing arrangement** | **$ 52,552** | **$ 76,347** |

The present value of the Corporation's long-term equipment financial obligations is split below. The present value of the minimum payments are the instalments over the life of the arrangement discounted to present value. Payments are apportioned between the finance charge and the reduction of the outstanding liability.

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Not later than one year | 30,562 | 30,482 |
| Later than one year and not later than five years | 56,390 | 86,108 |
| | 86,952 | 116,590 |
| Less future finance charges | (8,871) | (16,209) |
| **Present value of minimum finance payments** | **$ 78,081** | **$ 100,381** |

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Houndé Mine | 39,340 | 50,378 |
| Ity Mine | 38,741 | 50,003 |
| **Present value of minimum finance payments** | **$ 78,081** | **$ 100,381** |

*Houndé Financing Arrangements*

On June 9, 2016, the Corporation entered into a financing arrangement with the Komatsu Group to acquire mining fleet equipment for the Houndé project. The Corporation made an initial down-payment of $7.7 million on July 1, 2016 with the remaining $46.8 million of payments being made between the first quarter of 2018 and 2022.

(Expressed in Thousands of United States Dollars, except per share amounts)

On March 13, 2017, Houndé Gold Operation SA, entered into an equipment financing facility with Caterpillar Financial Services Corporation. The facility matures five years from the date of first drawdown, which occurred October 10, 2017. Availability of the facility is subject to the satisfaction of customary conditions precedent, including the provision of an equipment pledge.

*Ity CIL Financing Arrangements*

On May 9, 2017, the Corporation entered into a financing arrangement with the Komatsu Group to acquire mining fleet equipment for the Ity CIL project within the Ity mine. The Corporation made an initial down-payment of $4.9 million on May 25, 2017 and the remaining $28.2 million of payments are being made between the first quarter of 2019 and 2022.

On February 27, 2018, the Corporation entered into batch two of the financing arrangement with the Komatsu Group to acquire mining fleet equipment for the Ity CIL project within the Ity mine. The Corporation made an initial down-payment of $2.9 million on April 10, 2018 and the remaining $19.6 million of payments are being made between the first quarter of 2019 and 2023.

On December 13, 2018, the Corporation, through its subsidiary Société des Mines d'Ity, entered a financing arrangement with the Caterpillar Financial Services Corporation to acquire power generating equipment for the Ity CIL project. The total amount payable under this facility is $11.2 million, repayments began on July 1, 2019, and continue on a quarterly basis until the fourth quarter of 2023.

*ii. Lease liabilities*

The lease liabilities included within financial obligations in the consolidated statement of financial position are as follows:

| | December 31, 2019 |
|---|---|
| Lease liabilities | 8,753 |
| Less: current portion | (3,902) |
| **Long-term lease liabilities** | **$ 4,851** |

Amounts recognized in the consolidated statement of comprehensive loss are as follows:

| | YEAR ENDED December 31, 2019 |
|---|---|
| Depreciation expense on right-of-use assets | 4,685 |
| Interest expense on lease liabilities | 879 |
| Operating expenses related to variable lease payments not inluded in the measurement of lease liabilities | 284 |
| Expenses relating to short-term leases | 52 |
| Expenses relating to leases of low value assets, excluding short-term leases of low value assets | 310 |

(Expressed in Thousands of United States Dollars, except per share amounts)

# 14 LONG-TERM DEBT

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Corporate loan facility[i] | 310,000 | 230,000 |
| Deferred financing costs | (5,059) | (6,721) |
| **Revolving credit facility** | **$ 304,941** | **$ 223,279** |
| Convertible senior bond[ii] | 302,600 | 293,893 |
| Conversion option[iii] | 31,439 | 25,076 |
| **Convertible senior bond** | **$ 334,039** | **$ 318,969** |
| **Total long term debt** | **$ 638,980** | **$ 542,248** |

The Corporation incurred the following finance costs in the period:

| | | YEAR ENDED | |
|---|---|---|---|
| | Note | December 31, 2019 | December 31, 2018 |
| Interest expense | | 38,222 | 26,078 |
| Amortization of deferred facility fees | | 2,827 | 7,101 |
| Commitment, structuring and other fees | | 8,820 | 5,746 |
| Less: Capitalized borrowing costs | 9 | (6,803) | (15,254) |
| **Total finance costs** | | **$ 43,066** | **$ 23,671** |

*i. Corporate Loan Facility*

On September 19, 2017, the Corporation signed a $500.0 million revolving credit facility ("the new RCF") with a syndicate of leading international banks.

The Corporation completed a private placement of $330.0 million convertible senior notes (Note 14 ii), on February 8, 2018. As a result, the Corporation reduced the principal of the RCF available to $350.0 million and made a repayment of $280.0 million on the new RCF. On May 17, 2019, the Corporation increased the total commitment capacity on the RCF by $80.0 million, to give a principal amount of $430.0 million on the RCF.

The key terms of the new RCF include:

- Principal amount of $430.0 million.
- Interest accrues on a sliding scale of between LIBOR plus 2.95% to 3.95% based on the Corporation's leverage ratio.
- Commitment fees for the undrawn portion of the new RCF of 1.03%.
- The term of the new RCF is four years, maturing in September 2021.
- The principal outstanding on the new RCF is repayable as a single bullet payment on the maturity date.
- Banking syndicate includes Société Générale, ING, Citibank N.A., Investec Bank Plc, Macquarie Bank Ltd, Barclays Bank, HSBC and BMO.
- The new RCF can be repaid at any time without penalty.

(Expressed in Thousands of United States Dollars, except per share amounts)

*ii. Convertible Senior Notes*

On February 8, 2018, the Corporation completed a private placement of convertible senior notes with a total principal amount of $330.0 million due in 2023 (the "Notes"). The initial conversion rate is 41.84 of the Corporation's common shares ("Shares") per $1,000 Note, or an initial conversion price of approximately $23.90 (CAD$29.47) per share.

The Notes bear interest at a coupon rate of 3% payable semi-annually in arrears on February 15 and August 15 of each year, beginning on August 15, 2018. The Notes mature on February 15, 2023, unless earlier redeemed, repurchased or converted in accordance with the terms of the Notes. The Corporation may, subject to certain conditions, elect to satisfy the principal amount due at maturity or upon redemption through the payment or delivery of any combination of Shares and cash.

The key terms of the Convertible Senior Notes include:

- Principal amount of $330.0 million.
- Coupon rate of 3% payable on a semi-annual basis.
- The term of the notes is 5 years, maturing in February 2023.
- The notes are reimbursable through the payment or delivery of shares and/or cash.
- The initial conversion price is $23.90 (CAD$29.47) per share.
- The reference share price of the notes is $18.04 (CAD$22.24) per share.

For accounting purposes, the Corporation measures the Notes at amortized cost, accreting to maturity over the term of the Notes. The conversion option is an embedded derivative and is accounted for as a financial liability measured at fair value through the profit or loss, as the Corporation has the ability to settle the option at fair value in cash, common shares, or a combination of cash and common shares in certain circumstances.

The unrealized loss on the convertible note option for the year ended December 31, 2019 was $6.4 million (year ended December 31, 2018 unrealized gain – $16.9 million).

At the date of issue, the Notes were measured at fair value:

| | December 31, 2018 |
|---|---|
| Proceeds from issue | 330,000 |
| Liability component at date of issue | (287,975) |
| **Conversion option** | **$ 42,025** |

The liability component for the Notes at December 31, 2019 has an effective interest rate of 6.2% (December 31, 2018: 6.2%) and was as follows:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Liability component at beginning of the year / issue date | 293,893 | 287,975 |
| Less: Deferred finance costs | - | (5,159) |
| Interest expense in the year | 18,607 | 16,302 |
| Less: Interest payments in the year | (9,900) | (5,225) |
| **Total** | **$ 302,600** | **$ 293,893** |

(Expressed in Thousands of United States Dollars, except per share amounts)

*iii. Conversion option*

The conversion option related to the Notes is recorded at fair value, using a valuation model, with the following assumptions; volatility of 26% (December 31, 2018, 26%), risk free rate of 2.6% (December 31, 2018, 2.6%), term of the conversion option 3 years (December 31, 2018, 4.4 years), and a share price of $18.89 (December 31, 2018, $15.57).

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Conversion option at beginning of the year / issue date | 25,076 | 42,025 |
| Fair value adjustment | 6,363 | (16,949) |
| **Total** | **$ 31,439** | **$ 25,076** |

## 15 OTHER LONG-TERM LIABILITIES

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Environmental rehabilitation provision[i] | 38,521 | 38,572 |
| DSU liabilities | 3,390 | 3,110 |
| Net pension obligation | - | 195 |
| **Total** | **$ 41,911** | **$ 41,877** |

*i. Environmental Rehabilitation Provision*

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Balance beginning of year | 38,572 | 49,179 |
| Initial recognition of provision | - | 2,588 |
| Derecognized on disposal of mining interests | - | (17,181) |
| Revisions in estimates and obligations incurred | (4) | 3,116 |
| Accretion | 667 | 1,027 |
| Rehabilitation work performed | (714) | (157) |
| **Total** | **$ 38,521** | **$ 38,572** |

The provisions of each mine will be accreted over the projected life of each mine.

The Corporation measures the provision at the expected value of future cash flows including inflation rates of approximately 1.80% (December 31, 2018, 1.90%), discounted to the present value using average discount rates of 2.75% (December 31, 2018, 2.90%). The undiscounted cash flows related to the environmental rehabilitation obligation as of December 31, 2019 was $40.9 million (2018 - $35.4 million).

(Expressed in Thousands of United States Dollars, except per share amounts)

# 16 SHARE CAPITAL

*i. Voting shares*

Authorized

- 200,000,000 voting shares of $0.10 par value
- 100,000,000 undesignated shares

*ii. Share capital*

On January 11, 2019, the Corporation acquired an additional 5% interest in the Ity Mine (Note 17.1) in exchange for 1,072,305 common shares with a value of $17.6 million and a $0.5 million cash settlement.

*iii. Share-based compensation*

The following table summarizes the share-based compensation expense:

| | YEAR ENDED | |
|---|---|---|
| | December 31, 2019 | December 31, 2018 |
| Amortization of option grants | - | 19 |
| Amortization and change in fair value of DSUs | 892 | (43) |
| Amortization and change in fair value of PSUs | 20,150 | 23,295 |
| Amortization and change in fair value of RSUs | - | 1,660 |
| **Total share-based expenses** | **$ 21,042** | **$ 24,931** |

*iv. Options*

A summary of the changes in share options is presented below:

| | Options outstanding | Weighted average exercise price (C$) |
|---|---|---|
| At December 31, 2017 | 144,877 | 12.47 |
| Exercised | (89,158) | 8.66 |
| Forfeited | (4,485) | 10.94 |
| Expired | (699) | 233.91 |
| At December 31, 2018 | 50,535 | 16.26 |
| Exercised | (35,119) | 10.99 |
| Expired | (466) | 24.68 |
| **At December 31, 2019** | **14,950** | **10.94** |

(Expressed in Thousands of United States Dollars, except per share amounts)

The following table summarizes information about the exercisable share options outstanding as at December 31, 2019:

| Exercise Prices (C$) | Outstanding | Exercisable | Weighted average exercise price (C$) | Weighted average remaining contractual life |
|---|---|---|---|---|
| $8.00 - $14.99 | 14,950 | 14,950 | $10.94 | 0.70 years |

The Corporation has a share option plan whereby the Corporation's directors may from time to time grant options to directors, employees or consultants. The maximum term of any option is ten years. The exercise price of an option is set at the higher of (i) the volume weighted average trading price of the shares traded on the exchange for the five trading days immediately preceding the grant date and (ii) the closing trading price on the grant date. At the annual general meeting on June 26, 2018, the Corporation elected not to renew the shareholder approval for the stock option plan; as such no new stock options may be granted unless further shareholder approval is sought and obtained.

*v. Share unit plans*

A summary of the changes in share unit plans is presented below:

| | DSUs outstanding | Weighted average grant price (C$) | PSUs outstanding | Weighted average grant price (C$) | RSUs outstanding | Weighted average grant price (C$) |
|---|---|---|---|---|---|---|
| At December 31, 2017 | 154,077 | 9.68 | 2,042,145 | 16.66 | 196,173 | 20.99 |
| Granted | 37,629 | 22.50 | 1,441,198 | 21.71 | 52,644 | 20.06 |
| Exercised | - | - | (511,426) | 15.86 | (248,817) | 20.80 |
| Forfeited | - | - | (126,037) | 19.20 | - | - |
| At December 31, 2018 | 191,706 | 12.20 | 2,845,880 | 19.25 | - | - |
| Granted | 26,871 | 22.60 | 1,556,328 | 18.63 | - | - |
| Exercised | (39,893) | 12.61 | (738,078) | 18.15 | - | - |
| Forfeited | | | (365,753) | 20.62 | - | - |
| **At December 31, 2019** | **178,684** | **13.67** | **3,298,377** | **19.05** | **-** | **-** |

*vi. Deferred share units*

On January 26, 2013, the Corporation established a deferred share unit plan ("DSU") for the purposes of strengthening the alignment of interests between non-executive directors of the Corporation and shareholders by linking a portion of the annual director compensation to the future value of the Corporation's common shares. Upon establishing the DSU plan for non-executive directors, the Corporation no longer grants options to non-executive directors.

The DSU plan allows each non-executive director to choose to receive, in the form of DSUs, all or a percentage of their director's fees, which would otherwise be payable in cash. Compensation for serving on committees must be paid in the form of DSUs. The plan also provides for discretionary grants of additional DSUs by the Board. Each DSU vests upon award but is distributed only when the director has ceased to be a member of the Board. Vested units are settled in cash based on the common share price at the date of settlement.

The total fair value of DSUs at December 31, 2019 was $3.4 million (December 31, 2018 – $3.1 million). The total DSU share-based compensation expense recognized in the consolidated statement of comprehensive loss was $0.9 million for the year ended December 31, 2019 (December 31, 2018, income of $0.04 million).

(Expressed in Thousands of United States Dollars, except per share amounts)

*vii. Performance share units*

In March 2014, following a review of its executive compensation programs and pay practices, the Corporation introduced a change in its long-term incentive plan ("LTI Plan") to include a portion of performance-linked share unit awards ("PSUs"). The PSU program is intended to increase the pay mix in favor of long-term equity-based compensation with three-year cliff-vesting to serve as an employee retention mechanism.

The fair value of the PSUs is determined based on Total Shareholder Return ("TSR") relative to peer companies and achieving certain operational performance measures (key future operational indicators – All in Sustaining Cost "AISC", resource and project targets). The fair value related to the TSR portion is determined using a multi-asset Monte Carlo simulation model while the fair value related to the achievement of operational performance measures is determined based the probability of reaching the operational targets.

The total PSU share-based expense recognized in the consolidated statements of comprehensive loss was $17.3 million for the year ended December 31, 2019 (December 31, 2018, $23.3 million).

*viii. Basic and diluted earnings per share*

Diluted net earnings per share was calculated based on the following:

| | YEAR ENDED | |
|---|---|---|
| | December 31, 2019 | December 31, 2018 |
| Basic weighted average number of shares outstanding | 109,822,221 | 107,741,182 |
| Effect of dilutive securities[1] | | |
| Stock options | - | 179,710 |
| Diluted weighted average number of shares outstanding | 109,822,221 | 107,920,892 |
| Total common shares outstanding at December 31 | **109,927,097** | **108,081,596** |
| Total potential diluted common shares at December 31 | **114,322,958** | **112,316,713** |

[1] Diluted income per share was determined using the basic weighted average shares outstanding rather than the diluted weighted average shares outstanding as the effects of dilutive securities would have been anti-dilutive in periods where the Corporation has a net loss. The securities noted above would have been dilutive had the Corporation had earnings in the period.

(Expressed in Thousands of United States Dollars, except per share amounts)

## 17 NON-CONTROLLING INTERESTS

The composition of the non-controlling interests ("NCI") is as follows:

| | Agbaou Gold Operations SA (Agbaou Mine) 15% | Societe des Mines d'Ity (Ity Mine) 15% | Riverstone Karma SA (Karma Mine) 10% | Houndé Gold Operations 10% | Societe des Mines d'Or de Kalana (Kalana Project) 20% | Segala Mining Co SA/Kofi Mining S.à r.l. (Tabakoto Mine) 20%/10% | Total |
|---|---|---|---|---|---|---|---|
| At December 31, 2017 | 47,287 | 17,431 | 10,854 | (3,441) | 522 | (56,896) | 15,757 |
| Net earnings/(loss) | 6,637 | (1,026) | 1,129 | 10,385 | - | (10,004) | 7,121 |
| Dividend distribution | (3,451) | - | - | - | - | (185) | (3,636) |
| Disposal of the Tabakoto mine | - | - | - | - | - | 67,085 | 67,085 |
| **At December 31, 2018** | **50,473** | **16,405** | **11,983** | **6,944** | **522** | **-** | **86,327** |
| Net earnings/(loss) attributable | 8,026 | 11,553 | 2,019 | 960 | - | - | 22,558 |
| Acquistion of NCI[i] | - | (4,101) | - | - | - | - | (4,101) |
| Dividend distribution | (5,064) | - | - | (1,090) | - | - | (6,154) |
| **At December 31, 2019** | **53,435** | **23,857** | **14,002** | **6,814** | **522** | **$ -** | **$ 98,630** |

For summarized information related to these subsidiaries, refer to Note 22, Segmented Information.

*i. Acquisition of interest in ITY*

On January 11, 2019, the Corporation increased its ownership stake in the Ity Mine from 80% to 85%. In exchange for the additional 5% interest in the Ity mine (relating to the Société des Mines d'Ity and Société des Mines de Daapleu entities), the Corporation granted the minority shareholder 1,072,305 common shares with a value of $17.6 million in addition to a $0.5 million cash payment.

Following this transaction, the Corporation owns 85% of the Ity mine, with the Government of Cote d'Ivoire owning 10% and SODEMI (a government owned mining company) owning the remaining 5%.

## 18 (LOSS)/GAIN ON FINANCIAL INSTRUMENTS

| | | YEAR ENDED | |
|---|---|---|---|
| | Note | December 31, 2019 | December 31, 2018 |
| Loss on other financial instruments | | (1,073) | (158) |
| Change in value of receivable at FVTPL | 8 | (22,354) | 2,977 |
| (Loss)/gain on gold revenue protection program | 19 | (17,348) | 7,658 |
| Unrealized (loss)/gain on convertible senior bond derivative | 14 | (6,363) | 16,949 |
| Loss on foreign exchange | | (10,830) | (19,391) |
| **Total (loss)/gain on financial instruments** | | **$ (57,968)** | **$ 8,035** |

(Expressed in Thousands of United States Dollars, except per share amounts)

# 19 DERIVATIVE FINANCIAL INSTRUMENTS

The following table summarizes the derivative financial assets:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Gold revenue protection strategy | (10,349) | 1,636 |
| **Derivative financial (liabilities)/assets, current portion** | **$ (10,349)** | **$ 1,636** |

The following table summarizes the (loss)/gain on derivative financial assets/(liabilities) that have been recognized through the consolidated statements of comprehensive earnings/(loss):

| | YEAR ENDED | |
|---|---|---|
| | December 31, 2019 | December 31, 2018 |
| Realized (loss)/gain on gold revenue protection strategy premium | (6,996) | 6,022 |
| Unrealized (loss)/gain on gold price protection strategy | (10,352) | 1,636 |
| **(Loss)/gain on derivative financial instruments** | **$ (17,348)** | **$ 7,658** |

*i. Gold revenue protection strategy*

In the year ended December 31, 2019, the Corporation's deferred premium collar strategy for the 15-month period from February 2018 to April 2019 expired. Over the life of the collar, the Corporation realized a gain of $5.1 million.

In the year ended December 31, 2019, the Corporation implemented a deferred premium collar strategy ("Collar") using written call options and bought put options for the 12-month period from July 2019 to June 2020. The program covers a total of 360,000 ounces, representing approximately 50% of Endeavour's total estimated gold production for the period, with an average floor price of $1,358 and a ceiling price of $1,500.

The Collar was not designated as a hedge by the Corporation and is recorded at its fair value at the end of each reporting period with changes in fair value recorded in the consolidated statement of comprehensive loss.

As at December 31, 2019, 210,000 ounces remain outstanding under the Collar derivative liability (December 31, 2018: 133,328 ounces outstanding under the expired collar).

The total premium payable for entering into the Collar of $8.7 million is included as part of the Collar fair value and will be cash-settled on a net basis as monthly contracts mature. In the year ended December 31, 2019, the Corporation paid $5.4 million for settlements of the Collar, included in realized gains and losses on derivative financial instruments.

(Expressed in Thousands of United States Dollars, except per share amounts)

# 20 INCOME TAXES

*i. Income tax recognised in consolidated statement of comprehensive loss*

Details of the income tax (expense)/recovery are as follows:

| | YEAR ENDED | |
|---|---|---|
| | December 31, 2019 | December 31, 2018 |
| Current income and other tax expense | (73,901) | (66,522) |
| Deferred income tax recovery | 20,145 | 5,007 |
| **Total income tax expense recognized in operations** | **$ (53,756)** | **$ (61,515)** |

The Corporation is not subject to corporate taxation in the Cayman Islands. However, the taxable earnings of the corporate entities in Barbados, Burkina Faso, Canada, Côte d'Ivoire, Mali, Monaco, France, Luxembourg and the United Kingdom are subject to tax under the tax law of the respective jurisdiction. The Corporation is using a weighted average of the domestic tax rate applicable to its West African Mining operations to reconcile earnings to the income tax expense.

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Profit (loss) from continuing operations | (83,010) | 78,575 |
| Weighted average domestic tax rate | 24.4% | 18.3% |
| Income tax (recovery) expense based on weighted average domestic tax rates | (20,254) | 14,379 |
| Reconciling items: | | |
| Rate differential | 46,725 | 15,311 |
| Effect of foreign exchange rate changes on deferred taxes | 1,737 | 6,326 |
| Non-deductible (non-taxable) expenses | 3,875 | 9,130 |
| Mining convention benefits | (8,142) | (13,850) |
| Effect of alternative minimum taxes and withholding taxes paid | 14,634 | 21,173 |
| Accruals for tax and statutory audits | 2,196 | 4,886 |
| Effect of changes in deferred tax assets not recognized | 12,141 | 3,654 |
| Other | 844 | 506 |
| **Income tax expense** | **$ 53,756** | **$ 61,515** |

(Expressed in Thousands of United States Dollars, except per share amounts)

The following is a summary of the tax rates in the various taxable jurisdictions:

| | 2019 | 2018 |
|---|---|---|
| Barbados | 2.5% | 2.5% |
| Burkina Faso | 17.5% | 17.5/27.5% |
| Canada | 27.0% | 26.0% |
| Cayman Islands | 0.0% | 0.0% |
| Côte d'Ivoire | 25.0% | 25.0% |
| Ghana | 35.0% | 35.0% |
| Mali | 30.0% | 30.0% |
| Monaco | 31.0% | 33.3% |
| France | 31.0% | 33.3% |
| Luxembourg | 17.0% | 19.0% |
| United Kingdom | 19.0% | 19.3% |

*ii. Income taxes payable and receivable*

| | YEAR ENDED December 31, 2019 | December 31, 2018 |
|---|---|---|
| Current income taxes receivable | - | - |
| **Income tax receivable** | **$ -** | **$ -** |
| Income taxes payable related to current year taxable profits | 44,168 | 42,178 |
| Provision for income taxes | 10,800 | 4,886 |
| **Income taxes payable** | **$ 54,968** | **$ 47,064** |

*iii. Deferred tax balances*

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Deferred income tax assets | | |
| Tax losses not utilized | $ - | $ 5,443 |
| Mining interests, and property, plant and equipment | 7,414 | 2,725 |
| Inventory | 2 | 3,158 |
| Trade receivables and other assets | 2,438 | 8,143 |
| Reclamation and closure cost obligations | - | 5,919 |
| | **$ 9,854** | **$ 25,388** |
| Deferred income tax liabilities | | |
| Inventory | (1,358) | (1,987) |
| Current liabilities | - | (1,665) |
| Long term liabilities | - | (1,661) |
| Mining interests and other | (52,983) | (84,707) |
| **Deferred income tax liability, net** | **$ (44,487)** | **$ (64,632)** |

(Expressed in Thousands of United States Dollars, except per share amounts)

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Net deferred income tax liability at beginning of year | $ (64,632) | $ (69,639) |
| Income tax expense charge to earnings during the year | 20,145 | 5,007 |
| **Net deferred income tax liability at end of year** | **$ (44,487)** | **$ (64,632)** |

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Net deferred income tax asset, as reported in the consolidated statements of financial position | $ 5,498 | $ 4,186 |
| Net deferred income tax liability, as reported in the consolidated statements of financial position | (49,985) | (68,818) |
| **Total** | **$ (44,487)** | **$ (64,632)** |

*iv. Unrecognised deductible temporary differences*

At December 31, 2019, the Corporation had deductible temporary differences for which deferred tax assets have not been recognized because it is not probable that future profits will be available against which the Corporation can utilize the benefit. The major components of the deductible temporary differences were comprised as follows:

- $31.1 million (December 31, 2018 - $24.7 million) in Burkina Faso and Cote d'Ivoire arising from mine closure liabilities.
- $29.5 million in Burkina Faso arising from the impairment of mineral properties at Karma mine.

*v. Tax rules, regulations, and assessments*

The Corporation operates in numerous countries and, accordingly, it is subject to, and pays annual income taxes under, the various income tax regimes in the countries in which it operates. From time to time the Corporation is subject to a review of its income tax filings and in connection with such reviews, disputes can arise with the taxing authorities over the interpretation or application of certain rules to the Corporation's business conducted within the country involved. If the Corporation is unable to resolve any of these matters favorably, there may be a material adverse impact on the Corporation's financial performance, cash flows or results of operations. In the event that management's estimate of the future resolution of these matters changes, the Corporation will recognize the effects of the changes in its consolidated financial statements in the period that such changes occur.

## 21 RELATED PARTY TRANSACTIONS

*i. Compensation of key management personnel and directors*

The remuneration of directors and a number of other members of key management personnel responsible for planning, directing and controlling the activities of the Corporation during the year were as follows:

| | YEAR ENDED | |
|---|---|---|
| | December 31, 2019 | December 31, 2018 |
| Short-term benefits | 19,732 | 10,105 |
| Share-based payments | 12,420 | 13,261 |
| **Total** | **$ 32,152** | **$ 23,366** |

(Expressed in Thousands of United States Dollars, except per share amounts)

# 22 SEGMENTED INFORMATION

The Corporation operates in three principal countries, Burkina Faso (Karma and Houndé mines), Côte d'Ivoire (Agbaou and Ity mines), and Mali (Kalana Project). The following table provides the Corporation's results by operating segment in the way information is provided to and used by the Corporation's chief operating decision maker, which is the CEO, to make decisions about the allocation of resources to the segments and asses their performance.

**YEAR ENDED DECEMBER 31, 2019**

| | Agbaou Mine Côte d'Ivoire | Ity Mine Côte d'Ivoire | Karma Mine Burkina Faso | Houndé Mine Burkina Faso | Other | Total |
|---|---|---|---|---|---|---|
| ***Revenue*** | | | | | | |
| Gold revenue | 191,523 | 267,515 | 111,185 | 316,148 | - | 886,371 |
| ***Cost of sales*** | | | | | | |
| Operating expenses | (85,170) | (107,185) | (79,694) | (158,938) | - | (430,987) |
| Depreciation and depletion | (44,731) | (32,197) | (47,225) | (65,846) | (7,220) | (197,219) |
| Royalties | (7,581) | (10,481) | (8,594) | (21,483) | - | (48,139) |
| **Earnings/(loss) from mine operations** | **54,041** | **117,652** | **(24,328)** | **69,881** | **(7,220)** | **210,026** |
| Corporate costs | - | - | - | - | (20,620) | (20,620) |
| Acquisition and restructuring costs | - | - | - | - | (4,552) | (4,552) |
| Impairment charge of mineral interests | - | - | (127,380) | - | - | (127,380) |
| Share-based payments | - | - | - | - | (21,042) | (21,042) |
| Exploration | - | - | - | - | (9,893) | (9,893) |
| **Earnings/(loss) from operations** | **54,041** | **117,652** | **(151,708)** | **69,881** | **(63,327)** | **26,539** |
| Other income/(expenses) | | | | | | |
| Gain/(loss) on financial instruments | (1,589) | (5,613) | (1,499) | (2,052) | (47,215) | (57,968) |
| Finance costs | (620) | (2,546) | (285) | (5,325) | (34,290) | (43,066) |
| Other income/(expense) | - | - | - | - | (8,515) | (8,515) |
| **Earnings/(loss) before taxes** | **51,832** | **109,493** | **(153,492)** | **62,504** | **(153,347)** | **(83,010)** |
| Current income tax recovery/(expense) | (27,156) | (24,117) | (4,259) | (10,493) | (7,876) | (73,901) |
| Deferred income tax recovery/(expense) | (1,469) | 2,782 | 24,501 | (5,669) | - | 20,145 |
| **Net earnings/(loss) from continuing operations** | **$ 23,207** | **$ 88,158** | **$ (133,250)** | **$ 46,342** | **$ (161,223)** | **$ (136,766)** |

**YEAR ENDED DECEMBER 31, 2018**

| | Agbaou Mine Côte d'Ivoire | Ity Mine Côte d'Ivoire | Karma Mine Burkina Faso | Houndé Project Burkina Faso | Other | Total |
|---|---|---|---|---|---|---|
| ***Revenue*** | | | | | | |
| Gold revenue | 180,256 | 107,511 | 113,061 | 351,129 | - | 751,957 |
| ***Cost of sales*** | | | | | | |
| Operating expenses | (97,875) | (58,051) | (102,956) | (127,974) | (70) | (386,926) |
| Depreciation and depletion | (33,419) | (29,028) | (39,852) | (65,541) | (1,229) | (169,069) |
| Royalties | (6,761) | (4,161) | (8,335) | (21,811) | - | (41,068) |
| **Earnings/(loss) from mine operations** | **42,201** | **16,271** | **(38,082)** | **135,803** | **(1,299)** | **154,894** |
| Corporate costs | - | - | - | - | (26,573) | (26,573) |
| Share-based payments | - | - | - | - | (24,931) | (24,931) |
| Exploration | - | - | - | - | (7,621) | (7,621) |
| **Earnings/(loss) from operations** | **42,201** | **16,271** | **(38,082)** | **135,803** | **(60,424)** | **95,769** |
| Other income/(expenses) | | | | | | |
| Gain/(loss) on financial instruments | (2,620) | 1,044 | (3,001) | (11,006) | 23,618 | 8,035 |
| Finance costs | (379) | 298 | (275) | (3,166) | (20,149) | (23,671) |
| Other income/(expenses) | - | - | - | - | (1,558) | (1,558) |
| **Earnings/(loss) before taxes** | **39,202** | **17,613** | **(41,358)** | **121,631** | **(58,513)** | **78,575** |
| Current income tax recovery/(expense) | (2,934) | (15,863) | - | (39,864) | (7,861) | (66,522) |
| Deferred income tax recovery/(expense) | 5,177 | (4,158) | 288 | (397) | 4,097 | 5,007 |
| **Net earnings/(loss) from continuing operations** | **$ 41,445** | **$ (2,408)** | **$ (41,070)** | **$ 81,370** | **$ (62,277)** | **$ 17,060** |

(Expressed in Thousands of United States Dollars, except per share amounts)

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales during the years ended December 31, 2019 or December 31, 2018.

The Corporation is not economically dependent on a limited number of customers for the sale of gold because gold can be sold through numerous commodity market traders worldwide.

The Corporation's assets and liabilities, including geographic location of those assets and liabilities, are detailed below:

**AS AT DECEMBER 31, 2019**

| | Agbaou Mine Côte d'Ivoire | Ity Mine Côte d'Ivoire | Karma Mine Burkina Faso | Houndé Mine Burkina Faso | Other | Total |
|---|---|---|---|---|---|---|
| Mining interests | 119,297 | 415,897 | 154,415 | 443,384 | 277,281 | 1,410,274 |
| Current assets | 81,838 | 84,580 | 68,275 | 118,006 | 43,339 | 396,038 |
| Other long-term assets | 5,843 | 22,714 | 2,709 | 15,840 | 13,875 | 60,981 |
| Deferred income taxes | 609 | 4,889 | - | - | - | 5,498 |
| **Total assets** | **207,587** | **528,080** | **225,399** | **577,230** | **334,495** | **1,872,791** |
| Current liabilities | 42,997 | 56,695 | 38,022 | 77,166 | 53,135 | 268,015 |
| Long-term liabilities | 9,793 | 38,321 | 7,669 | 37,434 | 645,077 | 738,294 |
| Deferred tax liabilities | - | - | - | 24,266 | 25,719 | 49,985 |
| **Total liabilities** | **52,790** | **95,016** | **45,691** | **138,866** | **723,931** | **$ 1,056,294** |

**AS AT DECEMBER 31, 2018**

| | Agbaou Mine Côte d'Ivoire | Ity Mine Côte d'Ivoire | Karma Mine Burkina Faso | Houndé Mine Burkina Faso | Other | Total |
|---|---|---|---|---|---|---|
| Mining interests | 136,114 | 413,234 | 296,493 | 460,694 | 237,307 | 1,543,842 |
| Current assets | 54,761 | 37,250 | 51,683 | 106,770 | 76,304 | 326,768 |
| Other long-term assets | 1,986 | 13,189 | 6,069 | 8,910 | 17,093 | 47,247 |
| Deferred income taxes | 2,382 | (786) | - | - | 2,590 | 4,186 |
| **Total assets** | **$ 195,243** | **$ 462,887** | **$ 354,245** | **$ 576,374** | **$ 333,294** | **$ 1,922,043** |
| Current liabilities | 21,909 | 73,986 | 30,069 | 93,515 | 28,941 | 248,420 |
| Long-term liabilities | 9,420 | 44,349 | 5,668 | 53,573 | 547,462 | 660,472 |
| Deferred tax liabilities | - | - | 24,501 | 18,598 | 25,719 | 68,818 |
| **Total liabilities** | **$ 31,329** | **$ 118,335** | **$ 60,238** | **$ 165,686** | **$ 602,122** | **$ 977,710** |

(Expressed in Thousands of United States Dollars, except per share amounts)

# 23 CAPITAL MANAGEMENT

The Corporation's objectives of capital management are to safeguard the entity's ability to support the Corporation's normal operating requirements on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

In the management of capital, the Corporation includes the components of equity, short-term borrowings and long-term debt, net of cash and cash equivalents and marketable securities.

Capital, as defined above, is summarized in the following table:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Equity | 816,497 | 944,333 |
| Long-term debt | 638,980 | 542,248 |
| Finance obligations | 86,834 | 100,381 |
| Derivative financial liabilities | 10,349 | - |
| | 1,552,660 | 1,586,962 |
| **Less:** | | |
| Cash | (189,889) | (124,022) |
| Cash - restricted | (9,958) | (1,073) |
| Derivative financial assets | - | (1,636) |
| Marketable securities | (1,224) | (497) |
| **Total** | **$ 1,351,589** | **$ 1,459,734** |

The Corporation manages its capital structure and adjusts it considering changes in its economic environment and the risk characteristics of the Corporation's assets. To effectively manage the entity's capital requirements, the Corporation has in place a planning, budgeting and forecasting process to help determine the funds required to ensure the Corporation has the appropriate liquidity to meet its operating and growth objectives.

# 24 FINANCIAL INSTRUMENTS

*i. Financial assets and liabilities*

The Corporation's financial instruments consist of cash, restricted cash, marketable securities, trade and other receivables, working capital loan, long term receivable, trade and other payables, derivative financial assets/liabilities, finance obligations and current and long-term debt. The fair value of these financial instruments approximates their carrying value, unless otherwise noted below, except for the convertible note, which has a fair value of approximately $351.5 million.

The Corporation has certain financial assets and liabilities that are held at fair value. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques to measure fair value:

Classification of financial assets and liabilities

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(Expressed in Thousands of United States Dollars, except per share amounts)

As at each of December 31, 2019 and December 31, 2018, the levels in the fair value hierarchy into which the Corporation's financial assets and liabilities measured and recognized in the statement of financial position at fair value are categorized are as follows:

**AS AT DECEMBER 31, 2019**

| | Note | Level 1 Input | Level 2 Input | Level 3 Input | Aggregate Fair Value |
|---|---|---|---|---|---|
| ***Assets:*** | | | | | |
| Cash | | 189,889 | - | - | 189,889 |
| Cash - restricted | | 9,958 | - | - | 9,958 |
| Receivable for sale of Nzema mine | 8 | - | - | 7,163 | 7,163 |
| Receivable for sale of Tabakoto mine | 11 | - | - | 13,322 | 13,322 |
| Marketable securities | | 1,224 | - | - | 1,224 |
| **Total** | | **$ 201,071** | **$ -** | **$ 20,485** | **$ 221,556** |
| ***Liabilities:*** | | | | | |
| Conversion option on Notes | 14 | - | (31,439) | - | (31,439) |
| Derivative financial instruments | 19 | - | (10,349) | - | (10,349) |
| **Total** | | **$ -** | **$ (41,788)** | **$ -** | **$ (41,788)** |

**AS AT DECEMBER 31, 2018**

| | Note | Level 1 Input | Level 2 Input | Level 3 Input | Aggregate Fair Value |
|---|---|---|---|---|---|
| ***Assets:*** | | | | | |
| Cash | | 124,022 | - | - | 124,022 |
| Cash - restricted | | 1,073 | - | - | 1,073 |
| Derivative financial instruments | 19 | - | 1,636 | - | 1,636 |
| Receivable for sale of Nzema mine | 8 | - | - | 22,577 | 22,577 |
| Receivable for sale of Tabakoto mine | 11 | - | 8,804 | 13,446 | 22,250 |
| Marketable securities | | 497 | - | - | 497 |
| **Total** | | **$ 125,592** | **$ 10,440** | **$ 36,023** | **$ 172,055** |
| ***Liabilities:*** | | | | | |
| Conversion option on Notes | 14 | - | (25,076) | - | (25,076) |
| **Total** | | **$ -** | **$ (25,076)** | **$ -** | **$ (25,076)** |

There were no transfers between level 1 and 2 during the year. The fair value of level 3 financial assets was determined using a Monte Carlo valuation method, taking into account assumptions with respect to gold prices and discount rates as well as estimates with respect to production and operating results at each of the disposed mines.

*ii. Financial instrument risk exposure*

The Corporation's activities expose it to a variety of risks that may include credit risk, liquidity risk, currency risk, interest rate risk and other price risks, including equity price risk. The Corporation examines the various financial instrument risks to which it is exposed and assesses any impact and likelihood of those risks.

*Credit Risk*

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Corporation by failing to discharge its obligations. Credit risk arises from cash, restricted cash, marketable securities, trade and other receivables, long-term receivable and other assets.

The Corporation closely monitors its financial assets and does not have any significant concentration of credit risk other than receivable balances owed from the governments in the countries the Corporation operates in.

Other receivables at December 31, 2019 include $7.2 million related to the disposal of Nzema and Tabakoto. Long-term receivables and NSR of $13.3 million consist of a receivable and NSR associated with the sale of the Tabakoto mine in December 2018.

(Expressed in Thousands of United States Dollars, except per share amounts)

BCM Group, a private mining contractor and operator, is the counterparty who acquired the two mines and from whom the receivables are ultimately due. The Corporation received $3.7 million in the year ended December 31, 2019, in relation to the receivable from the sale of the Nzema Mine.

The Corporation sells its gold to large international organizations with strong credit ratings, and the historical level of customer defaults is minimal. As a result, the credit risk associated with gold trade receivables at December 31, 2019 is considered to be negligible. The Corporation does not rely on ratings issued by credit rating agencies in evaluating counterparties' related credit risk.

The Corporation's maximum exposure to credit risk is as follows:

| | | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Cash | | 189,889 | 124,022 |
| Trade and other receivables | 8 | 19,228 | 57,782 |
| Working capital loan | 11 | 541 | 491 |
| Derivative financial assets | 19 | - | 1,636 |
| Marketable securities | | 1,224 | 497 |
| Long-term receivable | 11 | 13,322 | 13,446 |
| **Total** | | **$ 224,204** | **$ 197,874** |

*Liquidity Risk*

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash, physical gold or another financial asset. The Corporation has a planning and budgeting process in place to help determine the funds required to support the Corporation's normal operating requirements.

The following table summarizes the Corporation's liabilities that have contractual maturities as at December 31, 2019:

| | Within 1 year | 2 to 3 years | 4 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| Trade and other payables | 173,267 | - | - | - | 173,267 |
| Corporate loan facility | - | - | 310,000 | - | 310,000 |
| Convertible senior bond | 9,900 | 19,800 | 339,900 | - | 369,600 |
| Derivative financial liabilities | 10,349 | - | - | - | 10,349 |
| Lease liabilities | 4,995 | 5,606 | 880 | - | 11,481 |
| Finance arrangements | 27,812 | 47,085 | 8,618 | - | 83,515 |
| **Total** | **$ 226,323** | **$ 72,491** | **$ 659,398** | **$ -** | **$ 958,212** |

*iii. Market risks*

*Currency Risk*

Currency risk relates to the risk that the fair values or future cash flows of the Corporation's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations may affect the costs that the Corporation incurs in its operations. There has been no change in the Corporation's objectives and policies for managing this risk during the period ended December 31, 2019.

The Corporation has not hedged its exposure to foreign currency exchange risk.

(Expressed in Thousands of United States Dollars, except per share amounts)

The table below highlights the net assets held in foreign currencies, presented in US dollars:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Canadian dollar | 431 | 309 |
| CFA Francs | 11,147 | 26,615 |
| Euro | 2,973 | 919 |
| Other currencies | 6,185 | 2,707 |
| **Total** | **$ 20,736** | **$ 30,550** |

The effect on earnings before taxes as at December 31, 2019, of a 10% appreciation or depreciation in the foreign currencies against the US dollar on the above mentioned financial and non-financial assets and liabilities of the Corporation is estimated to be $2.1 million (December 31, 2018, $3.1 million), if all other variables remained constant. The calculation is based on the Corporation's statement of financial position as at December 31, 2019.

*Interest Rate Risk*

Interest rate risk is the risk that future cash flows from, or the fair values of, the Corporation's financial instruments will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk primarily on its long-term debt. Since marketable securities and government treasury securities held as loans are short term in nature and are usually held to maturity, there is minimal fair value sensitivity to changes in interest rates. The Corporation continually monitors its exposure to interest rates and is comfortable with its exposure given the relatively low short-term US interest rates and LIBOR.

The effect on earnings and other comprehensive loss before tax as at December 31, 2019, of a 10% change in the LIBOR rate on the RCF is estimated to be $0.1 million (December 31, 2018 - $0.1 million).

*Price Risk*

Price risk is the risk that the fair value or future cash flows of the Corporation's financial instruments will fluctuate because of changes in market prices. There has been no change in the Corporation's objectives and policies for managing this risk and no significant changes to the Corporation's exposure to price risk during the period ended December 31, 2019.

## 25 COMMITMENTS AND CONTINGENCIES

- The Corporation has commitments in place at all four of its mines and other key projects for drill and blasting services, load and haul services, supply of explosives and supply of hydrocarbon services.
- The Corporation is, from time to time, involved in various claims, legal proceedings, tax assessments and complaints arising in the ordinary course of business from third parties. The Corporation cannot reasonably predict the likelihood or outcome of these actions. The Corporation does not believe that adverse decisions in any other pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reason thereof, will have a material effect on the financial condition or future results of operations.
- The Corporation was recently served in the Cayman Islands with notice of a claim by a former service provider. The Corporation is taking legal advice on the merits of the claim and the probable outcome but intends to vigorously defend against the claims. The Corporation does not believe that the outcome of the claim will have a material impact to Corporation's financial position.
- The Corporation's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Corporation believes its operations are materially in compliance with all applicable laws and regulations. The Corporation has made, and expects to make in the future, expenditures to comply with such laws and regulations.
- The Corporation is obligated to deliver 100,000 ounces of gold (20,000 ounces per year) to Franco-Nevada Corporation and Sandstorm Gold Inc. (the "Syndicate") over a five-year period in exchange for 20% of the spot price of gold for each ounce of gold delivered (the "ongoing payment"). The amount that was previously advanced for this agreement of $100.0 million is reduced on each delivery by the excess of the spot price of the gold delivered over the ongoing payment. Following the five-

year period, which commenced on March 31, 2016, the Corporation is committed to deliver refined gold equal to 6.5% of the gold production at the Karma Mine for the life of the mine in exchange for ongoing payments. The Corporation delivered an additional 7,500 ounces between July 2017 and April 2019 in exchange for an additional deposit of $5.0 million received in 2017. The Corporation assumed the gold stream when it acquired the Karma Mine on April 26, 2016. Gold ounces sold to the Syndicate under the stream agreement are recognized as revenue only on the actual proceeds received, which per the agreement is 20% of the spot gold price.