

## Summary Interim Report January-March 2011

**Endomines AB**  
**Press Release**  
**Stockholm, 23rd of May 2011**

### Q1 2011 Endomines Group

- Revenues KSEK 25,721 (-)
- Profit after tax KSEK -5,473 (-8,753)
- Earnings per share SEK -0.07 (SEK -0.12)
- Total cash flow KSEK -31,602 (SEK -43,011)
- All production costs since the beginning of the period have been expensed. Revenues are derived from the (Pampalo Mine) production period February-March.
- The operating result from the Pampalo Mine was positive (205 KSEK).
- Company gold production guidance for 2011 production is 700 kg (22 500 oz) of gold to be produced during 2011.
- An amendment letter in relation to the planned production increase to an annual production level of 270 000 tonnes of ore was submitted to local environmental authorities. The authorities' response stated that the increase has no effect on the current Environmental Permit.

1

### Business Area Pampalo Gold Mine

- Production at the Pampalo Gold Mine commenced as scheduled in early February 2011.
- Production ramp-up at the Pampalo Gold Mine proceeded as planned.
- Key production indicators for the first quarter of 2011 are as follows<sup>1</sup>:

	Q1/2011
Tonnes mined	25 382
Tonnes processed	35 797
Head grade (Au g/t)	3,4
Utilization (%)	63,4
Gold recovery (%)	86,6
Gold produced kg	105,4
Gold produced oz	3 390
LTIFR <sup>2</sup> (12 month rolling)	39,7

- Cash Cost<sup>3</sup> for the period was 1,136 USD/oz (854 USD for February-March). This Cash Cost level is due to all Pampalo Gold Mine costs having

<sup>1</sup> Production figures are final and based on assay exchange between Boliden Commercial AB and Endomines Oy, Pampalo Gold Mine.

<sup>2</sup> LTIFR = The Lost Time Injury Frequency Rate (LTIFR) is calculated as reported lost time injuries resulting in one day/shift or more off work per 1,000,000 hours worked.

## Summary Interim Report January-March 2011

been expensed since the beginning of the period whilst commercial production output was only derived from the period February-March. During the planned ramp-up period, over most of 2011, the Cash Cost level will remain higher than the planned long-term Cash Cost level.

### Business Area Gold Exploration

- Plans for the summer 2011 exploration campaigns were prepared
- Tenders were invited for the planned airborne geophysical low-altitude survey over the Karelian Gold Line, and the contract was awarded to Danish company SkyTem.
- Offers for the diamond drilling contract were received, and Pöyry Environmental Oy was awarded a contract to carry out a 9 000-meter drilling campaign.

2

### Business Area Industrial Minerals

- Continued work to seek partners for the development of Industrial Minerals.

### Corporate

Key financial figures	Jan-Mar	Jan-Mar
KSEK	2 011	2 010
Revenues	25 721	–
Operating cost	-29 896	-5 363
<b>EBIT</b>	<b>-4 175</b>	<b>-5 363</b>
Net finance cost	-2 239	-3 687
<b>Profit before tax</b>	<b>-6 414</b>	<b>-9 050</b>
<b>Total cash flow for the period</b>	<b>-31 602</b>	<b>-43 011</b>

### Outlook

- Endomines expects that the ramp-up at the Pampalo Gold Mine will proceed as planned, and that the nominal annual capacity level of 230 000 tonnes of ore will be reached during Q2/2011.
- Company gold production guidance for 2011 production is 700 kg (22 500 oz) of gold to be produced during 2011.

<sup>3</sup> Endomines calculates "Cash cost" per ounce figures using the guidance issued by The Gold Institute Production Cost Standard. Mining, ore processing and site administration and off-site smelting and refining costs are included to the "cash cost" but amortization, reclamation, capital and exploration costs are excluded, i.e. "Cash Cost" is calculated per payable ounces. "Cash Cost" figure is furnished to provide additional information and is a non-IFRS measure. Conversion from EUR to USD made by average rate for the period EUR/USD rate 1,37.

## Summary Interim Report January-March 2011

- During 2012, Endomines expects to increase gold production at the Pampalo mine to 900-1 000 kg by increasing the annual milled ore tonnage to the level of 260-270 000 tonnes of ore, and improving head grade and plant technical parameters.
- An amendment letter in relation to the planned production increase to an annual production level of 270 000 tonnes of ore was submitted to local environmental authorities. The authorities' response stated that the increase has no effect on current Environmental Permit.
- Work continued with a view to preparing Endomines' application to list on the main market of NASDAQ OMX Nordic Stockholm. The application is expected to be submitted during Q3/2011.

### CEO statement

#### Pampalo Gold Mine

There were three Lost Time Injuries during the quarter. The company has started a campaign to improve the safety statistics at the Pampalo mine.

The infill diamond drilling campaign in the underground mine was completed in January. This 2 389-meter campaign aimed to delineate the ore between levels +320- 360 so that drifting for the next production panel could be started from the deeper level.

The Pampalo Mine loading and hauling contractor sought bankruptcy during the reporting period, which led to some delays in underground mine production and a lower than planned mining rate. However, Endomines responded immediately to the situation and placed an order for a brand new Sandvik LH 514 underground loader. The loader was delivered in mid-February and put to work after a brief training period. Ore hauling was contracted out.

The above underground production disturbances were mitigated by partially sourcing processing plant feed from the previously accumulated ore stockpile on the surface.

In the future, Pampalo mining operations will shift further towards an owner-operator model as underground mining contractor availability in Finland is becoming scarcer and its pricing unfavorable.

Pampalo processing plant test runs commenced in mid-January, once faulty equipment was repaired under a supplier's guarantee scheme and some issues relating to severe cold weather were resolved. The initial test runs involved waste rock and low grade ore.

The plant feed was gradually changed to normal grade ore early February and the first truck-load of gold concentrate left the site on February 7th. Since this date, ramp-up has progressed relatively smoothly, and hourly production has improved to 28-30 tonnes of ore per hour (planned capacity

## Summary Interim Report January-March 2011

32 tonnes/h). The plant utilization rate<sup>4</sup> has improved to over 90% and gold recovery to 86%.

A test campaign to produce gravimetric concentrate was carried out. End-user refineries have been contacted.

The number of personnel at the Pampalo Gold Mine at the end of reporting period was 50 own and 22 contractor employees.

4

### Exploration

A former border guard building in Hattuvaara village was purchased to serve as an exploration base and company office.

Plans for the summer 2011 exploration campaigns were prepared.

Tenders were invited for the planned airborne geophysical low-altitude survey over the Karelian Gold Line, and the contract was awarded to Danish company SkyTem.

Offers for the diamond drilling contract were received, and Pöyry Environmental Oy was awarded a contract to carry out a 9 000-meter drilling campaign. In total, 7 000 meters will be drilled at the Karelian Gold Line, and 2 000 meters planned in Finnish Lapland, at the Porkonen and Kivimaa deposits.

### Industrial Minerals

Endomines continued to seek partners for developing Industrial Minerals. Concentrate samples originating from earlier pre-feasibility phases were delivered to two potential end-users.

### Corporate

Work continued with a view to preparing Endomines' application to list on the main market of NASDAQ OMX Nordic Stockholm. This application is expected to be submitted during Q3/2011.

### Gold Market Outlook

Despite the last decades' favourable gold price development, primary mine supply has increased only slightly during the years 2009-2010. Primary mine production is expected to further increase in the future, but an improved demand side will compensate for this. During 2010, the official sector reversed its previous trend and became a net buyer for the first time since 1989.

This positive gold price development is widely expected to continue as central banks, particularly in Asia, are expected to diversify their foreign exchange reserves further by increasing their holdings in gold, and inflows

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<sup>4</sup> Operating hours of the mill in relation to total available hours

## Summary Interim Report January-March 2011

into gold exchange traded funds will continue to increase. The reason for this is that investors are seeking to protect themselves against the twin threats of deflation and inflation.

Endomines' view is that it is most likely that the gold price will stay at a high level or even increase slightly in the next few years. Expected strong demand, loose monetary policies and investors perceiving gold to be a safe haven would support this scenario.

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### **About Endomines AB:**

*Endomines AB is a Nordic mining and exploration company with its first operating gold mine located in Eastern Finland. The company has several other gold and industrial mineral properties at various stages of development. All Endomines' mineral assets are located in Finland, which is politically stable, has a highly developed infrastructure and is ranked as one of the most favorable jurisdictions for the mining industry.*

*The Pampalo Gold Mine is currently producing gold at an expected annualized rate of 900 - 1 000 kg. The mine is located on the 40 km-long gold-critical Karelian Gold Line, where Endomines controls all currently known gold deposits.*

*Endomines aims to increase shareholder value by developing its strong portfolio of assets, as well as exploring new deposits on the Karelian Gold Line and in Finnish Lapland. The company will also consider new opportunities and acquisitions for further growth.*

*The company's business practices and mining operations are based on sustainable principles and on minimizing the impact on the environment.*

*Endomines applies SveMin's & FinnMin's respective rules for reporting (public mining & exploration companies). It has also chosen to report mineral resources and ore reserves according to the JORC-code, which is the internationally accepted Australasian code for reporting ore reserves and mineral resources.*

*Endomines applies International Financial Reporting Standards (IFRS) as approved by the European Union.*

*The shares of Endomines AB are quoted on the First North Premier segment in Stockholm under ticker ENDO.ST. Erik Penser Bankaktiebolag acts as Certified Adviser and Liquidity Provider.*

Read more about Endomines on [www.endomines.com](http://www.endomines.com)

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*This news release may contain forward-looking statements, which address future events and conditions, which are subject to various risks and uncertainties. The*

## Summary Interim Report January-March 2011

*Company's actual results, programs and financial position could differ materially from those anticipated in such forward-looking statements as a result of numerous factors, some of which may be beyond the Company's control. These factors include: the availability of funds; the timing and content of work programs; results of exploration activities and development of mineral properties, the interpretation of drilling results and other geological data, the uncertainties of resource and reserve estimations, receipt and security of mineral property titles; project cost overruns or unanticipated costs and expenses, fluctuations in metal prices; currency fluctuations; and general market and industry conditions.*

*Forward-looking statements are based on the expectations and opinions of the Company's management on the date the statements are made. The assumptions used in the preparation of such statements, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.*