



*(Company registration no. 556694-2974)*

## **Business Review**

This business review is a translation from the Swedish original which was published on 7 November 2019. In the event of difference between the English translation and the Swedish original, the Swedish business review shall prevail.

**1 January – 30 September 2019**

A photograph of a mining operation. In the foreground, a large red mechanical arm or conveyor system is visible, with various cables and hoses attached. In the background, a worker wearing a bright green high-visibility vest and a headlamp is standing in a dimly lit tunnel. The tunnel walls are rough and rocky. The text "ENDOMINES Q1-Q3 2019 BUSINESS REVIEW" and "Focus on ongoing ramp-up of Friday mine and mill" is overlaid on the image in white, bold, sans-serif font.

## **ENDOMINES Q1-Q3 2019 BUSINESS REVIEW**

### **Focus on ongoing ramp-up of Friday mine and mill**

## Endomines AB Q1-Q3 2019 Business Review - Focus on ongoing ramp-up of Friday mine and mill

### Jan-Sep 2019 (Jan-Sep 2018)

#### *Operational highlights*

- The operational focus was on the continued ore production at the Friday mine and ramp-up and optimisation of the processing plant
- Mining has progressed well and a significant ore stockpile at the mine and the mill sites has been produced
- No gold concentrate was sold in Q3 2019 from Friday, however gold recovered from the clean-up of the Pampalo mill generated some revenues during the reporting period
- No injuries reported in Q3 2019, LTIFR 15 (9)

#### *Financial highlights*

- Total revenue was 5.1 MSEK (97.4)
- EBITDA was -33.7 MSEK (0.6)
- Total cash flow was 42.9 MSEK (43.9)
- Earnings per share was -0.84 SEK (-0.54)

### **Significant subsequent events**

Endomines announced the appointment of Greg Smith as the CEO on November 6. Greg Smith has a broad background in energy, merchant banking and resource business from more than 30 years working in senior management and executive positions. He has extensive knowledge and experience of mine development in the US. Marcus Ahlström who has been acting as Endomines' Interim CEO since May 3<sup>rd</sup> 2019, has been appointed Deputy CEO of Endomines. He will also continue as CFO.

### **Production guidance for 2019:**

On August 9 Endomines announced that the previous production estimate of 5,000-8,000oz gold in concentrate during 2019 will not be achieved. This was due to reparations of damages that the Friday tailings pond suffered during the 2019 winter/spring season, causing longer than expected delays to the production phase. Based on the commissioning of the plant, the results of the drilling campaign and test mining the production plan is currently being updated by the management team. Once completed, Endomines will release an updated production guidance for the Friday mine for year 2019.

The ramp-up of Friday mill is now ongoing. Once the mill is successfully commissioned and ramp-up completed Endomines will release an updated production guidance for the Friday mine.

Key figures (Consolidated)	Jan-Sep		
<i>MSEK if not otherwise stated</i>	2019	2018	+/-
Total income	5.1	97.4	-92.3
Cost	-38.8	-96.8	58.0
EBITDA	-33.7	0.6	-34.3
Depreciation and write-downs	-5.0	-34.9	29.9
EBIT	-38.7	-34.3	-4.4
Net result for the period	-44.4	-19.5	-24.9
Earnings per share (SEK)	-0.84	-0.54	-0.30
Cash flows from operating activities	-69.7	-11.1	-58.6
Investments	-45.3	-108.8	63.5
Financing	157.8	163.8	-6.0
Liquid assets at the end of the period	61.9	62.4	-0.5
Personnel at the end of the period	32	40	-8
LTIFR	15	9	6

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.

**Deputy CEO and CFO Marcus Ahlström:** “During the third quarter Endomines successfully completed the rights issue raising approximately 156 million SEK corresponding to approximately 94,4 per cent of the offered shares, this shows strong support for Endomines growth story and enables to further develop our assets and successfully return back to being a gold producing company. I still would want to thank all our existing shareholders as well as the new ones who have embarked on the Endomines story and showed us support.

In the third quarter we were able to commence the ramp-up of the Friday mining and milling operations and the work is now fully ongoing. The ramp-up of the mine have progressed according to plan and should be reaching full forecasted production rates by the end of the year. Unfortunately, we had some issues when starting to commission the mill and because of that we were not able to start the gold concentrate production in the third quarter as previously planned. The work continues and the successful commission of the mill will take place during Q4.

We have continuously also strengthened our team in Idaho, and I am very pleased to welcome both our new mine manager Dave Bryan as well as mill manager Bill Dafoe, both of whom bring wealth of experience and in depth understanding to our production processes combined with strong commitment to successfully complete the ongoing ramp-up.”

### **Ramp-up at the Friday mine in Idaho, USA**

Endomines has made significant progress on most key areas in the construction of the Friday mine and processing facility. The tailings pond that sustained severe damage over the winter months was repaired and commissioning of the processing facility started. During the mill commissioning there were some minor issues with the ball mill and tailings decanter, and as a result of this, the mill was not fully commissioned during the third quarter. The delay in commissioning the processing plant is unfortunate, however, the areas of the mill that has been commissioned are performing very well.

Ore mining has advanced well, and progress is as planned. The full forecasted production rates are expected to be achieved in Q4 of 2019, setting Endomines up for sustainable production once commissioning and ramp-up at the mill have been completed.

Endomines has mined approximately 5,000 tonnes of ore to date, the ore is stockpiled at the mine and the mill areas. Ore grades are estimated to align with planned projections. Endomines anticipates that the ramp-up of production to capacity at Friday will be achieved during Q4 and will review the full year forecasts once the mill is fully up and running.

The project life of mine average yearly production is estimated at 9,000-12,000 ounces per year at a cash cost, depending on the area of production, of 650-900 USD/oz.

### **Activities at Endomines' other Idaho projects**

Environmental permitting for the Rescue/Unity, Kimberly, and Buffalo Gulch projects continued throughout Q3 and work plans are being prepared for the 2020 summer exploration season for all the Idaho exploration projects.

### **Exploration activities along the Karelian Gold Line**

Endomines continued its extensive multi-year exploration program on the Karelian Gold Line in Eastern Finland. The results of the exploration activities completed in 2018 confirmed the high exploration potential of the Karelian Gold line and especially highlighted highly prospective areas close to the existing mine.

The base of till (BOT) sampling program focusing on the selected target areas along the Karelian Gold line, started in June 2018, was completed in August 2019. During the third quarter of 2019 sampling concentrated on the Länteenpää area 6km south of the Pampalo mine and a total of 246 samples have been taken and sent to the laboratory for gold and multi-element assays. The total amount of samples taken during the year 2019 is 1639. Several interesting gold anomalies for follow-up have been outlined at south and southwest of the Pampalo mine.

This year's field program that is focusing on target areas highlighted by the "Kultakisa Kakkonen", a layman gold competition organized in 2018 by Endomines, continued during the quarter. As a result of the field program, an exploration permit application for the Mujusenkorpi area was submitted to TUKES (Finnish Safety and Chemicals Agency) in August. In addition, geological mapping and sampling were conducted in the Pampalo and Hosko North areas.

An excavator trenching program in the Hosko area started in August. A total of seven exploration trenches were dug to investigate locations with elevated gold concentrations in the base of till samples collected by Endomines during 2018 and 2019. A detailed geological mapping and channel sampling of the trenches is in progress.

The hyperspectral scanning project that Endomines is conducting with the Geological Survey of Finland (GTK) is at the final stage. In the project, some 24,000 meters of existing drill core from the Karelian Gold Line is scanned with the aim of creating an extensive mineralogical model of the area. The final stage includes interpretation of the data utilizing machine learning and artificial intelligence. The results will be used in developing a prospectivity model over the area of the Karelian Gold Line.

### **Health, environment and safety**

Endomines' strategy relating to health, environment and safety is a non-acceptance of accidents and adverse environmental incidents, a Zero Harm policy.

In the third quarter of 2019, the focus has continued to be on the development of relevant safety and environmental practices for the Company's Idaho operations, while also paying attention to the

maintenance of the good practices in Pampalo. At the end of Q3 2019, the rolling twelve-month LTI rate (lost-time injuries per one million working hours) in Pampalo was 36. The increased rate is result of decreased work hours in the last 12 months, rather than increased amount of LTIs. In 2019, no LTIs have occurred. In Idaho the LTI rate was 0. The combined Group level LTI frequency was 15.

### **Personnel**

During the third quarter Endomines continued to strengthen the team in Idaho and hired a new mill manager Bill Dafoe and mine manager Dave Bryan, both of whom will strongly contribute to the ongoing ramp-up at the Friday mine and mill as well as our long-term production plans.

### **Financial position**

Net debt, including the convertible note issued to the sellers of TVL Gold Idaho and the senior secured bond issued in March 2019, amounted to 155.7 MSEK (147.7) at the end of Q3 2019. Total equity amounted to 391.4 MSEK (265.6). Gearing decreased to 40 per cent (56), main items were the repayment in August of the acquisition loan issued by the sellers of TVL gold Idaho (30.8 MSEK), and the successful rights issue concluded in July 2019. Group cash position at the end of Q3 2019 amounted to 61.9 MSEK (62.4).

### **Future liquidity development**

During the reporting period, Endomines completed a rights issue, raising net proceedings of 147.8 MSEK. The acquisition loan issued to the sellers of TVL Gold Idaho (30.8 MSEK), and the bridge loan raised from certain significant shareholders in May 2019 (16.3 MSEK) were repaid with the raised funds. As a result of the rights issue, the warrants associating to the senior secured bond raised in March 2019 were recalculated. If exercised in full, the recalculated warrants would bring in additional capital of 37.6 MSEK to the company.

Endomines continuously keeps on working and evaluating our long-term financing needs and options reflecting the development and execution according to our strategy.

### **Comments on change of reporting structure and the practice of financial reporting**

Endomines changed the practice of financial reporting from 2019. This is not an interim report as specified in the IAS 34 standard. The content in this report 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 publishes 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 Goldline and the ongoing ramp-up of Friday operations. This business review is customized to give the reader a good insight of the current operations of the company.

### **Financial calendar**

- 13 February 2020 *Interim report Q4 2019 and full year 2019*

### **Auditors review**

This business review is unaudited

**Contact person**

Marcus Ahlström, Deputy CEO and CFO of Endomines AB, +358 50 544 68 14

**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 08:30 CET on 7 November 2019.

**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. 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).*

In Stockholm on 7 November 2019

Marcus Ahlström  
Deputy CEO and CFO