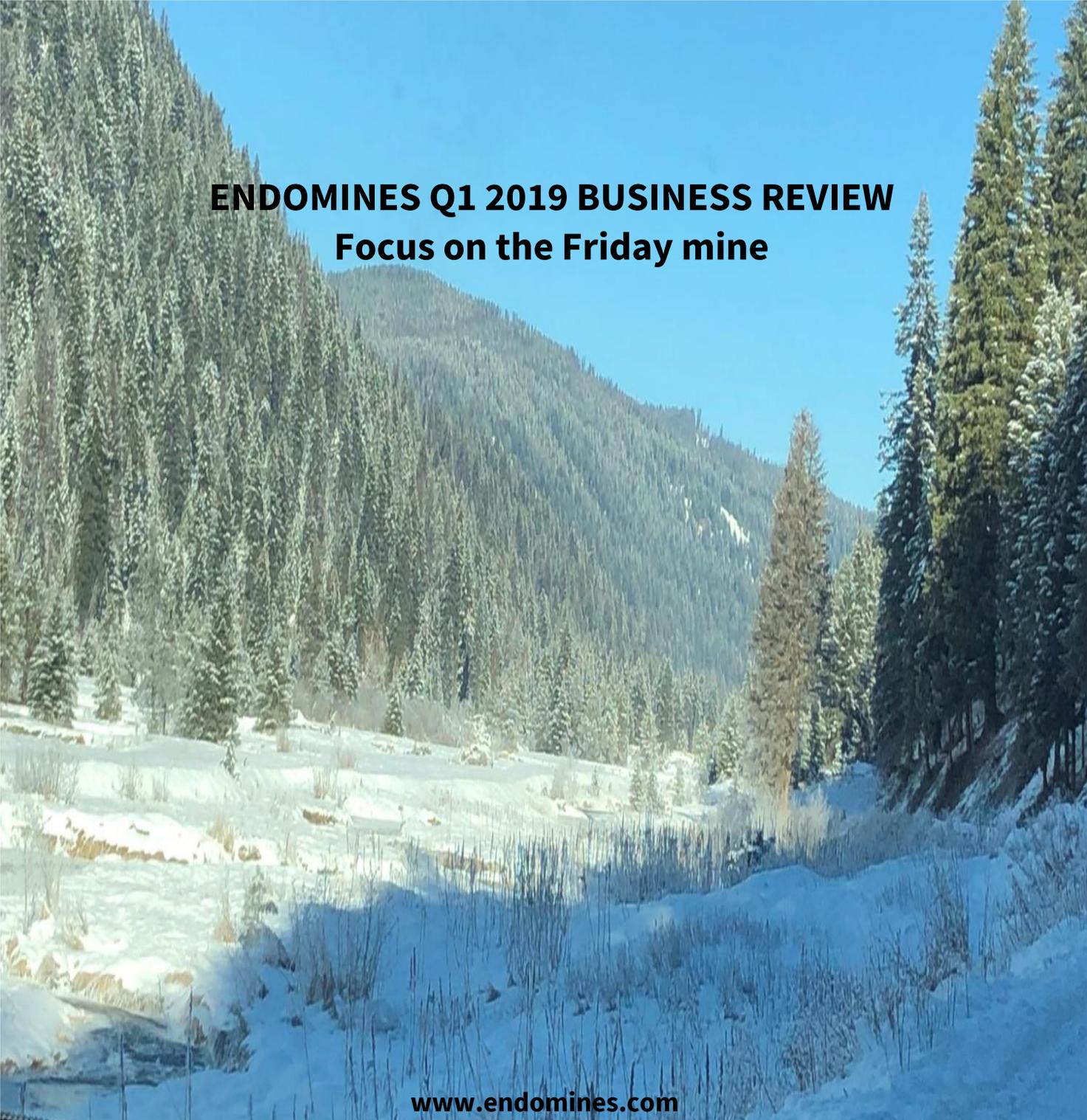




Business Review

This business review is a translation from the Swedish original which was published on 8 May 2019. In the event of difference between the English translation and the Swedish original, the Swedish business review shall prevail.

1 JANUARY – 31 MARCH 2019

A photograph of a winter landscape. The foreground is a snow-covered field with some dry grasses. In the middle ground, there are several tall, dark evergreen trees. The background shows a large, snow-covered mountain range under a clear blue sky.

ENDOMINES Q1 2019 BUSINESS REVIEW Focus on the Friday mine

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Endomines AB Q1 2019 Business Review

Focus on the Friday mine

Q1 2019 (vs Q1 2018)

Operational highlights

- The focus of operational activity was on mine development and construction of the processing plant at the Friday mine in Idaho, USA
- There was no gold concentrate production in Q1 2019
- LTIFR 12 (8)

Financial highlights

- Revenue was 2.1 MSEK (29.4)
- EBITDA was -11.5 MSEK (-8.5)
- Total cash flow was -11.2 MSEK (87.1)
- Earnings per share was -0.37 SEK (0.06)

SIGNIFICANT SUBSEQUENT EVENTS

- The Board of Directors announced on 3 May 2019 that CEO Saila Miettinen-Lähde will leave her position as CEO of the company, the board appointed CFO Marcus Ahlström as acting CEO from 3 May 2019.
- The Company announced on 26 April 2019 that gold concentrate production at Friday is anticipated to commence during Q2 2019. The tailings area for the processing plant suffered some damage during the winter and must be repaired prior to production start-up.

Production guidance for 2019:

Endomines maintains its current production guidance for the year at 5,000 – 8,000oz gold in concentrate during the current year, with the final output depending on the grades and tonnages mined during the period. Annual gold production at the Friday mine in Idaho, USA, over the life time of the mine, is expected to be approximately 9,000oz at a cash cost, depending on the area of production, of 650-900 USD/oz.

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

Endomines changed the practice of financial reporting from 2019. 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. 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. The content in this business review reflects the current suspension of the Pampalo mine and the continued construction of the Friday operations. The business review is customized to give the reader a good insight of the current operations of the company.

| Key figures (Consolidated) | Jan-Mar | | |
|--|---------|-------|--------|
| <i>MSEK if not otherwise stated</i> | 2019 | 2018 | +/- |
| Revenue | 2.1 | 29.4 | -27.3 |
| Cost | -12.6 | -37.9 | 25.3 |
| Depreciation and write-downs | -1.8 | -11.3 | 9.5 |
| EBITDA | -11.5 | -8.5 | -3.0 |
| EBIT | -13.3 | -19.9 | 6.6 |
| Net result for the period | -13.0 | 1.9 | -14.9 |
| Earnings per share (SEK) | -0.37 | 0.06 | -0.43 |
| Cash flows from operating activities | -23.0 | -12.9 | -10.1 |
| Investments | -23.7 | -60.6 | 36.9 |
| Financing | 35.5 | 160.6 | -125.1 |
| Liquid assets at the end of the period | 7.8 | 103.6 | -95.8 |
| Personnel at the end of the period | 28 | 43 | -15 |
| LTIFR | 12 | 8 | 4 |

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 Marcus Ahlström:

Financial highlights

“Endomines’ financial result in Q1 2019 reflected the suspension of the Pampalo mine in October 2018 and the continued construction of the Friday operations. No gold concentrate was produced in the first quarter; hence, the 2.1 MSEK (29.4) revenue was generated from the sales of the remaining Pampalo concentrates produced in Q4 2018. EBITDA for the period amounted to -11.5 MSEK (-8.5).”

Endomines raised 3.7 MEUR in senior secured bonds with warrants in March 2019. The bonds have a three-year tenor and a fixed annual interest rate of 12.0 percent. The bonds are callable at 103 percent of the nominal amount after one year and at 101 percent of the nominal amount after two years. For each 50,000 EUR bond subscription, the Company issued 55,555 warrants (Sw. teckningsoptioner), in total 3,888,877, each entitling to subscription of one new share in the Company, at a strike price of 0.90 EUR during the period from 31 March 2019 until and including 31 March 2022”

Project development at the Friday mine in Idaho, USA

Initial ore production at the Friday mine commenced in late December 2018. Further ore stockpile has been produced during Q1 2019 in anticipation of the gold concentrate production now foreseen to commence during the second quarter. However, the focus has been on continuation of mine development and further study of the ore boundaries to optimize production going forward. A sludge drilling program was completed in January-February, indicating that the ore body is wider than previous models have suggested. The gold grades in the ore have been found to be in line with previous drilling results, but due to the variation in the ore shape, careful grade control sampling will be required during production to avoid unnecessary dilution.

After the reporting period, an underground core drilling program has been commenced to further aid the mine planning and to potentially increase the gold resource that is exploitable in the short term. Construction of Endomines' processing plant for the Friday mine production continued through the first quarter and reached mechanical completion of all major installations including the crushers, conveyors, ball mill and flotation cells in April. The equipment has been successfully test-run without load.

Since early March, the spring run-off and freezing and thawing conditions caused challenges in the construction project, including wet and difficult access to areas at the site. Upon the snow melt, it was also discovered that the tailings pond liner and certain support structures had suffered some damage during the winter and the spring run-off. It is estimated that the repairs will take four to six weeks to complete and the cost of the repairs is currently estimated at up to 400,000 USD.

The damage to the tailings pond has not caused a risk of environmental harm, as no tailings had yet been placed in the area.

Full commissioning of the processing plant is pending the tailings area repairs and the ability to store the tailings. It is not yet possible to estimate the exact time when the repair work will be completed, but it is anticipated that commissioning will take place during the second quarter of 2019.

Activities at Endomines' other Idaho projects

Endomines announced on 6 February 2019 that it has entered into a Letter of Intent with Unity GoldSilver Mines, Inc. to lease the Unity Mine, which is located adjacent to Endomines' Rescue Mine Project in the Warren district of Idaho, USA. In consideration for a ten (10) year mining lease of the Unity Mine, Endomines shall pay an annual rent of USD 30,000. The Net Smelter Royalty will be 3 per cent, and the annual rent shall be credited against royalties during the year of payment or the following year. During the first two years of the lease, Endomines will have an obligation to develop the asset with an investment amounting to a minimum of USD 500,000. The lease term can be extended beyond ten years at the discretion of Endomines, as long as production is ongoing at the mine.

Endomines intends to start rehabilitation of the historic workings at Unity and Rescue in 2019 to allow sampling and underground drilling. Following exploration and development, the Company aims to operate the mines together.

To date, work at Rescue, Kimberly, Buffalo Gulch and Deadwood has been limited to the review of existing data, sampling, planning of future exploration activities and environmental baseline studies related to permitting. It is estimated that the permitting processes for said projects will take 1-5 years depending on the project and type of planned operation.

Exploration activities along the Karelian Gold Line

Endomines continued its extensive multi-year exploration program on the Karelian Gold Line in Eastern Finland. The program commenced in May 2018 and is based on a new interpretation of historical field data and creating a three-dimensional structural model of the area. The results of the exploration activities completed in 2018 confirmed the high exploration potential of the Karelian Gold Line and especially highlight the prospective areas close to the existing mines.

During Q1 Base of Till (BOT) sampling continued in the Hosko North zone and in the vicinity of Pampalo. A number of interesting gold anomalies for follow-up work have been outlined at the Hosko North zone and south and southwest of Pampalo.

A relogging and sampling campaign of selected drill cores from the Pampalo area, primarily from east and south of the existing mineralization, was commenced in Q1. Given the potential for further findings in the vicinity of the Pampalo mine, the previously unsampled parts of the drill core are sampled and assayed for gold. The final interpretation of the geophysical data obtained from a ground gravity survey completed in December 2018 was received from the Geological Survey of Finland (GTK). The survey comprised of five 5 kilometer long profiles crossing the Pampalo main structure. A three-dimensional inversion of the gravity data was completed and it will be used together with geological models to define targets for underground and surface exploration.

The winners of the “Kultakisa Kakkonen” layman sample competition were awarded in Joensuu on 31 January. Endomines plans to carry out systematic boulder prospecting and bedrock mapping during the summer 2019 in the target areas high-lighted by the “Kultakisa Kakkonen” competition.

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 first quarter of 2019, the continued focus has been 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 Q1 2019, the rolling twelve-month LTI rate (lost-time injuries per one million working hours) in Pampalo was 15, and in Idaho 0. The combined Group level LTI frequency was 12.

Personnel

Craig Nelson was recruited as Vice President, Operations, at Endomines Idaho LLC and started in the position on 1 April 2019.

Financial position

Net debt, including the debt portion of the convertible note issued to the sellers of TVL Gold Idaho and the senior secured bond issued in March 2019, amounted to 235.1 MSEK (185.3) at the end of Q1 2019. Total equity amounted to 252.2 MSEK (251.7). Gearing increased to 93 per cent (74) mainly due to the issued senior secured bond in March 2019. Group cash at the end of Q1 2019 amounted to 7.8 MSEK (18.9). Comparing period figures refer to Q4 of 2018.

Future liquidity development

During the reporting period, Endomines commenced the sale of a 3.7 MEUR senior secured bond and associated warrants. If exercised, the warrants associated with the bond would bring in additional up to 3.7 MEUR to the Company. The bond covers the Company’s near-term needs for working capital for the ramp-up of the Friday mine as well as near-term exploration and development in Finland and Idaho, USA. However, in order to execute on the Company’s growth strategy, further funding in 2019 may be needed. The Company is assessing financing options for said purposes and have the capability to postpone measures in wait for financing.

Financial calendar

- 10 June 2019 Annual General Meeting
- 16 August 2019 Half year report H1-2019
- 7 November 2019 Business review Q3-2019

This is not an interim report as specified in the IAS 34 standard. The company complies with half-yearly reporting according to the Swedish Securities Markets Act and discloses business reviews for the three- and nine-month periods of the year, in which key information regarding the company's financial situation and development will be presented. The financial information in this business review is unaudited.

Auditors review

This business review is unaudited

Contact person

Marcus Ahlström, Interim CEO 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 07:45 CEST on 8 May 2019.

About Endomines

Endomines is a mining and exploration company with its primary focus on gold. The Company operates a gold mine in Pampalo, has exploration activities 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 8 May 2019

Marcus Ahlström
Interim CEO