

Trending in the right direction

The company's fundamentals are moving in the right direction while the gold market remains hot. We revise our TP to EUR 6.5 and upgrade our rating to HOLD.

A Finnish mining company with diversified project portfolio

Endomines is a mining company active in exploration, development and mining of gold deposits in Finland and in the United States. The company's current strategic focus is on the Finnish operations where it produces gold concentrate in its processing facility in Pampalo and conducts exploration both in Pampalo and other parts of the Karelian Gold Line. Endomines is currently promoting its non-core US deposits located in Montana and Idaho through a partnership model, in addition, we consider divestments likely if the company finds a willing buyer.

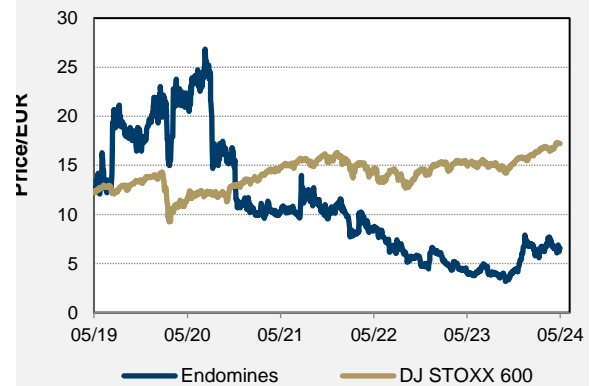
Production and resources growing, strong market supports

Endomines' production grew 49% y/y to 12,790 ounces in 2023. With the change in mining method for Pampalo UG mine and opening of Hosko, the company aims to increase gold production further by 15-35% in 2024 compared to last year. In addition to production, Endomines has been able to increase its resources in the Karelian Gold Line. Endomines currently has a total ore reserves of 32,200 ounces in Pampalo and resources of over 310,000 ounces in the Karelian Gold Line. The company aims towards one-million-ounce gold mineralization in the Karelian gold line with various potential exploration areas for example in the Southern part of the gold line. While production and resources are trending up, the gold market remains hot trading at historically high levels. With the strong gold market and expected growth in production, we now estimate net sales of EUR 31.4m and EBIT of EUR 6.5m in 2024E.

HOLD (SELL) with a TP of EUR 6.5 (5.6)

The company's share price has declined slightly since we downgraded our rating ahead of the H2 2023 report. Since then, the gold market has strengthened considerably, and the company's fundamentals have moved in the right direction. We continue to base our valuation on the lower range of our SOTP-model. We increase our TP to EUR 6.5 and rating to HOLD.

Rating 🟡 HOLD



Share price, EUR (Last trading day's closing price) **6.58**
Target price, EUR **6.5**

Latest change in recommendation **27-May-24**
Latest report on company **16-Feb-24**
Research paid by issuer: **YES**
No. of shares outstanding, '000's **9,795**
No. of shares fully diluted, '000's **9,795**
Market cap, EURm **64**
Free float, % **42.9**
Exchange rate EUR **1.000**
Reuters code **ENDOM.HE**
Bloomberg code **ENDOM FH**
Average daily volume, EURm **0.2**
Next interim report **15-Aug-24**
Web site **endomines.com**

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🟢 BUY 🟡 HOLD 🔴 SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2022	13.5	-14.7	-108.9%	-8.0	-1.87	-2.7	4.0	-3.6	-17.1	0.00
2023	19.7	-3.0	-15.2%	-10.7	-0.55	-12.3	4.1	-26.8	-16.3	0.00
2024E	31.4	6.5	20.6%	1.1	0.42	15.8	2.5	12.1	1.7	0.00
2025E	33.2	7.1	21.3%	2.2	0.52	12.7	2.3	10.8	3.5	0.26
2026E	37.2	9.1	24.6%	2.0	0.59	11.1	2.1	8.4	3.0	0.30
Market cap, EURm	64		Gearing 2024E, %	-12.1		CAGR EPS 2023-26, %		0.0		
Net debt 2024E, EURm	14		Price/book 2024E	1.8		CAGR sales 2023-26, %		23.6		
Enterprise value, EURm	78		Dividend yield 2024E, %	0.0		ROE 2024E, %		11.8		
Total assets 2024E, EURm	69		Tax rate 2024E, %	0.0		ROCE 2024E, %		12.3		
Goodwill 2024E, EURm	0		Equity ratio 2024E, %	82.5		PEG, P/E 24/CAGR		3.6		

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

Investment summary

Endomines is a mining company operating in Finland and in the United States

Endomines is a mining company active in exploration, development and mining of gold deposits in Finland. In addition, the company owns deposits in United States which it aims to develop through a partnership model. Endomines was founded in 2005 and employs 45 people (31.12.2023). The company has three deposits in production, underground and open-pit deposits in Pampalo and a satellite deposit in Hosko. Other Finnish assets consists of exploration and development projects along the Karelian Gold Line including the highly prospective Southern gold line. Endomines United States asset portfolio consists of several mine projects and processing facilities in Idaho and Montana.

The market environment has been favorable during the recent years

Gold spot price is now above USD 2300 per ounce, considerably higher than the levels of USD 1000 – 1400 per ounce that prevailed for most of the previous decade. During 2022–2023, the real interest rates increased at a rapid rate as the FED and ECB hiked rates. High real interest rate environment has traditionally made holding gold less desirable as fixed income instruments provide investors with competitive low-risk steady cash flow. Even though the real rates have increased, the gold price has not moved down accordingly, the likely reason for the current dislocation is geopolitical tensions and high central bank demand witnessed during 2022 and 2023.

Strategic focus is on production and exploration in Finland

The Pampalo mine was put into care & maintenance in 2018 as the market environment did not support continuing the mine operations. Due to the favorable gold price development, the company decided to invest into Pampalo mine deepening and subsequent reopening of the mine and mill. The work was finished in late 2021 and the Pampalo mine began producing gold concentrate in Q1 of 2022. In 2023, Endomines already produced 12,790 ounces of gold (+49% y/y vs. 8,601 ounces in 2022) from Pampalo underground and open-pit deposits. Pampalo's ore reserve stands at 32,200 ounces and it remains open at depth and therefore there is potential to increase the life of mine further. Endomines aims to increase production by 15–35% in 2024 driven by the opening of Hosko satellite deposit in early 2024 and mining method change in the Pampalo underground mine. While the production in Pampalo lays the foundation, we argue that the biggest value creation potential still lies in the unexplored parts of the Karelian gold line where the company is currently focusing on the Southern gold line. In the Karelian gold line, the company aims for a gold mineralization of more than a million ounces by the end of 2025.

Endomines seeks partnerships and divestments in the US

Endomines expanded its operations globally in 2018 by acquiring five gold projects from Idaho, United States. In 2020, the company further acquired two high-grade underground deposits from Montana. Endomines has not yet been able to commence any of the projects in the United States, the company's most developed US project, the Friday mine in Idaho, has suffered from difficulties in the ramp-up phase. The idea of the company's current strategy is to seek partnerships and/or divestments in the United States. While non-core, the company's ability to extract value from the potential partnerships and/or divestments in the United States remains important for the investment case.

HOLD (SELL) with a target price of EUR 6.5 (5.6)

We have revised our assumptions according to the company's present mineral resource estimate and updated our estimates for market parameters. In addition, we have made slight changes to our operative estimates for Pampalo regarding volumes and profitability. We now estimate revenue of EUR 31.4m and EBIT of EUR 6.5m for 2024E. We expect the company's Pampalo operations to be profitable and cash flow positive at the current price level, which lowers the dependence on external funding to some degree. With the fundamentals and market parameters developing in a favorable way for the company, we increase our TP to EUR 6.5 and upgrade our rating to HOLD (prev. BUY).

Company overview

Endomines is a mining company that explores, develops and mines gold deposits in Finland and in the United States. The company was established in 2005 and is based in Espoo, Finland with its shares listed on Nasdaq Helsinki.

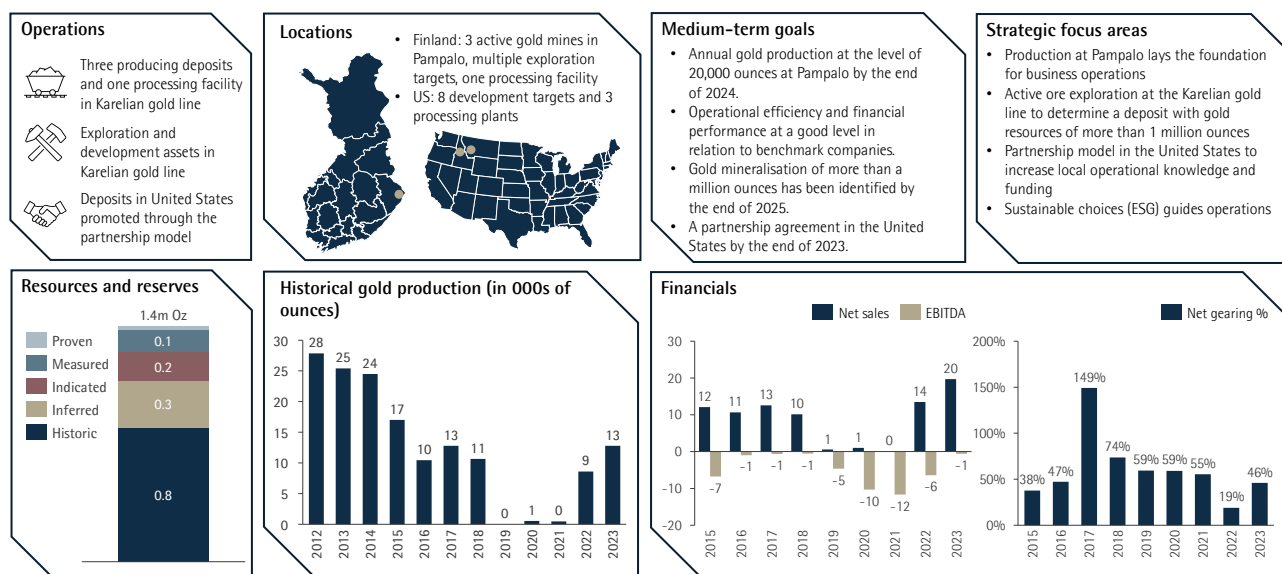
Karelian Gold Line at the center of the strategy

The company's Finnish assets are located along the Karelian gold line in eastern Finland. Endomines revised its strategy in 2022 and made the Finnish operations the core of the strategy, the company aims to have annual production at the level of 20 000 ounces of gold in Finland by the end of 2024 and aims to identify a gold mineralization of more than million ounces by the end of 2025 in the Karelian Gold Line. Endomines owns three active producing deposits in the Karelian Gold Line: Pampalo, which has both underground and open pit operations, and Hosko, which is a satellite deposit. The company also owns a processing plant at the Pampalo site, which can process 420 000 tonnes of ore per year. Besides the Pampalo mine, satellite deposits and the processing plant, Endomines has exploration rights for a 40-kilometre-long greenstone belt in Eastern Finland ("Karelian Gold Line").

2023 progressed according to the strategy

Endomines pursued its strategy in 2023, as it increased its gold production at Pampalo by 48.7% compared to the previous year and carried out exploration and infill drilling in the Karelian Gold Line. The exploration drilling targeted the Southern Gold Line (Korvilansuo and Kuittila areas), while the company also did infill drilling in the Pampalo underground deposit to secure short and medium-term gold production. The exploration program conducted in the Southern Gold Line was successful as Korvilansuo resources increased to 67,200 ounces (previously 16,500 ounces) and Kuittila to 49,170 ounces (previously 23,000 ounces of historic resources) of contained gold. Total resources at the Southern Gold Line increased to nearly 150,000 ounces of gold. In addition, the company's infill drilling in Pampalo increased reserves by 9.5% y/y and resources by 45% y/y (incl. both underground and open pit). In the Karelian Gold Line (excl. Southern Gold Line), the company increased its resources to 83,400 ounces (prev. 54,700 ounces) due to increased resources in Rämepuro. Overall, Endomines was able to increase its reserve base in Finland to 32,200 ounces (up 9.5% y/y from 29,400 ounces) and resource base to 310,300 ounces (up by 71.9% from 180,500 ounces).

Figure 1: Endomines company overview



Source: Evli Research, Endomines

Expansion to United States did not pay off as planned

Endomines acquired TVL Gold in 2018, which had rights to five gold projects in Idaho, United States. The Idaho assets are located in three different mining districts: Orogrande, Warren and Marshall Lake. In 2020, Endomines acquired two mines and a processing plant in Montana, continuing its expansion in the US. The company's most developed asset in the United States, the Friday project in Idaho, has suffered from ramp-up issues during the last years and has since been put into care and maintenance. Since the company's resources are limited, the current focus is on boosting production at Pampalo and developing and exploring the Karelian gold line while the company seeks to enter into a partnership agreement in the United States.

Permitted and operating processing facility in the middle of the gold line

The company owns a fully operational processing facility with a 420,000-ton capacity, strategically positioned amid the Karelian gold line with roughly half of the capacity free. This enables the transition to production with comparatively modest capital investment for some of the satellite deposits, which stands as a core advantage, particularly given the company's reliance on external financing for asset development. By doing infill drilling in Pampalo, the company can extend the life of mine of the underground mine. In addition, Endomines has promising exploration and early development targets along the gold line with further potential for exploration.

Assets in United States: opportunity and a threat

Freeing up capital from the company's assets in United States acts as an opportunity for the company as it would provide capital to finance the exploration efforts in Finland. On the other hand, the US assets carry the potential risk of impairment should Endomines fail to establish a partnership agreement or proceed with the sale of these assets. One of the operational objectives included securing a partnership agreement within the United States by the close of 2023, a target that was not met. While not in the focus of the current strategy, the US assets are significant as the company has invested roughly 44m USD in the assets. The deposits have a combined value of 36m USD on the balance sheet, with 24m USD from Idaho and 12m USD from Montana.

Early development satellite deposits can take time

The road from discovery to producing mine is long, according to a study by S&P, discovery to production averages 15.7 years based on data from 127 mines globally. Endomines has environmental permits for three deposits other than the Pampalo underground deposit: Pampalo East, Rämepuro and Hosko. With other deposits in early exploration and development phase, the path to production can be a long journey. Issues in development and permitting satellite deposits would be negative for future production and cash flows.

Figure 2: Endomines SWOT-analysis

<p>Strengths</p> <ul style="list-style-type: none"> + Pampalo in production with functional processing facility able to process ore from nearby deposits + Assets with short time to production and limited capital expenditure requirements + Assets located in tier-one jurisdiction + Three satellite deposits in Finland with environmental permits 	<p>Weaknesses</p> <ul style="list-style-type: none"> + Lackluster profitability track record + Relatively low head grades and high cash cost + Majority of the current resource base classified as historic with low geological confidence and knowledge + Most of the assets in early development phase
<p>Opportunities</p> <ul style="list-style-type: none"> + Gold mineralisation of more than a million ounces has been identified by the end of 2025 + Pampalo life of mine increase + Lower production cost per ounce with higher volumes + Partnerships and/or divestments in United States 	<p>Threats</p> <ul style="list-style-type: none"> + Weaker gold price + Cost inflation + Issues in production ramp-up + Issues in permitting of satellite deposits + Availability and terms of financing + Partnership and/or divestment discussions do not advance in the United States

Source: Evli Research, Endomines

Strategy

The company published its new strategy in 2022

The company's current strategy was published in August 2022. The core of the strategy is both production and exploration activities in the Karelian gold line.

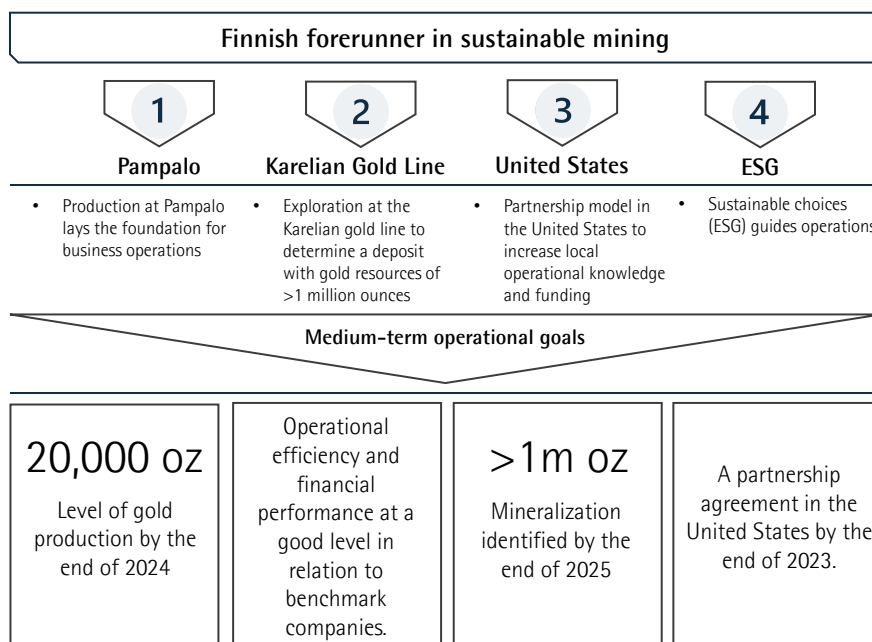
Strategic focus areas:

- Pampalo production: production at Pampalo acts as the foundation for the business.
- Exploration at Karelian gold line: Endomines aims to identify a deposit with gold resources of more than 1 million ounces in the Karelian gold line.
- US operations through partnerships: The company actively seeks for partners in the United States which could advance the projects together with Endomines.
- ESG focus: ESG activities guide the general development of the company.

Pampalo mine as the foundation for the business

Production from the Pampalo mine creates the foundation for the business in the company's strategy. Pampalo is especially important during the next few years as there are only two satellite deposits currently in production (Hosko and Pampalo East open pit). While the true mine life of Pampalo is hard to assess at this point, the company has reported a high-grade drill result at lower levels and has resources of over 38 000 ounces in addition to the reserves. Moreover, the company's revised depreciation method estimates that the mine's real economic life will last until the end of 2030. The current ore reserves in Pampalo represent only roughly two-three years' worth of production based on the current mining rate.

Figure 3: Strategy overview



Source: Endomines, Evli Research

Development and exploration in the Karelian gold line

Based on the updated mineral resource estimate, there are currently nearly 100 000 ounces of permitted resources among the Karelian gold line in Hosko, Pampalo East and Rämepuro deposits. In addition to these deposits, there are roughly 150 000 ounces of resources in the Southern gold line which is the southern part of the Karelian gold line. If these resources are compared to the Endomines historic production and guidance, the resources represent well over 10 years of production. The company's long-term target is to define a deposit with over 1 million ounces of resources in the Karelian gold line, a

target that requires greenfield exploration work of which success is hard to assess at this point.

Endomines has implemented strategy largely according to plan

Endomines has executed the strategy largely according to plan during the first full fiscal year of the strategy. The company has been able to ramp-up production in Pampalo and it has conducted exploration work successfully in the Karelian gold line. On the other hand, the partnership strategy in the United States is yet to bear fruit as the company has not yet published any updates regarding the discussions. On the positive side, Endomines has been successful in lowering the fixed cost burden from the United States assets and therefore the operations do not hamper the company wide profitability to such degree as it did earlier.

Asset portfolio

The project portfolio is heterogenic

Endomines owns gold mining assets in essentially every mining project lifecycle stage: exploration targets, development projects and producing mines. For a mining project to develop from exploration target to a mine site, the company must conduct geological and engineering work and assess the economic feasibility of the deposit. In the process, mineral resources are turned into reserves as economical and geological confidence increases. According to data from S&P, the time from discovery to production averages over 15 years for gold mines globally.

Mineral resources and ore reserves are the basis of future production

Mineral resources and ore reserves: Mineral resources are defined as concentration or occurrence of solid material of economic interest that has reasonable prospects for eventual economic extraction. Resources are further divided into inferred, indicated and measured mineral resources where inferred resources have the least amount of geological confidence and measured mineral resources the most. Reserves are the economically mineable part of the measured and indicated mineral resources. There are multiple resource classification standards globally, arguably the most used standards are NI 43-101 (National Instrument 43-101, by CIM Canada) and JORC (Joint Ore Reserves Committee Code, Australia).

Most of the company's resources are classified as historic

Endomines Finnish resources are estimated according to the JORC-code, Friday & Buffalo Gulch resource are classified according to NI 43-101. Other US assets that the company owns in Idaho and Montana are classified as "historic resources" as a qualified person has not done sufficient work to classify the resources according to the NI 43-101 code. Even though the company has commented that the historic resources appear to be in general accordance with NI 43-101 standards, they do not fully comply with modern standards and therefore contain the highest amount of geological risk. A large part of the company's measured and indicated resources are located in the Friday and Buffalo Gulch sites in the company's US portfolio. In addition to resources, the company holds ore reserves which are situated in Pampalo.

Endomines develops assets throughout the lifecycle

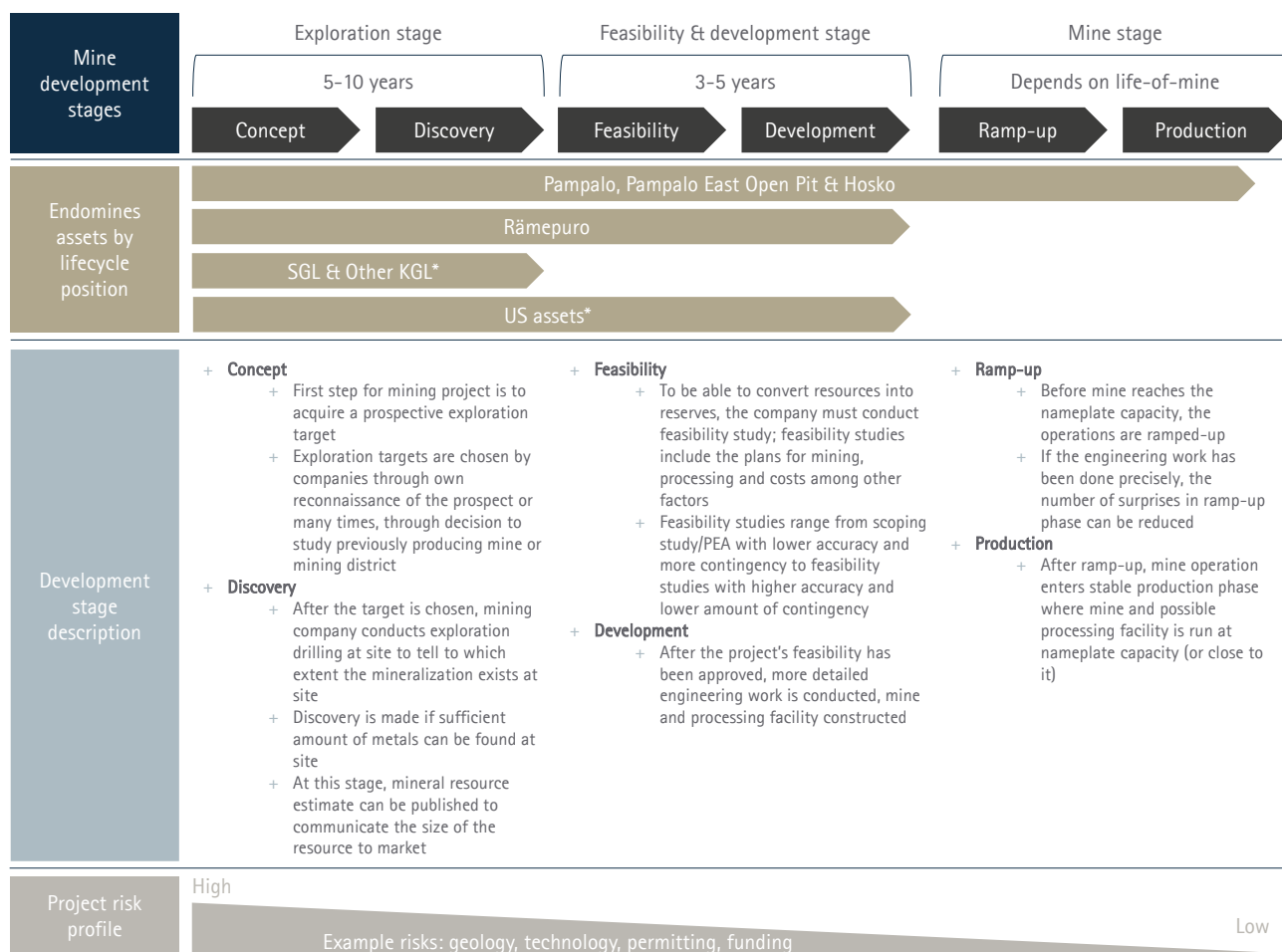
Endomines distinguishes itself from many junior mining companies as it aims to develop assets from the exploration phase all the way to the production phase. Typically, exploration companies do not develop assets to production phase, rather, most of the exploration companies develop the project to feasibility stage where they sell it to a mining company. The project generally requires more capital as it progresses through the development lifecycle which small exploration companies typically lack. Moreover, the skills needed for exploration are very different from those needed for mining operations.

Endomines has both open pit and underground projects

Open pit mining is used to exploit near surface deposits; the deposits that exist near surface are economically more feasible to mine with an open pit as opposed to an underground operation. The advantage is based on a few attributes: powerful load, haul and dump vehicles can be used to move large volumes and much larger equipment can maneuver in open pits. These factors lead to faster production in an open pit operation. In

In addition to the productivity factors, an open pit mine is much faster to set up and typically demands lower initial investment cost. Average grade for an open pit gold mine is roughly 0.5-1.5 Au g/t, while average grade for an underground gold mine is approximately 5.0-9.0 Au g/t. Buffalo Gulch, Deadwood, parts of Pampalo and the Karelian Gold Line satellite deposits are designed to be extracted via open pit method. The Idaho open pit deposits are relatively low grade as Buffalo Gulch average grade (M+I+I) is roughly 0.5 Au g/t and Deadwood historic resource grade is 0.8 Au g/t. The open pit deposits located in Finland are of higher grade; Karelian Gold Line deposits have average grade (M+I+I) of roughly 1.7 Au g/t and Pampalo open pit 1.2 Au g/t. Underground mines use different mining methods to extract the ore, including for example block caving, cut-and-fill, room-and-pillar, and stoping mining methods. The mining method chosen depends on the geology of the deposit. Pampalo underground mine uses mainly the sublevel stoping mining method, cut-and-fill mining method is only used in the Northern ore lense where the ore is associated with talc. The grade of the deposit prevents wider use of the higher cost cut-and-fill mining method, which requires cemented fill. Long-hole sublevel stoping is the most common mining method in Finland, it is suited for an ore body that is very tall and vertical or steeply dipping. In long-hole sublevel stoping, the ore body is divided into sublevels roughly 15-40 meters from each other. The ore is blasted from the different sublevels and removed from one level at the bottom.

Figure 4: Endomines asset lifecycle



*Projects in various different development phases, SGL = Southern Gold Line, KGL = Karelian Gold Line

Source: New Age Metals, Evli Research, Endomines

Endomines uses conventional processing methods

The processing method depends on the quality and characteristics of the ore mined. Gold processing methods can be divided into concentration and cyanidation. Generally, cyanidation is a processing method used in low-grade ore deposits. Due to the highly poisonous nature, usage of cyanide is banned in many jurisdictions, for example, Montana was the first US state to ban usage of cyanide at open pit mines in 1998. The low-grade open pit ore deposits in Idaho; Buffalo Gulch and Deadwood, are designed to use heap leaching processing method. Permitting is difficult for the heap leach assets mainly because of the cyanide used in the process. Concentration methods include gravity concentration and froth flotation. Both concentration methods are used in the Pampalo and US Grant processing facilities. Orogrande processing facility is designed to use froth flotation concentration method. In brief, the gravity concentration method relies on using gravity separators to separate particles based on their density while froth floatation relies on floatation machines to separate particles based on their hydrophobic nature.

Finland

Pampalo

Pampalo mine has been owned by multiple different companies throughout its history

The Pampalo gold mine is located in Eastern Finland, approximately 45 kilometers northeast of the municipality of Ilimantsi. Pampalo was first discovered by the Geological Survey of Finland (GTK) in 1990. After the initial discovery, Outokumpu Mining was the owner of the deposit from 1994 to 2003 until Dragon Mining (Polar Mining at the time) purchased the deposit. Dragon Mining held the deposit for less than five years as Endomines acquired the deposit in 2007. The first section of the Pampalo underground tunnel was mined during 1997-2003 by Outokumpu. Before the underground mine, Outokumpu operated the Pampalo open pit until 1998. Endomines commenced production in February 2011 after the mine construction project was completed in December 2010.

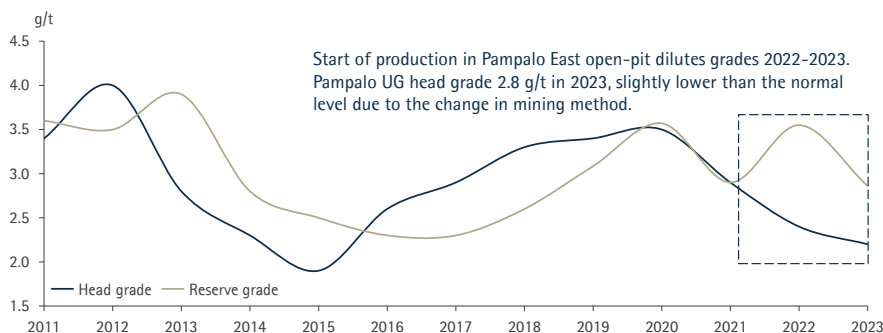
Production from 2011 to 2018, care and maintenance from 2018 to 2021

Endomines has historically produced approximately 10 000 to 20 000 ounces of gold per year from the Pampalo mine. Head grades have typically been between 2-4 gold grams per tonne of ore. The asset was put into care & maintenance in 2018 as the gold price levels at the time did not allow for economically feasible mining operation and did not support the investment needed to deepen the mine to a new production level. In 2019 gold prices started to increase from the low levels seen during 2015-2018 and in January 2021, Endomines started planning and preparations for the mine deepening because of the favorable price development.

Current market prices made production in the East open pit and investment into mine deepening profitable

The first production area of the deep ore zone was reached in November 2021 and ore production was started. In May 2022, the company announced that it will start production in the East pit. The ore in the East pit is significantly lower grade when comparing to the underground mine (1.2g Au/t vs. approx. 3.0g Au/t at the underground mine). Mining such low-grade ore is justified because of the current high spot gold prices and because open pit mining operations generally have lower cash cost. With ore production from Pampalo underground and open pit, the company's production amounted to 8 601 ounces in 2022.

Figure 5: Pampalo head grade vs. Pampalo reserve grade, 2011-2022 (reserve grade status at the start of the year)



Source: Endomines, Evli Research

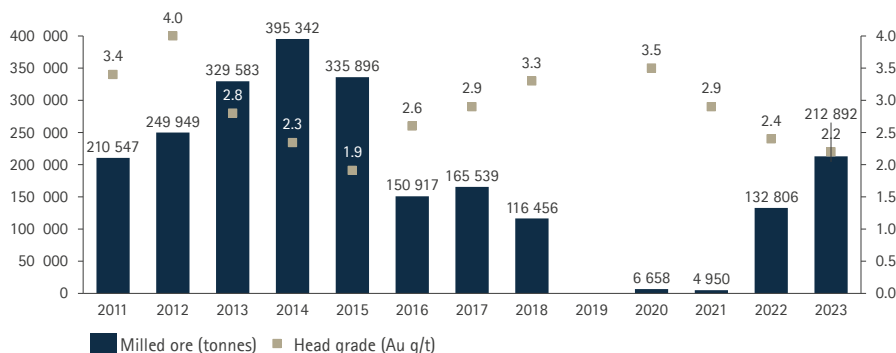
Production is trending up, aiming towards 20 000 ounces and beyond

Endomines increased its gold production in Pampalo by 49% to 12,790 ounces in 2023. The growth was impressive even though the company switched mining methods in the Pampalo underground mine during Q4 2023 which had a negative impact on the annual production. Endomines aims to reach a gold production level of 20,000 ounces at Pampalo processing facility by the end of 2024. In terms of total production, the company estimates that its gold production will increase by 15-35% from 2023 to roughly 14,700 – 17,300 ounces in 2024. The production growth is further supported by volumes from Hosko where the company began mining in February 2024.

Pampalo processing facilities capacity is 420 000 tonnes p.a.

Endomines owns a processing facility at the Pampalo site capable of processing ore from both the Pampalo mine and possible other satellite mines in the Karelian gold line. Construction of the Pampalo processing plant was completed in 2009, maximum capacity of the plant is 420 000 tonnes of ore per annum. The ore is processed with conventional processing technologies. The ore from the mine is transported first to the crusher where it is crushed into smaller grain size (under 13 millimeters). After crushing, the ore goes through milling where it is milled into <0.1mm grain size. After milling, based on grain size, the material is led to gravity or froth flotation from which it is finally moved into concentrate storage after dewatering. The processing facility is currently running well below the nameplate capacity as in 2023, the company processed a little over 210 000 tonnes of ore and hourly utilization was at 68%.

Figure 6: Pampalo historic milled ore tonnes & head grade 2011-2022

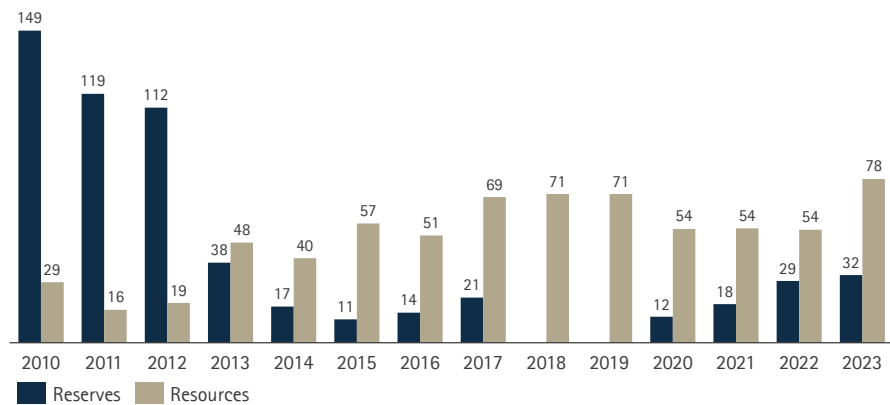


Source: Endomines, Evli Research

Geological work has been conducted by the previous owners

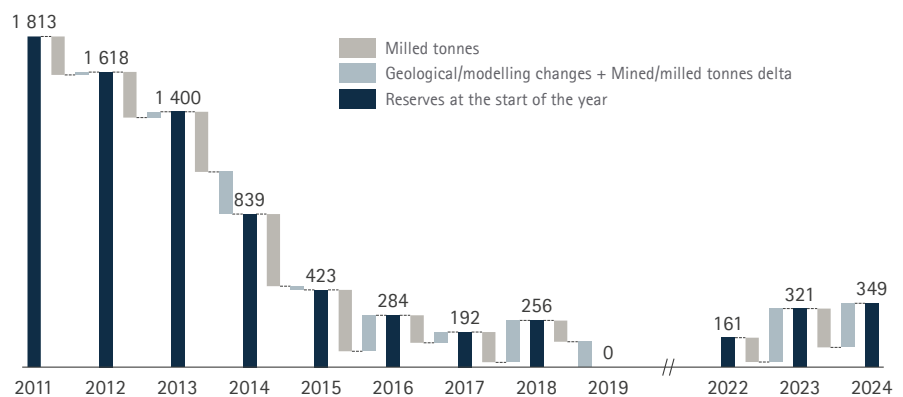
Pampalo, like the company's other projects in Finland, is located among a 40-kilometer-long section of the almost 300-kilometer-long Ilomantsi-Kostamuksha greenstone belt. After the initial discovery by GTK, Outokumpu Mining acquired the deposit in 1994. During the ownership period from 1994 to 2003, Outokumpu conducted core drilling at site as hundreds of holes were drilled both from surface and underground (approximately 12 780m of core drilling in total) and, as a result of the drilling, mineral resources were defined for the first time in Pampalo. Outokumpu also carried out a feasibility study in Pampalo and defined the first ore reserves at site. Construction of the Pampalo underground decline was initiated by Outokumpu in 1997. Dragon Mining (Polar Mining at the time) acquired the deposit from Outokumpu in 2003. Core drilling was continued during Dragon Mining ownership but to a lesser extent. Endomines acquired the deposit in 2007, the company has conducted extensive drilling and other detailed geological work at site since the acquisition. In 2018, the remaining reserves at the time were depleted and the Pampalo mine was put under care & maintenance until 2021. There was only a small amount of geological work done at the site during this period.

Figure 7: Historic development of Pampalo mineral resources and ore reserves 2010-2023, end of year, in thousands of ounces



Source: Endomines, Evli Research

Figure 8: Pampalo + Karelian Gold Line reserve development 1/2011-1/2023, in thousands of ore tonnes

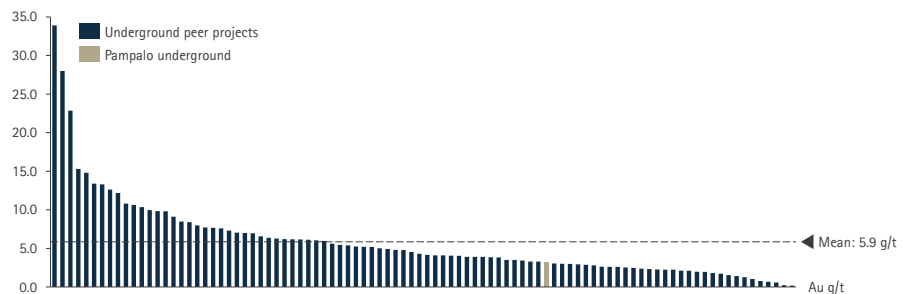


Source: Endomines, Evli Research

Underground drilling is conducted simultaneously with mining to identify the geology in the next production level

The total life of mine potential of Pampalo underground mine is hard to assess as Endomines conducts underground drilling simultaneously with mining to identify the geology in the next production level. This is cost effective for the company as there is no need to invest in an exploration tunnel but decreases the visibility beyond the next production level. Endomines has been able to increase Pampalo reserves every year from 2020 despite utilizing the deposit for production. In addition, the company has made promising discoveries substantially below the current production level. In March 2024, Endomines updated its ore reserve and mineral resource estimate for Pampalo. The current Pampalo reserves stand at 32 thousand ounces while resources are at 78 thousand ounces. Pampalo underground deposit continues to be open at depth and therefore there is still potential for new discoveries and an increase in life of mine. According to the updated depreciation method for Pampalo underground mine, the company assumes actual economic life to extend at least until the end of 2030.

Figure 9: Pampalo mineral resources and ore reserves average grade vs. average R&R grades of operating underground gold mines located in tier-one jurisdictions



Source: Evli Research, S&P Mineral Intelligence

The current Pampalo resources are of rather low grade when comparing against mine stage underground gold projects in North America, Europe, Australia and New Zealand (5.8 Au g/t vs. Pampalo reserves at 3.4g Au g/t and resources at 3.0g Au g/t). The open pit grades for the mine stage gold projects in North America, Europe, Australia and New Zealand are roughly 1.9 Au g/t, approximately 60% higher when comparing to Pampalo East open pit.

Karelian Gold Line

Endomines aims to define a >1m oz deposit

Endomines holds exploration permits in the Karelian Gold Line which is a 40-kilometer-long portion of an Archaean greenstone belt. The strategy released in August 2022 shifted the focus to the known satellite deposits and the exploration potential in the Karelian gold line. The company's goal is to define a deposit with more than 1 million ounces of gold resources by the end of 2025. Endomines aims to achieve this goal by focusing strongly on exploration efforts in the Karelian gold line.

Existing facilities enable fast and low-cost production of assets

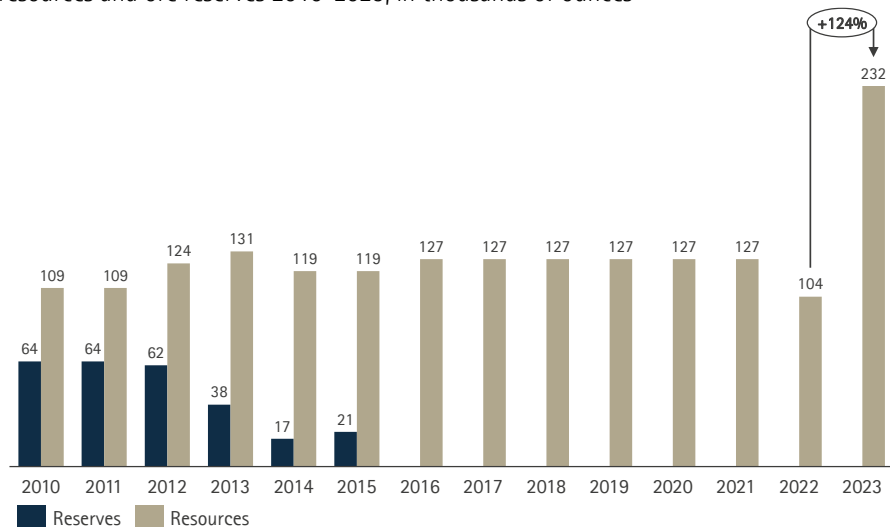
The other Karelian assets are located in the same gold line as Pampalo, both in the North and South side of the Pampalo mine. Rämepuro satellite deposit was in production from 2014 to 2016 producing nearly 200 000 tonnes of ore. A major benefit for the company's operations in the Karelian gold line is that the Pampalo mine and its processing plant are situated approximately in the middle of the gold line. Because of similar geology, ore from the Karelian gold line satellite deposits could be processed in the Pampalo processing facility. If a good and large enough deposit is found, the company could also consider constructing another processing facility in the Karelian gold line. Three of the satellite deposits in Karelian gold line have environmental permits (Hosko, Pampalo East and Rämepuro). As the deposits already have the essential infrastructure (processing facility in Pampalo, roads throughout the gold line) and half of the deposits have environmental

permits, the company could commence mining operations in the Karelian gold line fast and with low capital costs.

Production commenced in Hosko during Q1/24

Endomines utilized the option to start production on the permitted deposits in the Karelian gold line as production commenced in Hosko at the start of February 2024. The company has done prior work on Hosko as it has carried out a pilot plant processing test for the deposit. Endomines expects Hosko to contribute to roughly 10-20% of total production in 2024. The total mineral resources of Hosko are approximately 950,000 tons at a grade of 1.2 g/t gold, or approximately 36,300 ounces of gold. The mining will initially focus on the high-grade areas of the deposit.

Figure 10: Historic development of Karelian gold line (incl. Southern gold line) mineral resources and ore reserves 2010-2023, in thousands of ounces



Source: Endomines, Evli Research

Resources over doubled in 2023 with further exploration potential

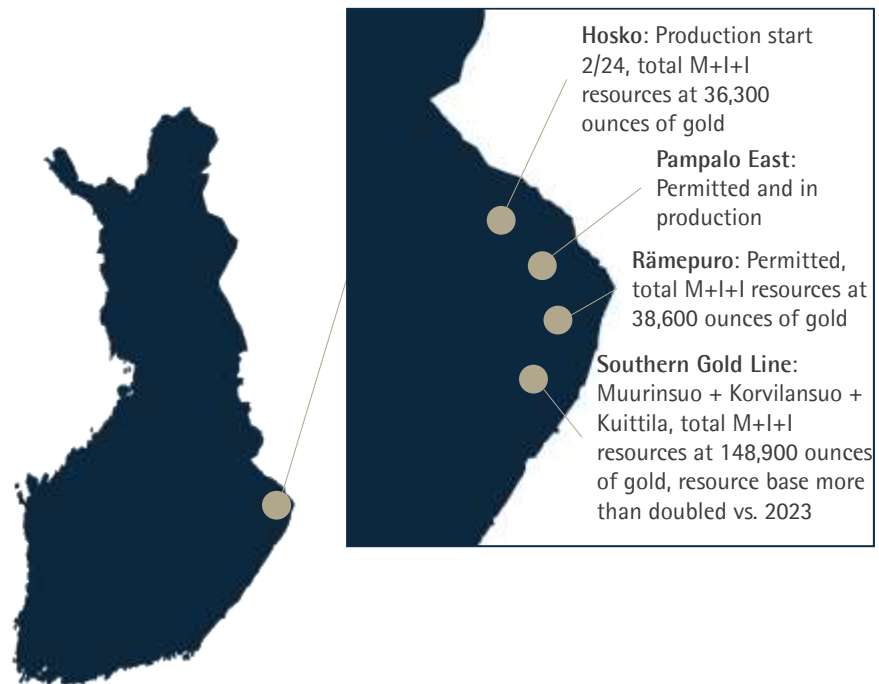
Current measured, indicated and inferred resources in the other Karelian projects (excl. Pampalo) are at roughly 232k oz of gold. The grades in other Karelian deposits are slightly higher than seen in the Pampalo open pit. Most of the measured and indicated resources in the Karelian gold line are located in Hosko, Muurinsuo and Rämepuro deposits. These deposits have further geological potential in addition to the current identified resources. The gold reserve and resource estimate update released in early 2024 was the first larger update on the Karelian gold line for a while. The exploration potential of the Karelian gold line is not limited to the deposits with current identified resources; Endomines has multiple exploration targets along the gold line and the area remains still largely unexplored. In addition to measured and indicated resources, the company According to Geological Survey of Finland, there is an over 50% chance of identifying a gold deposit of more than one million ounces in the Karelian gold line. Geological similarity can be found globally from known mining districts such as Kalgoorlie in Australia, Abitibi in Canada and Witwatersrand in South Africa.

Exploration has focused on Kuittila and Korvilansuo in 2023

Southern Gold Line

The exploration drilling in Karelian Gold Line focused to the Southern part in 2023. Endomines conducted exploration work in Korvilansuo and Kuittila. In Korvilansuo, the company has drilled 35 drill holes in 2023 of which 31 intersected gold-bearing zones with gold grade above the lower cut-off level of 0.4 g/t of gold. In Kuittila, Endomines drilled 33 holes of which all intersected gold-bearing zones. In addition to gold, some of the Kuittila drill holes intersected silver, molybdenum, zinc, lead and copper. Several of the drill holes encountered regions with high gold concentrations. With the exploration efforts of 2023, Korvilansuo's resources increased as much as 307 % and Kuittila's by 114 %. With the company's focus on the Southern part of the gold line, close proximity to each other and geological similarities, Endomines started to treat Muurinsuo-Korvilansuo-Kuittila as a one entity called the Southern Gold Line. Southern Gold Line currently has gold resources of close to 150,000 ounces (mostly inferred resources). We find the company's focus on the Southern Gold Line cluster positive as developing and permitting one larger deposit is more cost efficient and consumes less time when compared to multiple smaller satellite deposits. Exploration plan for 2024 in Kuittila is to expand the current mineralization footprint by 300-400%, Kuittila's resources stand currently at near 50k ounces.

Figure 11: Overview of satellite deposits in the Karelian Gold Line



Source: Endomines, Evli Research

United States

Endomines entered United States in 2018 by acquiring assets in Idaho

Through acquisitions and agreements, Endomines has developed a project portfolio in United States that consists of six projects in Idaho; Buffalo Gulch, Deadwood, Friday, Kimberly, Unity and Rescue (of which Unity is under lease contract) and two projects in Montana; US Grant and Kearsarge (of which Kearsarge is under a lease contract). Endomines expanded its operations in 2018 as it acquired five gold projects in Orogrande, Warren and Marshall Lake Mining Districts located Idaho, United States for a total consideration of USD 31.3m. In 2019, the company entered into a lease agreement with GoldSilver mines to lease the Unity mine located in the Warren district of Idaho. Unity is

located close to the company's Rescue deposit. Additionally, in late 2020, the company announced acquisition of US Grant & Kearsarge deposits in Montana, USA. Assets were acquired from Transatlantic Mining Corporation, total consideration amounted to approximately USD 12.4 million. The company's projects in the US are in various different development stages. Friday and Buffalo Gulch have resource estimates that are conducted in accordance with the NI 43-101 code. The company has not been able to advance the projects located in United States to a full-scale commercial production. In its 2022 strategy update, Endomines redirected its strategic focus towards Finland. The company's US assets are currently only being advanced through a partnership model. Initiating gold production from the US assets would necessitate further investment. The company's operational goal was to have a partnership agreement in the United States by the end of 2023. The goal was not met and Endomines continues to search for the best possible solution for the US operations.

Brief description of Endomines US deposits:

Friday

Friday is situated in the middle of the company's Idaho asset portfolio

Friday is an underground deposit situated in the middle of the company's five owned projects in Idaho. The Friday's planned production is approximately 7 000 - 9 000 ounces of gold p.a. and life-of-mine is approximately 7 years. Compared to Pampalo mine, Friday is expected to have much higher head grades (approx. 8g/t), higher recoveries (>90%) and lower cash cost (650-900 USD/Oz). During the last few years, Endomines has focused its efforts on Friday in the United States because of its later-stage development status. The original plan was that the mine would be commissioned in December 2018 and that the ramp-up would take place during early 2019. The mine has suffered from ramp-up issues during the last few years. In 2022, the mine was put on hold with minimal staff on site, as the company changed its to prioritize its Finnish assets.

Buffalo Gulch & Deadwood

Buffalo Gulch & Deadwood are low-grade open-pit heap leach projects

Buffalo Gulch is situated north of the Friday project; it is an open pit project with very low head grades (approx. 0.5g/t). Because of the low head grades, Buffalo Gulch project is designed to use heap leach processing. Heap leaching is a widely used processing technology in nickel, copper and gold production. Heap leaching has proved to be the most economical processing method especially for lower grade ores. In addition to Buffalo Gulch, heap leaching processing method is expected to be used in the Deadwood project with similar geology situated just south of the Buffalo Gulch project. Heap leach processing is more difficult to permit; in 2019 the company expected that permitting process for the Buffalo Gulch and Deadwood open pit projects would take 3-5 years. No modern testwork or feasibility studies have been conducted for Deadwood and Buffalo Gulch. Deadwood historic resources: 2 375 000 tonnes at 0.8 Au g/t and Buffalo Gulch NI 43-101 compliant resources: 8 873 000 tonnes at 0.5 Au g/t.

Rescue & Kimberly

Historic high-grade underground deposits

The company has classified the resource estimates of Rescue and Kimberly projects as historical as the estimates have not been conducted according to modern resource estimation standards. The Kimberly and Rescue projects are located south of Friday in the Warren and Marshall Lake mining districts. The assets are high grade underground deposits (Kimberly historic resources 261 000 tonnes at 19.2 Au g/t and Rescue historic resources 67 000 tonnes at 21.3 Au g/t). There exists significant exploration potential especially in the higher-grade underground deposits as the exploration efforts have been limited and poorly documented.

US Grant & Kearsarge

The company acquired Montana asset portfolio in 2020

Endomines project portfolio in Montana comprises of US Grant and Kearsarge projects which were acquired from TransAtlantic Mining Corporation in late 2020. Both the US Grant and Kearsarge underground mine projects are located in the Alder Gulch mining district in Montana. The assets were acquired for a total consideration of USD 12.7m. The US Grant project consists of a group of patented and unpatented claims (5 patented and 28 unpatented claims totaling approximately 2.1 square kilometers) within the Alder Mountain project in the Virginia City Mining District of Madison County, Montana. The Virginia City deposits were first discovered in 1863, the US Grant mine has been active historically for number of periods between 1864 and 1988. The more recent owners have kept the deposit under care & maintenance. The Kearsarge mine consists of 35 patented claims covering approximately 2.8 square kilometers. It is located 8 kilometers south of the US Grant mine. Based on a preliminary economic assessment (PEA) report published in 2016, mine life of US Grant is 3.6 years and gold production over life of mine 21 959 Oz. The report estimates that total recovery would be 86.5% and gold head grade roughly 4g/t on average. All-in-sustaining-cost for US Grant was estimated at 905 USD per gold ounce. The PEA was based on only 4 500 Oz of Measured + Indicated resources and 30 000 Oz of Inferred resources, these resources represent only roughly 20% of the total historic resources in the US Grant mine.

The deposits have not been adequately explored

US Grant and Kearsarge deposits are located in the Virginia City mining district dominated by crystalline metamorphic and related igneous rocks of the Precambrian Cherry Creek Formation. Similar to Rescue, Kimberly and Deadwood, the Montana resources are historic in nature. US Grant historical resources are 346 000 tonnes at 14.9 Au g/t (165 700 ounces, in addition there are roughly 4.47m ounces of silver according to historic resource estimate) and Kearsarge 4 100 000 at 3.0 Au g/t (381 000 ounces). US Grant and Kearsarge have exploration potential as both deposits are open to depth and along strike with traceable strike lengths of 1200m and 1000m respectively. The US Grant PEA study conducted by the previous owner concluded that the US Grant Mine property has not been adequately explored as the property has had only a limited amount of exploration drilling during its history.

Market

Supply

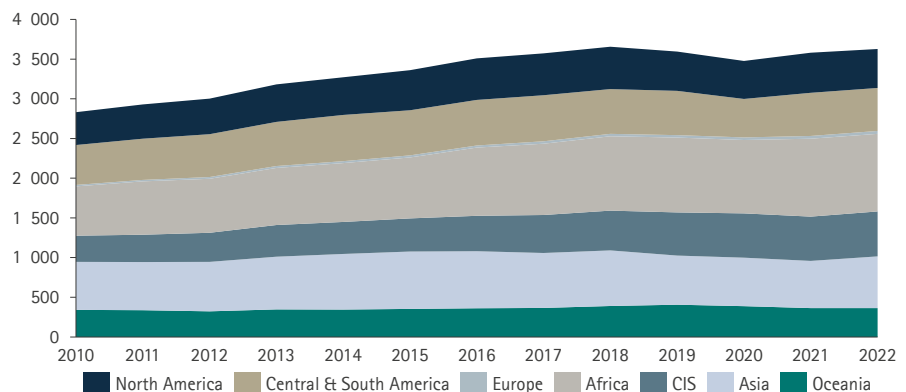
Finland is one of the largest gold producers in Europe, still small in global scale

Finland is relatively active in gold exploration; Finland had the second highest gold exploration budget after Sweden in Europe during 2023 (excl. Russia) with USD 75.3m according to S&P. Finland's share of the global gold exploration budget is small as the global gold exploration budget for 2023 was USD 12.8b. In 2023, 15 companies were active in gold exploration and production in Finland. Rupert Resources had the largest gold exploration budget in 2023 in Finland with USD 18.6m. Rupert Resources is currently developing its Ikkari project in Northern Finland. Other active companies included Agnico Eagle, Aurion Resources, FireFox Gold, B2 Gold, Dragon Mining and Mawson Gold. According to data by GTK and Finnish Safety and Chemicals Agency, there were five mines active and producing gold in Finland in 2022: Kittilä (Agnico Eagle), Jokisivu (Dragon Mining), Kevitsa (Boliden), Pampalo (Endominex) and Sotkamo (Sotkamo Silver). Out of these five, only three (Pampalo, Kittilä and Jokisivu) had gold as the primary product. Finland's share of the global gold supply is very minimal, less than one percent. When comparing to other European countries, Finland has the second highest gold production, slightly behind Bulgaria.

United States was the 5th largest gold producer in the world in 2023

United States had the third highest exploration budget globally with 837m USD in 2023. The most active companies in gold exploration in United States are global gold mining industry giants such as Barrick Gold, Newmont and Kinross. There are many companies active in gold exploration in both Idaho and Montana and the majority of the exploration activity is focused on areas where gold has been historically produced. According to United States Geological Survey (USGS), in 2023, there were more than 40 lode mines, several larger placer mines and numerous smaller placer mines in the United States producing gold. Gold mine production in 2023 was estimated to be approximately 170 tons, which is roughly 5% of the total global production. Idaho and Montana have not been the most active states in recent years for gold mining. To our knowledge, there is currently one gold producing mine in Idaho; Golden Chest mine which is owned and operated by Idaho Strategic Resources. Golden Chest is an open-pit and underground mine with annual production of approximately 5000 Oz of gold and cash cost of 1200 USD/Oz. There are currently no active larger gold mines in Montana, in 2019, the last active mine Golden Sunlight owned by Barrick Gold was shut down. According to the USGS, in 2022, Nevada was the leading gold-producing state producing over 70% of the total supply of the United States. In addition to Nevada, Alaska is an important gold producing state.

Figure 12: Development of gold mine supply, 2010-2022, tonnes of gold



Source: Metals Focus, Evli Research

European supply growing quickly, albeit from a relatively small base

During 2011-2022, gold mine production increased 2% per year. The highest production increase was seen in Europe, as production increased over 6% per year. Although growing fast, European production was just under 1% of the total global output in 2022. The world's largest continent for gold production, Africa, decreased its production by 1% in 2022. Africa produced nearly 30% of the global gold output in 2022. The most important African gold producing countries are South Africa, Mali, Burkina Faso and Sudan.

Recycling is an important part of total supply

Besides mining, about a quarter of the total supply comes from recycling. The main source of recycled gold (at least 90% according to World Gold Council) is gold jewellery. Gold recycling is a notably more agile source of gold when comparing to mine production, because of the responsiveness, recycled gold helps to keep the global gold market in balance. During 2011-2023, recycling supply has decreased from over 1600 tonnes in 2011 to over 1200 tonnes in 2023. The decrease is mainly due to decreased gold prices, in 2011, the gold market witnessed nearly all-time high gold prices that reached well over 2000 USD/oz. As a result of the higher gold prices in 2023, recycling supply increased by 9% y/y. According to WGC, gold price is the main driver for recycling as gold price changes account for approximately 75% of annual changes in recycling output.

Demand

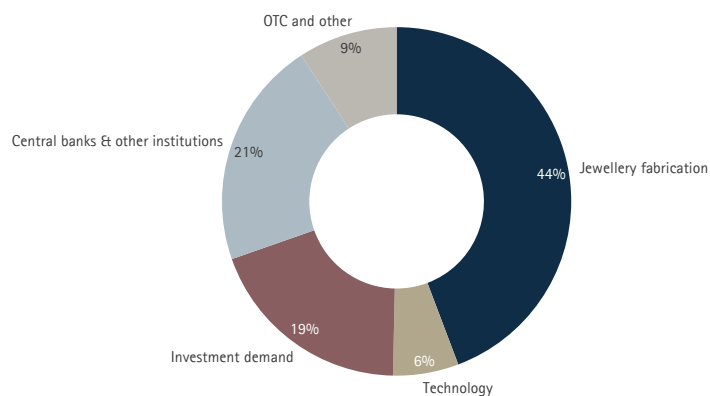
Jewellery is the largest end-market, India and China being the most important markets

Gold demand is divided into four categories: jewellery, investment, technology (or industrial) and central bank demand. The most important end market for gold is jewellery fabrication. China and India are the two most important countries for gold jewellery demand. Historically, India has been the largest market for gold jewellery, but in the recent years, China has caught up and even surpassed India as the largest buyer in some years. In 2023, India and China together accounted for over half of the total demand. Other important regions for gold jewellery demand are the Middle East and Northern America. Gold jewellery demand has been historically rather steady between 2000-2700 tonnes of gold during the last decade. In 2020, gold jewellery demand experienced a sharp decline of 38% y/y as COVID-19 hit consumer confidence globally, in 2021 the demand normalized to levels seen before COVID-19.

Investment demand is roughly one fourth of the total demand

End-use as an investment is the third biggest demand area for gold. Investment end-use includes demand for gold coins, bars, ETFs and similar gold backed securities. Global investment demand for gold in 2023 was 945 tons or 19% of the total demand. Investment demand has decreased drastically from the 2020 highs when it was 1770 tonnes of gold. A major reason for the decrease in demand has been the decrease in gold demand from ETFs and similar gold linked investment vehicles.

Figure 13: Gold demand in 2023 by end-use category, tonnes of gold



Source: World Gold Council, Evli research

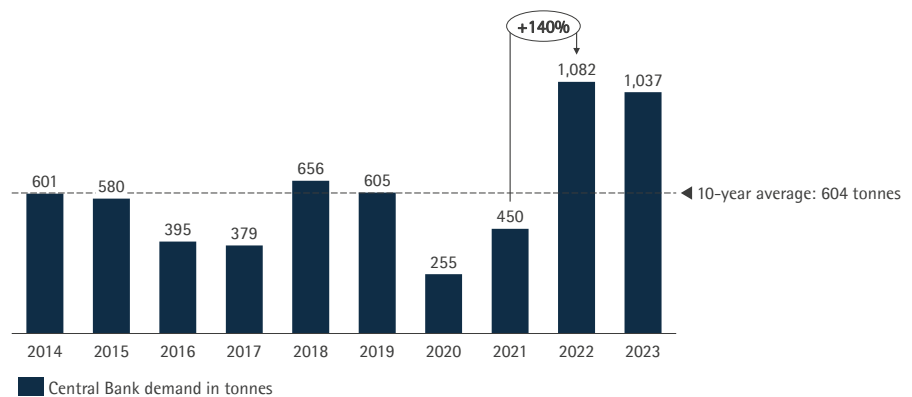
Technology is the smallest end-use of gold and shrinking further

Technology demand was just 6% out of the total demand in 2023. The trend for gold usage in technological devices has been on downward trajectory throughout the recent history. Major reason for this is the relative high price of gold, therefore, companies are incentivized to decrease the usage of gold in technological devices produced.

Record central bank buying in 2022 & 2023

Central bank demand in 2023 was roughly 21% out of the total gold demand globally. The central bank demand more than doubled in 2022 as in 2021, the central bank demand was approximately 10% of the total demand. Central bank buying in 2022 was the highest on record according to World Gold Council. The main drivers behind the record central bank demand were geopolitical uncertainty and high inflation. The main buyers in 2022 were emerging market central banks, namely Turkey and China. Central bank demand is mainly driven by the need of global central banks to diversify their reserves.

Figure 14: Gold demand by central banks, tonnes of gold

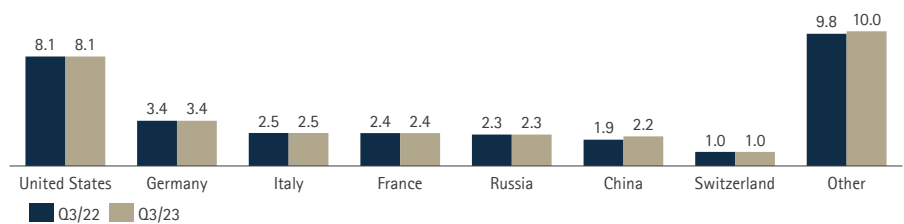


Source: World Gold Council, Evli research

Emerging market central banks have been net-buyers

When looking at the central bank reserve trends, the largest emerging market central banks have been net buyers during 2023. Largest increase y/y have been witnessed in for example China, Poland and Libya where the central bank reserves have increased by 12%, 46% and 26% respectively. According to data by the WGC, 2023 presented China's highest single year of reported gold reserve additions since at least 1977. In addition to these three emerging market countries, Singapore added a further 77 tons to its gold reserves.

Figure 15: Q3 2023 vs. Q3 2022 Central bank gold reserves in thousands of tonnes



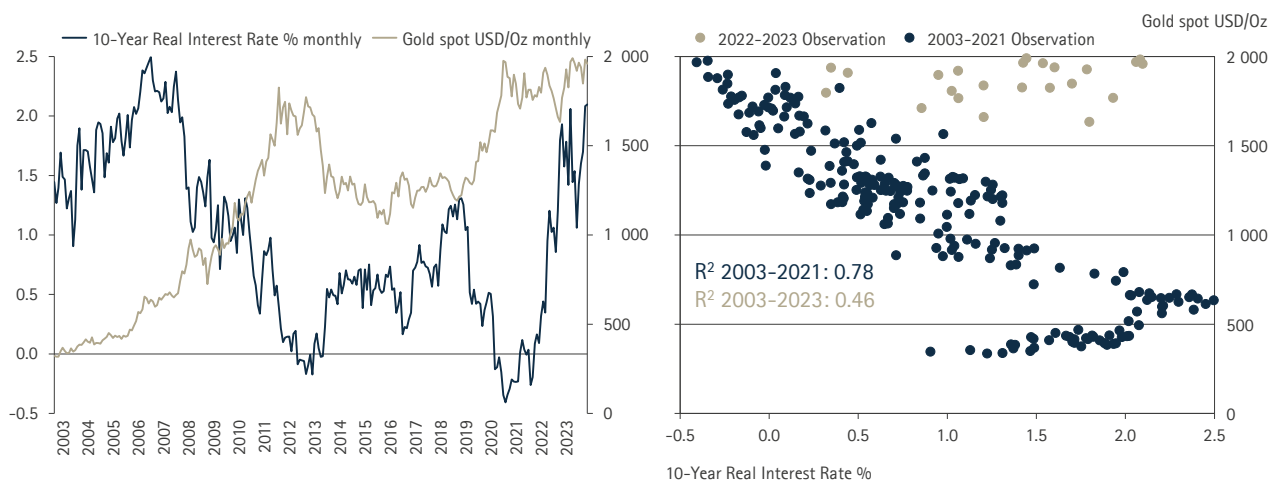
Source: World Gold Council, Evli research

Pricing

Gold price is driven by daily trading

Gold price is quoted by the ounce in USD, gold spot price is driven by daily gold trading. The bulk of daily gold trading occurs in the London OTC market (Loco) and various futures exchanges such as COMEX and SHFE (Shanghai Futures Exchange). Compared to many other commodities, gold has a high stock to flow ratio meaning that the above ground gold stock is much larger than yearly output from gold mines. According to WGC, total above-ground stocks at the end of the 2023 were 212 582 tonnes of gold (while mine output was 3 644 tonnes; 58x stock to flow ratio). Gold above-ground stock consists of gold in the form of jewellery (45% of above ground stock), bars and coins (22%), gold held by central banks (17%) and other (15%). Because of high stock to flow ratio, in short term, the trading of above ground stock drives gold pricing rather than mine output fundamentals.

Figure 16: Gold spot USD/Oz vs. US10y Real Interest Rate Constant Maturity

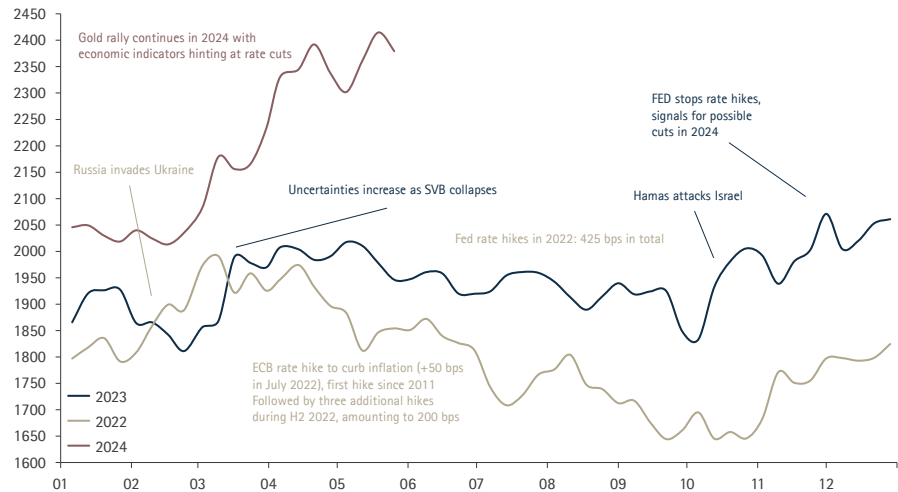


Source: Bloomberg, FRED, Evli Research

Gold price is affected by various factors: political and financial turmoil, interest rates and inflation among others

The sentiment in the daily trading of gold fluctuates due to political and financial turmoil and changes in factors such as currency exchange rates and real interest rates. Gold has historically performed well during political and financial turmoil; therefore, gold is also considered as a safe-haven asset. During the first phase of COVID-19 in 2020, gold was trading at all time high levels, in March 2022, as Russia started war against Ukraine, gold price hit 2050 USD/Oz. In October 2023, following the Hamas attack on Israel, gold breached 2000 USD line again. On the other hand, the attractiveness of gold as a safe-haven asset depends on the opportunity cost of holding gold. High real interest rate environment makes holding gold less desirable as fixed income instruments provide investors with competitive low-risk steady cash flow. Gold has historically had an inverse relationship against real interest rates (see figure 17). During 2022-2023, the real rates increased at rapid rate as the FED and ECB have hiked rates. Even though the real rates have increased, the gold price has not moved down accordingly, the likely reason for the current dislocation is geopolitical tensions and high central bank demand witnessed during 2022 and 2023.

Figure 17: Gold price development has been driven by central banks decisions and geopolitical tensions during 2022-2024, gold price USD/oz

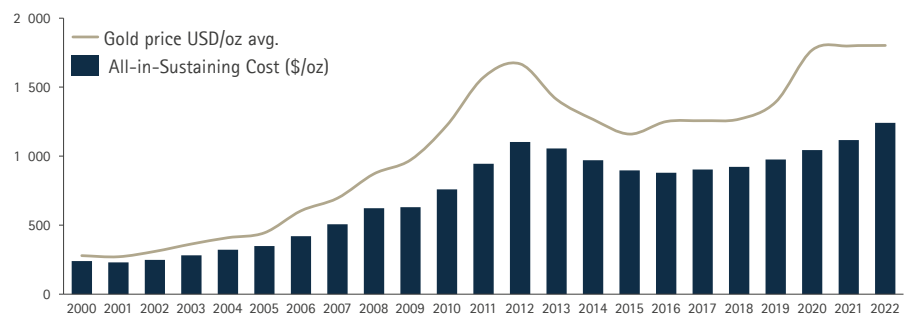


Source: Bloomberg, Evli Research

Gold prices are currently at all time high levels enabling higher margins despite cost inflation

Throughout 2022-2023, the Federal Reserve and the European Central Bank raised interest rates in an attempt to control inflation. However, in spite of these unprecedented rate increases, the price of gold has stayed elevated due to escalating geopolitical uncertainties. Gold is currently trading at over 2100 USD/Oz, current price is well over the 1000-1400 USD/Oz range where gold traded from 2014 to 2019. Gold miners are very profitable at the current gold price levels as the average total cash cost globally is roughly 1000 USD/oz and all-in-sustaining cost roughly 1300 USD/Oz. The industry has seen the highest global cash margin levels in history from 2020 to 2023, even though the production costs per ounce have increased in accordance.

Figure 18: Gold price vs. avg. AISC globally 2000-2022



Source: S&P Mineral Intelligence, Evli Research

Industry M&A overview

of larger completed gold deals down y/y during 2023

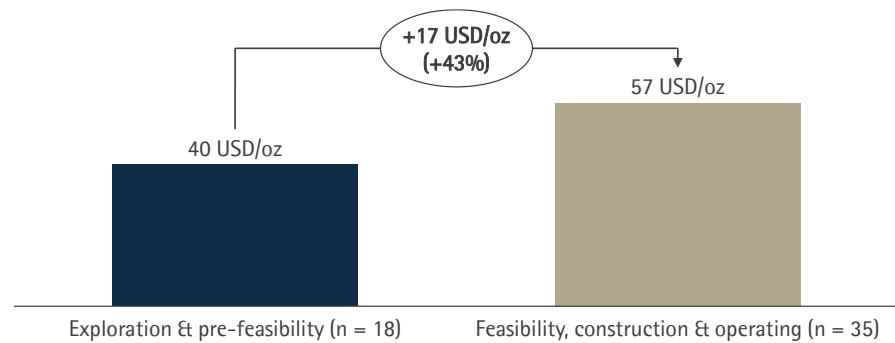
The higher gold prices in 2020-2023 have helped gold mining companies increase their margins and improve cash flow. The development has led to improved balance sheets across the sector. Higher balance sheet flexibility coupled with industry fragmentation and depleting resource base has kept gold deal activity high during 2020-2023. As the trends persist, the gold M&A activity is likely to remain at a relatively high level in 2024. According to data by S&P, there were 22 (deal value >10m USD) gold company deals completed (excl. asset purchases) in 2023 in Europe, North America, Australia and New Zealand with median deal value of roughly USD 66m and price paid per ounce of resources and reserves of 49 USD/oz. Activity was down from 2022 when there were 45 company deals completed with median deal value of roughly USD 73m and price paid per ounce at 56 USD/oz (price paid per ounce of resources and reserves gold equivalent). Including property deals, there were 29 (deal value >10m USD) deals in Europe, North America, Australia and New Zealand with median deal value of roughly USD 64m and price paid per ounce of resources and reserves of 53 USD/oz in 2023 while in 2022 there were 56 deals with median deal value of 65m USD and median EV/R&R of 61 USD/oz.

Price paid per ounce of gold equivalent is a rough metric

The price paid per ounce differs between the transactions quite largely and is not entirely dependent on the development stage of the target properties. While the valuation per ounce of R&R is typically the lowest in projects which are in the earlier development phases such as exploration and pre-feasibility study phases, the metric is crude as it doesn't consider the unique characteristics of a deposit. For example, some exploration phase deposits might earn higher valuation per ounce of R&R due to the exploration potential of the project.

Figure 19: USD/R&R oz, transactions completed 2022-2023 where deal value and R&R are known, by development stage

Rule of thumb: more developed projects command a premium



Source: S&P, Evli Research

Only handful of transactions completed in Finland and Idaho & Montana 2022-2023

There has been no larger gold M&A transaction completed in Idaho or Montana during 2022-2023. The largest transactions by deal value have been roughly 1-5m USD as most of the transactions have been single property deals or deals on claims or royalties. Similarly, the gold M&A market has remained quiet in Finland as only four gold property deals were completed in Finland during 2022-2023.

Table 1: Largest gold transactions 2022-2023 where deal value is known, deal value in mUSD

Seller	Buyer	Target properties	Completion	Deal value	Price Paid per oz of R&R Au eq. (USD/oz)	Development Stage(s)
Newcrest Mining Ltd.	Newmont Corp.	Various	10/23	24 803	185	Various
Musgrave Minerals Ltd.	Ramelius Resources Ltd.	Various	09/23	201	231	Prefeas/Scoping, Target Outline
St Barbara Ltd.	Genesis Minerals Ltd.	Gwalia	06/23	774		Expansion
Tulla Resources Plc	Pantoro Ltd.	Maybell, Norseman	06/23	117	47	Operating, Reserves Development
Breaker Resources NL	Ramelius Resources Ltd.	Lake Roe, Ularring	05/23	132	79	Exploration, Prefeas/Scoping
Osisko Mining Inc.	Gold Fields Ltd.	Windfall East	05/23	634		
Sabina Gold & Silver Corp.	B2Gold Corp.	Various	04/23	1 044	114	Construction Planned, Exploration
Yamana Gold Inc.	Investor Group	Various	03/23	4 836	98	Various
Cornerstone Capital Rsrc Inc.	SolGold Plc	Various	02/23	140		Feasibility Started, Target Outline
Dacian Gold Ltd.	Genesis Minerals Ltd.	Various	02/23	124	49	Various
Maverix Metals Inc.	Triple Flag Precious Metals	Various	01/23	583	63	Operating, Target Outline
Coeur Mining Inc.	AngloGold Ashanti Ltd.	Sterling	11/22	200	219	Advanced Exploration
Great Bear Royalties Corp.	Royal Gold Inc.	Great Bear	09/22	196		Target Outline
Petropavlovsk PLC	UMMC-Invest JSC	Various	09/22	619	32	Various
Gold Standard Ventures Corp	Orla Mining Ltd.	Various	08/22	238	88	Various
DGO Gold Ltd.	Gold Road Resources Ltd.	Various	08/22	254		Target Outline
Centerra Gold Inc.	Kyrgyzstan	Kumtor	07/22	972	76	Operating
IG Tintic LLC	Osisko Dev. Corp.	Tintic	05/22	136		Operating
Orca Gold Inc.	Perseus Mining Ltd.	Meyas Sand	05/22	204	85	Feasibility Complete
Bardoc Gold Ltd.	St Barbara Ltd.	Various	04/22	156	51	Various
Amarillo Gold Corp.	Hochschild Mining plc	Lavras do Sul, Mara Rosa	04/22	156	91	Advanced Exploration, Feasibility Comple
Pretium Resources Inc.	Newcrest Mining Ltd.	Various	03/22	3 465	353	Operating, Target Outline
Waterton Global Resource Mgmt	Centerra Gold Inc.	Goldfield	02/22	207	131	Feasibility Complete
Great Bear Resources Ltd.	Kinross Gold Corp.	Various	02/22	1 824		Target Outline
Kirkland Lake Gold Ltd.	Agnico Eagle Mines Ltd.	Various	02/22	13 424	233	Various
Sabina Gold & Silver Corp.	Wheaton Precious Metals Corp.	Back River	02/22	125		Construction Planned
Golden Star Resources Ltd.	Chifeng Jilong Gold Mining Co.	Various	01/22	583	34	Various
Corvus Gold Inc.	AngloGold Ashanti Ltd.	Various	01/22	444	130	Operating, Prefeas/Scoping
Fiore Gold Ltd.	Calibre Mining Corp.	Various	01/22	186	59	Various
Glencore plc	Evolution Mining Ltd.	Ernest Henry	01/22	1 000		Satellite
Median				246	88	

Source: Mergermarket, S&P, Company presentations, Evli Research

Financials

The company has not been able to post positive earnings after 2012

The company has had difficulties with profitability throughout its history. During the Pampalo operational years 2011-2018, the company was able to reach positive EBITDA in 2011 (SEK 22.8m), 2012 (SEK 88.7m) and 2014 (SEK 5.5m). The year 2012 was the company's best operationally as also the net profit and free cash flow were on the positive side. The reason for strong financial results were higher head grades, improved mining methods and high gold prices. Endomines has not been able to post positive net earnings after 2012 because of the operational issues and lower gold prices.

Ramp-up issues in the US have overshadowed the company's operations during the recent years

During the recent years, Endomines has faced challenges due to its expansion efforts in the United States not unfolding as anticipated, particularly with the development of the Friday mine in Idaho. The focus on the U.S. market, coupled with the operational challenges encountered there, resulted in limited production between 2019 and 2021. With virtually no production, the company's operations remained loss-making. With the new management, the company's focus has shifted back to Finland. In 2021, the Pampalo mine was deepened into a new production level according to plan and in December 2021, mill maintenance was successfully completed. With the efforts made to restart production in Pampalo, the company's production picked up in 2022 as Pampalo produced 8 496 ounces of gold. Still, as the production figures were relatively low and the US operations unprofitable, the group profitability was negative.

2023 provided promising signs from Pampalo

In 2023, Endomines produced 12 790 ounces of gold with 49% y/y growth. Most of the volume came from the company's underground mine in Pampalo while the East open pit supported the total volumes. The group EBITDA was negative EUR 0.7m yet included EUR 2.0m of non-recurring expenses related to production method change in Pampalo and preparatory work in Hosko. Excluding these expenses, the company's EBITDA was positive for the first time since 2014.

Revenue

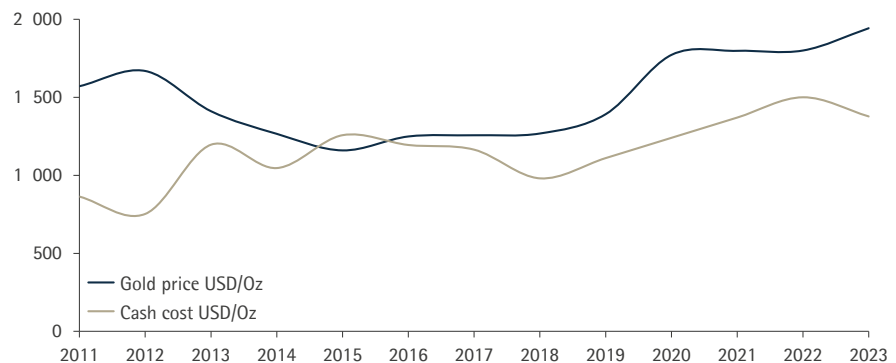
Endomines revenue generation is affected by volumes and payability

Endomines revenue generation is affected by many variables such as the ore mined, gold head grades, ore milled, recoveries at processing plant and payability of the gold concentrate product. Before acquisition of assets in United States, Endomines was practically a single-asset company with 100-400k tonnes of milled ore from Pampalo mine and approximately 10 000 – 25 000 Oz of gold produced annually. Currently, the company is utilizing ore from the Pampalo underground and open-pit deposits, in Q1 2024, the company started production from the Hosko deposit.

Pampalo has historically produced roughly 10-25k of gold p.a.

Grades at Pampalo have historically hovered around 2-4 Au g/t, while recoveries have been around 82-87%. Pampalo gold production peaked in 2012 at 27 860 Oz, the production was reached by milling 250 000 tonnes of ore. In comparison, in 2014, the company milled nearly 400 000 tonnes of ore yet, gold production was only 24 497 Oz. Even though milled ore tonnes in 2014 were 58% higher, gold production was 12% lower. This highlights the importance of gold head grade in the ore and the recovery levels in processing facility; head grade in 2014 was 2.3 Au g/t when in 2012 head grade was 4.0 Au g/t, similarly, gold recovery in 2014 was 82.1% when in 2012 recovery was 86.1%. The current target for the company is to reach 20 000 ounces of production. Production from other sources depends on the successfulness of the company's exploration efforts and permitting in the Karelian gold line. Currently, the areas in production in addition to the Pampalo underground mine include the East open pit and Hosko satellite deposit.

Figure 20: Pampalo historic cash cost vs. average gold price 2011-2023



Source: Endomines, Evli Research

Gold price is an important factor for the company's revenue

Besides the operational factors (life of mine, ore mined, ore milled, head grades, recoveries) affecting the company's revenue generation ability, gold price is arguably the most important factor. Gold prices were at relatively high levels during the first two years of production in Pampalo, high gold price levels combined with favorable operational performance (high head grades, strong recoveries) led to record revenue of SEK 235m in 2012. During 2013 gold prices started to decline and stayed at relatively low levels from 2014 to 2019. In 2015, as gold prices were at low levels, the company announced the start of selective mining of higher-grade areas in order to improve the profitability of the mine. Because of selective mining, the mined ore volumes from 2016 to 2018 were significantly lower when comparing to the years where the focus was not on head grade. Currently gold prices are above levels seen in 2011-2012, therefore the company can mine lower grade deposits such as the Pampalo East open pit mine and Hosko.

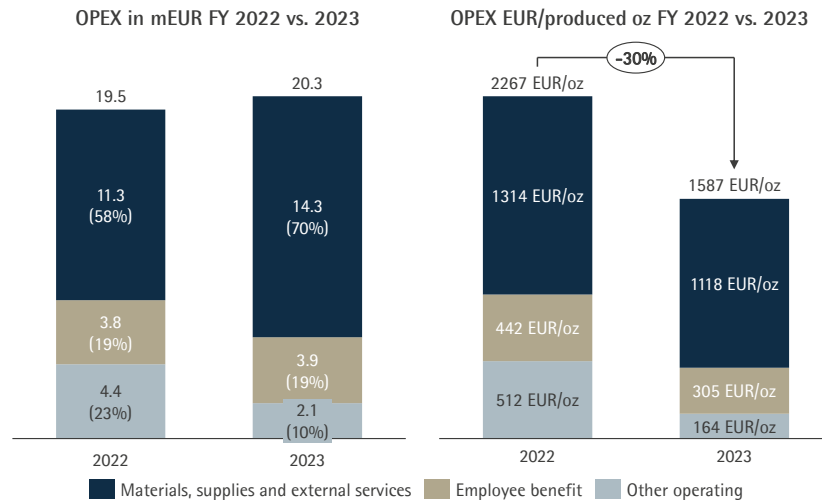
Endomines final products are gravimetric and flotation gold concentrates

Endomines' final product is gold concentrate that is sold to refiners. The refiners demand a processing fee/treatment charge from the refining process, so the price of gold concentrate produced by Endomines does not equal to refined gold spot price. The payability percentage of Endomines gold concentrate from Pampalo has not been disclosed, historically clients have included K.A. Rasmussen from Norway for the gravimetric concentrate and Boliden Harjavalta for the flotation concentrate. In 2020 the company signed agreement with H&H Metals regarding Friday gold flotation concentrate where payability percentage was set to 95%. In November 2023, Endomines renewed its gold concentrate sales agreement with Boliden, in addition to gold, the contract covers silver and copper that may be found in the concentrate.

Cost

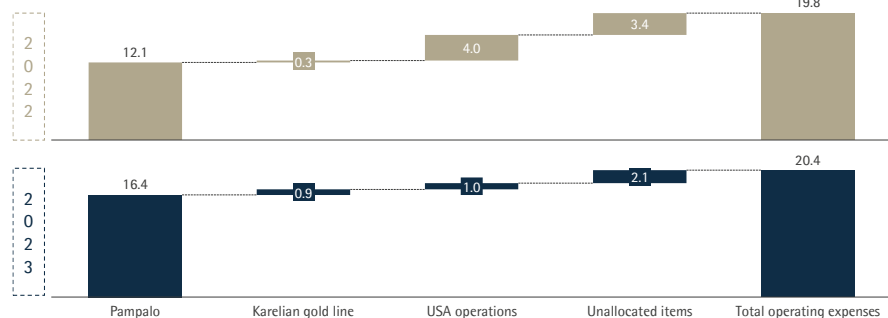
Endomines did not produce practically any gold concentrate during 2019-2021. When looking at the years when the Pampalo mine was operational, subcontracting production costs, personnel costs and raw materials costs were the biggest cost items. In 2022 and 2023, as the company produced 8 601 and 12 790 ounces of gold respectively, the largest OPEX item were materials, supplies and external services which comprised 70% of total operating expenses in FY 2023. Comparing the group-wide operating expenses to gold production volumes, expenses per ounce decreased 30% in 2023 despite the Q4 non-recurring costs of EUR 2m.

Figure 21: OPEX FY 2022 vs. 2023 by item in absolute terms and by EUR/oz



Source: Endomines, Evli Research

Figure 22: Endomines operational cost development by segment 2022 vs. 2023



Source: Endomines, Evli Research

The annual expenses in the United States have gone down to around EUR 1m

TCC and AISC are typical cost measures for mining companies

Total cash cost (TCC) and all-in sustaining cost (AISC) are commonly used metrics in the metals & mining industry to benchmark and demonstrate the costs of operations. TCC consists of mining costs, ore processing costs, mine site general & administrative costs and royalty & production tax costs. Potential by-product credits/revenues are deducted from the TCC. In addition to the cost items included in TCC, AISC includes corporate overheads, reclamation costs, exploration costs and sustaining capital expenditure. The Pampalo mine has historically operated at total cash cost of roughly 1200 USD/Oz. According to S&P the median estimated total cash cost for both underground and open pit gold mines in 2022 is estimated to be little over 900 USD/Oz. Pampalo's relatively high TCC is based mainly on relatively low head grades for underground mining. According to WGC, gold head grades between 1.0 – 4.0 Au g/t are considered lower quality underground deposits.

Cost inflation puts pressure on gold miner margins

The current inflationary environment has affected gold miners as prices of input costs such as energy, wages and consumables have increased. According to Metals Focus, the gold miners' global average AISC was at USD 1315 per ounce in Q2/23, growing roughly 6% y/y. The costs for gold miners have been on an upward trend since the start of 2021. Despite the cost inflation, the gold miners' average margins are still at near all-time high levels driven by the higher gold prices.

Balance sheet

Endomines has issued stock and agreed to numerous financing agreements during the last few years

The company's liquidity situation has remained tight during recent years as issues in the Friday ramp-up have dampened profitability and cash flow generation. During the last years, Endomines has frequently raised additional financing to fund acquisitions, asset development and exploration activities. The company has been able to secure financing by raising funds through share issues and loan instruments offered for Nordic institutional investors. In addition to the current owners, Endomines made a financing agreement with LDA Capital in 2021 yet in late 2023, the company redeemed the convertible loan agreed with LDA Capital ahead of schedule. After the redemption, the funding is concentrated to the company's long-term shareholders. Terms for financing have been tight and the annual interest rates for loan facilities have been in the range of 10-12% per annum. In addition to interest, the loans are convertible meaning that they present a dilutive effect if exercised.

Current convertible loans outstanding

At the end of FY 2023, Endomines had EUR 16m worth of convertible loans in its balance sheet. In early 2024, the company agreed on further EUR 3.8m convertible with its current owners.

- **Convertible loan up to EUR 3.8m 3/24**
 - Use case: Expansion of exploration in the Southern Golden Line, as well as for general business needs.
 - Investors: Current owners of Endomines
 - Terms: Maturity of 48 months, annual interest rate of 10%, loan can be converted to Endomines shares at the earliest 12 months after the date of withdrawal of the loan. Conversion price: average market price calculated at the share's closing price during the 10 trading days preceding the day of the exchange request, minus 18%. Interest is payable at the end of the contract.

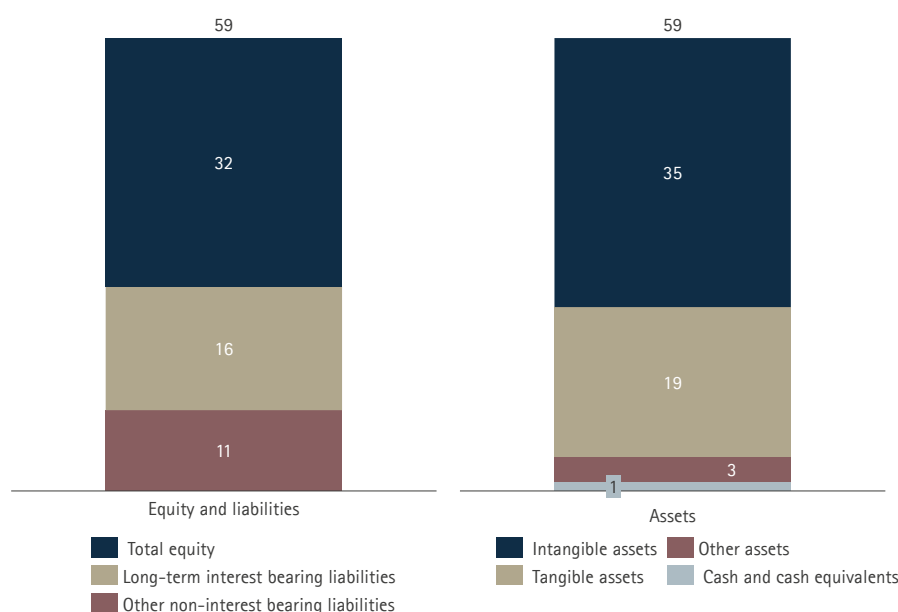
- **Convertible loan up to EUR 3.2m 11/23**
 - Use case: To advance strategic projects according to plans, i.e. exploration in the Karelian Gold Line
 - Investors: Current owners of Endomines
 - Terms: Maturity of 36 months, annual interest rate of 10%, loan can be converted to Endomines shares at the earliest 12 months after the date of withdrawal of the loan. Conversion price: average market price calculated of the daily closing market prices during the applicable pricing period with a deduction of 15 per cent. Interest is payable at the end of the contract.

- **Convertible loan of up to EUR 3.6m 6/23**
 - Use case: To start production at Hosko and to increase production at the Pampalo underground mine
 - Investors: Group of Finnish investors
 - Terms: Maturity of 36 months, can be converted wholly or partly into Endomines shares 24 months after the drawdown date. The subscription price for the first EUR 1.8 million convertible loans is the average share price for the period 15.5.2023–15.6.2023 reduced by 15% (EUR 3.51 per share). The subscription price of the optional second convertible loan is the average share price for the period 1.9.2023–30.9.2023 reduced by 15% (EUR 3.36 per share).
 - Other: Both of the tranches have been drawn

- **Convertible loans of EUR 10.8m during 2021-2022**
 - Use case: To improve the company's balance sheet and to finance ramp-up of Pampalo and Friday and exploration activities in the Karelian gold line
 - Investors: Group of Finnish investors
 - Terms: Interest rate of 10% per annum. Conversion price of EUR 5.44 per share.
 - Other: Endomines has agreed with a group of Finnish investors to extend the convertible loans, issued in 2021 and 2022, by three years. The loans and related interest are now due in 2027 (prev. 2024).

The current share price of Endomines is considerably higher when compared to the conversion prices of the historic convertible loans of EUR 10.8m and EUR 3.6m. According to our calculations, the dilution effect from these convertible loans is roughly 3 million shares when fully converted. The EUR 3.6m convertible loan which was used to start production at Hosko and to increase production at the Pampalo UG mine can be converted 24 months after the drawdown date (6/25). In addition, the company has two convertible loans outstanding, worth EUR 3.8m and EUR 3.2m, which have conversion price tied to the share price with discounts of 18% and 15% respectively. At the current share price and the discount associated with the convertibles, the dilution effect would be roughly 1.3m shares. The EUR 10.8m and EUR 3.2m convertible notes are eligible for conversion during 2024, with the current share price, full conversion of the notes would result in roughly 2.5m new shares and the dilution effect would be roughly 20%. Endomines has also raised capital by share offerings in recent years. In 2022, the company completed its listing on Nasdaq Helsinki and issued 2.6m new shares to support its growth strategy in the Karelian gold line. The number of shares outstanding for the company has increased threefold over the last three years. In addition to share issues, the share count has increased as a result of conversions of convertible loans. By the end of FY 2023, Endomines had 9.8m shares outstanding, compared to 3.2m shares outstanding at the end of 2020 (incl. reverse split).

Figure 23: Endomines balance sheet composition at the end of FY 2023, mEUR

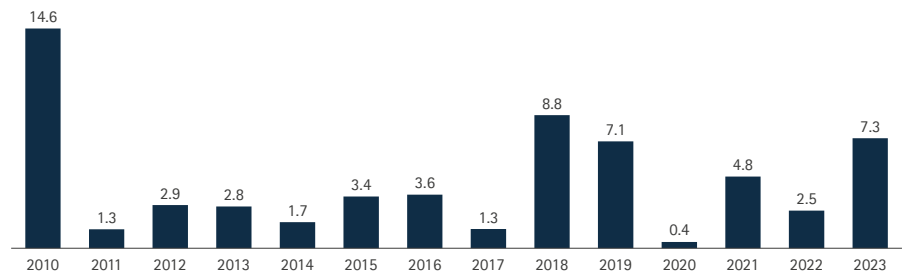


Source: Endomines, Evli Research

Endomines CAPEX consists of mine development and gold exploration

Endomines assets are mostly fixed which is typical for a mining company, over half of Endomines fixed asset base consists of intangible assets, largest portion of intangible assets are related to acquisitions in 2018 (Idaho assets, TVL Gold) and 2020 (Montana assets, Transatlantic Mining). In addition to the US assets, intangible assets include for example some capitalized exploration and evaluation expenditures for mineral resources in the Karelian gold line. Tangible assets stood at EUR 19m at the end of FY 2023. The single largest tangible asset item was Pampalo mine at EUR 9.1m. In addition to the Pampalo mine, tangible assets included EUR 5m of machinery and equipment and EUR 4.0m of buildings and structures among other asset items.

Figure 24: Endomines tangible CAPEX profile 2010 - 2023, mEUR

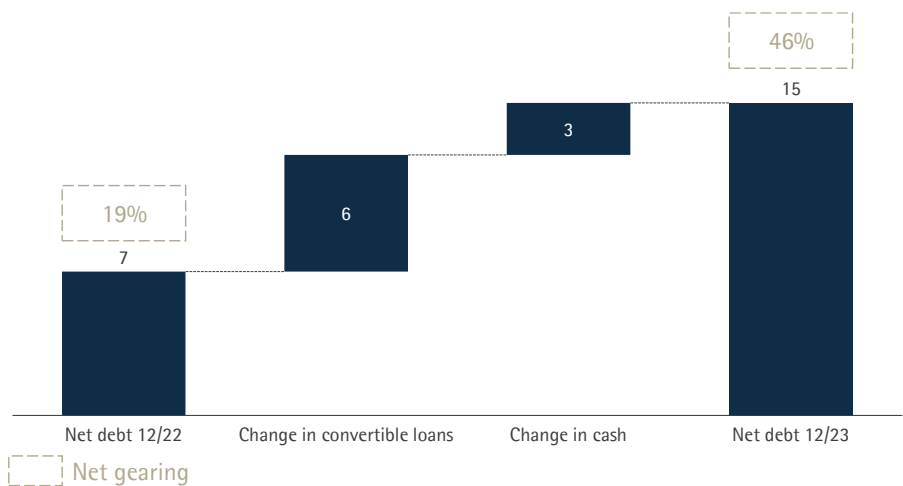


Source: Endomines, Evli Research

Larger investments to exploration require further financing

The company has invested between 2-5m EUR in tangible assets in the past. In 2023, the company invested EUR 7.3m on property, plant & equipment and EUR 2.5m on intangible assets. Exploration in the Karelian gold line, Hosko and Pampalo accounted for most of the investments in 2023. Endomines had net debt of EUR 14.9m at the end of FY 2023. At the end of 2023, the company had EUR 16.0m in convertible loans. With EUR 1.2m of cash at the end of the fiscal year, Endomines agreed with the company's current owners on a EUR 3.8m convertible loan to finance expansion of exploration in the Southern Gold Line in 2024.

Figure 25: Net debt development 12/22 vs. 12/23, in EUR m



Source: Endomines, Evli Research

Estimates

Endomines short to mid-term gold production relies on Pampalo and few permitted satellites

Endomines long-term production depends largely on the successfulness of the company's exploration efforts in the Karelian Gold Line and development of the satellite deposits. One of the company's promising exploration targets, the Southern Gold Line, is still in the early phases of exploration and development and is likely to be in production during the next decade if the development is successful. Our short to mid-term production estimates are based purely on the currently known resources and reserves in Pampalo (UG + OP) and Hosko. Moreover, visibility into the company's operations in the United States is low as Endomines focuses solely on partnerships. The future potential and cash flows of the partnerships depend on the terms of the partnership agreements.

Outlook for FY 2024:

- Endomines estimates that gold production will increase by 15–35 % from 2023.
- Endomines expects the financial result to improve from 2023.

The current outlook for FY 2024 implies production of roughly 14 700 – 17 300 ounces.

Expecting quarter-on-quarter improvement throughout the 2024 in Pampalo

For FY 2024, we estimate net sales of EUR 31.4m and EBIT of EUR 6.5m, with an EBIT margin of 21%. Endomines has been able to grow its gold production volumes every year since the Pampalo underground mine reopened. The current production outlook points towards 15-35% y/y growth in FY 2024. We find the production guidance rather conservative as the company was able to increase production already during the first quarter y/y despite the ramp-up in Hosko. The growth in production for 2024 is driven by two key factors: 1) increased production from Pampalo underground mine and 2) Hosko satellite deposit opening for production. Driven by these factors, we expect annual production of 16,646 ounces for FY 2024, above the middle point of the outlook. We expect that production will improve throughout the year as Hosko is expected to be fully operational starting from Q2/24. In addition, the company changed the production method of the Pampalo underground mine during Q4, we expect that this has continued to affect during the first quarter and will improve during the remainder of the year. Our H1/24 net sales estimate also includes some sales of gold concentrate that remained in inventory at the end of last year. In terms of cost, we estimate that the company's operating costs per ounce in Pampalo will decline in 2024 driven by higher volumes, in addition, we see cost inflation slowing down when compared to previous years.

Growth is secured with sales agreement and strong gold prices

Our average gold price estimate for FY 2024 is roughly 2230 USD/oz, based on consensus estimate figures from Factset. Strong gold prices are supported by the expectations of lower interest rate levels going forward coupled with geopolitical tensions and EM central bank buying. Higher gold price naturally improves the price of the company's gold concentrate. Endomines renewed its gold concentrate sales agreement with Boliden during Q4/23, the agreement is long-term and in addition to gold, the contract covers silver and copper that may be found in the concentrate. We do not adjust the payability estimates as it was not disclosed with the release of the new contracts. We expect that the payability of the gold concentrate will be roughly 90% of the gold spot price.

US C&M costs relatively low

According to the current strategy, Endomines is focusing on partnership models for the United States asset portfolio to gain more local operational knowledge and financing. The current operational goal is to find a partnership agreement in the United States by the end of 2024. We expect that the care and maintenance costs associated with the US assets will be roughly EUR 0.8m during FY 2024. While still burning the company's cash, the current cost level in the US is significantly lower than we have seen pre-2023. In addition to costs in the US, we expect operating costs of roughly EUR 3m for Karelian gold line and other purposes in 2024.

Volume estimates based on the current known resources and reserves

Our estimates for the coming years are based on the current known reserves and measured and indicated resources for Pampalo and Hosko. We model similar grades as was seen in 2023 also in the future as high-grade feed will continue from Pampalo underground mine while Pampalo open pit and Hosko will dilute the total grade. For 2025E, our gold production estimate is at near 19,700 ounces while for 2026E we estimate production of roughly 22,300 ounces. These volumes can still be produced with the existing processing capacity in Pampalo. Our projection for the metallurgical recovery is intact at 85% for the whole estimate period. In terms of profitability, we estimate Pampalo cash cost to decrease slightly while gold price is expected to stay at roughly 2100 USD/oz for 2025-2026. With the assumptions, we expect group EBIT of EUR 7.1m for 2025E and EUR 9.1m for 2026E.

Table 2: Estimate summary

Endomines (EURm)	2022	H1/'23	H2/'23	2023	H1/'24	H2/'24	2024E	2025E	2026E
Gold production (Oz)	8 601	6 753	6 037	12 790	7 743	8 903	16 646	19 668	22 299
Net sales	13.5	10.7	9.0	19.7	14.7	16.6	31.4	33.2	37.2
<i>sales growth %</i>	<i>>100%</i>	<i>91%</i>	<i>14%</i>	<i>46%</i>	<i>38%</i>	<i>85%</i>	<i>59%</i>	<i>6%</i>	<i>12%</i>
Pampalo EBITDA	0.6	2.4	0.9	3.3	5.8	6.8	12.7	13.1	14.3
Group EBITDA	-6.4	0.4	-1.0	-0.7	3.9	4.9	8.9	9.3	11.3
<i>EBITDA margin</i>	<i>-47%</i>	<i>4%</i>	<i>-11%</i>	<i>-3%</i>	<i>27%</i>	<i>30%</i>	<i>28%</i>	<i>28%</i>	<i>30%</i>
EBIT	-14.7	-0.8	-2.2	-3.0	2.7	3.7	6.5	7.1	9.1
<i>EBIT margin</i>	<i>-109%</i>	<i>-7%</i>	<i>-24%</i>	<i>-15%</i>	<i>19%</i>	<i>22%</i>	<i>21%</i>	<i>21%</i>	<i>25%</i>
Assumptions	2022	H1/'23	H2/'23	2023	H1/'24	H2/'24	2024E	2025E	2026E
Gold price USD/Oz	1798	1934	1950	1942	2210	2250	2230	2121	2094
Gold price EUR/Oz	1681	1774	1805	1790	2056	2074	2065	1877	1853
EUR/USD	1.07	1.09	1.08	1.09	1.07	1.09	1.08	1.13	1.13

Source: Endomines, Evli Research

Biggest downside risk to estimates related to gold market price and possible issues in production

The biggest risks to our estimates are related to the prevailing gold price and production volume estimate. The most important factor for the company's net sales and profitability remains the gold price. Our gold price estimate for the coming years is below the current spot price, therefore if the spot price remains at the current levels or increases, our estimates are too conservative. We have illustrated the potential upside in our sum of the parts valuation model using the current spot price as the estimate for future price level. On the other hand, a downside risk exists even though our estimate for the coming years is below the current market price. In terms of production, potential disruptions related to the ramp-up in the satellite deposits or Pampalo underground mine production could negatively impact net sales and profitability. We consider processing risks rather low as the company's processing facility utilizes proven technologies.

Valuation

We upgrade our rating of Endomines to HOLD with a TP of EUR 6.5

We have adjusted our assumptions based on the company's current mineral resource estimate, in addition we have made slight changes to our market parameter estimates and operative estimates for Pampalo regarding volumes and profitability. With the fundamentals and market parameters developing in a favorable way for the company, we increase our TP to EUR 6.5 and upgrade our rating to HOLD (prev. SELL). Gold price has developed in a far more positive way than we earlier estimated and the company's Pampalo mine should be clearly profitable and cash flow positive at the current gold price levels. With the high gold prices, the investment case relies less on the company's ability to realize value from the non-core United States asset portfolio. We base our valuation of Endomines on a sum-of-the-parts valuation. In our view, sum-of-the-parts is suitable because of the heterogenic nature of Endomines project portfolio. Our long-term gold price estimate is currently at USD 2000/oz (prev. USD 1900/oz) which is clearly below the spot price yet in line with the consensus gold price estimates. Our average gold price estimate for 2024-2026E is approximately USD 2150/oz (prev. USD 1980/oz). We count convertible notes that can be converted into shares during FY 2024 as part of shares outstanding while we adjust net debt for the conversion and accrued convertible note interest at the end of FY 2024E.

Table 3: Sum of the parts valuation

	Evli est.	Spot	Estimate basis
US asset portfolio	34	41	See Table 2 for Evli est. basis, Spot est. based on historic purchase price
Pampalo	37	46	DCF based on reserves & M+I resources Pampalo OP & UG + Hosko
Karelian gold line	25	38	Real option value for the Southern Gold Line + other satellites
Overhead	(12)	(12)	Discounted overhead costs
Net cash (debt)	(4)	(4)	2024E adjusted for theoretical conversion + accrued interest
Fair Value	81	109	
Long-term gold price (USD/oz)	2 000		Evli est.
Spot price (USD/oz)		2 300	
Diluted shares outstanding (m)	12.4	12.4	Incl. theoretical conversion of notes available for conversion during FY 2024
Fair value per share	6.5	8.8	

Source: Evli Research

Pampalo and the Karelian Gold Line form the majority of the company's value

For Pampalo, our valuation is based on the net present value of the project. Cash flow-based valuation is possible for Pampalo UG & OP and Hosko as the deposits are in production and therefore the production and cost parameters can be estimated. Historically, Endomines has been able to turn resources into reserves effectively in Pampalo, therefore, we have included measured and indicated resources in our cash flow analysis in addition to current known reserves. We model production of roughly 17,000-22,000 ounces p.a. for the years 2024-2027. Cash flows from the Pampalo mine and overhead expenses are discounted using a cost of capital of 9%. The discount rate used is significantly lower than the group wide discount rate of 12% as the Pampalo mine is already in production and therefore of significantly lower risk compared to the company's other assets. For Karelian gold line, we apply a real option value model which simulates the value of the satellite deposits if brought to production based on different input figures incl. time of production start, production volumes and cost level. The real option model accounts for other Karelian gold line resources that the discounted cash flow analysis of Pampalo excludes.

Exit above the purchase price unlikely in the United States

Endomines' non-core asset portfolio in United States remains the swing factor in our SOTP-model. We consider the purchase price, balance sheet value and valuation based on EV/Resources (based on both transactions and trading peers) multiple in the final value for the asset portfolio (Table 4). The assets were initially bought for USD 44m, with USD 31.3m for Idaho assets and USD 12.7m for Montana assets. For the EV/resources-based valuation, we have used both the trading and transaction multiples. For the transaction EV/resources multiple we have included deals concluded or announced during 2022-2024 in tier-1 jurisdictions where the primary commodity is gold, for trading EV/Resources, we have included public emerging developer and advanced exploration peers. The third valuation approximation is based on the current balance sheet value, which is roughly USD 36m, considering additional investments and impairments to the US assets post-purchase. The mean value derived from these methods is EUR 34m, which we regard as the baseline value for the company's US assets. We have revised our upper limit for the value downwards to match the purchase price for the assets (included in our "Spot" case). The primary cause is that the company has failed to finalize any sales or partnership talks and the probability of selling above the original purchase price seems lower even though the gold spot price is now much higher than the levels at the time of the acquisitions of the assets.

Table 4: US asset portfolio valuation summary

	Value (EUR m)	Estimate basis
Purchase price	41	Total consideration of USD 44m during 2018-2022
EV/Resources (trading)	33	Emerging developers & advanced exploration peers
EV/Resources (transaction)	30	Transactions in Tier-1 jurisdictions 1/2022-5/2024
Balance sheet	33	USD 24m Idaho, USD 12m Montana
Average	34	

Source: Factset, S&P, Endomines, Evli Research

EV/Resources is a crude metric

Enterprise value to resources multiple is a crude yet commonly used metric to value both exploration and mining companies. The metric divides the company's enterprise value by the total attributable reserve & resource (in some cases, just the resource) gold ounces. The main weakness for EV/Resources is that the metric doesn't consider the economics of the assets owned by the company. Based on EV/Resources, the company's current valuation is roughly in line with the peer group while Endomines looks expensive on EV/Resources basis if the company's historic resources are excluded from the resource base. Identifying new resources in the Karelian gold line would create value if done at reasonable cost. Endomines has set a long-term target to define an over one-million-ounce deposit in the Karelian gold line. If the company succeeds in this goal, the value creation potential would be significant based on the current trading multiples.

Table 5: Peer group summary, companies in different development stages operating in tier-1 jurisdictions, enterprise value to reserves and resources (incl. 2P & M+I+I)

	Ticker	Company name	Location of assets	Mine type	Development stage	Reserves	M&I	Inferred	Total	Enterprise value EURm	EV/R&R
Junior & mid-tier producers	GOR-AU	Gold Road Resources Ltd	Australia	OP	Producing	1 830	710	1 960	4 500	1 080	240
	MND-CA	Mandalay Resources Corporation	Australia & Europe	OP / UG	Producing	678	1 014	329	2 021	127	63
	RED-AU	Red 5 Limited	Australia	OP / UG	Producing	4 031	8 997	3 498	16 526	1 058	64
	VGCX-CA	Victoria Gold Corp.	Canada	OP	Producing	2 321	2 088	704	5 113	495	97
	WDO-CA	Wesdome Gold Mines Ltd.	Canada	UG	Producing	1 131	350	1 070	2 551	1 116	437
	WGX-AU	Westgold Resources Ltd	Australia	OP / UG	Producing	1 954	5 346	2 903	10 203	521	51
	DPM-CA	Dundee Precious Metals Inc.	Europe, Africa, South America	OP / UG	Producing	5 024	2 611	4 455	12 090	847	70
	NGD-CA	New Gold Inc.	Canada	OP / UG	Producing	3 276	2 307	239	5 822	1 515	260
	AGI-CA	Alamos Gold	North America, Mexico, Turkey	OP / UG	Producing	10 688	4 405	7 282	22 375	5 956	266
	EVN-AU	Evolution Mining	Australia & Canada	OP / UG	Producing	11 455	23 456	9 245	44 155	5 559	126
	RRL-AU	Regis Resources	Australia	OP / UG	Producing	3 600	1 980	1 440	7 020	1 093	156
ELD-CA	Eldorado Gold Corporation	Europe, Canada	OP / UG	Producing	12 953	25 162	8 301	46 416	3 122	67	
Advanced developers	ARTG-CA	Artemis Gold Inc	Canada	OP	Construction	8 825	3 581	288	12 694	1 534	121
	AOT-CA	Ascot Resources Ltd.	Canada	OP / UG	Plant commissioning	1 222	1 939	1 313	4 474	288	64
	AR-CA	Argonaut Gold	United States & Mexico	OP / UG	Ramp-up	6 409	6 674	3 733	16 816	619	37
	BGL-AU	Bellevue Gold Limited	Australia	OP / UG	Ramp-up	1 340	1 700	1 500	4 540	1 561	344
	NG-CA	Novagold Resources Inc	United States	OP	FS completed	16 925	2 749	2 997	22 671	1 074	47
	PPTA-US	Perpetua Resources Corp.	United States	OP	FS completed	4 819	1 215	1 246	7 280	347	48
	MAE-CA	Maritime Resources Corp.	Canada	OP / UG	FS completed	272	147	169	588	23	39
	DEG-AU	De Grey Mining	Australia	OP / UG	DFS completed	6 002	2 056	4 617	12 675	997	79
	SKL-CA	Skeena Resources Limited	Canada	OP / UG	DFS completed	4 600	4 100	114	8 814	348	39
	BTR-CA	Bonterra Resources, Inc.	Canada	OP / UG	PFS ongoing	1 242	1 781	3 023	21	7	7
Emerging developers & advanced exploration	LGD-CA	Liberty Gold Corp	United States	OP	PFS in progress	3 206	325	2 233	85	38	38
	FURY-CA	Fury Gold Mines Limited	Canada	OP / UG	PEA completed	1 160	723	1 883	49	26	26
	RUP-CA	Rupert Resources Ltd.	Europe	OP / UG	PEA completed	4 267	696	4 963	493	99	99
	RDS-CA	Radisson Mining Resources Inc.	Canada	OP / UG	PEA completed	501	449	950	28	30	30
Incl. historic resources	PAMPALO-FI	Endomines	Finland, United States	OP / UG	Producing	32	312	1 095	1 439	78	54
Excl. historic resources	PAMPALO-FI	Endomines	Finland, United States	OP / UG	Producing	32	312	283	627	78	124
1st quartile total group					1 310	1 222	387	2 669	127	39	
3rd quartile total group					7 013	4 225	3 373	12 689	1 116	126	
Median total group					3 816	2 197	1 280	5 467	619	64	
Mean total group					4 972	4 188	2 223	10 271	1 110	108	
Median producers					3 438	2 307	1 960	7 020	1 087	111	
Mean producers					4 912	6 160	3 215	13 909	1 874	158	
Median advanced developer					4 710	2 351	1 280	8 047	483	47	
Mean advanced developer					5 045	2 681	1 647	9 373	682	83	
Median emerging developer & advanced exploration					1 242	696	2 233	49	30	30	
Mean total group emerging developer & advanced exploration					2 075	795	2 610	135	40	40	

Source: Factset, company presentations, Evli Research

Peer group is divided by asset portfolio development stage

Advanced exploration / Emerging developer: Advanced exploration and emerging developer peer group consists of companies with assets in exploration and early feasibility study phases. These companies are typically conducting exploration at site or have started early feasibility study work such as scoping study/preliminary economic assessment on their assets.

Advanced developer: Advanced developers consist of companies that have assets in late development phase, these companies have typically completed the early phase feasibility studies such as scoping study and pre-feasibility study. Some of the companies have already completed definitive feasibility study and are heading towards construction depending on the permitting and financing situation.

Junior / Mid-tier Producer: Junior producers are gold miners that produced less than 300k ounces per year, companies that produce over 300k ounces per year but less than 1m ounces are considered mid-tier producers. Gold producers that produce over 1m ounces per year are considered major miners. Endomines long-term target is to produce 100k ounces per year, reaching the target would put Endomines into the junior producer category.

Earnings-based multiples work as a reference

We do not use traditional earnings-based multiples to value Endomines. The main reason why traditional earnings-based multiples are not suitable for junior mining companies, is that the companies have assets with different mine lives. For reference, based on our estimates for 2024-2025E, Endomines is priced at 16-13x P/E and 12-11x EV/EBIT and 9-8x EV/EBITDA. Based on the multiples, Endomines trades at a premium compared to the peer companies on our estimates.

Table 6: Peer group summary, companies in different development stages operating in tier-1 jurisdictions

Company name	Market capitalization mEUR	EV/EBITDA			EV/EBIT			P/E		
		24	25	26	24	25	26	24	25	26
Gold Road Res	1056	7.1x	5.6x	5.6x	10.1x	7.5x	7.7x	15.3x	11.2x	11.3x
Mandalay Resources	142	1.5x	1.0x	1.7x				3.7x	2.3x	4.1x
Red 5	956	8.6x	7.8x	6.8x	21.4x	16.8x	12.6x	29.1x	21.3x	16.5x
Victoria Gold	351	4.6x	3.0x	2.3x	9.9x	4.5x	3.8x	11.5x	5.0x	3.4x
Wesdome Gold Mines	1100	6.5x	5.3x	4.3x	12.8x	8.6x	6.7x	17.8x	12.4x	12.6x
Westgold Resources	630	3.2x	2.1x	2.2x	6.9x	4.3x	4.3x	12.0x	8.4x	8.2x
Dundee Precious Metals	1374	3.2x	3.2x	4.7x	4.3x	3.9x	5.2x	8.5x	8.0x	11.1x
New Gold	1253	3.9x	3.0x	2.5x	11.5x	7.2x	5.1x	17.7x	9.4x	7.0x
Alamos Gold	6076	9.9x	8.4x	8.4x	14.0x	11.4x	11.5x	23.0x	18.9x	18.4x
Evolution Mining	4665	6.3x	5.1x	5.3x	11.6x	7.9x	8.4x	16.6x	10.6x	11.2x
Regis Resources	880	4.5x	3.0x	3.4x	22.7x	6.7x	8.7x	39.5x	8.0x	9.7x
Eldorado Gold	2937	5.5x	5.0x	3.6x	11.8x	12.8x	10.3x	14.9x	14.2x	9.3x
Artemis Gold	1473	157.0x	4.9x	3.5x		25.9x			10.2x	7.9x
Ascot Resources	291	4.9x	1.7x	1.8x				14.8x	3.8x	3.4x
Argonaut Gold	377	4.6x	3.5x	4.2x				185.5x	12.0x	8.2x
Bellevue Gold	1365	18.4x	6.3x	5.8x	26.3x	8.6x	8.0x	31.2x	10.6x	10.1x
Peer group average	1112	15.6x	4.3x	4.1x	13.6x	9.7x	7.7x	29.4x	13.0x	9.5x
Peer group median	755	5.2x	4.2x	3.9x	11.7x	7.9x	7.8x	16.6x	10.6x	9.5x
Endomines (Evli est.)	64	8.8x	8.0x	6.8x	12.1x	10.8x	8.4x	15.8x	12.7x	11.1x
<i>Endomines prem./disc. to peer median</i>		<i>70.3%</i>	<i>90.6%</i>	<i>73.1%</i>	<i>3.1%</i>	<i>36.8%</i>	<i>6.9%</i>	<i>-4.7%</i>	<i>20.4%</i>	<i>17.0%</i>

Endomines prem./disc. to peer median

70.3% 90.6% 73.1% 3.1% 36.8% 6.9% -4.7% 20.4% 17.0%

Source FactSet, Evli Research

Investment risks

Junior mining and exploration companies are risky by nature

Junior mining and exploration companies are typically considered risky investments as the risk associated with a mining project is substantial. The number of projects that progress all the way from exploration phase to mine phase is minimal.

Geological confidence increases throughout project development and decreases overall risk

Geological risk is the biggest project risk for mining companies as production depends on it. Geological risk is alleviated through studies where the geological understanding of the deposit increases. Endomines saw geological risk realizing in early 2022 as the Friday mine ore proved to be more irregular than first expected. Resources and reserves indicate the geological knowledge of the company's assets. Resources are divided into inferred, indicated and measured mineral resources where inferred resources have the least amount of geological confidence and measured mineral resources the most. Reserves are the economically mineable part of the measured and indicated mineral resources. Most of the Endomines resources in the United States are classified as historic as they do not comply with JORC or NI 43-101 code, therefore the geological risk of Endomines project portfolio in the United States can be considered high.

Metallurgical risks are alleviated with pilot-scale tests

Metallurgical risk is similar to geological risk as it affects the production and costs of a mining project directly. To produce the final product, the ore from the mine must go through a series of processing measures that include steps such as crushing, milling and flotation/gravity separation. In addition to concentration processing techniques (gravity separation & flotation), gold can be processed through cyanidation (heap leaching is a cyanidation processing technique). The processing method depends on the particle size and the gold's association with other minerals among other factors. The metallurgical risk is alleviated with metallurgical tests that are typically conducted together with feasibility studies. The tests are conducted by processing a sample of the ore from the deposit in laboratory conditions (or larger test facilities/demonstration plants). Endomines Pampalo mine recoveries have been quite steady historically hovering around 82 – 84%, the Friday mine managed to reach gold recoveries of 71.5% in 2020 and 84% in 2021. The most recent metallurgical tests conducted by SGS Canada in 2011 and 2016 suggests that recoveries of over 90% can be achieved in the Friday mine and processing facility.

Cost overruns are typical in mining

According to a survey conducted in 2019 by McKinsey, only 37% of mining projects completed during 2008-2018 came in within 15% of the announced budget in the feasibility study phase. Over half of the projects exceeded the budget by at least 15%, with average capital expenditure overrun of 49%. Every fifth project exceeded the original budget set in feasibility study by over 100%, the average overrun in these "disaster projects" was 3 times the original feasibility study estimate.

Permitting is a mandatory step before reaching mine stage

Permitting is a binary risk by nature, mining company must receive the necessary permits to be able to proceed to the mine stage. Permits vary by jurisdiction, typical permits needed for a mining project include exploration, mine, construction and environmental permits. Three out of six deposits in the Karelian Gold Line have environmental permits in place, Friday is fully permitted, and US Grant is likely to be permitted through SMES permitting.

Financing is costly for junior mining and exploration companies

Mining projects require a significant amount of financing to proceed all the way to the mine stage. Exploration and early-development mining companies typically rely on equity financing, late-stage and mine-stage projects can be financed via debt instruments as the cash flows are more certain. Endomines has issued shares and entered into financing agreements multiple times during recent years as the company has lacked production and therefore cash flows. The company has managed to find funding during recent years, but it has been relatively costly.

Market risk is present throughout the mine lifecycle

Market risk differs from the other risks associated with mining projects. The differentiating factor is that market risk doesn't decrease as the project progresses; the market risk is the same for both junior and major mining companies. The current high gold market prices make it possible to utilize lower grade and higher cash cost projects. In 2021 Endomines announced re-opening of the Pampalo mine, the company had calculated that the start-up of the mine production will be feasible at gold prices at/or above USD 1500 per ounce. If the gold price would decrease to the USD 1100 – 1300 per ounce levels seen during 2015-2019, mine operations in both Pampalo and other Karelian Gold Line deposits would likely be unprofitable.

Appendix

Table 7: Ore reserves and mineral resources

Karelian Gold Line				
Reserves	Tonnes	Grade	Oz	Kg
Proven	189 000	3.4	20 000	635
Propable	160 000	2.4	12 200	377
Total Pampalo reserves	349 000	2.9	32 200	1 013
Resources	Tonnes	Grade	Oz	Kg
Measured	117 000	3.5	13 200	412
Indicated	85 000	2.9	8 100	250
M + I	202 000	3.3	21 300	662
Inferred	887 000	2.0	56 700	1 748
Total Pampalo resources	1 089 000	2.2	78 000	2 410
Resources	Tonnes	Grade	Oz	Kg
Measured	58 000	3.5	6 400	203
Indicated	1 124 000	1.4	49 800	1 549
M + I	1 182 000	1.6	56 200	1 752
Inferred	766 000	1.1	27 200	847
Total other Karelian resources	1 948 000	1.3	83 400	2 599
Resources	Tonnes	Grade	Oz	Kg
Measured				
Indicated	354 000	1.9	22 100	687
M + I	354 000	1.6	22 100	687
Inferred	1 883 700	2.1	126 800	3 942
Total Southern Gold Line resources	2 237 700	2	148 900	4 628
Total Karelian gold line resources	5 274 700		310 300	9 637
United States				
Resources	Tonnes	Grade	Oz	Kg
Measured	245 000	6.9	54 200	1 686
Indicated	217 000	6.2	43 000	1 337
M + I	462 000	6.5	97 200	3 023
Inferred	296 000	4.9	46 700	1 453
Total Friday resources	758 000		143 900	4 476
Resources	Tonnes	Grade	Oz	Kg
Measured	3 515 000	0.6	64 800	2 016
Indicated	3 230 000	0.5	49 900	1 552
M + I	6 745 000	0.5	114 700	3 568
Inferred	2 128 000	0.4	25 700	799
Total Buffalo Gulch resources	8 873 000		140 400	4 367
Resources	Tonnes	Grade	Oz	Kg
Rescue Historic	67 000	21.3	45 980	1 430
Kimberly Historic	261 000	19.2	160 930	5 005
Deadwood Historic	2 375 000	0.8	58 601	1 823
US Grant Historic	346 000	14.9	165 700	5 152
Kearsarge Historic	4 100 000	3.0	381 000	12 218
Total Historic resources	7 149 000		812 211	25 628
Total United States resources	16 780 000		1 096 511	34 471

Source: Endomines, Evli Research

INTERIM FIGURES

EVLI ESTIMATES, EURm	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1E	2024Q2E	2024Q3E	2024Q4E	2024E	2025E	2026E
Net sales	0.0	10.7	0.0	9.0	19.7	0.0	14.7	0.0	16.6	31.4	33.2	37.2
EBITDA	0.0	0.4	0.0	-1.0	-0.6	0.0	3.9	0.0	4.9	8.9	9.5	9.1
<i>EBITDA margin (%)</i>	<i>0.0</i>	<i>3.7</i>	<i>0.0</i>	<i>-11.1</i>	<i>-3.0</i>	<i>0.0</i>	<i>26.7</i>	<i>0.0</i>	<i>29.6</i>	<i>28.3</i>	<i>28.5</i>	<i>24.6</i>
EBIT	0.0	-0.8	0.0	-2.2	-3.0	0.0	2.7	0.0	3.7	6.5	7.1	9.1
<i>EBIT margin (%)</i>	<i>0.0</i>	<i>-7.5</i>	<i>0.0</i>	<i>-24.4</i>	<i>-15.2</i>	<i>0.0</i>	<i>18.6</i>	<i>0.0</i>	<i>22.4</i>	<i>20.6</i>	<i>21.3</i>	<i>24.6</i>
Net financial items	0.0	-1.1	0.0	-1.2	-2.3	0.0	-1.2	0.0	-1.2	-2.4	-2.0	-2.4
Pre-tax profit	0.0	-1.9	0.0	-3.4	-5.3	0.0	1.5	0.0	2.5	4.1	5.1	6.8
Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Tax rate (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Net profit	0.0	-1.9	0.0	-3.4	-5.3	0.0	1.5	0.0	2.5	4.1	5.1	6.8
EPS	0.00	-0.19	0.00	-0.35	-0.55	0.00	0.16	0.00	0.26	0.42	0.52	0.59
EPS adjusted (diluted no. of shares)	0.00	-0.19	0.00	-0.35	-0.55	0.00	0.16	0.00	0.26	0.42	0.52	0.59
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.26	0.30
SALES, EURm												
Endomines	0.0	10.7	0.0	9.0	19.7	0.0	14.7	0.0	16.6	31.4	33.2	37.2
Total	0.0	10.7	0.0	9.0	19.7	0.0	14.7	0.0	16.6	31.4	33.2	37.2
SALES GROWTH, Y/Y %												
Endomines	<i>0.0</i>	<i>89.7</i>	<i>-100.0</i>	<i>-33.3</i>	<i>45.9</i>	<i>0.0</i>	<i>37.8</i>	<i>0.0</i>	<i>84.6</i>	<i>59.2</i>	<i>5.9</i>	<i>11.9</i>
Total	<i>0.0</i>	<i>89.7</i>	<i>-100.0</i>	<i>-33.3</i>	<i>45.9</i>	<i>0.0</i>	<i>37.8</i>	<i>0.0</i>	<i>84.7</i>	<i>59.2</i>	<i>5.9</i>	<i>11.9</i>
EBIT, EURm												
Endomines	0.0	-0.8	0.0	-2.2	-3.0	0.0	2.7	0.0	3.7	6.5	7.1	9.1
Total	0.0	-0.8	0.0	-2.2	-3.0	0.0	2.7	0.0	3.7	6.5	7.1	9.1
EBIT margin, %												
Endomines	<i>0.0</i>	<i>-7.5</i>	<i>0.0</i>	<i>-24.4</i>	<i>-15.2</i>	<i>0.0</i>	<i>18.6</i>	<i>0.0</i>	<i>22.4</i>	<i>20.6</i>	<i>21.3</i>	<i>24.6</i>
Total	<i>0.0</i>	<i>-7.5</i>	<i>0.0</i>	<i>-24.4</i>	<i>-15.2</i>	<i>0.0</i>	<i>18.6</i>	<i>0.0</i>	<i>22.4</i>	<i>20.6</i>	<i>21.3</i>	<i>24.6</i>

INCOME STATEMENT, EURm	2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales	0.5	1.3	0.5	13.5	19.7	31.4	33.2	37.2
<i>Sales growth (%)</i>	<i>-94.6</i>	<i>134.3</i>	<i>-61.4</i>	<i>2,643.4</i>	<i>45.9</i>	<i>59.2</i>	<i>5.9</i>	<i>11.9</i>
EBITDA	-4.6	-10.5	-11.6	-6.4	-0.6	8.9	9.5	9.1
<i>EBITDA margin (%)</i>	<i>-841.1</i>	<i>-824.5</i>	<i>-2,362.0</i>	<i>-47.1</i>	<i>-3.0</i>	<i>28.3</i>	<i>28.5</i>	<i>24.6</i>
Depreciation	-0.3	-7.5	-13.5	-8.3	-2.4	-2.4	-2.4	0.0
EBITA	-4.9	-18.0	-25.1	-14.7	-3.0	6.5	7.1	9.1
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-4.9	-18.0	-25.1	-14.7	-3.0	6.5	7.1	9.1
<i>EBIT margin (%)</i>	<i>-903.4</i>	<i>-1,410.0</i>	<i>-5,102.0</i>	<i>-108.9</i>	<i>-15.2</i>	<i>20.6</i>	<i>21.3</i>	<i>24.6</i>
Reported EBIT	-4.9	-18.0	-25.1	-14.7	-3.0	6.5	7.1	9.1
<i>EBIT margin (reported) (%)</i>	<i>-903.4</i>	<i>-1,410.0</i>	<i>-5,102.0</i>	<i>-108.9</i>	<i>-15.2</i>	<i>20.6</i>	<i>21.3</i>	<i>24.6</i>
Net financials	-0.7	-1.2	-1.6	-2.7	-2.3	-2.4	-2.0	-2.4
Pre-tax profit	-5.6	-19.2	-26.7	-17.4	-5.3	4.1	5.1	6.8
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-5.6	-19.2	-26.7	-17.5	-5.3	4.1	5.1	6.8
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, EURm								
Assets								
Fixed assets	55	57	51	49	55	58	61	65
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	0	0	0	0	0
Inventory	0	0	1	0	0	1	1	1
Receivables	0	0	2	2	2	3	3	4
Liquid funds	2	1	1	4	1	7	9	4
Total assets	56	58	55	55	59	69	74	74
Liabilities								
Shareholder's equity	32	33	30	36	32	36	41	46
Minority interest	0	0	0	0	0	0	0	0
Convertibles	17	0	0	0	16	21	21	14
Lease liabilities	0	0	0	0	0	0	0	0
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	4	15	16	11	0	0	0	2
Non-interest bearing current liabilities	0	0	0	0	0	0	0	0
Other interest-free debt	3	10	9	9	11	12	12	12
Total liabilities	56	58	55	55	59	69	74	74
CASH FLOW, EURm								
+ EBITDA	-5	-11	-12	-6	-1	9	9	9
- Net financial items	-1	-1	-2	-3	-2	-2	-2	-2
- Taxes	0	0	0	0	0	0	0	0
- Increase in Net Working Capital	-1	0	0	3	1	0	0	0
+/- Other	-2	4	1	2	0	0	0	0
= Cash flow from operations	-7	-7	-12	-4	-2	7	7	6
- Capex	-8	-3	-5	-4	-9	-6	-5	-4
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-15	-10	-17	-8	-11	1	2	2
+/- New issues/buybacks	13	20	24	23	2	0	0	0
- Paid dividend	0	0	0	0	0	0	0	-3
+/- Other	2	-11	-7	-13	6	5	0	-5
Change in cash	0	0	0	3	-2	6	2	-5

KEY FIGURES	2020	2021	2022	2023	2024E	2025E	2026E
M-cap	35	57	47	66	64	64	64
Net debt (excl. convertibles)	14	14	7	-1	-7	-9	-2
Enterprise value	49	71	54	81	78	76	77
Sales	1	0	14	20	31	33	37
EBITDA	-11	-12	-6	-1	9	9	9
EBIT	-18	-25	-15	-3	6	7	9
Pre-tax	-19	-27	-17	-5	4	5	7
Earnings	-19	-27	-17	-5	4	5	7
Equity book value (excl. minorities)	33	30	36	32	36	41	46
Valuation multiples							
EV/sales	38.5	144.2	4.0	4.1	2.5	2.3	2.1
EV/EBITDA	-4.7	-6.1	-8.4	-134.2	8.8	8.0	8.4
EV/EBITA	-2.7	-2.8	-3.6	-26.8	12.1	10.8	8.4
EV/EBIT	-2.7	-2.8	-3.6	-26.8	12.1	10.8	8.4
EV/OCF	-6.7	-6.1	-13.1	-42.6	11.8	10.5	12.2
EV/FCFF	-5.7	-4.7	-10.2	-10.8	22.5	17.9	17.6
P/FCFE	-0.1	-0.1	-5.9	-6.1	60.1	28.8	38.3
P/E	-1.8	-2.1	-2.7	-12.3	15.8	12.7	11.1
P/B	1.1	1.9	1.3	2.0	1.8	1.6	1.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	8.7	7.9	9.4
Target EV/EBIT	0.0	0.0	0.0	0.0	12.0	10.6	9.4
Target EV/FCF	0.0	0.0	0.0	0.0	72.2	33.7	44.0
Target P/B	0.0	0.0	0.0	0.0	1.8	1.5	1.6
Target P/E	0.0	0.0	0.0	0.0	15.7	12.6	11.0
Per share measures							
Number of shares	3,283	5,645	9,370	9,795	9,795	9,795	11,416
Number of shares (diluted)	3,283	5,645	9,370	9,795	9,795	9,795	11,416
EPS	-5.84	-4.73	-1.87	-0.55	0.42	0.52	0.59
Operating cash flow per share	-2.23	-2.07	-0.44	-0.19	0.68	0.74	0.55
Free cash flow per share	-3.01	-2.95	-0.85	-1.09	0.11	0.23	0.17
Book value per share	10.03	5.34	3.83	3.30	3.71	4.23	4.00
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.26	0.30
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	50.0	50.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	3.9	4.5
FCF yield, %	-28.2	-29.4	-17.1	-16.3	1.7	3.5	3.0
Efficiency measures							
ROE	-59.0	-84.6	-52.9	-15.7	11.8	13.0	15.5
ROCE	-35.5	-53.4	-31.9	-6.3	12.3	11.9	14.8
Financial ratios							
Inventories as % of sales	19.2	162.0	3.0	2.0	2.0	2.0	2.0
Receivables as % of sales	25.9	360.9	14.8	10.4	10.4	10.4	10.4
Non-interest bearing liabilities as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NWC/sales, %	-466.5	-1,062.8	-30.4	-26.1	-16.9	-15.3	-12.3
Operative CAPEX/sales, %	198.5	1,001.1	28.9	44.7	17.7	15.0	11.6
CAPEX/sales (incl. acquisitions), %	198.5	1,001.1	28.9	44.7	17.7	15.0	11.6
FCFF/EBITDA	0.8	1.3	0.8	12.4	0.4	0.4	0.5
Net debt/EBITDA, book-weighted	-1.3	-1.2	-1.1	2.0	-0.8	-1.0	-0.2
Debt/equity, market-weighted	0.4	0.3	0.2	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	56.5	54.8	65.4	82.2	82.5	83.7	80.9
Gearing, %	43.1	47.9	18.9	-2.5	-12.1	-14.7	-3.0

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 and Montana, USA. The company was founded in 2005 and is headquartered in Espoo, Finland. Endomines focuses its operations to assets in stable jurisdictions that can be brought to production rapidly and with limited investment.

INVESTMENT CASE: Endomines new strategy focuses on development of the company's Finnish assets, the US assets are developed through partnership models. The company has proceeded well with reinitiating production at the Pampalo site, Endomines produced 12 790 ounces of gold during 2023. The company's focus in the near term is on Pampalo underground, East open pit and Hosko production and on gold exploration activities in Karelian gold line.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Joensuun Kauppa ja Kone Oy	2,140,620	14.085	21.9%
Mariatorp OY	910,000	5.988	9.3%
Wipunen varainhallinta Oy	900,000	5.922	9.2%
K22 Finance Oy	382,687	2.518	3.9%
Taloustieto Incrementum Oy	317,429	2.089	3.2%
Kakkonen Kari Heikki Ilmari	264,308	1.739	2.7%
Vakuutusosakeyhtiö Henki-Fennia	239,907	1.579	2.4%
Eyemaker's Finland Oy	177,560	1.168	1.8%
Hietamoor Oy	172,110	1.132	1.8%
Drumbo Oy	125,000	0.822	1.3%
Ten largest	5,629,621	37.043	57%
Residual	4,165,718	27.410	43%
Total	9,795,339	64.453	100%

EARNINGS CALENDAR

August 15, 2024

Q2 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

CEO: Kari Vyhtinen

Ahventie 4 A, FI-02170 Espoo

CFO: Minni Lempinen

Tel:

IR: Riikka Niemi

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

<p>ROE, %</p> $\frac{\text{Profit before extraordinary items and taxes - income taxes}}{\text{Shareholder's equity + minority interest + taxed provisions (average)}}$	
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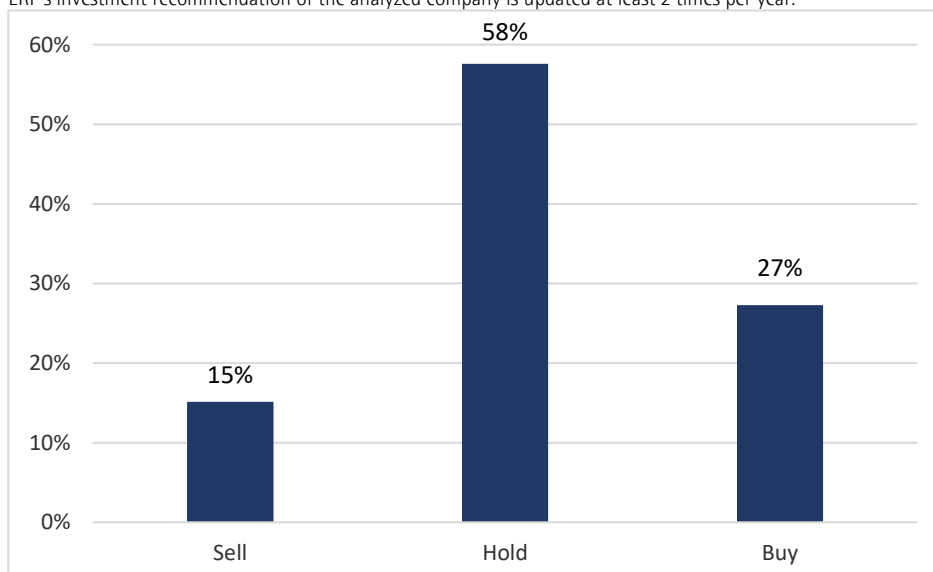
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Investment recommendations are defined as follows:

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

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

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