

# Growth Stocks Weekly

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**Performance:** 1996 116.9%; 1997 28.1%; 1998 36.4%; 1999 39.4%; 2000 180.9%; 2001 -50.5%; 2002 18.7%; 2003 28.8%; 2004 166.7%; 2005 28.2%; 2006 153.3%; 2007 8.8%; 2008 -25.2%

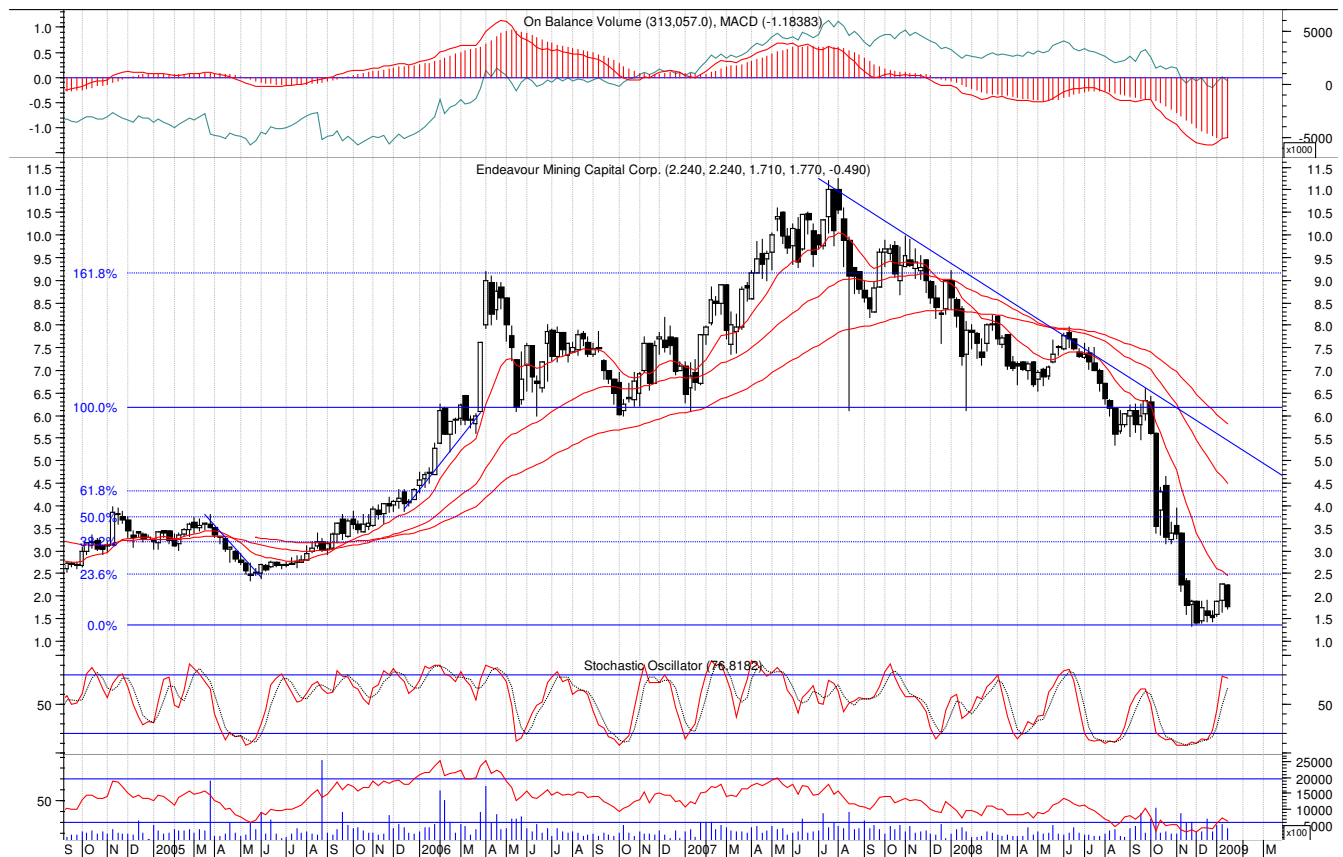
## Junior Gold and Natural Resource Sector Report

January 15, 2009

### The Smart Money

### UPDATE

### Endeavour Financial Corporation (EDV-TSX)



**Weekly chart: High C\$11.24, Low \$1.33, Last Trade \$1.77**

Endeavour Financial Corporation is raising a minimum \$100 million through the issue of units, each unit consisting of one common share and one-half of one common share five-year purchase warrant. The company filed a preliminary prospectus on December 16. The number of units, price per unit and exercise price of the warrant will be determined in the context of the market prior to the filing of the final prospectus. GMP Securities L.P and Canaccord Capital are the underwriters.

Endeavour intends to use the net proceeds from the offering for "investments in the natural resource sector".

Endeavour is an independent merchant banking company focused on the global natural resources sector. The Corporation offers advisory services in project, corporate and debt capital markets; equity financings; mergers and acquisitions; and strategic business development. Endeavour also provides equity and bridge loans in support of clients, transactions, and other market opportunities. Accessing its global industry networks, Endeavour creates and launches new growth companies as both an advisor and investor and has an enviable track record. The current market downturn has created a unique opportunity from several perspectives.

### ***Company Review***

Our initial report on Endeavour was issued in May 2004 as the price of gold was retesting the US\$378 technical support area. Endeavour had just suffered a dramatic sell-off as junior-sector resource stocks experienced panic selling, lower liquidity, and the psychological capitulation of the latecomer investors suffering rapid and severe losses – not that dissimilar from the current environment. Over the following 3-1/2 years Endeavour's share price appreciated almost four-fold.

July 2007 saw Endeavour Mining Corporation acquire 100% of sister company Endeavour Financial Corporation, a privately-held investment banking firm. The two businesses operated successfully in parallel for many years, but the merger simplifies the Endeavour brand, and provides investors and industry players in the resource sector one-stop integrated merchant banking services. It also ensured that the entire Endeavour team is committed to maximizing value for shareholders through their ownership of approximately 25% of the combined company.

Endeavour's publicly traded shares give investors de facto access to well-selected ground-floor junior mining companies without a need to be accredited investors, or to make the connections necessary to access such timely opportunities. Most retail investors don't have the time, desire or expertise to select and follow a portfolio of small-cap resource stocks. Endeavour also pays a dividend of 3 cents per share per month, or 36 cents per year, currently yielding about 20-percent.

Despite the volatile nature of the sector, Endeavour generated a 49-per-cent annualized growth rate in Shareholders' equity (51% including dividends) from its inception in 2001 through to end of 2007. This reflected both its early call on the resource secular bull market and the timing and success of its involvement in multiple targeted-resource-focused vehicles.

Endeavour's investment strategy has been focused on high quality assets with strong management teams, and with clear potential for high returns through their structured investments. The Endeavour team has been associated with some big success stories over the years, including Bema Gold, Bolivar Gold, Northern Orion, Oriel Resources, Peak Gold, Silver Wheaton, UrAsia Energy, Wheaton River Minerals, and of course Endeavour Mining itself.

When Endeavour finances mining companies to fund their project development, strategic initiatives and growth, we benefit from a management team that has done their homework for us and structured its investment exposure appropriately. This generally means a compelling and timely entry price (providing de facto downside protection), and better than average upside potential.

### ***The Opportunity***

Endeavour's exclusive advisor is Fiore Financial, the private investment consultancy of financier Frank Giustra. In what is typical fashion for Frank Giustra and his team, Endeavour is setting up to capitalize on a troubled and distressed environment where opportunities are extreme – maybe the best timing we're likely to see in a generation. While many investors and merchant banks are adopting a wait-and-see attitude, even selling off portfolios to raise liquidity, or just trying to shore up severely damaged balance sheets, Endeavour is taking a predatory stance –raising \$100 million-plus to take advantage of the opportunities around them. We suspect this raise is just the first step in an even bigger strategic initiative that will only become clear as it unfolds.

This as an opportunistic move by Endeavour to capture market share and do what they do best – acquire resource-sector assets cheap, add value through smart corporate finance work, and ultimately generate success fees and outsized capital gains. The financing is aimed at financial institutions and will not be made available to retail investors. Our contacts on the street believe that the funding is already "in escrow" and that the "green shoe" will be exercised in full, which will raise an additional \$15 million.

In this environment cash is king. Right now \$115 million will buy a huge amount of production or proven ounces in the ground. Many acquisition targets – especially in the junior sector – are trading at pennies on the dollar and

need cash – and other than the major mining companies who typically move at glacial speed anyway, nobody else has the money, reputation or on-the-ground expertise necessary to quickly gain traction and make deals.

Endeavour could even use some of that money to fund expansions of existing clients. An easy example - gold-producer Rusoro Mining is slated to grow from 100,000 to 300,000 oz per year gold production over the next few years. Rusoro just announced record quarterly gold production, a record production month and record low cash costs from its existing operations in Venezuela. The bigger-picture opportunity before Rusoro however, and Endeavour, is Rusoro's moves towards becoming a Venezuelan gold mining major with gold reserves of +45 million ounces through consolidation of the highly-prolific Bolivar gold belt.

As usual Giustra's timing is aggressive and impeccable. Right now great projects can be bought cheap. This is the man who walked away from the mining industry near its apex 10 years ago to form Lions Gate Entertainment, then sold out in a timely manner to come back to start Endeavour in 2001, right at the bottom. For our junior resource markets, the money doesn't come any smarter.

Last year Endeavour arranged seven resource transactions which totaled, in the aggregate, some \$14 billion in the copper, gold, and uranium sectors. In the face of challenging economic circumstances, its merchant banking activities yielded \$60 million in investment income. With the share price down from a high of \$11 last year to the \$1.70 area now, Endeavour offers a steeply discounted opportunity to bet on some proven operators.

### **Conclusion**

Endeavour offers us the built-in advantages of diversification, cream-of-the-crop selection, sophisticated professional management, exceptional deal-flow and access to global institutional and industry contacts. Given this premise, we only need concern ourselves with the timeliness of our exposure to the resource and precious metals sectors as to the appropriateness of owning Endeavour shares. It would be difficult if not impossible for investors to consistently match Endeavour's ability to select winners and realize on their potential. Its shares are an excellent proxy for investment exposure to a secular bull market in commodities, which we believe is underway.

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