

Endomines

(Company registration no. 556694-2974)

Business Review

This business review is a translation from the Swedish original which was published on 11 November 2021. In the event of difference between the English translation and the Swedish original, the Swedish business review shall prevail.

1 January – 30 September 2021



ENDOMINES AB Business Review January – September 2021

Friday Mine and Mill started initial production in Idaho, USA

Pampalo Mine decline reached target depth in Ilomantsi, Finland

Jan-Sep 2021 (Jan-Sep 2020)

Operational highlights

- The Friday mine commenced stoping and secondary haulage to feed and stockpile ore for the restart of the Orogrande processing facility.
- The Orogrande processing facility completed commissioning at the end of Q3 2021 and is now gradually ramping up production and forecasted to reach full production by the end of Q4 2021.
- The development of the Pampalo mine is progressing according to the plan.
- No lost time injuries reported in the last 12 months; LTIFR 0 (0).

Financial highlights

- Total revenue was 1.8 MSEK (12.4)
- EBITDA was -76.6 MSEK (-68.4)
- Total cash flow was -2.1 MSEK (-3.5)
- Earnings per share was -0.58 SEK (-0.99)

Significant subsequent events

- On October 6th, 2021 Endomines announced that Seppo Tuovinen, Managing Director of Endomines AB's Finnish subsidiary Endomines Oy, will take over the Interim CEO position for the parent company as of October 6th.
- On October 15th, 2021 Endomines announced that the execution date of the merger to effect the redomiciliation of the Group to Finland has been postponed because of matters relating to the practicalities and various registrations of the merger. A new date will be communicated as soon as possible.
- On October 29th, 2021 Endomines announced that its number of shares and votes increased by 2,000,000 during October following the directed new issue of shares made as the first drawdown under Endomines' financing arrangement with LDA Capital.
- On November 10th, 2021 Endomines announced that the board has resolved to appoint Kari Vyhtinen to the new CEO of the company with March 1st, 2022 effective starting date at the latest.

Production update and outlook for 2021:

Endomines began stoping on the S4550 level during Q3 2021 at the Friday mine in Idaho, USA. This production will be supported by the addition of a newly overhauled single boom Jumbo drill and the lease to purchase of a second 4-yard underground Loader. The Orogrande processing facility is currently under commenced production and is forecasted to reach planned milling capacity by the end of the Q4 2021.

The development at the Pampalo mine in Finland has proceeded on schedule. Ore production will start in Q4 2021 and ore processing at the mill will begin early Q1 2022.

Due to the refocusing of the Pampalo production schedule from previously planned Q2 2022 to Q1 2022, the short-term Q4 2021 gold production guidance for the operations has been amended to approximately 1,200 oz by year end.

Key figures (Consolidated)	Jan – Sep		
<i>MSEK if not stated otherwise</i>	2021	2020	+/-
Total revenue	1.8	12.4	-10.6
Cost	-78.4	-80.8	2.4
EBITDA	-76.6	-68.4	-8.8
Depreciation and write-downs	-57.1	-17.3	-39.8
EBIT	-133.7	-85.7	-48.0
Net result for the period	-146.8	-112.2	-34.6
Earnings per share (SEK)	-0.58	-0.99	0.41
Cash flow from operating activities	-115.2	-65.3	-49.9
Investments	-34.6	-25.5	-9.1
Financing	147.6	87.3	60.3
Liquid assets at the end of the period	8.4	12.0	-2.8
Personnel at the end of the period	67	34	33
LTIFR	0	0	0

LTIFR = The Lost Time Injury Frequency Rate is based on reported lost time injuries resulting in one day or more off work per 1,000,000 hours worked on a rolling 12-month basis. LTIFR has been calculated for the whole company including contractors.

Interim CEO Seppo Tuovinen: “Endomines’ journey from junior gold miner to a two-tier gold producer continues. The focus has been on re-starting the Pampalo underground mine in Finland and the Friday underground mine in Idaho. The Pampalo mine decline was driven down to a new production area; the work is on budget and timeline. We are confident that the Pampalo team and contractors on site are on track in bringing Pampalo mine into production as we have said early this year.

In the US, our Operations Director, Vern Langdale, took over the GM position in addition to his current role. The mill commissioning progresses in line with the expectations, most technical challenges have been resolved and full mill production is forecasted to be reached at the end of Q4 2021. An underground core drilling program is being carried out and will be completed at the end of Q4 2021. This will provide us with new information to update the geological model and production plan.

The development of acquired projects, US Grant and Kearsarge deposit, is progressing at a slow pace as planned until current projects are in a solid production stage and cash flows are positive. These deposits will require further technical studies combined with diamond coring to identify fully the real potential of those projects.

To be able to execute Endomines’ long-term growth strategy, more financing is needed during 2021 and 2022. Endomines is currently reviewing different financing possibilities for this matter.”

Production Development and Commissioning of the Friday Mine and Mill in Idaho, USA

During Q3 2021, Endomines completed the upgrade of the Orogrande processing facility and brought it back into operation from care and maintenance starting in mid-2020. The ball mill has been wet tested and reached designed throughput of up to 7 tons an hour. The flotation plant and the tailing facility, which includes the newly introduced geotube filter bags, are both successfully working to design specifications.

In Q4 2021, the mill will gradually be ramping up production and the staff will be trained to run the operation on a 24-hours per day schedule. Production capacity of 150 tons per day is expected to be

reached at the end of Q4 2021.

The Friday mine has been building up capacity in equipment fleet and workforce numbers. A RDH Drillmaster 100 Jumbo drill has been overhauled in Calgary, Canada and returned to site. Also, a second four-yard loader has been purchased with leasing arrangement from Sandvik, Ireland.

The planning of ore production in 2022 is very reliant on the 2,400 m diamond core drill program currently being carried out. The drill program reached its halfway point at the end of Q3 2021, when the definition drilling in the Northern stope area was completed. Drilling will continue in the southern stope areas, and geological modelling of the two areas will deliver a new mine model early 2022.

Activities at Endomines' other Idaho and Montana projects

Current exploration activities outside our main Idaho assets have been limited to updating of the environmental and operating permits for the US Grant and Kearsarge projects and desktop studies of the assets to determine the future drill programmes proposed in 2022.

Updates on Pampalo mine re-opening

The Pampalo mine was put on care and maintenance (C&M) in 2018 when gold prices were at multi-year lows (\$1250/oz). The ore lenses in the underground mine are open at depth and the known extensions have been outlined by drilling down to the 855-mine level. These areas can be accessed by extending the existing decline thereby deepening the mine. The gold mineralization and ore lenses are also still completely open below these levels. When the mine was placed on C&M, Endomines calculated that by extending the decline some 100m and developing these deep ore zones, the start-up of the mine production would be feasible at gold prices at/or above \$1500/oz. In December 2020, Endomines announced that it would re-evaluate reopening the Pampalo mine because of the positive gold price outlook.

In January 2021, the planning and preparations for the mine deepening and extension of the decline started. After negotiations with several parties, Power Mining Oy was chosen to refurbish the current decline and drive the decline down to the first production levels. Power Mining mobilized its crews during March and commenced decline development in April. Mine dewatering improvement and power network upgrading were started in May and were successfully completed in the end of Q3 2021.

In September 2021, only slightly behind the timeline, the decline reached the bottom of new ore production area. The next steps in taking the mine into production are ventilation arrangements and level access development towards the ore zones. According to the current schedule, the tunnels will reach the first ore zone in November and ore production from mine development will start in December 2021. The core drilling program to outline in detail the ore quality and quantity within the new production area was completed in September. The results will be available during Q4 2021.

The mill equipment maintenance has progressed very well. The ore crushing plant is fully maintained and operational, and mill maintenance progress is as planned. The long-lead time items, such as mill liners, have been delivered to site and therefore risk related to supplies needed for mill start up is under control. It is expected that mill test runs will start in December 2021 in line with the schedule. The first stage of tailing storage capacity expansion project was successfully in the end of August.

Underground core drilling

The underground core drilling program started in May continued through the third quarter. One diamond drill rig was mobilized to site by the drill contractor, Comadev Oy. By the end of September, a total of 84 infill core drill holes (6 644 m), targeted at the planned production area between 755 and 815 mine levels, were completed.

The first batch of results was published on August 12, 2021. The results were very encouraging including

intersections like 3.9 meters at 151.4 g/t gold (9.6 g/t when capped at 20 g/t) in the hole T-1670 and 4.3 meters at 92.9 g/t gold (7.6 g/t when capped at 20 g/t) in the hole T-1626. All the results from the drilling program will be used in updating the current mineral resource estimate and the mine plan. Geological logging, sampling, and assaying of the drill core are currently in progress. The infill core drilling is estimated to be completed in October.

Exploration activities along the Karelian Gold Line

During the third quarter Endomines has continued its near mine and regional exploration programs along the Karelian Gold Line in Eastern Finland. The work of updating and validating the existing mineral resource estimates for all the near mine and regional exploration projects continued, as well as generating targets and creating work plans for the coming exploration programs.

As part of the Pampalo underground drilling program, six exploration drill holes (1 700m) will be drilled from tunnels, located approximately 650m below the surface, to test mineralized structures east (Pampalo East) and north (Pampalo fold) of the Pampalo main mineralization.

The main focus during the quarter has been on the Pampalo underground drilling program and only limited field activities outside of the mine area were conducted, mainly mapping and boulder prospecting in the area of the Karelian Gold Line.

Health, Environment and Safety

Endomines is implementing policies and procedures across the operations that cover health, environment and safety. It is based on non-acceptance of accidents and adverse environmental incidents and is a Zero Harm policy.

To roll this out in different regulatory regimes on two Continents is a challenging task that requires good understanding of not only the cultural significances, but also legislative requirements.

In Q3 2021, two Medically Treated Injuries (MTI) occurred at the Friday operations. We are continually reviewing and improving our processes to avoid any event that may cause harm and injuries to the workforce.

At the end of Q3 2021, the rolling twelve-month LTI rate (lost-time injuries per one million working hours) at both Pampalo and Idaho was 0, making the combined Group level LTI frequency also 0.

Personnel

At the Friday mine and Orogrande processing facility manning to restart operations is now sufficient to allow incremental introduction of nightshifts. The mine requires additional mechanics and multiskilled miners, but this will be phased in with the new equipment, which arrived at the end of Q3 2021.

Pampalo has been able to recruit the majority of required production personnel despite the current shortage of personnel within the industry. A training program is in place and all the crew will be trained by the end of the year 2021. The key technical positions have been filled. Geology and processing plant however requires some strengthening, but the process to fill in those positions has started.

Financial position

Net debt amounted to 120.9 MSEK (123.0) at the end of Q3 2021. Total equity amounted to 416.7 MSEK (402.9). Gearing decreased to 29 per cent (31). Main changes were the concluded rights issue and the repayment of loan facilities issued mainly for Danish and Swedish institutional investors in 2020. Also, certain significant shareholders participated in the convertible loan issued in Q3 2021. Group cash position at the end of Q3 2021 amounted to 9.2 MSEK (12.0).

Future liquidity development

To execute on its long-term growth strategy, development of the next projects as well as exploration and mine development activities, the company requires access to financing. The Board and management are actively engaged in continuing to secure financing that will enable the company to implement its long-term growth strategy.

During the reporting period, Endomines has completed a rights issue. The rights issue provided Endomines with approximately SEK 214 million before transaction costs.

During Q3 2021, Endomines announced completing a comprehensive financing package with LDA Capital for an aggregated amount of 14 MEUR. The financing package includes a Convertible Note Facility Agreement for an aggregate principal amount of EUR 6 million and a Put Option Agreement for an aggregate principal amount of EUR 8 million. The aggregate commitment under the Convertible Note Facility Agreement will be issued to the Investor in tranches of 2 million Euros.

To be able to execute Endomines' long-term growth strategy, more financing is needed during 2021 and 2022. Endomines is currently reviewing different financing alternatives for this matter.

Risks in Endomines operations

All mining and exploration companies are subject to several risks, e.g. technical, commercial, environmental as well as financial. Various circumstances may delay or prevent exploration of a target or production from an existing mine, thereby also substantially impacting the Company's financial performance and liquidity. This can be expected especially during the startup period of both our Friday and Pampalo operations. In addition, foreign operations, in Endomines' case currently the USA, may expose the Company to various risks relating to e.g. currency exchange risks, and operational or legal requirements specific to the foreign jurisdictions in question. For further information on risks and uncertainties, see the latest Annual Report. Management is continuously monitoring, assessing and managing risks.

Comments on financial reporting policies

Endomines changed its financial reporting policy with effect from 2019. This is not an interim report as specified in the IAS 34 standard. The content in this report therefore slightly differs from the guidelines given by Nasdaq Stockholm regarding business reviews. Endomines complies with half-yearly reporting according to the Swedish Securities Markets Act and will publish its first and third quarter reports as business reviews in which key information regarding the company's financial situation and development will be presented. The content in this business review reflects the current exploration efforts at the Karelian Gold line and the ongoing ramp-up of Friday and Pampalo operations. This business review is customized to give the reader a good insight of the current operations of the company.

Auditor's review

This business review is unaudited.

Contact persons

Seppo Tuovinen, Interim CEO, +358 50 5760 143,
Ingmar Haga, Chairman of the Board, +358 40 700 3518

Financial information

This information is information that Endomines AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 8:00 CET on 11 November 2021.

About Endomines

Endomines is a mining and exploration company with its primary focus on gold. The Company explores for gold along the Karelian Gold Line in Eastern Finland and develops mining operations in Idaho, USA and Finland. Endomines aims to improve its long-term growth prospects by increasing its exploration activities and through acquisitions. Endomines aims to acquire deposits that are situated in stable jurisdictions and can be brought to production rapidly with limited investments.

The shares trade on Nasdaq Stockholm (ENDO) and Nasdaq Helsinki (ENDOM).

Stockholm on 11 November 2021

Seppo Tuovinen
Interim CEO