

The Board of Directors of Endomines proposes incentive programme including issue of subscription options

Endomines is facing challenges in the near future, where a great commitment and a significant amount of work will be required from the company's management and certain key employees in order to achieve the established goals. The board has concluded that it is an important competitive advantage in future recruitments to be able to offer participation in an incentive programme. An incentive programme, which was conditional upon that a decision was made before 30 September 2009 to execute the Pampalo project, was adopted by the annual general meeting 2009. Since the financing of the Pampalo project was not in place at such time, it was not possible to make an investment decision. As a result, the earlier incentive programme has now lapsed. The reasons for an incentive programme remain, however, and the board of Endomines therefore makes a new proposal for an incentive programme to the extraordinary general meeting on 12 November 2009.¹ The terms and conditions of the new programme is in all material respects identical with the earlier incentive programme, except that the number of options that can be issued has been increased in order to be adapted to the new issue of shares that the board resolved upon on 9 October 2009 and that was announced today.

Main terms and conditions for the incentive programme

- A maximum of 1,807,991 options can be issued, which are secured with a corresponding number of subscription options and, in addition thereto, a maximum of 71,009 subscription options in order to cover costs for the programme (social security payments).
- Persons eligible to be awarded options are members of the group management and certain key employees in the group, however no more than a total of eight persons. The intention is to distribute the options evenly between the eligible persons, although it is intended that the CEO, the CFO and the CTO shall be awarded a larger share of the options than others (CEO no more than 500,000 options and CFO and CTO no more than 350,000 options).
- The award of options shall be made during January and/or February of 2010. Options are awarded free of charge.
- Each option entitles the holder to purchase one (1) share in the company. The options are divided into three different tranches, with a different earning period. The options shall be evenly divided between the tranches, based on when the options can be exercised in accordance with the following.
 - (i) *Tranche 1:* The options can be exercised between 1 March 2011 – 1 September 2014;
 - (ii) *Tranche 2:* The options can be exercised between 1 March 2012 – 1 September 2014;
 - (iii) *Tranche 3:* The options can be exercised between 1 March 2013 – 1 September 2014.
- The exercise price shall correspond to 130 percent of the Endomines share's average volume weighted share price on the NASDAQ OMX First North during a measuring period of ten days from the date of the Board's allocation resolution.

Other

In order to be able to execute the proposed incentive programme in the desired manner, the Board has proposed that the general meeting resolves to issue subscription options to a wholly owned Swedish subsidiary. Such subscription options shall entitle to subscription of a total of no more than 1,879,000 shares. If the subscription options are fully exercised and full subscription is made, the company's share capital

¹ For further information on the board's proposal, please refer to the notice to the extraordinary general meeting, which is published today and will be entered in Svenska Dagbladet and Post- och Inrikes Tidningar on 15 October 2009.

will increase with SEK 5,637,000. Based on the total number of outstanding shares after full subscription of the shares that may be issued through the resolution by the Board on 9 October 2009, the incentive programme will involve a dilution of 2,5 percent of the share capital in the company, in case of full exercise of all subscription options. The company's earnings per share will not be affected at the time of implementation of the incentive programme, since the exercise price of the options exceed the share price at the time of implementation.

Shareholders representing a total of approximately 46.3 percent of the shares and votes in Endomines have expressed their support for the proposed incentive program. They have furthermore expressed their intention to vote for the Board's proposal on the extraordinary general meeting.

Costs

According to the accounting standard IFRS 2, the costs for the incentive programme shall be accounted for in the income statement and apportioned over the earning period. The board has made a preliminary calculation of the theoretical value of an option in the company. Assuming a share price of SEK 4.14 and an average term of three years and five months, the value of an option amounts to SEK 1.06, that involves a maximum cost for the proposed incentive programme of approximately SEK 1.9 million. The expected cost in the income statement, based on historical employee turnover in the group, for the incentive programme has been calculated to amount to approximately SEK 1.71 million. The incentive programme is expected to involve costs for the company in form of social security payments for employees in Sweden, which employees are expected to be 12.5 percent of the total number of participants in the programme. For the remaining participants, who are employed in Finland, no social security payments are expected to encumber the company. Based on a theoretical assumption that the share price of SEK 4,14 will increase with 10 per cent annually during four years, the social security payments are calculated to amount to a maximum of approximately SEK 43,000. The social security payments will increase with approximately SEK 64,000 for every Swedish crown that the share price increases with above SEK 4,14.

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Endomines AB (publ) explores and develops mineral deposits in Finland. The Company owns mining concessions and claims over all the known gold deposits along the Karelian Gold Line, including the Pampalo mine where the Company aims to start mining in 2010. In addition, Endomines has claims for gold deposits in Finnish Lapland. Besides gold, and through its subsidiary Kalvinit Oy, the Company plans to develop its deposits of the industrial mineral ilmenite in Central Ostrobothnia.

Endomines applies SveMin's and FAERI's common reporting rules for public mining and exploration companies. Endomines report its mineral resources according to the internationally accepted JORC or NI-43-101 code. Endomines applies International Financial Reporting Standards (IFRS) for its accounting principles. The use of IFRS allows for comparison of the Company with foreign exploration and mining companies.

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

Read more about Endomines's on www.endomines.com