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The board of Endomines has resolved on a rights issue of approx. MSEK 165 – plans to increase annual gold production to +40,000 oz by 2023

Endomines AB, Stock Exchange Release, 10 May 2019 at 08:00 CEST

The Board of Directors of Endomines AB (publ) ("Endomines" or the "Company") has today May 10, 2019 decided on a rights issue of approximately MSEK 165 (the "Rights Issue"), subject to approval by the Annual General Meeting (the "AGM") to be held on June 10, 2019. The proceeds will be used for the continued development and ramp-up of the Friday mine, and to further exploration at, and start-up of, mining areas Rescue, Kimberly and Unity. The proceeds will also be used for continued exploration at the Karelian Gold Line as well as for scheduled cash payment to TVL Gold for the assets bought in Idaho.

Some of the Company's existing shareholders have signed undertakings to subscribe for shares in the Rights Issue corresponding to approximately MSEK 16.5, representing 10 percent of the Rights Issue, and certain other shareholders have given a positive indication to subscribe for shares in the Rights Issue corresponding to another approximately MSEK 33, representing 20 percent of the Rights Issue. The Rights Issue will, upon full subscription, provide Endomines with approximately MSEK 165 before deduction of transaction costs.

The Rights Issue in brief

- The shareholders have preferential rights to subscribe for four (4) new shares for every three (3) existing shares
- Shareholders who choose not to participate in the Rights Issue will be diluted by approximately 57 percent, assuming full subscription of the Rights Issue
- Subscription price will be SEK 3.50 per share
- Rights Issue proceeds will be approx. MSEK 165 before transaction costs, upon full subscription of the Rights Issue
- Prospectus for the Rights Issue is expected to be published on or about June 12, 2019
- Record date for participating in the Rights Issue will be June 12, 2019
- Subscription period for the Rights Issue will be June 14 – July 1, 2019
- The resolution by the Board of Directors on the Rights Issue is subject to approval by the AGM to be held on June 10, 2019
- Some of the existing shareholders have signed subscription undertakings or have given a positive indication to subscribe for shares in the Rights Issue, in total covering 30 percent of the Rights Issue

Background and reasons

In February 2018, Endomines acquired five gold assets in Idaho, USA, making the first move towards becoming a significant gold producer. The Friday mine in Idaho, USA, entered production as the first of the assets in December 2018, and with part of the proceeds from this Rights Issue, the Friday mine will be further developed in order to increase the annual production. In addition, the Rescue, Unity and Kimberly properties will be developed and placed into production one by one. These mines are expected to be in production by 2023, and the Company's intention is to increase the annual production to, in total, more than 40,000 oz gold by 2023.

Continued development of Friday

During Q1 2019, Endomines commenced the ramp-up of the Friday mine and anticipates producing 5,000 – 8,000 oz gold in concentrate during 2019, with the final output depending on the grades and tonnages mined during the period. Gold production at the Friday mine in Idaho, USA, is targeted at 9,000 oz with further expansion under evaluation, targeting more than 13,000 oz/p.a. developed and placed into production. Cash cost, depending on the mining sequence, i.e. what area is being mined at a particular time is estimated to be in the range of 650-900 USD/oz, over the life of the mine.

Exploration and start-up of Rescue, Unity and Kimberly

With regards to Rescue and Unity, the next step is to carry out exploration and development with the aim to place the properties into production. The current plan is to start production in Rescue 2021 and Unity 2022. Kimberly is planned for production start-up by 2023, and the production potential will be confirmed based on drilling results in 2019 and 2020. A majority of the Rights Issue proceeds will be used for exploration, mine rehabilitation and development, sampling, drilling, permitting and other work related to Rescue, Unity and Kimberly.

Exploration along the Karelian Gold Line

Endomines has a long-term goal of restarting the gold production along the Karelian Gold Line by using its Pampalo mine that was put on care and maintenance in 2018. This is also why Endomines intends to allocate part of the Rights Issue proceeds to continue the exploration along the Karelian Gold Line and by this increasing the mineral resources and bringing the assets closer to production start.

Scheduled cash payment for the assets bought in Idaho

During February 2018, Endomines bought five gold assets in Idaho, USA, from TVL Gold for a total of MUSD 31.25, which was paid through a combination of cash, a loan note and a convertible. The loan note of MUSD 3.0 had a maturity of 18 months and matures in September 2019. Endomines will use part of the Rights Issue proceeds to repay the loan and the accrued interest (approx. KUSD 180) at maturity in September 2019. In addition, Endomines will use part of the Rights Issue proceeds to make interest payments on the convertible held by TVL Gold. In total approximately MUSD 3.8 will be used for the scheduled cash payment to TVL Gold.

Rights Issue terms and conditions

The Board of Directors of the Company has today, subject to approval from the AGM to be held on June 10, 2019, resolved on the Rights Issue. Shareholders in the Company who on the record day for the Rights Issue are entered in the share register, will for each share held in the Company receive one (1) subscription right. Three (3) subscription rights entitle to subscription of four (4) shares for SEK 3.50 per share. The Rights Issue comprises a maximum of 47,209,984 shares. The subscription price will be recalculated to EUR for the shares traded on Nasdaq Helsinki. The subscription price in EUR will be stated in the prospectus for the Rights Issue, which is estimated to be made public on or about June 12, 2019.

The subscription period is estimated to run between June 14 – July 1, 2019, or such later date as resolved by the Board of Directors of the Company.

The number of shares in Endomines will increase by 47,209,984 to 82,617,472 shares, assuming full subscription. Shareholders choosing not to participate in the Rights Issue will have their respective holdings diluted by approximately 57 percent, assuming full subscription of the Rights Issue, but will have the possibility to be economically compensated for the dilution effect by selling their respective subscription rights.

As a condition for the Rights Issue, the Board of Directors proposes that the AGM resolves to decrease the shares' current quota value from SEK 8.00 to SEK 3.00, through decrease of the share capital, which in turn requires changes of the Articles of Association and a bonus issue to restore the share capital and restricted equity. For further details in this matter, please see the notice to the AGM, which is being published in a separate press release today.

The Rights Issue proceeds amount to approximately MSEK 165 before transaction costs, upon full subscription of the Rights Issue. Endomines has taken up a bridge financing of MEUR 1.5 from some of its shareholders. The intention is to convert the debt to shares in the Rights Issue by way of set-off. The total Rights Issue costs are estimated at approximately MSEK 10.

Some of the Company's existing shareholders have signed undertakings to subscribe for shares in the Rights Issue corresponding to approximately MSEK 16.5, representing 10 percent of the Rights Issue, and certain other shareholders have given a positive indication to subscribe for shares in the Rights Issue corresponding to another approximately MSEK 33, representing 20 percent of the Rights Issue.

AGM in Endomines

The Rights Issue is subject to approval by the AGM in Endomines to be held on Monday, June 10, 2019, at 2:00 p.m. CEST, at Konferens Spårvagnshallarna, Birger Jarlsgatan 57A, Stockholm. The notice to the AGM is being made public through a separate press release in Swedish, English and Finnish today and will also be available at the Company's website www.endomines.com.

Indicative timetable for the Rights Issue

June 10, 2019	AGM to approve the Board of Directors' resolution on the Rights Issue
June 10, 2019	Last date of trading in shares including the right to receive subscription rights
June 11, 2019	First trading day in shares excluding the right to receive subscription rights
June 12, 2019	The record date for participating in the Rights Issue, i.e. shareholders that are registered in the share register on this date will receive subscription rights that entitle them to participate in the Rights Issue
June 12, 2019	Estimated date for publication of the prospectus
June 14 – July 1, 2019	Subscription period with and without subscription rights
June 14 – 25, 2019	Trading in subscription rights on Nasdaq Stockholm and Nasdaq Helsinki
Around July 3, 2019	Publication of the preliminary outcome of the Rights Issue

Financial and legal advisors

Evli Bank is financial advisor and Cederquist is legal advisor to Endomines in connection with the Rights Issue.

For further information, please contact:

Marcus Ahlström, Interim CEO, +358 50 544 68 14, marcus.ahlstrom@endomines.com

Ingmar Haga, Chairman, +358 40 700 35 18, ingmar.haga@endomines.com

This information is information that Endomines AB is obliged to make public pursuant to the EU Market Abuse Regulation. This information was submitted for publication through the contact persons set out above at 08:00 CEST on 10 May 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).

Important notice

The information in this press release does not contain or constitute an offer to acquire, subscribe or otherwise trade in shares, subscription rights or other securities in Endomines. Any invitation to the persons concerned to subscribe for shares in Endomines will only be made through the prospectus which Endomines estimates will be made public on or around June 12, 2019.

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The subscription rights, paid subscribed shares and shares in Endomines have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or the securities legislation of any state or other jurisdiction in the United States and no subscription rights, paid subscribed shares or shares may be offered, subscribed for, exercised, pledged, sold, resold, granted, delivered or otherwise transferred, directly or indirectly, in or into the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements under the Securities Act and in compliance with the securities legislation in the relevant state or any other jurisdiction of the United States. There will be no public offering of such securities in the United States.

The securities referred to herein have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the rights issue or the accuracy or adequacy of this announcement. Any representation to the contrary is a criminal offence in the United States.

This press release contains certain forward-looking information that reflects Endomines' present view of future events as well as financial and operational development. Words such as "intend", "assess", "expect", "may", "plan", "believe", "estimate" and other expressions entailing indications or predictions of future development or trends, not based on historical facts, constitute forward-looking information. Forward-looking information is inherently associated with both known and unknown risks and uncertainties as it depends on future events and circumstances. Forward-looking information is not a guarantee of future results or development and actual outcomes may differ materially from the statements set forth in the forward-looking information.

In case of differences between the Swedish, Finnish and English language versions of this press release, the Swedish language version shall prevail.