

Still quite a lot to prove

Endomines currently holds sizeable assets in the United States, looking to increase gold production to 40k oz p.a. within four years. Existing infrastructure and the high gold price provide support for pick-up in production volumes but given the track record in recent years the company still has quite a lot to prove.

Previous years have not gone quite as planned

Endomines established operations in the United States in 2018, after having been active only in Finland throughout the majority of the 2010's. The past years have seen focus being on bringing the first asset, Friday, to production. The company has been met with challenges along the way, relating both to technical and financial challenges, but production commenced at the site in 2020. Continued technical challenges and a tight liquidity situation, however, forced the company to put the site under care and maintenance towards during the latter half of 2020.

Seeking 40k oz p.a. production within four years

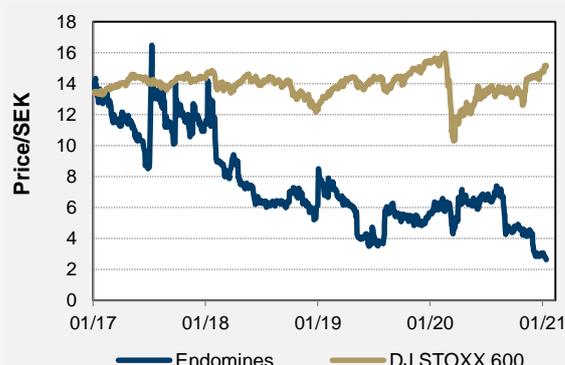
Endomines is seeking to bolster its financial position to be able to restart production. With the high gold prices, plans have also been made for restarting production at Pampalo in Finland, as production was halted due to the then unfavourable gold price levels. Financial challenges have unfortunately been an inherent feature in the past years, as the company has not been able to create reliable cash flows. Now with assets that can be rapidly brought to production due to existing infrastructure and the favourable gold price levels Endomines is looking to improve production figures, targeting a production of 40k oz p.a. within four years. With the recent year track-record, however, the company in our view still has quite a lot to prove.

HOLD with a target price of SEK 2.9 (3.5)

We lower our target price to SEK 2.9 (3.5) following adjustments to our assumptions with the information provided regarding the rights issue and production plans. We retain our HOLD-rating.

Rating

■ HOLD



Share price, SEK (Last trading day's closing price) 2.63

Target price, SEK 2.9

Latest change in recommendation 02-Dec-20

Latest report on company 02-Dec-20

Research paid by issuer: YES

No. of shares outstanding, '000's 131,305

No. of shares fully diluted, '000's 131,305

Market cap, SEKm 345

Free float, % 0.0

Exchange rate EUR/SEK 10.230

Reuters code ENDO.ST

Bloomberg code ENDO SS

Average daily volume, SEKm 0.2

Next interim report -

Web site endomines.com/investors

Analyst Jerker Salokivi

E-mail jerker.salokivi@evli.com

Telephone +358 9 4766 9149

■ BUY ■ HOLD ■ SELL

KEY FIGURES

	Sales SEKm	EBIT SEKm	EBIT %	FCF SEKm	EPS SEK	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS SEK
2018	104.0	-48.5	-46.6%	-166.5	-1.06	-5.6	3.9	-8.4	-79.0	0.00
2019	5.8	-52.4	-903.4%	-159.8	-0.75	-7.5	112.7	-12.5	-35.7	0.00
2020E	12.9	-102.5	-794.6%	-146.3	-1.10	-2.4	35.4	-4.5	-42.4	0.00
2021E	64.8	-56.9	-87.9%	-139.2	-0.25	-10.4	4.2	-4.8	-40.3	0.00
2022E	183.1	-28.6	-15.6%	-198.9	-0.09	-29.1	2.6	-16.5	-57.6	0.00
Market cap, SEKm		345	Gearing 2020E, %			25.8	CAGR EPS 2019-22, %			-50.6
Net debt 2020E, SEKm		112	Price/book 2020E			0.8	CAGR sales 2019-22, %			216.0
Enterprise value, SEKm		457	Dividend yield 2020E, %			0.0	ROE 2020E, %			-37.5
Total assets 2020E, SEKm		578	Tax rate 2020E, %			0.1	ROCE 2020E, %			-18.6
Goodwill 2020E, SEKm		0	Equity ratio 2020E, %			74.8	PEG, P/E 20/CAGR			0.0

All the important disclosures can be found on the last pages of this report.

Investment summary

Endomines is active in exploration, mining, and extraction of gold deposits. The company's current operations are centered to Idaho in the United States and the Karelian Gold Line in Finland, in which the company controls several exploration and mining rights.

In Finland production ceased at the Pampalo mine in Ilomantsi in 2018, having produced gold at the site throughout the larger part of the 2010's, as gold prices were not supportive of further investments. With gold prices now at high levels, Endomines is planning to recommence production, with plans of producing over 20k oz during a two year-period. Further exploration could increase the amount further.

Endomines expanded its operations to North America in 2018 by acquiring assets from TVL Gold. Endomines has since made further investments into new assets, most recently through the acquisition of the US Grant mine and Kearsarge property from Transatlantic mining. Endomines holds a sizeable amount of mineral resources (some based on historical estimates) but has so far brought only one site, Friday, to production. Some 500 oz were produced at the site during Q1-Q3/2020, but the site was put into care and maintenance in Q3/2020 due to a tight liquidity situation.

Endomines initiated a rights issue to improve its financial situation, seeking gross proceeds of SEK 281m, along with a series of directed share issues to set-off debt and guarantee commitments. With some 60% of the rights issue covered by guarantee commitments and subscription undertakings, the company is heading towards a much better position financially to continue ramping up production and bringing new assets to production.

Endomines is seeking to become a gold producer with annual production of some 100k oz per year. By ramping up production at Friday and bringing a few assets to production the company sees that production could pick up to 40k oz per year within four years. The company has been met with challenges along the way, which arguably could partly be attributable to bad luck, but considering that three years after the acquisition of the TVL Gold assets the company has only been able to bring Friday into an early production phase Endomines in our view still has a lot to prove.

The main investment risks relate to execution risks through Endomines recent year track-record and financial risks as well as production related factors. The production start at Friday was delayed quite heavily from original plans and the gold concentrate sales from the site so far have been very limited. The delays in cash flows and costs arising from the challenges faced have resulted in financial challenges during the previous years and Endomines has been forced to raise capital through rights issues and through rather expensive debt. Future revenue and profitability are highly dependent on gold prices and although increased gold prices could offer considerable upside potential, decreasing gold prices would affect profitability and at a certain price levels production may no longer be economically feasible. The mineable gold resources may also prove to be less than had been estimated or the head grades may be lower than assumed, thus affecting production.

We lower our target price to SEK 2.9 (3.5) following adjustments to our assumptions with the information provided regarding the rights issue and production plans. Our target price is based on a sum-of-the-parts valuation of Endomines' assets, overhead costs and net cash after the rights issue and directed share issues (assuming full subscription). We retain our HOLD-rating.

Company in brief

Endomines is active in exploration, mining, and extraction of gold deposits. The company's current operations can be found in Idaho, USA and the Karelian Gold Line in Finland. The company was founded in 2005. The company's headquarter is in Sweden with shares traded on Nasdaq Stockholm and Nasdaq Helsinki.

Endomines had been producing gold every year for close to ten years at the Pampalo underground mine in Finland before depletion of reserves and the gold price not favouring investments into extending the depth of the mine led to the site being put under care and maintenance in late-2018. During the peak years in 2011-2014 gold production had on average been closer to 800kg per year. Production in 2018 amounted to 331kg.

The company expanded its operations to North America by acquiring TVL Gold LLC in 2018. The acquired company held five gold projects in Idaho, USA, with estimates of known resources of over 500,000 oz¹. No production took place at the assets upon the time of acquisition. The company has since sought to bring assets to production, with operations commencing at the Friday-mine during early 2020, along with expanding its asset base by for instance completing a lease agreement for the Unity-mine and acquiring the US Grant gold mine and mill and taking over of the lease agreement of the Kearsarge Gold Project from Transatlantic mining.

Endomines reported its first gold concentrate sales from the Friday mine in Q2/2020. The ramp-up of the Friday mine has been the company's main area of focus during 2020 and some 6,700 tonnes of ore grading 3.52 g/t were milled up until the end of Q3/2020. In Q3/2020 Endomines announced that it had been forced to put the Friday mine in to care and maintenance due to technical challenges relating to the tailings dewatering system and insufficient working capital from the lack of cash flows.

In Finland, apart from operations at the Pampalo mine, the company has explored other deposits located in the Karelian gold line. Production in the Rämepuro mine begun in 2014 and ended in 2016, with some 200,000 tonnes of ore mined during the active production phase. Gold deposits have also been discovered at several other locations. The company intends to continue exploration along the Karelian Gold Line. Endomines also owns ilmenite deposits in the Kälviä area in central Ostrobothnia. No production has taken place at the deposits.

Endomines' personnel at the end of H1/2020 amounted to 48. Endomines' own personnel are mainly employed within tasks relating to processing and prospecting. For the operations relating to mining and prospecting Endomines also employs sub-contractors.

¹ All measures in ounces (oz) refer to troy ounces, corresponding to approximately 31.104 grams

Rights issue 2021

On January 4, 2021, the Extraordinary General Meeting approved Endomines' Board of directors' decision of a rights issue of shares to current shareholders. The rights issue comprises a maximum of 112,547,292 new shares at a subscription price of SEK 2.50 per share in Sweden and 0.25 EUR per share in Finland. Upon full subscription, the company would receive approximately SEK 281m before transaction costs. The subscription period for the rights issue is January 11 – 25, 2021. The dilution of ownership by shareholders choosing not to participate in the rights issue would be approximately 46 percent.

Figure 1: Planned use of funds from rights issue (EURm)



Source: Endomines, Evli Research. *Overhead and marketing costs, US Grant final payment, Contingency

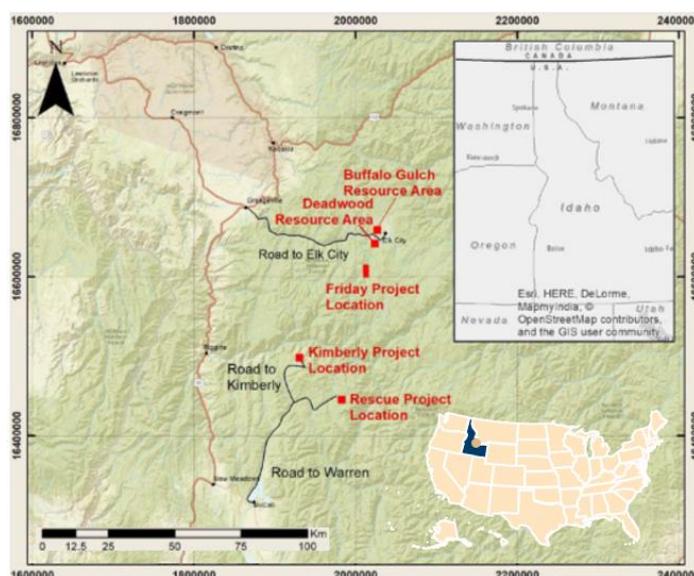
A number of the company's current shareholders have signed undertakings to subscribe for shares in the rights issue, corresponding to approximately SEK 58m in total, representing 21 percent of the rights issue. In addition, certain external guarantors have entered into guarantee undertakings for a total amount of SEK 110m, corresponding to 39 percent of the rights issue. The rights issue is thus covered by subscription and guarantee commitments up to MSEK 168, corresponding to 60 percent of the total issue proceeds.

The rights issue is essentially a necessity for Endomines to be able to continue its operations and ramp up production. At the end of Q3/2020 Endomines held SEK 12m in liquid assets. The tight liquidity situation forced Endomines to put the operations at Friday into care and maintenance until further funding has been secured. The subscription and guarantee commitments alone should to our understanding be sufficient to recommence operations at Friday and Pampalo. As a growing gold miner in a relatively early stage of development, the financial risks have and will in our view remain high for the unforeseeable future. Endomines has during the past years, partly due to bad luck, had to make some rather unfavourable decisions regarding its financing through both expensive debt and rights issues. It should as such be noted that even if the rights issue were to be subscribed in full, with the currently non-existent revenue and uncertainty in the timing of future cash flows, Endomines may need to seek further financing in the coming years.

Operations in the USA

Endomines expanded its operations to North America by acquiring TVL Gold LLC (Endomines Idaho LLC) in 2018. Mine production in Idaho started as early as the 19th century. During the recent years, interest in gold has increased and mining companies have purchased the rights of these abandoned mines from the 1800s and 1900s to restart the mining. Endomines Idaho is focusing on mining in the Orogrande and Warren mining districts with the total claim area of 15.9 km² in Idaho. According to the seller of the projects to TVL Gold the known resources would amount to over 500,000 oz, with parts of the resource estimates based on historical estimation that is not compatible with current classification requirements. Furthermore, Endomines has stated that the exploration potential of the area is also significant.

Figure 2: Projects acquired from TVL Gold LLC



Source: Endomines, Evli Research

The acquired company held five gold projects: Friday, Rescue, Kimberly, Buffalo-Gulch and Deadwood, all located in Idaho, USA. The production at the first of the Idaho projects, Friday, was first expected to start in Q1/2019. Gold concentrate production was first delayed by damage caused to the tailings pond during the 2019 winter/spring season. Delays in the commissioning of the production facility further postponed production start to Q2/2020 and technical difficulties and lacking working capital further forced the company to put the operations under care and maintenance in Q3/2020. The Friday-project has measured resources of 53,437 oz, 43,047 oz indicated, and 46,731 oz inferred, for a total of around 140k oz at 5.8g/t. The targeted production is 9,000 oz p.a., with production potentially sought to be increased to over 13,000 oz p.a. through expansion.

The production of the other four projects is estimated to start within the next two to five years. The Buffalo Gulch-project has measured resources of 64,800 oz, 49,900 oz indicated, and 25,700 oz inferred. The rest of the projects, Deadwood, Kimberly and Rescue, do not currently have any resources reported in accordance with the NI 43-101 reporting standard. Total historic resources at the assets amount to 265,511 oz.

During mid-2019 Endomines announced the signing of a lease agreement with Unity GoldSilver Mines, Inc. regarding the Unity Mine, located adjacent to Endomines' Rescue

Mine Project. In consideration for a ten-year mining lease Endomines will pay an annual rent of USD 30,000 and a Net Smelter Royalty of three per cent. Endomines will further have an obligation to develop the asset with an investment amounting to a minimum of USD 500,000 during the first two years of the lease. The Unity mine and the Rescue mine will be operated as one and will benefit from the existing processing facility at Rescue.

In May 2020 Endomines announced that it had reached an agreement with Transatlantic mining to acquire the US Grant Gold mine and mill in conjunction with taking over the lease agreement covering the Kearsarge gold mine, located near the US Grant mill subject to regulatory and shareholder approval. The transaction will include a payment of USD 2.0m at closing and approx. USD 7.4m in Endomines shares. Upon first gold production a further USD 2.0m payment will have to be made. An upfront payment of USD 550,000 was made in January 2020. Details on the projects are still limited but Endomines is targeting production start at the gold assets during 2022 based on the permitting schedule. The estimated gold production is 40-50k oz p.a. at full production. The assets contain combined historical mineral resources of approx. 545k oz of gold and 4.47m oz of silver.

The US Grant Gold mine is located 2 km southeast of Virginia City in the Madison County District and has a current mine permit and processing facility. The mine has had gold and silver mined periodically between 1867 and 1984 and has been developed on three levels to approximately 200m in depth. The modern-day mill was installed in 1976 with the last continuous mining and milling being undertaken in 1986. The Kearsarge Gold Project is over 600 acres of private patented claims with a 'historical resource estimate' stated in 1995 of 600,000 gold ounces. The project is located 8 km southeast of Virginia City and has numerous adits and old workings of 3,000 feet currently in unknown conditions in the 1990s with all mines and access closed in 2001. (Source: Transatlantic Mining)

Projects in brief

Friday

Located approximately 10 miles to the south-southwest of Elk City in the Orogrande Mining District of central Idaho. Project consisting of five patented claims and 129 contiguous federal mining claims covering approximately 2,720 acres of U.S. Forest Surface land surface. Situated near the intersection of the Orogrande and Petzsite shear zones, both relatively broad zones of weak shearing. Narrower zones of intense shearing known to contain economically interesting gold grades within the greater zone of weak shearing. All known mineralized zones in the project area are situated between the Friday fault and a conceptual line just a few hundred feet to the east of the Monday fault.

Buffalo Gulch

Located 2 miles due west of Elk City. Project comprised of 69 contiguous federal mining claims covering 51,602.2 acres of U.S. Forest Surface land surface. A low-grade gold deposit located in intensely weathered/oxidized bedded rocks of the Belt Supergroup and younger, quartz monzonite and related intrusive rocks. In plan, the mineralized zone covers an area of 1200ft by 1400 ft and the deposit ovate, and in section approximately 300 ft thick.

Deadwood

Located 4 miles southwest of Elk City, Idaho, and 3 miles to the south of the Buffalo Gulch Project area. The Deadwood Project area is comprised of 22 contiguous federal mining claims covering a surface area of 16,377.5 acres. Historic mineral reserve estimates for the deposit were reported by Bema in 1989. Ore reserve estimates were determined for the Deadwood II and Deadwood IIIA zones, the former with a better mineralization forming a fairly flat even blanket situated near the surface, while the latter consists of a number of steeply dipping ore zones which extend to depth, separated by parallel waste zones. The historical estimates rely on data from 26 reverse circulation drillholes totaling roughly 5,600 feet of drilling.

Rescue

A historically producing, underground, lode gold property located in the historic Warren mining district in Idaho County. The Project area consists of 22 contiguous, unpatented federal lode mining claims and 2 unpatented millsite claims. The Rescue mine follows a single vein structure, the Rescue vein, which has a strike length of at least 4,000 feet. Production from the narrow high-grade vein systems in the Warren district, including the Rescue vein, was consolidated at the Unity mine and mill complex in the 1920's. Known production from the Rescue mine is estimated at roughly 3,500 ounces in 1869.

Kimberly

A historically producing, underground, lode gold property located in the historic Marshall Lake mining district in southern Idaho County. The Project area consists of contiguous, unpatented federal lode mining claims covering approximately 496 acres of land surface. The deposit consists of two primary, roughly parallel quartz veins, the Crystal and the Gold Crest, and a variety of secondary, known but less well-explored, sulphide bearing quartz veins. Gold and silver was produced at the Kimberly mine from shallow underground workings mostly during the early part of the last century. An historic mineral reserve estimate was reported by Shoshone Silver Mining Co. in 2010.

Unity

The Unity Mine is a high-grade underground operation comprised of patented and unpatented mining claims covering over 5.7km² of the Warren Vein System. The existing mine crosscut intersects at least 9 known veins with gold occurrences. Two of the veins, Little Giant and Rescue, have seen historic production and, of the numerous veins in the Warren district, have been by far the most productive. historic production from 1866 to 1936 is estimated at between 28,000 to 35,000 ounces of gold

Table 1: Gold resources of the acquired TVL Gold projects (status December 31, 2019)

Deposit	Tonnes	Grade g/t	Gold (oz)	Gold (kg)	Classification
Friday	245,000	6.88	54,200	1,686	Measured
Friday	217,000	6.16	43,000	1,337	Indicated
Friday	296,000	4.91	46,700	1,453	Inferred
Buffalo-Gulch	3,515,000	0.57	64,800	2,016	Measured
Buffalo-Gulch	3,230,000	0.48	49,900	1,552	Indicated
Buffalo-Gulch	2,128,000	0.38	25,700	799	Inferred

Source: Endomines, Evli Research

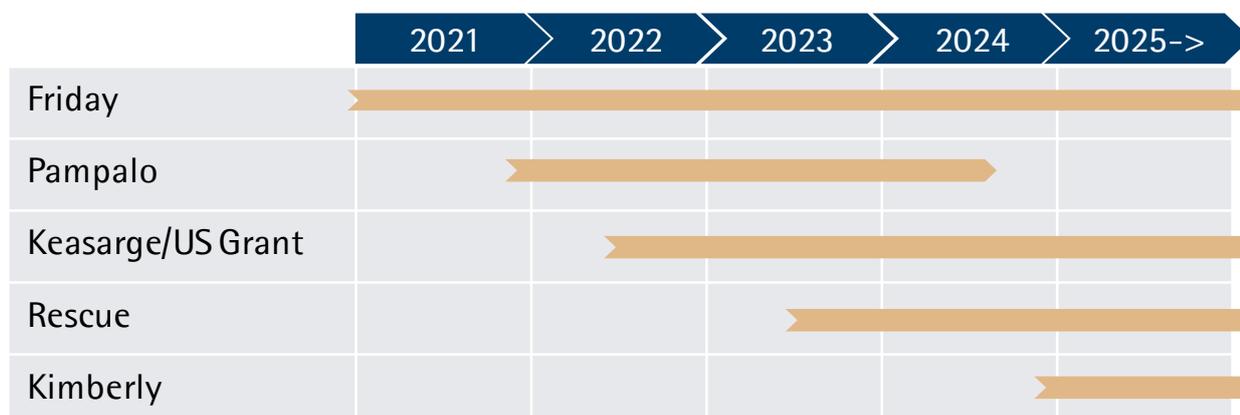
Table 2: Historic resources Estimates (status December 31, 2019)

Deposit	Tonnes	Grade g/t	Gold (oz)	Gold (kg)	Classification
Rescue	67,000	21.35	45,980	1,430	Historic
Kimberly	261,000	19.18	160,930	5,005	Historic
Deadwood	2,375,000	0.77	58,601	1,823	Historic

Source: Endomines, Evli Research

Endomines estimates that the production at Pampalo could recommence during 2021-2022. The site has been under care and maintenance since 2018, having produced gold during the larger part of the past decade, and with the necessary infrastructure as such in place the recommissioning of the site should not take long. The estimated gold production is over 20k oz over two years, with further exploration providing more production potential. Endomines intends to rehabilitate the US Grant mill and mine and develop the mine during 2021-2022 and expand to the Kearsarge property in 2023. At full production, the company estimates to be able to produce 40-50k oz of gold p.a. There are currently no more detailed publicly announced production plans or estimates of mining periods for the other projects.

Figure 3: Endomines' development plan overview



Source: Endomines, Evli Research

Market overview

Gold has to an increasing extent become a financial asset for hedging against economic downturns and other turbulences. This affects the pricing mechanisms of gold, as the price is not driven solely by supply and demand factors, but instead also by other factors such as interest rates. The most recent financial crisis had a strong impact on gold, pushing prices closer to 1,900 USD/Oz, with price levels having stabilized at between 1,200-1,400 USD/Oz during the years after the crisis. However, gold prices have during the past years increased clearly due to worries of political uncertainty and briefly surpassed a level of 2,000 USD/oz levels as the COVID-19 pandemic and other uncertainties saw investors seeking safer asset classes.

Figure 4: Average quarterly gold price USD/oz (2007-Q4/2020)



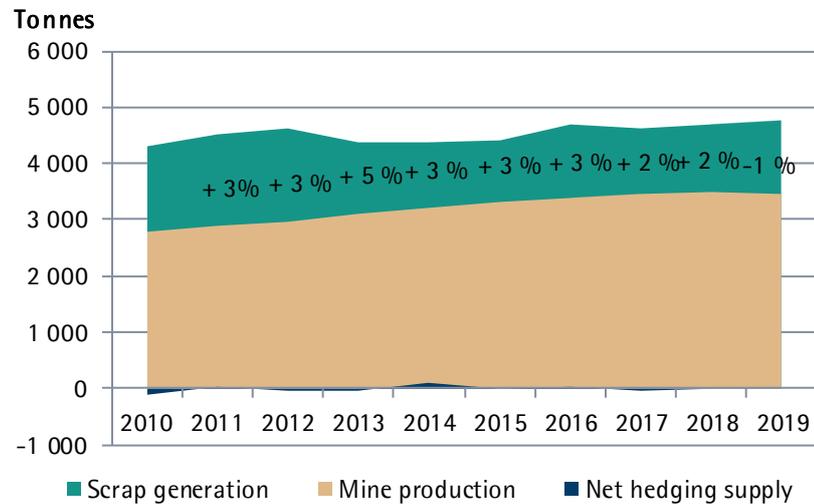
Source: World Gold Council, Evli Research

Supply and demand

Mine production has grown at a steady pace, with the production increase CAGR between 2010 and 2019 at some 3 %. The pace of growth has slowed slightly down in the most recent years and a first year of decline was seen in 2019, albeit only -1%. Part of the slower growth is attributable to fewer new mine starts and fewer new major brownfield projects are being found. Stricter environmental regulations relating to gold production has continued to affect gold production by the world largest producing country China, where production has declined during the past years (WGC).

Scrap generation refers to gold obtained from recycling. The amount of recycled gold varies a lot between years and has averaged some 1,300 tonnes p.a. during the past 10 years. Recycling has fallen from peak years in 2010-2012 but still accounts for approximately 25 % of the annual gold supply. In general, the supply of scrap gold has been affected by gold prices, with higher volumes of scrap when prices have been high.

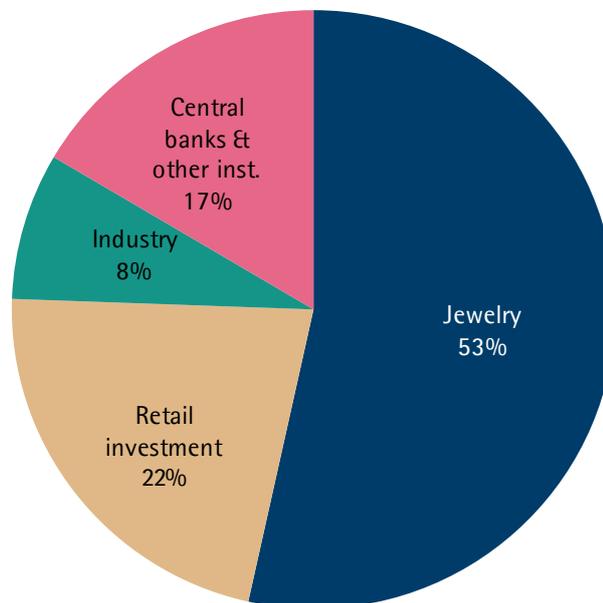
Figure 5: Global gold supply, tonnes



Source: Metals Focus, Bloomberg, Evli Research

Jewelry has historically stood for the largest part of global physical gold demand, accounting for 53 % of demand in 2019. The second largest demand category is retail investments, which includes investments into objects such as physical bars and coins but excludes investments in ETFs and similar instruments.

Figure 6: Physical gold demand distribution (2019)

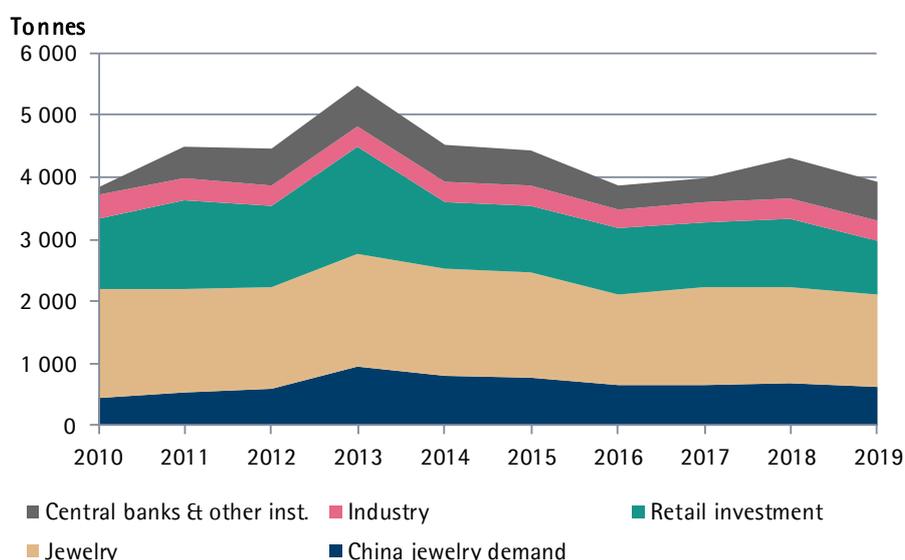


Source: Metals Focus, World Gold Council, Evli Research

Demand for physical gold increased significantly from 2010 to 2013, with increases in essentially all fields but industry demand. Retail investments and jewelry consumption in China helped in boosting the exceptionally strong demand in 2013. Lower gold prices, compared to the peak years of 2010–2012, helped push up demand. In 2016 demand saw a dip with driven by decreased jewelry consumption, of which the net change largely stemmed from China and India, likely in part due to gold price recovery. Demand has picked from 2016 levels in recent years driven mainly by central banks gold investments.

The uncertainty in gold demand is currently at a clearly elevated level due to the COVID-19 pandemic. With the global volatility in stocks and lowered interest rates investor appetite for gold has seen increases as investors look for safe-haven assets, which has helped push up prices. On the other hand, central bank buying could look to be curbed as countries are looking to stimulate the local economy. Jewelry demand has also been affected by imposed lockdowns, as the temporary closing down of local jewelry dealers' limited consumer purchases. The COVID-19 pandemic has had some impact on gold supply through the temporary closing down of mines due to individual countries workplace limitations and several mines have been reported to having operated at reduced or zero capacity for certain periods of time. The higher gold prices could potentially offset some of the lower mine production through higher scrap generation. Although short-term uncertainty is currently at higher levels, demand is seen to continue while the finite nature of gold and fewer recent major greenfield projects could affect supply.

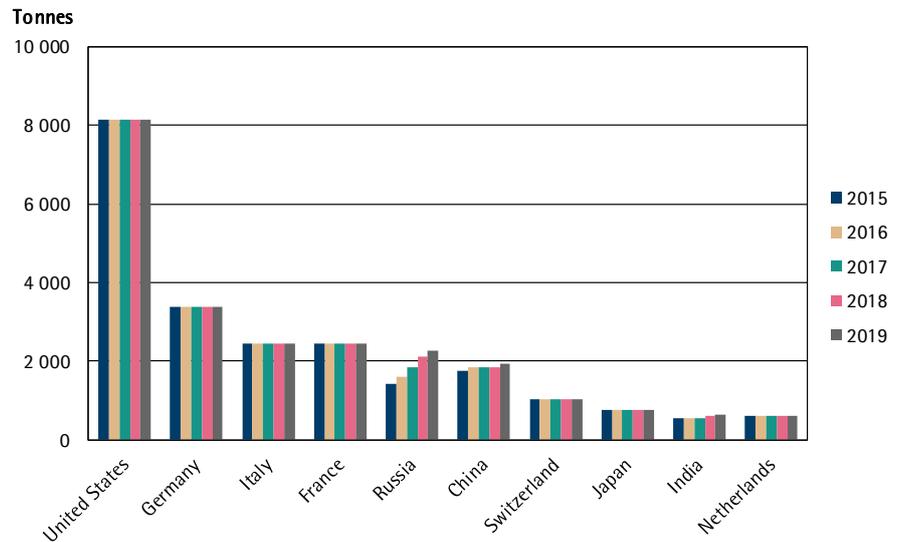
Figure 7: Physical gold demand distribution, 2010-2019 (excludes ETFs and similar inv.)



Source: Metals Focus, Bloomberg, Evli Research

Central bank net purchases were slowing down in 2016 and 2017, but in 2018 the gold demand of central banks increased by 73%. Central bank buying has continued also in 2019. Russia has remained the largest buyer in the previous years, having increased its gold reserves by some 60% in five years. China, one of the biggest buyers, has increased its Central bank purchases and China's gold reserves have risen by more than 100 tonnes in 3 years. The other big buyers of gold have been Turkey, Kazakhstan and Poland. Venezuela, being in a severe economic crisis, has made notable reductions to gold reserves. Venezuelas gold reserves dropped from 273 tonnes at the end of 2015 to 161 tonnes by the end of 2019. (IMF)

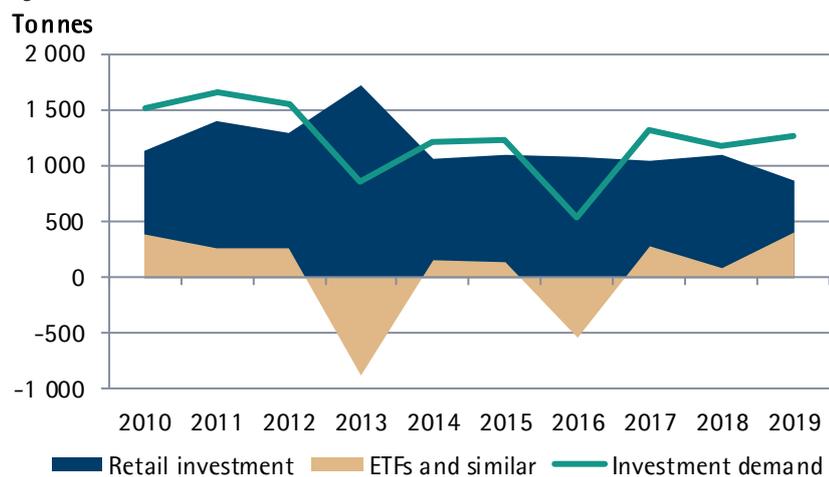
Figure 8: Central bank gold reserves (Au tonnes)



Source: IMF, World Gold Council, Evli Research

The net selling trend of ETFs and similar (such as futures and OTC markets) during 2013–2015, saw a reversal in 2017. After slowing down in 2018, the ETFs' gold demand has rebounded in the 2019 due to worries of economic uncertainty. Investor sentiment towards gold investment has largely been affected by global economy outlooks and policy rates, with the Fed's rate cuts during 2019 likely having an effect on the positive sentiment towards gold investments. Total investment demand increased slightly in 2019 as a result of the net buying of ETFs and similar, with retail investments into physical gold bars and coins remaining relatively flat during the previous five years, although seeing declines in 2019.

Figure 9: Investment demand distribution, 2010-2019



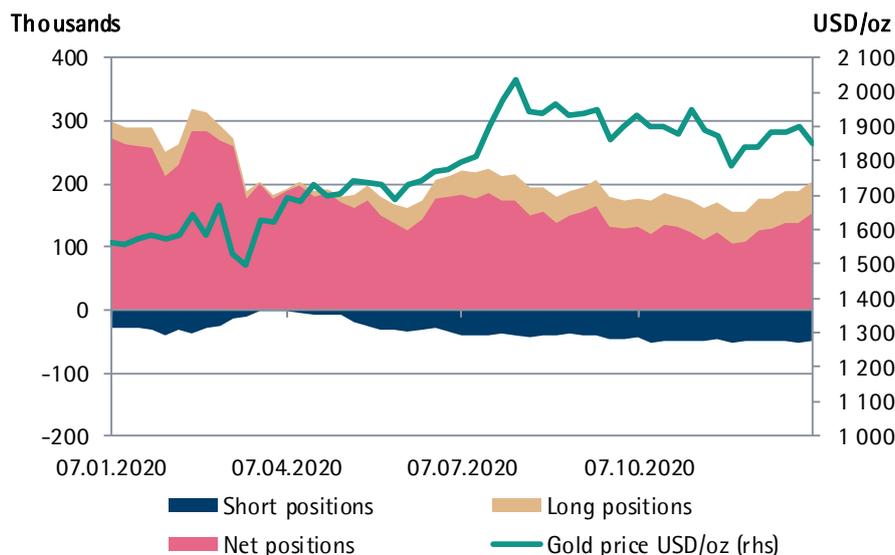
Source: Metals Focus, Bloomberg, Evli Research

Gold price

There has been fluctuation between long and short positions during the last year. Long positions in gold contracts (COMEX futures and options) surpassed short positions in late 2018. Long positions saw a clear upswing again during mid-2019 while short positions shifted to clearly lower levels as a result of worries of political uncertainty and accommodative monetary policy and have remained relatively level throughout the

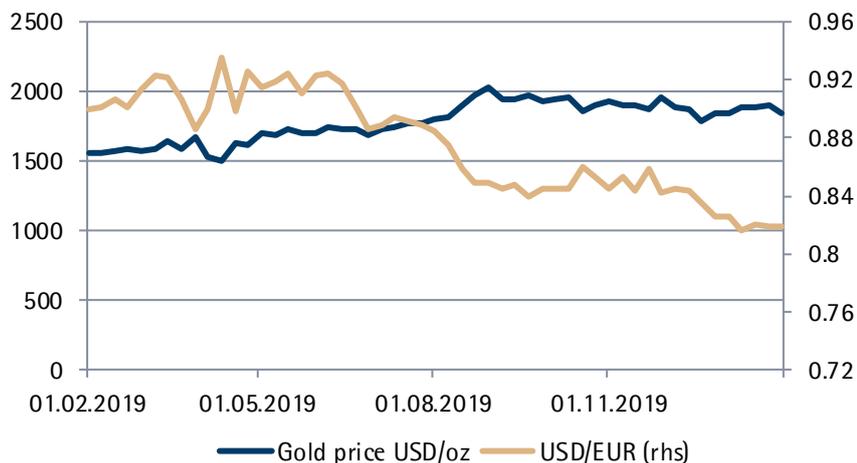
remainder of 2019. In early 2020 some exceptional moves were seen in net positions due to the COVID-19 pandemic. Long positions saw a dip as money managers scrambled to close positions to satisfy liquidity needs and cover positions in other asset classes, with stocks around the world taking a dive due to uncertainty caused by the pandemic. Net positions have since remained rather stable while the gold price has rebounded and risen well past the levels seen before the dip.

Figure 10: Money managers gold contract positions (COMEX combined), LTM



Source: Bloomberg, Evli Research

Figure 11: Gold price and USD/EUR exchange rate, LTM



Source: Bloomberg, Evli Research

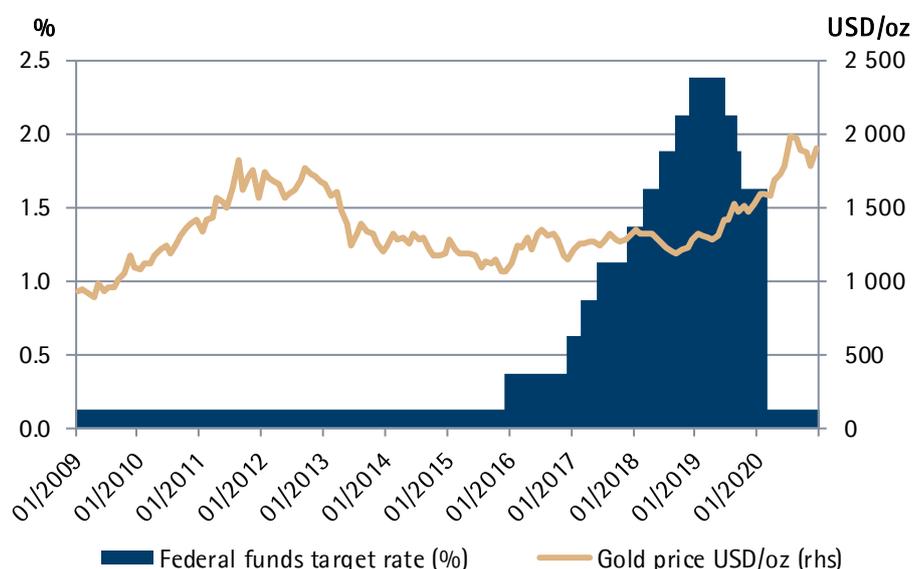
Gold is often considered a safe investment during increased uncertainties in the economy. During the most recent financial crisis gold prices rose considerably, while interest rates fell to around zero percent. Although gold retains its fundamental value over time, it offers no yield, and rising interest rates would likely shift funds from gold to bonds and fixed income investments.

The worries of political uncertainties such as the U.S.-China trade war, Brexit, geopolitical tensions and more recently the COVID-19 pandemic and US elections have had a significant impact on gold markets. During the economic uncertainty investors are

often looking for alternative investments to diversify their portfolios and balance the risks. Gold is often considered as a safe haven investment and therefore, the recent uncertainties have supported the gold price.

The Federal funds rate is closely followed due to its impact on the US economy. The rate remained at 0.25 % for some seven years after the financial crisis in 2008. Rates were raised several times during 2015-2018, but the Fed cut rates twice during 2019, which supported the price growth of gold. Since the gold market is quite sensitive to Fed policy, the lower interest rates could as such have some effect on putting upward pressure on gold prices. The actions from other central banks also have an impact on gold prices. The COVID-19 pandemic saw interest rates being cut down to a target of 0.0% to 0.25% due to deteriorating economic expectations.

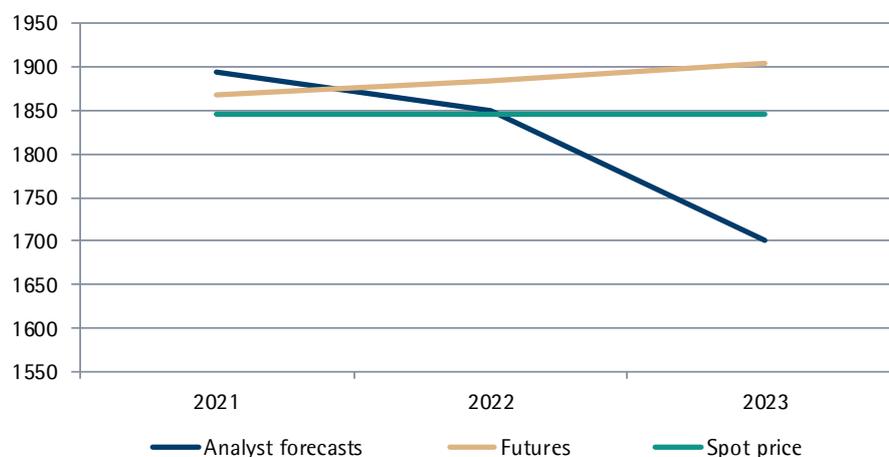
Figure 12: Gold price and Federal funds target rate (average of target bounds)



Source: Bloomberg, Evli Research

The gold price forecast based on median analyst estimates point toward gold prices declining in the coming years towards a level of around 1,700 USD/oz, currently below the gold spot price. As the current high gold price levels have been mainly driven by macroeconomic uncertainty a hasty recovery from the COVID-19 situation and alleviated global tensions could push the gold prices back to lower levels as appetite for other higher yielding asset classes increases. On the other hand, supply and demand remains a key contributing factor and recent years have seen few new larger greenfield projects. In general, in the long term, these factors should support gold prices while in the near-term prices will likely fluctuate at least to some extent due to macroeconomic factors. It is also worth highlighting that the current >1,800 USD/oz price levels are clearly above those levels (1,200-1,400) that were seen for a longer period of time after the financial crisis in 2008 and the current levels are clearly favourable for gold miners.

Figure 13: Gold futures prices and analyst gold price forecasts (USD/Oz)



Source: Bloomberg, Evli Research

Gold mining in Finland

Finland was the second largest gold producing country in Europe, with production volumes in 2019 at 7.7 tonnes (WGC). Finland also ranked first in Fraser Institute's Investment Attractiveness Index – Europe and second of the jurisdictions globally after Western Australia. Beneficial factors for Finland as a mining jurisdiction include political and economic stability, a transparent regulatory framework, lack of corruption and good infrastructure.

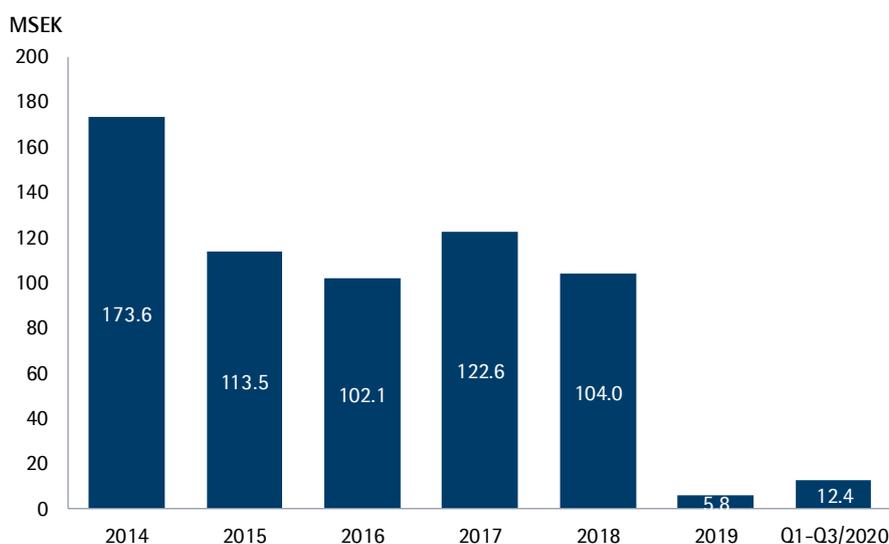
The largest production areas in Finland have been at Kittilä (Agnico-Eagle Mines), Huitinen and Orivesi (production halted in 2019) (Dragon Mining), and Ilomantsi (production halted in 2018) (Endomines). Of the companies operating the mines only Endomines has shares listed on the Finnish stock exchange. Agnico-Eagle Mines is listed in Canada and Dragon Mining in Australia. Based on gold production the mine at Kittilä is by far the largest of the mines in Finland, having accounted for over half of the country's total gold production.

Finland has seen an upswing in the mine development and exploration projects during the previous decade and several mine development projects are on the way. Dragon Mining recently established the Kaapelinkulma open-pit gold mine. Sotkamo Silver began mining operations at Taivaljärvi in 2019, albeit with silver as primary mineral. Exploration projects are on-going across larger parts of the country, with northern Finland in particular seeing several foreign mining companies conducting exploration activities.

Financial performance

Endomines' revenue amounted to SEK 5.8m in 2019. Revenue declined clearly due to the cease of operations at Pampalo at the end of 2018 and the mine being put into care and maintenance. The slight revenue in 2019 came from cleaning up of the processing plant at Pampalo. No new gold concentrate from mining was produced in 2019. Endomines' revenue increased to SEK 12.4m during Q1-Q3/20 following the first gold concentrate sales from the Friday mine. With the site put on care and maintenance during Q3/20, revenue during the last quarter of the year should be limited.

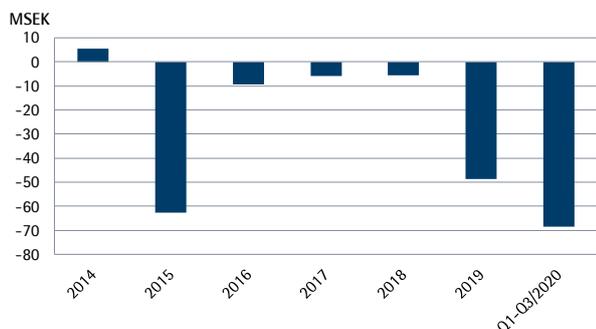
Figure 14: Endomines' revenue



Source: Endomines, Evli Research

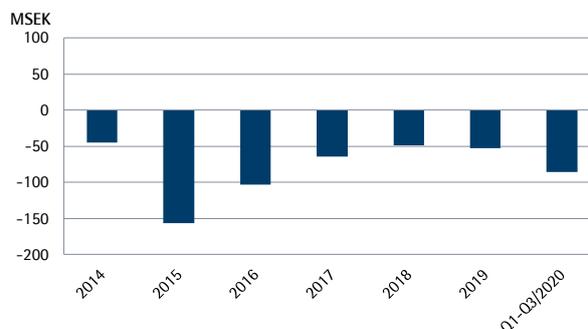
Endomines profitability has been negative since 2013. The large negative EBIT in especially 2015 and 2016 is largely due to depreciation and write-downs related to mine assets, with large write-downs having been made to reflect the company's focus on selective mining and estimated gold deposits. EBITDA in 2019 was clearly below previous year figures as no gold concentrate was produced while EBIT remained on par with previous year figures due to the drop in depreciation. EBITDA during Q1-Q3/2020 amounted to SEK -68.4m, driven by the limited gold concentrate production and ramp-up of operations in Idaho as well as a lower degree of capitalization of expenses.

Figure 15: Endomines' adjusted EBITDA



Source: Endomines, Evli Research

Figure 16: Endomines' EBIT



Source: Endomines, Evli Research

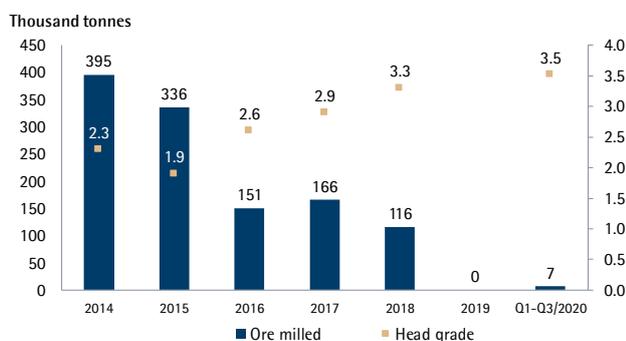
Revenue

As for any mining company, Endomines' revenue is mainly dependent on the amount of ore that can be milled and the head grades of that ore. The head grade of the milled ore can vary greatly depending on the ore body and head grades at Pampalo during the time in production could vary between around 2.0-4.0 g/tonne. With depletion of resources and the costs relating to mining of the ore, mining of the remaining resources at Pampalo was economically non-feasible and production as such was put to a halt in late-2018. The efficiency of the milling process also affects how much of the gold can be recovered from the milled ore. Recovery rates are usually optimized to recover as much gold as possible without recovery costs becoming too high. Endomines' recovery rates at Pampalo were typically between some 82-86 %. Recovery rates slightly above those at Pampalo should be possible at Friday.

The gold price also has a significant effect on revenues. The gold price saw a decline from 2012 to 2015, with prices stabilizing up until mid-2019 and increasing rapidly since. The gold price has a direct effect on how much income can be realized from the produced gold. The gold price also has an effect on production volumes, as a lower gold price could lead to certain gold ore deposits not being economically feasible to mine, as the total cost for each produced troy ounce could exceed the income.

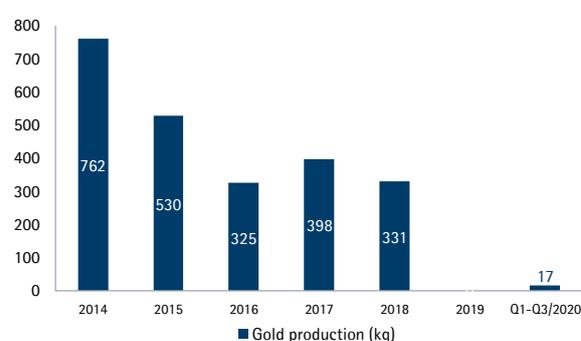
Of the produced gold concentrate Endomines delivers to the refiners the payable amount is reduced by the fee paid for the services. This decreases revenue compared to just converting the produced gold by the gold price. Endomines has not given information about the fee paid to the refiners from its produced concentrate in Finland. Endomines has signed an agreement for delivery of gold concentrate from the Friday mine and will receive 95% of the gross value of the concentrate at spot prices, net of certain transportation and processing costs.

Figure 17: Endomines' ore head grade and processing volumes



Source: Endomines, Evli Research

Figure 18: Endomines' gold production



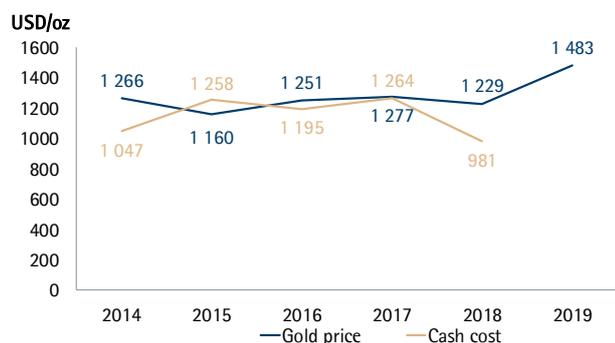
Source: Endomines, Evli Research

Costs

Endomines costs, when mining operations are on-going, relate mainly to running the mining and milling operations, with the largest share of costs being subcontracting and personnel related costs. The cash costs² during the last years of on-going operations at Pampalo were close to the gold price, due to which reason profitability was weak. The cash cost is largely determined by head grades, with higher head grades giving lower cash costs. Indicative cash costs at Endomines assets could be in the range of 500-700 USD/oz and all-in sustaining cash costs at 700-900 USD/oz.

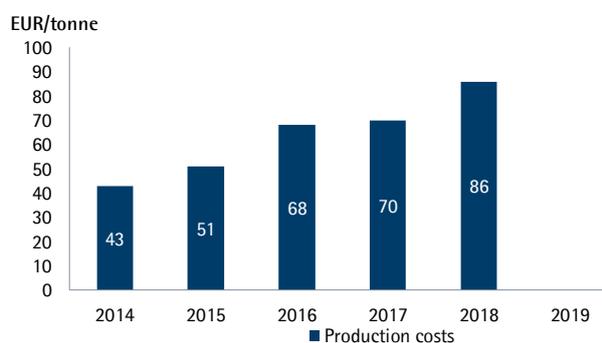
² Cash cost is a common metric in mining used to report the costs of current mining operations, excluding costs relating to further development and exploration.

Figure 19: Endomines' cash cost and average gold price



Source: Endomines, Evli Research. 2020 figures not provided

Figure 20: Endomines' cost per milled tonne ore

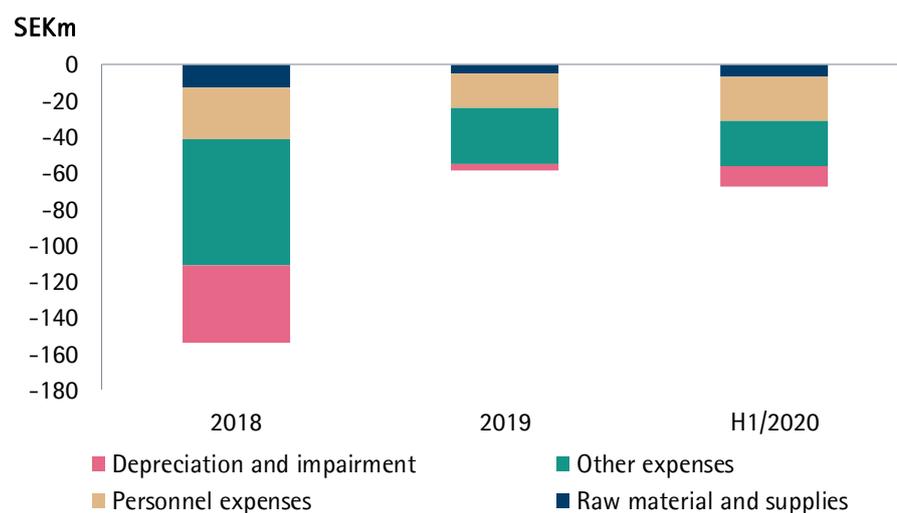


Source: Endomines, Evli Research. 2020 figures not provided

The personnel expenses in 2019 amounted to SEK 19.4m (2018: SEK 28.7m). Endomines' personnel at the end of the year amounted to 43 in 2019 compared with 24 in 2018. Endomines has not published the average employees for 2019. The decrease in personnel expenses is explained by the average number of employees during 2018 (38 employees) and the number of employees increasing only by the last quarter of 2019. Personnel expenses in H1/2020 amounted to SEK 23.9m, a clear increase to 2019 as operations at Friday were picking up. Endomines' own personnel are mainly active in operations regarding ore mining and processing as well as prospecting related activities.

The other costs decreased from SEK 69.7m in 2018 to SEK 30.5m in 2019. A majority of the costs relate to external subcontracting costs and electricity. Endomines has utilized subcontractors in operating the mines and in drilling and exploration related activities. The other costs also include other general costs. Other costs increased to SEK 25.2m in H1/2020 following the increase in mining activities at Friday.

Figure 21: Endomines' cost structure

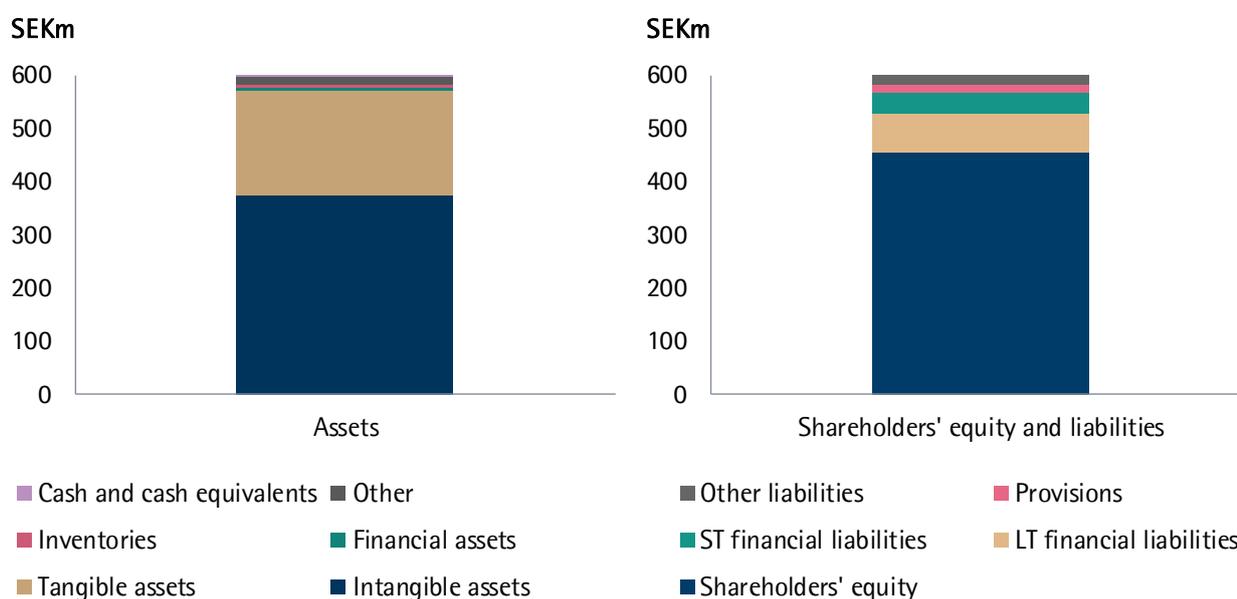


Source: Endomines, Evli Research

Balance sheet

Figure 22 shows Endomines' assets and shareholders' equity and liabilities at the end of H1/2020. The largest item on the balance sheet is intangible assets, which mainly relates to the TVL Gold acquisition. The expenses for the acquired assets are treated as intangible assets as these were not in a producing state and should be gradually reevaluated as tangible assets as production commences and depreciated in line with resource depletion. The intangible assets further include for instance activated expenses related to prospecting and evaluation assets in Finland. The tangible assets mainly relate to the mine and production plant assets in Finland and Idaho as well as machinery and equipment.

Figure 22: Endomines' assets and shareholders' equity and liabilities (H1/2020)



Source: Endomines, Evli Research

Endomines' shareholders' equity amounted to SEK 454m at the end of H1/2020. The share capital amounted to SEK 348m. The unrestricted equity fund amounted to SEK 809m and retained earnings to SEK -748m. The company's long-term financial liabilities amounted to SEK 74.3m, consisting of a EUR 3.7m bond placed in March 2019, with a three-year tenor and fixed annual interest of 12 percent, callable after one and two years at 103 and 101 percent of the nominal amount respectively, as well as other liabilities of approx. SEK 35m.

With the depletion of resources at Pampalo, Endomines' sought a new strategic direction in 2018 by acquiring the TVL Gold assets and thus expanding operations outside of Finland and has since seen a series of measures to improve its financial position. Although these measures are largely past actions, we deem a summary of the transactions necessary to highlight the company's past and consequently also likely future capital needs.

- February-March 2018: SEK 189m gross rights issue proceeds to finance TVL Gold acquisition. In conjunction SEK 20m bank debt was written off and SEK 20m repaid, while SEK 36m of the bank debt was taken over by Joensuu Kauppa ja Kone Oy against a directed share issue. TVL Gold acquired for a

purchase price of USD 31.25m. SEK 171m convertible loan with 6 percent yearly interest issued to seller.

- March 2019: EUR 3.7m bond with 12 annual interest placed for ramp-up of Friday mine and exploration activities in Finland and the US. Three year-tenor, callable after one and two years at 103 percent and 101 percent of the nominal amount respectively.
- July 2019: SEK 156m gross rights issue proceeds for ramp-up of Friday and exploration and start-up of projects in the US and Finland.
- 2020: Conversion of full amount of convertible bond issued in 2019.
- April 2020: EUR 3.4m loan facility raised to execute growth strategy. Loan has a two-year tenor and a fixed annual interest of 12 percent. 2.25m warrants issued, which if issued in full would bring an additional SEK 19.5m.
- April 2020: EUR 1.3m directed share issue to accelerate ramp-up at Friday mine. Subscription price EUR 0.54 per share.
- April 2020: SEK 30m short-term loan facility placed. Six-month tenor and a fixed monthly interest rate of one percent. Engagement letter signed with Seaport Global Securities LLC as its financial advisor for long-term financing.
- September 2020: EUR 2m short-term loan facility raised. The loan has a six-month tenor and a fixed monthly interest rate of 1.0 percent with an upfront fee of 6.0 percent.
- October 2020: Directed share issue to Transatlantic Mining, increase in shares by 15,392,535 shares, corresponding to USD 7.8m

The financing decisions taken in the past years have been heavily affected by delays in commissioning of the Friday mine, where production was originally seen to start during the first half of 2019. With on-going costs and investments and essentially no revenue since the end of 2018 the company has in our view had to seek out rather expensive financing alternatives from shareholders point of view. By the end of Q3/2020 the company's cash position had diminished to SEK 12.0m. Net debt at the end of Q3/2020 amounted to SEK 123m.

Endomines announced a rights issue of SEK 281m, approved by the EGM in January 2021. The rights issue can be attributed to the weakened liquidity position, as Endomines was forced to put operations at Friday under care and maintenance due to its very tight liquidity position. The Board further resolved on certain directed share issues after completion of the rights issue to enable set-off of part of the existing debt and as payment to the guarantors in the rights issue. Below is a break-down of the impact of the transactions in case of full subscription of the rights- and directed issues.

Figure 23: Changes to Endomines' net debt/net cash position after January 2021 rights issue and directed issues



Source: Endomines, Evli Research. Assuming full subscription of rights- and directed issues

Estimates

The acquisition of TVL Gold began a new chapter for Endomines. The company has seen some rougher times, as gold prices fell notably from the 2011-2012 levels, when the company had just started production. Mine depletion in Pampalo further reduced production as Endomines focused on selective mining and eventually brought production to a halt in late 2018. The story in the US so far has not been too rosy either, as production at Friday was delayed due to various challenges and eventually began over a year behind original schedules.

In our short-term estimates (2021-2022) we have essentially assumed that Friday will provide the bulk of gold production. Production at the US Grant mine could potentially commence in 2022, but with the currently available information we find it likely that commencing production at the site would take some 12-18 months and with the initial development grade ore and ramp-up time larger volumes would be seen in 2023 and onwards. Friday was put in care and maintenance during Q3/2020 due to the tight liquidity situation. With the funds from the rights issue we expect Endomines to be able to restart production rather rapidly, as all the infrastructure is essentially in place. We expect production to recommence around mid-H1/2020 and ramp-up to continue through 2021. A rapid production start is also supported by the built-up ore stockpiles at the site. We currently expect production in 2021 of just above 4,000 oz.

We have not yet included production estimates for Pampalo. With the gold prices at high levels Endomines has already noted plans to restart production at the site and with the necessary infrastructure in place production could be started up rather rapidly. The initial cost of restart, estimated at SEK 3.7m, is also not substantial. Endomines has estimated possible production of over 20k oz over two years and could thus significantly contribute to near-term production. We note that the ore grades at Pampalo have been clearly lower (~3 g/t) than for instance at Friday and cash costs will as such be clearly higher than the potential 500-700 USD/oz levels seen for the assets in the US. We will include estimates once more details on the production plans become available.

Table 3: Estimates summary

Endomines (SEKm)	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20E	2020E	2021E	2022E
Net sales	105.3	2.1	1.4	1.6	0.7	5.8	3.0	7.5	1.9	0.5	12.9	64.8	183.1
sales growth %	-13.9%	-92.9%	-96.7%	-93.8%	-91.5%	-94.5%	42.9%	>100%	18.8%	-28.6%	>100%	>100%	>100%
EBITDA	-5.5	-11.5	-9.3	-12.9	-15.1	-48.8	-27.8	-17.5	-23.1	-14.5	-83.0	-12.7	51.4
EBIT	-48.5	-13.3	-9.0	-16.4	-13.7	-52.4	-29.2	-27.7	-28.7	-16.9	-115.4	-56.9	-28.6
EBIT margin	-46.0%	<-100%	<-100%	<-100%	<-100%	<-100%	<-100%	<-100%	<-100%	<-100%	<-100%	-87.9%	-15.6%
Gold production (Oz)	10 552	0	0	0	0	0	0	326	212	0	538	4 340	12 269
Finland	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20	Q2/'20*	Q3/'20*	Q4/'20E	2020E	2021E	2022E
Net sales	105.3	2.1	1.4	1.6	0.7	5.8	3.0	2.5	0.0	0.0	5.5	0.0	0.0
Gold production (Oz)	10552	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0
United States	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20	Q2/'20*	Q3/'20*	Q4/'20E	2020E	2021E	2022E
Net sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0	1.9	0.5	7.4	64.8	183.1
Gold production (Oz)	0	0	0	0	0	0	0	326	212	0	538	4340	12269
Assumptions	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20E	2020E	2021E	2022E
Gold price USD/Oz	1269	1304	1310	1473	1481	1393	1582	1711	1908	1874	1769	1900	1900
Gold price EUR/Oz	1073	1148	1170	1325	1338	1245	1437	1555	1631	1575	1486	1597	1597
USD/SEK	8.67	9.18	9.47	9.59	9.61	9.46	9.67	9.69	8.87	8.61	8.63	8.63	8.63
EUR/SEK	10.26	10.42	10.61	10.66	10.64	10.58	10.66	10.66	10.37	10.27	10.27	10.27	10.27
EUR/USD	1.18	1.14	1.12	1.11	1.11	1.12	1.10	1.10	1.17	1.19	1.19	1.19	1.19

*Net sales split Evli estimate (not reported)

Source: Endomines, Evli Research

Endomines intends to continue exploration along the Karelian gold line, which despite exploration having been done there already for a longer time is relatively unexplored. Finland as a country offers a good base for production from stability and infrastructure as well as a cluster of mining, exploration, and mining equipment companies. Endomines has existing capacity to be able to start production at any possible new nearby discoveries. Endomines' also has resources of some 130k ounces (excluding Pampalo) at its other assets in Finland. We have not included production from any possible new deposits or start-up at existing deposits in our production estimates due to the uncertainty and our base assumptions on the gold price.

Endomines intends to reach production of 40k oz p.a. within four years and head toward production of 100k oz. The US Grant mine and Kearsarge project alone are estimated to be able to produce 40-50k oz per year once at full production. The combined historical mineral resources of the assets are at some 450k oz. The old mine workings at the US Grant mine and an existing mill and infrastructure are seen to provide a good opportunity for a low capex operation with a quick time to production.

The TVL Gold assets further contained some 500k oz (including historically estimated resources). The resources at Friday amount to some 140k oz. According to the most recent plans the Rescue site would be the following asset to be brought to production, with the production start seen in 2023, followed by the Kimberly site later on. Production at the Buffalo Gulch and Deadwood sites would at least mainly be through open-pit mining with heap leach processing of the ore. Heap leaching is economically a feasible method for processing lower grade ores but the use of cyanide in the process limits usage in some countries. Due to the lengthy process of acquiring the necessary permits for heap leaching and a higher priority of other projects production will unlikely commence any time soon. Mining of any sulphide mineralization could commence earlier but is also currently very unlikely.

Along with the acquired Friday open pit mining rights, gold resources all in all are well above a million ounces. Economic feasibility of the assets is however still largely unproven and Endomines currently has no reported ore reserves. Considering the assets held by Endomines and their mineral resources, the company in our view has substantial potential. The assets are also located in stable jurisdictions where gold mining has been done for a longer period of time. The current gold price is also clearly in Endomines' favour, having risen from levels of 1,200-1,300 USD/oz to the current 1,900 USD/oz levels. With all-in sustaining cash costs potentially at 700-900 USD/oz the profitability potential is thus substantial.

Although the future potential from the assets held is by itself appears quite attractive, we still see a clear execution risk in bringing the assets to production. Endomines has since the acquisition of the TVL Gold assets not been able to live up to expectations as production at the first of the assets, Friday was delayed by over a year and halted during the latter half of 2020. Granted, some of the challenges have been due to sheer bad luck, but with still not much to show for three years after the acquisition we remain cautious to the planned production starts and timetables. With the execution risk also comes the financial risks, as Endomines has in the past years had to raise debt at rather unfavourable terms and ownership dilution through rights issues has further been rather substantial during the past years.

Investment risks

The main investment risks in our view are concerned with the execution risks and financial risks. The start-up of production at Friday was clearly delayed from original timetables and the site was put into care and maintenance during Q3/2020. Although some bad luck was involved, with the winter and spring run-off having caused damage at the tailings area, Endomines still has a lot to show in regards of bringing new assets to production. The challenges with Friday also resulted in several new fundraisings in the form of debt and rights issues and the financial risks are still elevated with currently no cash flows from production to support operations.

As for all gold miners, Endomines is also prone to production related risks. While a higher gold price would support profitability and as such firm value, lower gold prices could affect the company to such a degree that certain deposits would no longer be economically feasible to mine and profitability would suffer.

The mineral resources may also prove to be lesser or have lower grades than had been anticipated, resulting in lower production output and lower revenue. Several of the owned assets currently have only historic resource estimates and there is a risk that further analysis could indicate that any gold found in the ore would be insufficient, or have too low grades or insufficient amounts, to be fit for production or at lower production than anticipated. The deposits could also be of such nature that production costs would become too high for the deposits to be mineable.

Valuation

We lower our target price to SEK 2.9 (3.5) following adjustments to our assumptions with the information provided regarding the rights issue and production plans. Our target price is based on a sum-of-the-parts valuation of Endomines assets, overhead costs and net cash after the rights issue and directed share issues (assuming full subscription). We retain our HOLD-rating.

Valuation	Evli est. MSEK	Spot MSEK	Estimate basis
Friday	176	162	LOM 8 years, avg. CC 830 USD/oz, ~92,000oz concentrate produced
Idaho other assets	425	404	Purchase price and in-situ value analysis
Pampalo	67	61	Real option model, assuming profitability above 1,550-1,600 USD/oz gold price
Karelia other	89	86	In-situ value for assets. Exploration ~200usd/m, mainly recent drillings
US Grant and Kearsarge	96	96	Investment cost
Corporate/other	-240	-240	DCF estimate assuming active operations until 2030
Net cash (debt)	208	208	Estimated post rights issue net cash
Total	822	778	
Per share	3.0	2.8	
Long-term gold price (USD/Oz)	1900		Evli
Spot price (USD/Oz)		1846	
Shares (m)	273.6	273.6	Post rights issue and directed share issues

*Net cash and share estimates assume full subscription of the rights issue and directed share issues

Source: Evli research

Friday is currently the only asset that Endomines holds in Idaho that has been brought to production. Our estimate for Friday is based on a DCF-model assuming production over a period of eight years. The site was put under care and maintenance in Q3/2020 and we expect production to pick up again during H1/2021 with the improved financial position from the proceeds from the rights issue and directed share issues. For the other assets in the United States available information is available and no detailed production plans have been made available and as such we have estimated their value through acquisition costs for the assets, altered for increases in the gold price by reflecting on in-situ value of other gold miners.

For Pampalo we have made estimates for the value of the asset based on Monte Carlo simulations with different input figures regarding for instance production volumes, gold prices and costs. Cash costs at the site during production were relatively high, at levels of around 1,200 USD/oz depending on the production strategy, and as such we have estimated that an investment into extending the mine could be profitable with gold prices above 1,550-1,600 USD/oz.

Our net cash estimates and the number of shares assume full subscription of the rights issue and directed share issues, adjusted for the estimated cash spend up until completion of the transactions. Overhead costs along with expenses not attributable to production are estimated using a DCF assuming production up until 2030. For the DCF estimates (including Pampalo DCF) we use a WACC of 12% given our view on the high operational risks.

Our estimates are highly sensitive to especially changes in the gold price and production volumes, assuming no changes in other parameters. The sensitivity is mainly due to none of the production currently being hedged.

Appendix

Table 4: Endomines mineral resources (as of 31.12.2019)

Gold ore reserves (30.11.2017)					
Deposit	Tonnage	Grade g/tonne	Gold (oz)	Gold (kg)	Classification*
Pampalo	223,513	2.8	20,111	626	Proven
Pampalo East	32,000	1.3	1,358	42	Probable
Total	255,513	2.6	21,470	668	

Mineral resources (30.11.2017)					
Deposit	Tonnage	Grade g/tonne	Gold (oz)	Gold (kg)	Classification*
Pampalo Deep	101,503	5.1	16,611	517	Indicated
Pampalo Deep	118,125	5.4	20,341	633	Inferred
Pampalo D-zone	164,110	1.9	9,912	308	Inferred
Pampalo East	199,000	1.8	11,452	356	Indicated
Pampalo East	62,000	1.4	2,791	87	Inferred
Pampalo NW	29,000	2.5	2,284	71	Indicated
Pampalonlammit	103,000	1.8	5,961	185	Inferred
Pampalo resources total	776,738	2.8	69,352	2,157	
Hosko	35,000	4.1	4,557	142	Measured
Hosko	675,000	1.2	25,761	801	Indicated
Hosko	240,000	0.8	6,019	187	Inferred
Rämepuro	136,000	2.3	9,926	309	Inferred
Muurinsuo	354,000	1.9	22,080	687	Indicated
Muurinsuo	231,000	1.4	10,398	323	Inferred
Kuivisto East	37,000	3.2	3,807	118	Indicated
Kuivisto East	145,000	1	4,662	145	Inferred
Kuittila	275,000	2.6	22,988	715	Inferred
Korvilansuo	256,000	2	16,461	512	Inferred
Total	3,160,738	1.9	196,009	6,097	

*Estimated according to the JORC-code, except for Kuittila

Source: Endomines

INTERIM FIGURES

EVLI ESTIMATES, SEKm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3	2020Q4E	2020E	2021E	2022E
Net sales	2.1	1.4	1.6	0.7	5.8	3.0	7.5	1.9	0.5	12.9	64.8	183.1
EBITDA	-11.5	-9.3	-12.9	-15.1	-48.8	-27.8	-17.5	-22.6	-14.0	-81.8	-18.9	44.8
<i>EBITDA margin (%)</i>	<i>-547.6</i>	<i>-663.0</i>	<i>-806.2</i>	<i>-2,157.1</i>	<i>-841.1</i>	<i>-926.7</i>	<i>-232.8</i>	<i>-1,187.5</i>	<i>-2,792.6</i>	<i>-634.0</i>	<i>-29.2</i>	<i>24.5</i>
EBIT	-13.3	-9.0	-16.4	-13.7	-52.4	-29.2	-27.7	-28.7	-16.9	-102.5	-56.9	-28.6
<i>EBIT margin (%)</i>	<i>-633.3</i>	<i>-642.9</i>	<i>-1,025.0</i>	<i>-1,957.1</i>	<i>-903.4</i>	<i>-973.3</i>	<i>-369.3</i>	<i>-1,510.5</i>	<i>-3,380.0</i>	<i>-794.6</i>	<i>-87.9</i>	<i>-15.6</i>
Net financial items	0.0	-7.8	2.1	-2.0	-7.7	-15.1	3.9	-15.5	-15.0	-41.7	-12.0	-2.3
Pre-tax profit	-13.3	-16.8	-14.3	-15.7	-60.1	-44.3	-23.8	-44.2	-31.9	-144.2	-68.9	-31.0
Tax	0.3	-0.3	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.2	0.1	6.2
<i>Tax rate (%)</i>	<i>2.3</i>	<i>-1.8</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.7</i>	<i>0.0</i>	<i>0.0</i>	<i>0.1</i>	<i>0.1</i>	<i>20.0</i>
Net profit	-13.0	-17.1	-14.3	-15.7	-60.1	-44.3	-23.6	-44.2	-31.9	-144.0	-68.9	-24.8
EPS	-0.16	-0.21	-0.18	-0.20	-0.75	-0.34	-0.18	-0.34	-0.24	-1.10	-0.25	-0.09
EPS adjusted (diluted no. of shares)	-0.16	-0.21	-0.18	-0.20	-0.75	-0.34	-0.18	-0.34	-0.24	-1.10	-0.25	-0.09
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SALES, SEKm												
Endomines	2.1	1.4	1.6	0.7	5.8	3.0	7.5	1.9	0.5	12.9	64.8	183.1
Total	2.1	1.4	1.6	0.7	5.8	3.0	7.5	1.9	0.5	12.9	64.8	183.1
SALES GROWTH, Y/Y %												
Endomines	-92.9	-96.7	-93.4	-91.5	-94.4	42.9	435.7	18.8	-28.6	122.4	402.1	182.7
Total	-92.9	-96.7	-93.4	-91.5	-94.4	42.9	435.7	18.8	-28.6	122.4	402.1	182.7
EBIT, SEKm												
Endomines	-13.3	-9.0	-16.4	-13.7	-52.4	-29.2	-27.7	-28.7	-16.9	-102.5	-56.9	-28.6
Total	-13.3	-9.0	-16.4	-13.7	-52.4	-29.2	-27.7	-28.7	-16.9	-102.5	-56.9	-28.6
EBIT margin, %												
Endomines	-633.3	-642.9	-1,025.0	-1,957.1	-903.4	-973.3	-369.3	-1,510.5	-3,380.0	-794.6	-87.9	-15.6
Total	-633.3	-642.9	-1,025.0	-1,957.1	-903.4	-973.3	-369.3	-1,510.5	-3,380.0	-794.6	-87.9	-15.6

INCOME STATEMENT, SEKm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	113.0	101.1	122.2	104.0	5.8	12.9	64.8	183.1
<i>Sales growth (%)</i>	<i>-34.3</i>	<i>-10.5</i>	<i>21.0</i>	<i>-14.9</i>	<i>-94.4</i>	<i>122.4</i>	<i>402.1</i>	<i>182.7</i>
EBITDA	-67.8	-7.7	-5.7	-5.5	-48.8	-81.8	-18.9	44.8
<i>EBITDA margin (%)</i>	<i>-60.0</i>	<i>-7.6</i>	<i>-4.7</i>	<i>-5.3</i>	<i>-841.1</i>	<i>-634.0</i>	<i>-29.2</i>	<i>24.5</i>
Depreciation	-84.9	-95.4	-59.1	-43.0	-3.6	-20.7	-38.1	-73.4
EBITA	-152.7	-103.1	-64.8	-48.5	-52.4	-102.5	-56.9	-28.6
Goodwill amortization / writedown	-3.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-156.6	-103.1	-64.8	-48.5	-52.4	-102.5	-56.9	-28.6
<i>EBIT margin (%)</i>	<i>-138.6</i>	<i>-102.1</i>	<i>-53.0</i>	<i>-46.6</i>	<i>-903.4</i>	<i>-794.6</i>	<i>-87.9</i>	<i>-15.6</i>
Reported EBIT	-156.6	-103.1	-64.8	-48.5	-52.4	-102.5	-56.9	-28.6
<i>EBIT margin (reported) (%)</i>	<i>-138.6</i>	<i>-102.1</i>	<i>-53.0</i>	<i>-46.6</i>	<i>-903.4</i>	<i>-794.6</i>	<i>-87.9</i>	<i>-15.6</i>
Net financials	-6.1	-1.5	-4.5	11.0	-7.7	-41.7	-12.0	-2.3
Pre-tax profit	-162.7	-104.7	-69.3	-37.5	-60.1	-144.2	-68.9	-31.0
Taxes	-2.3	-20.3	0.0	0.1	0.0	0.2	0.1	6.2
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-165.0	-125.0	-69.3	-37.4	-60.1	-144.0	-68.9	-24.8
Cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, SEKm								
Assets								
Fixed assets	221	171	130	476	573	573	630	773
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	0	0	0	0	0
Inventory	2	1	2	2	0	0	2	5
Receivables	12	21	12	4	1	3	15	42
Liquid funds	20	29	16	19	16	2	71	27
Total assets	274	222	161	501	590	578	718	848
Liabilities								
Shareholder's equity	169	115	45	252	336	432	686	661
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	169	175	0	0	0
Lease liabilities	0	0	0	0	0	0	0	0
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	83	84	84	44	46	114	0	155
Non-interest bearing current liabilities	14	0	0	0	0	0	0	0
Other interest-free debt	8	24	32	36	32	32	32	32
Total liabilities	274	222	161	501	590	578	718	848
CASH FLOW, SEKm								
+ EBITDA	-68	-8	-6	-5	-49	-82	-19	45
- Net financial items	-6	-2	-4	11	-8	-42	-12	-2
- Taxes	6	-1	0	0	0	0	0	6
- Increase in Net Working Capital	-23	0	9	8	-4	-2	-13	-31
+/- Other	13	-3	2	-22	0	0	0	0
= Cash flow from operations	-77	-14	1	-8	-60	-125	-44	18
- Capex	-28	-38	-14	-100	-100	-21	-95	-217
- Acquisitions	0	0	0	-59	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-105	-52	-13	-167	-160	-146	-139	-199
+/- New issues/buybacks	16	71	0	244	144	240	322	0
- Paid dividend	0	0	0	0	0	0	0	0
+/- Other	-5	-10	-1	-74	12	-108	-114	155
Change in cash	-94	9	-14	3	-3	-14	69	-44

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	192	126	211	448	345	345	345
Net debt (excl. convertibles)	54	68	25	30	112	-71	128
Enterprise value	246	194	405	654	457	274	473
Sales	101	122	104	6	13	65	183
EBITDA	-8	-6	-5	-49	-82	-19	45
EBIT	-103	-65	-48	-52	-102	-57	-29
Pre-tax	-105	-69	-37	-60	-144	-69	-31
Earnings	-125	-69	-37	-60	-144	-69	-25
Equity book value (excl. minorities)	115	45	252	336	432	686	661
Valuation multiples							
EV/sales	2.4	1.6	3.9	112.7	35.4	4.2	2.6
EV/EBITDA	-32.0	-34.0	-73.7	-13.4	-5.6	-14.5	10.6
EV/EBITA	-2.4	-3.0	-8.4	-12.5	-4.5	-4.8	-16.5
EV/EBIT	-2.4	-3.0	-8.4	-12.5	-4.5	-4.8	-16.5
EV/OCF	-18.1	198.3	-53.2	-10.9	-3.6	-6.2	26.2
EV/FCFF	-4.7	-28.6	-2.3	-4.4	-4.4	-2.2	-2.4
P/FCFE	-5.4	-13.9	-1.3	-2.8	-2.4	-5.2	-3.6
P/E	-1.5	-1.8	-5.6	-7.5	-2.4	-10.4	-29.1
P/B	1.7	2.8	0.8	1.3	0.8	0.5	0.5
Target EV/EBITDA	0.0	0.0	0.0	0.0	-6.0	-38.3	20.6
Target EV/EBIT	0.0	0.0	0.0	0.0	-4.8	-12.7	-32.2
Target EV/FCF	0.0	0.0	0.0	0.0	-3.4	-5.2	-4.6
Target P/B	0.0	0.0	0.0	0.0	0.9	1.2	1.2
Target P/E	0.0	0.0	0.0	0.0	-2.6	-11.5	-32.0
Per share measures							
Number of shares	15,280	15,280	35,148	79,957	131,305	273,616	273,616
Number of shares (diluted)	15,280	15,280	35,148	79,957	131,305	273,616	273,616
EPS	-8.18	-4.53	-1.06	-0.75	-1.10	-0.25	-0.09
Operating cash flow per share	-0.89	0.06	-0.22	-0.75	-0.95	-0.16	0.07
Free cash flow per share	-3.40	-0.86	-4.74	-2.00	-1.11	-0.51	-0.73
Book value per share	7.50	2.97	7.16	4.20	3.29	2.51	2.42
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF yield, %	-27.1	-10.5	-79.0	-35.7	-42.4	-40.3	-57.6
Efficiency measures							
ROE	-88.3	-86.6	-25.2	-20.5	-37.5	-12.3	-3.7
ROCE	-45.8	-39.6	-9.9	-10.3	-18.6	-9.2	-3.8
Financial ratios							
Inventories as % of sales	0.9	1.8	1.7	0.6	3.0	3.0	3.0
Receivables as % of sales	20.6	9.9	3.6	22.8	22.8	22.8	22.8
Non-interest bearing liabilities as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NWC/sales, %	-0.1	-7.9	-20.8	-310.5	-124.3	-4.1	15.2
Operative CAPEX/sales, %	38.0	11.6	95.9	1,719.3	162.8	146.7	118.5
CAPEX/sales (incl. acquisitions), %	38.0	11.6	39.0	1,719.3	162.8	146.7	118.5
FCFF/EBITDA	6.8	1.2	32.3	3.0	1.3	6.7	-4.4
Net debt/EBITDA, book-weighted	-7.0	-11.9	-4.6	-0.6	-1.4	3.8	2.9
Debt/equity, market-weighted	0.4	0.7	0.2	0.1	0.3	0.0	0.4
Equity ratio, book-weighted	51.6	28.3	84.0	86.7	74.8	95.5	77.9
Gearing, %	47.3	149.3	6.0	6.0	25.8	-10.4	19.3

COMPANY DESCRIPTION: Endomines engages in exploration, mining, and extraction of gold deposits. Its sites are found in Eastern Finland along the Karelian Gold line and in Idaho, USA. The company was founded in 2005 and is headquartered in Stockholm, Sweden. Endomines focuses its operations to assets in stable jurisdictions that can be brought to production rapidly and with limited investment.

INVESTMENT CASE: The ramp-up of operations at the Friday-mine has been burdened by challenges and the operations were put under care and maintenance in August 2020 due to a weak cash position. The company is now taking action to improve its financial situation to reinitiate ramp-up of operations and bring more assets to production. Supportive development in gold prices offer additional potential for increased revenue and could see previously economically non-feasible assets in Finland being brought to production.

OWNERSHIP STRUCTURE	SHARES	SEKm	%
Clearstream Banking S.A.	32,551,615	85.611	24.8%
Northern Trust Global Services	21,260,000	55.914	16.2%
Evli Pankki Plc	15,100,474	39.714	11.5%
Joensuun Kauppa ja Kone	11,250,913	29.590	8.6%
Nordea Bank Abp (Publ)	8,509,214	22.379	6.5%
Aktia Bank Abp	3,470,050	9.126	2.6%
Suokas Petri Kristian	2,189,882	5.759	1.7%
Ålandsbanken Abp	1,576,667	4.147	1.2%
Försäkringbolaget Avanza Pension	1,116,097	2.935	0.9%
K22 Finance Oy	856,930	2.254	0.7%
Ten largest	97,881,842	257.429	75%
Residual	33,423,333	87.903	25%
Total	131,305,175	345.333	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Rauno Pitkänen

Birger Jarlsgatan 41 A 3 fl., SE-11145 Stockholm

CFO: Marcus Ahlström

Tel: +46 8 611 66 45

IR:

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

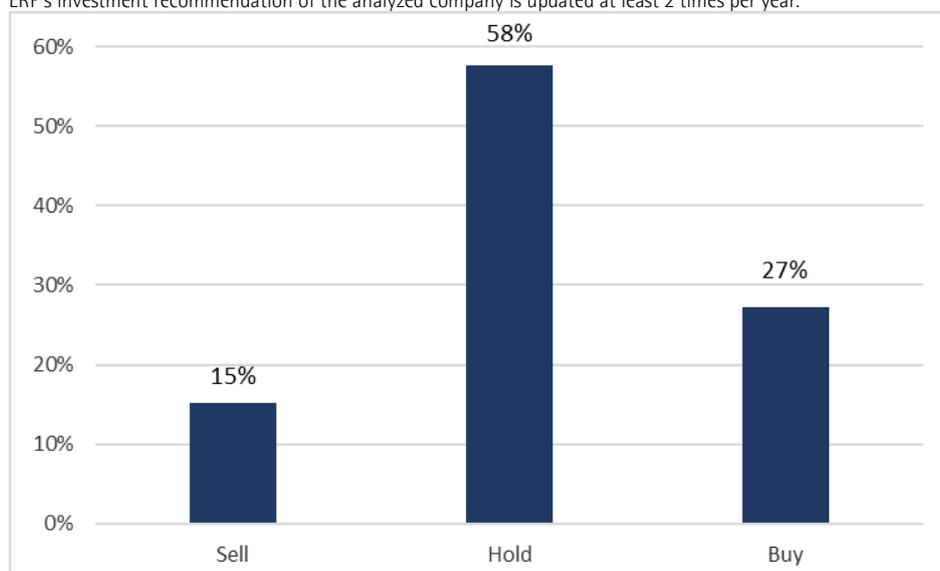
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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Salokivi

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Contact information**SALES, TRADING AND RESEARCH****Equity Sales**

Ari Laine +358 9 4766 9115
Lauri Ahokanto +358 9 4766 9117
Niclas Henelius +358 9 4766 9116

Trading

Lauri Vehkaluoto (Head) +358 9 4766 9120
Pasi Väisänen +358 9 4766 9120
Antti Kässi +358 9 4766 9120
Miika Ronkanen +358 9 4766 9120

ETFs and Derivatives

Joachim Dannberg +358 9 4766 9123
Kimmo Lijja +358 9 4766 9130

Structured Investments

Heikki Savijoki +358 9 4766 9726
Aki Lakkisto +358 9 4766 9123

Equity Research

Jonas Forslund +358 9 4766 9314
Joonas Ilvonen +358 44 430 9071
Jerker Salokivi +358 9 4766 9149
Anna-Liisa Rissanen +358 40 157 9919

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205
Markku Reinikainen +358 9 4766 9669



EVLI BANK PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Fax +358 9 634 382
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI BANK PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000
Fax +46 (0)8 407 8001