

# Endomines AB (Publ)

(Company registration no. 556694-2974)

## Q4 interim and Year-End Report for 2017

This interim report is a translation from the Swedish original which was published on 28 February 2018. In the event of difference between the English translation and the Swedish original, the Swedish interim report shall prevail.

(Correction to Q4 2017 and YE Bulletin published on 28 February 2018, EBITDA corrected to -5.9 MSEK in financial highlights)

### Strong foundation for the future

#### Q4 2017 (vs Q4-2016)

##### *Operational highlights*

- Gold production was 98.7 kg (109.8)
- Milled ore was 39,692 tons (42,193) at head grade of 3.0 g/t (3.1)
- Cash Cost was 1,264 USD/oz (1,060)
- Updated mineral resource estimates were announced

##### *Financial highlights*

- Net Sales were 30.3 MSEK (37,2)
- EBITDA was -5.9 MSEK (1.5)
- Total cash flow was 1.8 MSEK (-16.9)
- An impairment charge of 23.0 MSEK (56.5) on Pampalo assets was posted
- Earnings per share was -3.71 SEK (-8.05)

#### Full year 2017 (vs. full year 2016)

##### *Operational highlights*

- Gold production increased by 22 per cent and was 398.1 kg (325.0), with the increase driven by higher gold grade, improved production efficiency and increased tonnage
- Milled ore was 165,539 tons (150,917) at head grade of 2.9 g/t (2.6)
- Cash Cost was 1,165 USD/oz (1,194)
- Rolling 12-month LTIFR to 31 December 2017 was 16 (8)

##### *Financial highlights*

- Net Sales increased by 20 per cent and were 121.0 MSEK (101.1)
- EBITDA was -5.7 MSEK (-9.2)
- Total cash flow was -13.7 MSEK (9.0)
- An impairment charge of 23.0 MSEK (56.5) on Pampalo assets was posted in Q4
- Earnings per share was -6.60 SEK (-12.49)

## SIGNIFICANT SUBSEQUENT EVENTS

- The Extraordinary General Meeting held on 8 January 2018 resolved e.g. to authorize Endomines' rights issue, a directed share issue to Joensuun Kauppa ja Kone Oy ("JKK") relating to the restructuring of the Company's bank debt, and the planned acquisition of TVL Gold
- Endomines's rights issue was successfully completed and the final results announced on 1 February 2018; the proceeds before transactions costs were SEK 188,752, 950
- The restructuring of Endomines' 7.6 MEUR bank debt was executed on 14 February 2018 with the Company making a 2 MEUR pre-payment, the lender and guarantor forgiving a corresponding 2 MEUR, and the remaining ca. 3.6 MEUR loan being taken over by JKK; JKK is to convert the receivable to Endomines' shares following closing of the TVL Gold acquisition
- The Share Purchase Agreement regarding the acquisition of TVL Gold was signed on 10 January 2018 for a total purchase price of USD 31.25 million, of which one third in cash and two thirds in Endomines shares through a convertible loan; the acquisition was completed on 27 February 2018

## Production guidance for 2018:

Endomines anticipates producing 250-300kg gold in Pampalo in January-September 2018. Production in October-December requires investment in a decline into the deep extension of Pampalo. Decision on the possible investment is expected to be made during the second quarter 2018.

## Company strategy

Endomines is a mining and exploration company with its primary focus on gold. The Company invests in exploration along the Karelian Gold Line in Eastern Finland with the aim of enabling long-term profitable gold production in the area, utilizing the existing production infrastructure at the Pampalo mine.

Endomines also aims to improve its growth prospects through mergers and acquisitions. The Company intends to broaden its resource base by acquiring assets in stable jurisdictions, preferably with relatively short time to production and limited capital expenditure requirements. As the first step, Endomines has completed the acquisition of TVL Gold, which holds rights to five gold projects in Idaho, USA.

## Key financial figures (Consolidated)

<i>MSEK if not otherwise stated</i>	Oct-Dec			FY 2017		
	2017	2016	+/-	2017	2016	+/-
Revenue	28.5	34,9	-6.4	122.6	101.1	21.5
Cost	-34.5	-33.4	-1.1	-128.3	-110.3	-18.0
EBITDA	-5.9	1.5	-7.4	-5.7	-9.2	3.5
Depreciation and write-downs	-32.0	-64.2	32.2	-59.1	-95.4	36.3
EBIT	-37.9	-62.6	24.7	-64.8	-103.1	38.3
Net result for the period	-38.9	-84.5	45.6	-69.3	-125.0	55.7
Earnings per share (SEK)	-3.71	-8.05	4.34	-6.60	-12.49	5.89
Cash flows from operating activities	3.4	-4.4	7.8	1.0	-13.6	14.6
Investments	-0.6	-11.6	11.0	-12.3	-40.3	28.0
Financing	-1.0	-0.9	-0.1	-2.4	62.8	-65.2
Total cash flow	1.8	-16.9	18.7	-13.7	9.0	-22.7
Liquid assets at the end of the period	15.8	29.4	-13.6	15.8	29.4	-13.6
Personnel at the end of the period	40	44	-4	40	44	-4

**CEO Saila Miettinen-Lähde:**

*“In November 2017 we announced that Endomines is taking on a new direction, pursuing actively M&A and focusing on regional exploration along the Karelian Gold Line. In connection with this strategic shift, we also announced plans for a rights issue and rearrangement of the Company’s bank debt with the involvement of a new investor. Furthermore, we made public our intention to acquire mining assets in the USA.*

*Now, three months later in February 2018, I am pleased to state that we have already moved a long way in the desired strategic direction and achieved all of our targeted milestones to date: we have successfully completed a SEK 189 million rights issue, eliminated all bank debt, Kyösti Kakkonen’s Joensuun Kauppa ja Kone Oy has become a significant new investor in the Company, and we have completed the acquisition of TVL Gold that holds rights to five gold assets in Idaho, USA. Moreover, the new exploration plans for the Karelian Gold Line are taking shape and their execution is starting during the coming spring.*

*Our operational performance at the Pampalo mine was only satisfactory in the fourth quarter with gold production of 98.7kg but exceeded our expectations for the full year with gold production amounting to 398.1kg. The full year production represents a 22 per cent improvement over the previous year and stems partly from better in-situ grade of ore, but also from more efficient production processes.*

*Financially, the fourth quarter was weaker than the year before with net sales of SEK 30.3 million and EBITDA of SEK -5.9 million. However, for the full year of 2017 our net sales improved by 20 per cent to SEK 121 million. EBITDA also improved but remained negative at SEK -5.7 million.*

*Going forward, I anticipate Endomines taking benefit from its strengthened balance sheet by developing the newly acquired assets in the USA as well as those in Karelia. In approximately a year from now, we should be starting production in the first of the Idaho gold mines and are hopefully also seeing positive results from exploration along the Karelian Gold Line. All in all, I believe in 2017 we built a good foundation for the Company to grow on – in many ways created a new Endomines. In 2018, we will work hard to demonstrate our ability to build on the new foundation.”*

## Production

Total gold production in Q4 2017 amounted to 98.7kg (109.8), and for FY2017 to 398.1kg (325.0).

Endomines' ore production, milled ore tons, and gold in concentrate production exceeded the Company's expectations in 2017. The gold head grade was higher than anticipated, averaging 3.0 g/t in the fourth quarter and 2.9 g/t (2.6) in full year 2017. The improvement in the head grade primarily derives from a higher in-situ grade of ore. The Company's recent operational improvements in mining and mine development also contributed to the solid production performance in 2017.

Production figures	OCT-DEC			FULL YEAR		
	2017	2016	+/-	2017	2016	+/-
Milled ore (tonnes)	39,692	42,193	-2,501	165,539	150,917	14,622
Head grade (Au gram/tonne)	3.0	3.1	-0.1	2.9	2.6	0.3
Gold recovery (%)	83.0	83.0	0.0	83.4	82.9	0.5
Hourly utilization (%)	36.6	43.5	-6.9	38.8	37.6	1.2
Gold production (kg)	98.7	109.8	-11.1	398.1	325.0	73.1
Gold production (oz)	3,173	3,531	-358	12,799	10,449	2,350
LTIFR	-	-	-	16	8	-
Average gold price (USD/oz)	1,277	1,220	56	1,260	1,248	12
Cash Cost (USD/oz)	1,264	1,060	204	1,165	1,194	-29

Production figures for the last quarter are based on Company's own assaying and not confirmed by any external laboratory. Figures are individually rounded off. LTIFR = The Lost Time Injury Frequency Rate is based on reported lost time injuries on a rolling 12-month basis resulting in one day or more off work per 1,000,000 hours worked. LTIFR has been calculated for the whole company including contractors.

## Exploration and underground development

The underground drilling program focusing on the 2018 production area was completed in October. The last drilling target of the program was the S-lens between levels 655m and 755m. Sixteen infill drill holes, totaling 953m, were drilled to allow completion of the mine plan for the area. Based on the drilling results, the S-lense area was included in the current production plan.

In 2017 Endomines completed a total of 15,709 meters of underground drilling at the Pampalo Mine. Most of the drilling was concentrated on the 2017 and 2018 production areas, while 5,040 meters was targeted on the deep extension of the Pampalo deposit below the 755m level. All the assay results from the 2017 drilling program have been received and the results have been used in updating the mineral resource and ore reserve estimates.

The results indicate that there are sufficient ore tonnages for approximately 1-1.5 years' production within the next 100 vertical meters below the current production area. The gold grade of that resource is slightly higher compared to the gold grades in the upper level. Production in the deep extension requires investment in a decline, for which the investment decision is currently pending.

## Ore Reserve and Mineral Resource update

Endomines announced its updated ore reserves and mineral resources estimates on 28 December 2017. The estimates have been prepared according to the 2012 Australasian Code for Reporting of Mineral Resources and Ore Reserves (Joint Ore Reserve Committee - JORC-code).

In the Pampalo underground mine, reserves as at 30 November 2017 were 223,215t. This represents an increase of 63,215t since the year-end 2016, despite 161,080t of reserves having been mined out in 2017.

The presented resources and reserves data includes results from the underground drilling campaign carried out in 2017 and targeting areas below the current production levels in Pampalo. Due to the focus of the drilling in the Pampalo deep extension, the resources increased mainly in areas below the current production levels, and there are no notable changes in the resources of other deposits. In total, approximately 15,900m were drilled in 2017, of which most in the Pampalo underground mine.

#### **Regional exploration activities along the Karelian Gold Line**

There was no active regional exploration in 2017. However, Endomines is planning to substantially increase its regional exploration activities along the Karelian gold line. In the fourth quarter of 2017, the focus of the activities was on planning of the 2018 exploration program.

The work with Model Earth Consulting Group from Australia continued during the quarter. The aim of the work is to create a detailed exploration plan for the Karelian Gold Line, utilizing all the existing exploration data including diamond drilling, soil geochemistry, geological mapping and geophysics. Experience from similar Archean greenstone belts in Australia is also applied. The output will be a three-dimensional exploration model with emphasis on structural geology. The 3D model will be used to define new targets for gold exploration along the Karelian Gold Line. The first results from the work are now available and Endomines expects to apply them in its exploration activities from the second quarter of 2018 onwards.

#### **Health, environment and safety**

Endomines' strategy relating to health, environment and safety is a non-acceptance of accidents and adverse environmental incidents, a Zero Harm policy. In 2017, the adoption and ongoing implementation of LEAN methodology has significantly improved the overall housekeeping at the mine site. However, results on safety are not yet satisfactory. The LTI rate (lost-time injuries per one million working hours) at the end of 2017 was 16, which shows a significant increase over the previous year's LTI rate of 8. This is partly due to the relatively small number of working hours at the Pampalo site, which makes the LTI frequency very sensitive to each incidence. In 2017, the number of lost-time injuries was two, causing altogether four sick leave days. Further measures will be introduced to reduce the LTI rate in 2018.

The environmental monitoring at the Pampalo mine was carried out according to the updated program approved by the environmental authorities in 2017. All water samples taken during the year were within the specified limits and the tailings sand fulfilled the specifications set to it. No waste rock was stacked on the waste area; hence, no sampling took place either.

The closing activities of the Rämepuro mine were carried out primarily in 2016, following which the environmental monitoring of the site has taken place according to the program approved by the authorities in 2017. There were no environmental incidents or deviations at the Rämepuro site in 2017.

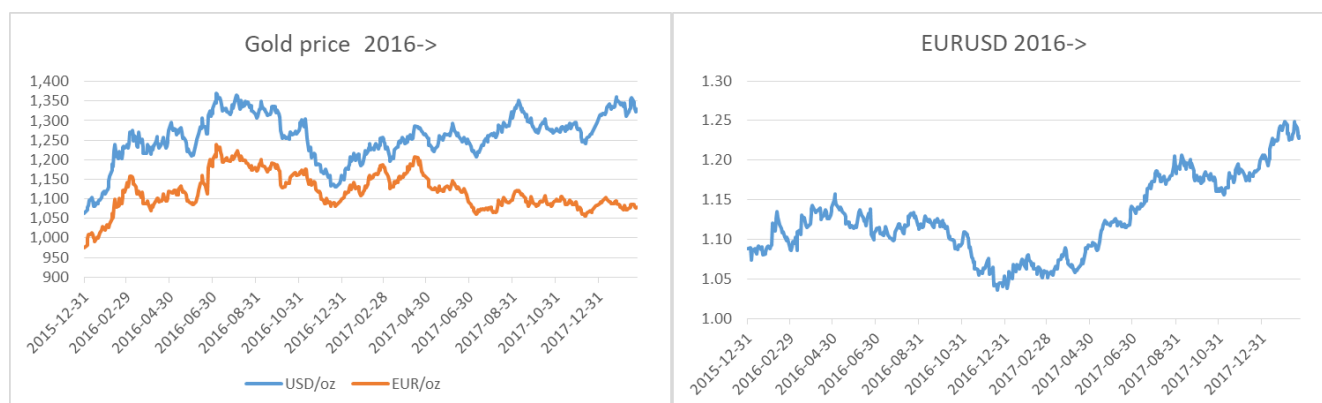
### Gold price and EURUSD exchange rate

At the end of 2017 the gold price was 1,296 USD/oz, an increase of 12% per cent compared to 1,159 USD/oz at the end of 2016 (LBMA AM at 31 December 2019). The average gold price for 2017 was 1,260 USD/oz (1,248), representing an increase of +1 per cent over the previous year.

The average gold price in euro for 2017 was 1,127 EUR/oz (1,115), representing similarly a +1 per cent increase over the year before. The positive development of the gold price in USD was largely mitigated by the significant appreciation of EUR against USD from 1.05 to 1.20.

With its gold production in Finland, Endomines incurs virtually all its production costs in euro. The EUR/USD exchange rate thus has a significant impact on the Company's revenue and profitability, with a stronger euro against the US Dollar impacting revenue negatively.

Graph: Average gold price and EURUSD exchange rate



### COMMENTS ON THE FINANCIAL RESULTS Q4 2017

Key figures (Consolidated) <i>MSEK if not otherwise stated</i>	OCT-DEC		
	2017	2016	+/-
Revenue	28.5	34.9	-6.4
Cost	-34.5	-33.4	-1.1
EBITDA	-5.9	1.5	-7.4
Depreciation and write-downs	-32.0	-64.2	32.2
EBIT	-37.9	-62.6	24.7
Net result for the period	-38.9	-84.5	45.6
Earnings per share (SEK)	-3.71	-8.05	4.34

Total revenue, including change in inventory, for the fourth quarter amounted to MSEK 28.5 (34.9). Net sales amounted to 30.3 MSEK (37.2), representing a -6.9 MSEK, or -18.6 per cent decrease compared to Q4 2016. The delivered gold content in concentrate amounted to 98.8kg (116.0), or 3,177 oz (3,731), which was 15% less than in the corresponding period 2016.

EBITDA decreased to -5.9 MSEK (1.6), primarily due to the lower volume of deliveries compared to the corresponding period in the year before. Depreciations and write downs amounted to 32.0 MSEK (64.2), of which depreciations represented 9.0 MSEK (7.7) and write downs 23.0 MSEK (56.5). The impairment charges of 23.0 MSEK relate to buildings 11.7 MSEK (12.6) and machines 11.3 MSEK (18.7), in accordance with conducted impairment tests. No impairment charges were made to the mine in 2017 compared to 25.3 MSEK in the corresponding period of 2016. EBIT amounted to -37.9 MSEK (-62.6).

Operating expenses increased to 34.5 MSEK (33.2). Operating expenses per milled ore ton at the Pampalo mine remained at the previous year's level 74 EUR/ton (74). Cash Cost increased to 1,264 USD/oz (1,060). The increase in cash cost came mainly from a weaker US dollar compared to Euro which impacted the cash cost negatively by 10 per cent, as well as lower gold production compared to the corresponding period, which increased the cash cost by another 10 per cent.

Net financial result amounted to -1.0 MSEK (-1.5). The exchange rates impacted the Group consolidated result positively in SEK mainly due to currency gains from the Group receivables in Euro.

Profit after tax was -38.9 MSEK (-84.5), with income taxes amounting to 0.0 MSEK (-20.3). The tax costs booked in 2016 relate to deferred tax liabilities from previous years.

### Full year 2017

Key figures (Consolidated) <i>MSEK if not otherwise stated</i>	FULL YEAR		
	2017	2016	+/-
Revenue	122.6	101.1	21.5
Cost	-128.3	-110.3	-18.0
EBITDA	-5.7	-9.2	3.5
Depreciation and write-downs	-59.1	-95.4	36.3
EBIT	-64.8	-103.1	38.3
Net result for the period	-69.3	-125.0	55.7
Earnings per share (SEK)	-6.60	-12.49	5.89
Cash flows from operating activities	1.0	-13.6	14.6
Investments	-12.3	-40.3	28.0
Financing	-2.4	62.8	-65.2
Total cash flow	-13.7	9.0	-22.7
Liquid assets at the end of the period	15.8	29.4	-13.6
Personnel at the end of the period	40	44	-4

### Results

Total revenue for the whole year amounted to 122.6 MSEK (101.1). Net sales increased by 19.9 MSEK to 121.0 MSEK (101.1), representing an improvement of 20 per cent. The delivered gold content in concentrate increased by 22 per cent and amounted to 395.5kg (323.4), equivalent to 12,715 oz (10,399). The average gold price was slightly higher than the year before at 1,260 USD/oz (1,248).

EBITDA amounted to -5.7 MSEK (-9.2), an increase of 3.5 MSEK primarily reflecting higher gold grade in ore and improved production efficiency. EBIT also improved and was -64.8 MSEK (-103.1).

Depreciations and impairment charges amounted to 59.1 MSEK (95.4) of which depreciation 36.1 MSEK (38.9) and impairment charges 23.0 MSEK (56.5). The impairment charges of 23.0 MSEK relate to buildings 11.7 MSEK (12.6) and machines 11.3 MSEK (18.7), in accordance with conducted impairment tests. No impairment charges were made to the mine in 2017 compared to 25.3 MSEK in 2016.

Operating expenses amounted to 128.3 MSEK (110.3), an increase of 16 per cent. Operating expenses at the Pampalo mine amounted to 70 EUR (68) per milled ore ton. Total milled ore amounted to 165,539 tons (150,917), an increase of 10 per cent. Cash Cost amounted to 1,165 USD/oz (1,194).

EBIT amounted to -64.8 MSEK (-103.1). Net financial result amounted to -4.5 MSEK (-1.5), of which net interest -6.1 MSEK (-4.5) and exchange rate differences 1.6 MSEK (3.0). Exchange rate differences relate almost entirely to the parent company. The Swedish krona weakened against the euro in 2017.

Net result for the period was -69.3 MSEK (-125.0), including income taxes of 0.0 MSEK (-20.3). As already mentioned above, the tax costs booked for 2016 relate to deferred tax liabilities from previous years.

Net result per share was -6.60 SEK (-12.49).

### **Investments**

Investments into intangible and tangible fixed assets amounted to 14.2 MSEK (38.4), of which development of the Pampalo mine represented 12.3 MSEK (32.9) and regional exploration 1.9 MSEK (5.5). The decline extension between +655 and +755 meters was completed during Q1 2017. No investments to the decline extension was made after that, which is the main reason for decrease in investments at the Pampalo mine.

Financial fixed assets decreased by 1.9 MSEK in 2017 while they increased in 2016 by 1.9 MSEK. Pledged cash deposits due to contingent environmental liabilities is the reason for the changes.

### **Cash flow and financing**

Cash flow from operations before change in net working capital was -8.0 MSEK (-13.2) in 2017. Net working capital decreased by 9.0 MSEK (-0.4). Cash flow after investments increased by 42.5 MSEK to -11.3 MSEK (-53.8). Repayment of loans during 2017 was 2.4 MSEK (3.8) and related to financial leasing. Total cash flow from financing amounted to -2.4 MSEK (62.9). In 2016, cash flow from financing included a rights issue with proceeds of 66.6 MSEK.

Endomines received waivers from breach of covenants on its outstanding bank loans as of June and December 2017 (see Note: Borrowings). Bank loans amounted to 74.8 MSEK (72.6) at the end of 2017. No amortizations were paid during 2017.

### **Financial position**

Net debt amounted to 67.7 MSEK (54.1) MSEK at the end of 2017. Total equity amounted to 45.4 MSEK (114.5). Gearing increased to 149 per cent (47) mainly due to negative net result and decrease in cash.

Balance sheet total amounted to 160.6 MSEK (222.1), and equity ratio decreased to 28 per cent (52). Capital employed amounted to 128.9 MSEK (198.1).

### **The parent company Endomines AB**

The parent company has mainly an administrative role, with costs reflecting expenses relating to capital raisings and financing of subsidiaries, listing costs in both Sweden and Finland, IR-activities, Board and Group management expenses, auditing and occasional project costs. Management fees are invoiced between Group companies, with management fees recorded during 2017 amounting to 0.4 MSEK (0.6)

The parent company's operating expenses amounted to 11.4 MSEK (8.1), an increase of 3.3 MSEK or 41 per cent. Other external expenses amounted to 6.8 MSEK (4.4) including costs for the group CEO. From May 2017 all the expenses for the group CEO have been carried by the parent company, which increased the total costs in 2017. Personnel expenses amounted to 4.6 MSEK (3.8), including Board remuneration and social security expenses of 1.3 MSEK (1.2). Other personnel expenses amounted to 3.3 MSEK (2.6).

The increase in personnel expenses was mainly due to provisions for severance payments.

Cash at the end of the year amounted to 1.5 MSEK (19.7), and total cash flow was -18.2 MSEK. Shareholder contributions paid to the equity of Endomines Oy were 9.6 MSEK and other cash flow was -8.6 MSEK net. Equity was 174.2 MSEK (226.6), including share capital of 262.2 MSEK (262.2).

For more information, see the profit and loss statement and the statement of financial position of the parent company.



## **OTHER INFORMATION**

### **Risks in Endomines operations**

All mining and exploration companies are subject to several risks, e.g. technical, commercial, environmental as well as financial. Various circumstances may delay or prevent exploration of a target or production from an existing mine, thereby also substantially impacting the Company's financial performance and liquidity. For further information on risks and uncertainties, see the latest Annual Report (in Swedish only). Management is continuously monitoring, assessing and managing risks.

### **Related party transactions**

With the exception of Board fees, no transactions affecting the Company's position and result took place between Endomines and related parties.

### **Nomination committee**

The nomination committee of Endomines AB: Thomas Hoyer, (Chairman), representing WIP Hakkapeliitat; Lars Olof Nilsson, representing Oy Q & A Consulting AB; and Staffan Simberg, Chairman in Endomines AB. For more information, see homepage corporate governance/nomination committee.

### **SIGNIFICANT SUBSEQUENT EVENTS**

The Extraordinary General Meeting held on 8 January 2018 resolved e.g. to

- reduce the Company's share capital for loss coverage;
- authorize a rights issue with total proceeds of not more than 189 MSEK
- authorize a directed share issue to Joensuun Kauppa ja Kone Oy ("JKK") to cover the payment in shares of a ca. EUR 3.6 million loan that JKK is to take over from the Company's current lenders; and
- authorize the acquisition of TVL Gold at a total purchase price of not more than USD 34 million
- Authorize the Board to the Board of Directors during the period up until the next AGM, to decide to issue a convertible loan of not more than two thirds of the Purchase Price to the holder of the purchase price claim

The Share Purchase Agreement regarding the acquisition of TVL Gold was signed on 10 January 2018 for a total purchase price of USD 31.25 million, of which one third in cash and two thirds in Endomines shares through a convertible loan. The acquisition was completed on 27 February 2018 upon the fulfilment of all agreed conditions precedent. At closing, Endomines has made a USD 7.00 million cash payment and issued a USD 3.33 million loan note and will subsequently issue a USD 20.67 million convertible loan to the sellers to complete the payment.

Endomines's rights issue was successfully completed and the final results announced on 1 February 2018; the number of shares in the Company increased from 10,486,275 to 31,458,825, and the proceeds before transactions costs were SEK 188 752 950

The restructuring of Endomines' EUR 7.6 million bank debt took place on 14 February 2018 with the Company making a EUR 2 million pre-payment, the lender and guarantor forgiving a corresponding EUR 2 million, and the remaining ca. EUR 3.6 million loan being taken over by JKK; JKK is to convert the receivable to Endomines' shares following the closing of the TVL Gold acquisition

### **Production guidance for 2018:**

Endomines anticipates producing 250-300kg gold in Pampalo in January-September 2018. Production in October-December requires investment in a decline into the deep extension of Pampalo. Decision on the possible investment is expected to be made during the second quarter 2018.

### **Future liquidity development**

Due to the successful rights emission completed in February 2018 with proceeds before transaction costs of 189 MSEK and the elimination of all previously outstanding bank loans amounting to ca. 75 MSEK, the Company has a strong liquidity and financial position.

### **Interim Report preparation principles**

The Consolidated Accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the EU, and with the Swedish Financial Reporting Board recommendation, RFR1, complementary accounting rules for Groups, which specifies the supplementary information required in addition to IFRS standards, pursuant to the provisions of the Swedish Annual Accounts Act. This Interim Report has been prepared in accordance with IAS 34, Interim Financial Reporting, and in accordance with the Swedish Annual Accounts Act, while the Parent Company accounts have been prepared in accordance with the Swedish Annual Accounts Act. The accounting principles and calculation methods have remained unchanged from those applied in the 2016 Annual Report.

### **Definitions**

The company presents certain financial metrics in the Interim Report that are not defined in accordance with IFRS. The Company believes these metrics provide valuable complementary information for investors and the Company's management, in that they enable an evaluation of the Company's performance. Not all companies calculate financial metrics in the same way, so the metrics used by Endomines are not always comparable with those used by other companies, and these metrics should, therefore, not be regarded as a replacement for metrics defined in accordance with IFRS. These financial metrics are calculated in accordance with the definitions presented on page 7 of the 2016 Annual Report as well as on our website (both Swedish and English). Definitions and calculations are not reproduced in this report.

### **Annual general meeting (AGM) and financial calendar**

- 29 March 2018 *Annual report is published on [www.endomines.com](http://www.endomines.com)*
- 19 April 2018 *AGM is held on Konferens Spårvagnshallarna, Birger Jarlsgatan 57A*
- 17 May 2018 *Interim report Q1 2018*
- 16 August 2018 *Interim report Q2 2018*
- 14 November 2018 *Interim report Q3 2018*
- 14 February 2019 *Interim report Q4 2018 and full year 2018*

**Auditors review**

This interim report is unaudited.

**Proposal on dividend**

The Board of Directors proposes that no dividend be paid for 2017.

In Stockholm on 28 February 2018

Endomines AB (Publ)

Staffan Simberg  
Chairman of the Board

Ann Zetterberg Littorin  
Member of the Board

Michael Mattson  
Member of the Board

Rauno Pitkänen  
Member of the Board

Saila Miettinen-Lähde  
CEO

## Consolidated statement of profit and loss and other comprehensive income

KSEK	Note	October-December		January-December	
		2017	2016	2017	2016
Net sales	1	30,288	37,219	121,009	101,059
Change in stock of finished goods and work in progress		-1,760	-2,653	1,223	-938
Other income		10	308	388	1,016
<b>Total revenue</b>		<b>28,538</b>	<b>34,874</b>	<b>122,620</b>	<b>101,137</b>
Raw materials and supplies		-5,401	-6,261	-24,441	-19,882
Personnel expenses	2	-9,282	-8,193	-31,133	-28,476
Other expenses	3	-19,787	-18,931	-72,751	-61,951
<b>EBITDA</b>		<b>-5,932</b>	<b>1,489</b>	<b>-5,705</b>	<b>-9,172</b>
Depreciation and impairment	4	-31,995	-64,231	-59,061	-95,446
(+) Profit or (-) loss from hedging instruments		-	159	-	1,473
<b>Operating result</b>		<b>-37,927</b>	<b>-62,583</b>	<b>-64,766</b>	<b>-103,145</b>
Financial income	5	0	-	-13	2
Financial expenses	5	-993	-1,545	-4,474	-1,543
<b>Net financial items</b>		<b>-993</b>	<b>-1,545</b>	<b>-4,487</b>	<b>-1,541</b>
<b>+Profit/(-) loss before taxes</b>		<b>-38,920</b>	<b>-64,128</b>	<b>-69,253</b>	<b>-104,686</b>
Income taxes	6	-	-20,335	-	-20,335
<b>Net result for the period</b>		<b>-38,920</b>	<b>-84,463</b>	<b>-69,253</b>	<b>-125,021</b>
<b>Other comprehensive income that will be classified to profit/loss</b>					
Translation differences		240	-1,410	97	4,322
		<b>240</b>	<b>-1,410</b>	<b>97</b>	<b>4,322</b>
<b>Comprehensive income for the period</b>		<b>-38,680</b>	<b>-85,873</b>	<b>-69,156</b>	<b>-120,699</b>
<b>Net result 100 % attributable to the parent company</b>		<b>-38,920</b>	<b>-84,463</b>	<b>-69,253</b>	<b>-125,021</b>
<b>100% of total comprehensive income is attributable to the parent company</b>		<b>-38,680</b>	<b>-85,873</b>	<b>-69,156</b>	<b>-120,699</b>
<b>Earnings per share (SEK)</b>	7				
before and after dilution effect		<b>-3.71</b>	-8.05	<b>-6.60</b>	-12.49
<b>Average number of shares</b>	7				
before and after dilution effect		10,486,275	10,486,275	10,486,275	10,008,698

## Parent company statement of profit and loss

KSEK	October-December		January-December	
	2017	2016	2017	2016
Net sales	111	147	446	567
<b>Total revenue</b>	<b>111</b>	<b>147</b>	<b>446</b>	<b>567</b>
Other external expenses	-2,208	-1,163	-6,832	-4,355
Personnel expenses	-1,849	-1,058	-4,596	-3,780
Depreciation and impairment	-44,000	-100,000	-44,000	-100,000
<b>Operating result</b>	<b>-47,946</b>	<b>-102,074</b>	<b>-54,982</b>	<b>-107,568</b>
Financial income	1,972	-89	2,775	4,172
Financial expenses	-33	-33	-158	-136
<b>Net financial items</b>	<b>1,939</b>	<b>-122</b>	<b>2,617</b>	<b>4,036</b>
<b>+Profit/(-) loss before taxes</b>	<b>-46,007</b>	<b>-102,196</b>	<b>-52,365</b>	<b>-103,532</b>
<b>Net result for the period</b>	<b>-46,007</b>	<b>-102,196</b>	<b>-52,365</b>	<b>-103,532</b>
<b>Comprehensive income for the period</b>	<b>-46,007</b>	<b>-102,196</b>	<b>-52,365</b>	<b>-103,532</b>

## Consolidated balance sheet

KSEK	Note	31 Dec 2017	31-dec 2016
Intangible fixed assets	8	63,061	59,416
Tangible fixed assets	8	62,237	104,592
Financial fixed assets	9	5,171	6,936
<b>Total fixed assets</b>		<b>130,469</b>	<b>170,944</b>
Inventories		2,182	861
Trade receivables		7	143
Other receivables		2,500	2,035
Prepaid expenses and accrued income		9,589	18,668
Liquid assets		15,813	29,440
<b>Total current assets</b>		<b>30,091</b>	<b>51,147</b>
<b>TOTAL ASSETS</b>		<b>160,560</b>	<b>222,091</b>
<b>Shareholders' equity</b>			
Shareholders' equity			
Share capital		262,157	262,157
Other capital provided		343,873	343,873
Reserves		5,407	5,310
Retained earnings		-566,056	-496,804
Shareholders' equity attributable to the parent company shareholders		<b>45,381</b>	<b>114,536</b>
<b>Total shareholders' equity</b>		<b>45,381</b>	<b>114,536</b>
<b>Liabilities</b>			
Liabilities to credit institutions	11	75,917	79,439
Other provisions		7,724	2,142
<b>Total long-term liabilities</b>		<b>83,641</b>	<b>81,581</b>
Liabilities to credit institutions	11	7,641	4,122
Other provisions		384	0
Accounts payable		11,630	15,612
Other current liabilities		4,491	792
Accruals and other		7,392	5,448
<b>Total current liabilities</b>		<b>31,538</b>	<b>25,974</b>
<b>Total liabilities</b>		<b>115,179</b>	<b>107,555</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>160,560</b>	<b>222,091</b>

## Parent company balance sheet

KSEK	31 Dec 2017	31-dec 2016
Shares in group companies	132,714	152,422
Receivables from group companies	49,249	62,185
Other receivables	5,356	348
Liquid assets	1,516	19,718
<b>Total assets</b>	<b>188,835</b>	<b>234,673</b>
Shareholders' equity	174,215	226,579
Payables to group companies	7,427	7,223
Other liabilities	7,193	871
<b>Total shareholder's equity and liabilities</b>	<b>188,835</b>	<b>234,673</b>

## Consolidated changes of shareholders' equity

KSEK	Share capital	Other capital provided	Reserves	Retained earnings	Total shareholders' equity
All shareholders' equity is attributable to the parent company					
<b>Opening balance 1 Jan 2016</b>	<b>262,157</b>	<b>277,239</b>	<b>988</b>	<b>-371,783</b>	<b>168,601</b>
Net result for the period	–	–	–	-125,021	-125,021
Other comprehensive income	–	–	4,322	–	4,322
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>4,322</b>	<b>-125,021</b>	<b>-120,699</b>
<b>Transactions with the shareholders</b>					
Share issue	70,782	–	–	–	70,782
Transaction costs	–	-4,148	–	–	-4,148
Reclassified to share capital	125,836	-125,836	–	–	–
Decrease in the quota value of the shares	-196,618	196,618	–	–	–
<b>Total transactions with the shareholders</b>	<b>–</b>	<b>66,634</b>	<b>–</b>	<b>–</b>	<b>66,634</b>
<b>Closing balance as of 31 Dec 2016</b>	<b>262,157</b>	<b>343,873</b>	<b>5,310</b>	<b>-496,804</b>	<b>114,536</b>
<b>Opening balance 1 Jan 2017</b>	<b>262,157</b>	<b>343,873</b>	<b>5,310</b>	<b>-496,804</b>	<b>114,536</b>
Net result for the period	–	–	–	-69,253	-69,253
Other comprehensive income	–	–	97	–	97
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>97</b>	<b>-69,253</b>	<b>-69,156</b>
<b>Transactions with the shareholders</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total transactions with the shareholders</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Closing balance as of 31 Dec 2017</b>	<b>262,157</b>	<b>343,873</b>	<b>5,407</b>	<b>-566,057</b>	<b>45,380</b>

## Consolidated statement of cash flows

KSEK	October-December		January-December	
	2017	2016	2017	2016
<b>Cash flows from operating activities</b>				
+Profit/(-) loss before taxes	-38,920	-64,128	-69,253	-104,686
Adjusted for:				
Depreciation	9,033	7,683	36,099	38,898
Impairment	22,962	56,548	22,962	56,548
Unrealised exchange rate differences on internal receivables and payables	-1,300	383	-1,300	-2,478
Unrealised result from hedging instruments	–	-159	–	-1,473
Other items	3,519	–	3,519	–
<b>Cash flows from operating activities before change in net working capital</b>	<b>-4,706</b>	<b>327</b>	<b>-7,973</b>	<b>-13,191</b>
Change in net working capital	8,120	-4,733	8,951	-388
<b>Total cash flows from operating activities</b>	<b>3,414</b>	<b>-4,406</b>	<b>978</b>	<b>-13,579</b>
<b>Cash flows from investing activities</b>				
Payments for intangible fixed assets	-53	-1,190	-1,847	-4,715
Payments for tangible fixed assets	-572	-10,393	-12,337	-33,660
Change in other long-term receivables	19	-20	1,927	-1,887
<b>Total cash flows from investing activities</b>	<b>-606</b>	<b>-11,603</b>	<b>-12,258</b>	<b>-40,262</b>
<b>Total cash flows before financing activities</b>	<b>2,808</b>	<b>-16,009</b>	<b>-11,280</b>	<b>-53,841</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of new shares	–	–	–	70,782
Share issue costs	–	–	–	-4,148
Finance lease payments	-971	-850	-2,418	-3,784
<b>Total cash flows from financing activities</b>	<b>-971</b>	<b>-850</b>	<b>-2,418</b>	<b>62,850</b>
<b>Net (decrease)/increase in liquid assets</b>	<b>1,837</b>	<b>-16,859</b>	<b>-13,698</b>	<b>9,009</b>
Liquid assets at the beginning of the period	13,821	46,384	29,440	19,994
Effect of exchange rate changes on liquid assets	155	-85	70	437
<b>Liquid assets in the end of the period</b>	<b>15,813</b>	<b>29,440</b>	<b>15,813</b>	<b>29,440</b>

## Notes to the interim financial reports

### Exchange rates EUR/SEK

	January-December	
	2017	2016
Conversion of profit and loss statements	9.6326	9.4704
Conversion of closing balance at end of previous year period	9.8497	9.5669
Conversion of closing balance at end of previous year		9.5669

Source: The Riksbank

Note 1 Net sales by geographical market	October-December		January-December	
	2017	2016	2017	2016
KSEK				
EU (flotation concentrate)	28,002	31,934	112,280	88,880
Norway (gravimetric gold concentrate)	2,285	5,285	8,728	12,179
<b>Net sales</b>	<b>30,288</b>	<b>37,219</b>	<b>121,009</b>	<b>101,059</b>

Note 2 Remuneration to employees	October-December		January-December	
	2017	2016	2017	2016
Average number of employees	40	45	42	44
Total personnel expenses including Board fees	KSEK 9,282	8,193	31,133	28,476
Average per person and month	SEK 78,000	61,000	62,000	54,000

Note 3 Other expenses	October-December		January-December	
	2017	2016	2017	2016
External services, production	11,765	12,833	48,641	39,733
Energy, production	1,907	2,975	8,237	8,689
Other	6,115	3,123	15,873	13,529
	<b>19,787</b>	<b>18,931</b>	<b>72,751</b>	<b>61,951</b>

Note 4 Depreciation and impairment	October-December		January-December	
	2017	2016	2017	2016
Depletion based on production of ore	5,023	6,569	21,363	21,809
Other depreciation	4,010	1,114	14,736	17,089
<b>Total depreciation</b>	<b>9,033</b>	<b>7,683</b>	<b>36,099</b>	<b>38,898</b>
Impairment of tangible fixed assets	22,962	56,548	22,962	56,548
Total impairment charges	<b>22,962</b>	<b>56,548</b>	<b>22,962</b>	<b>56,548</b>
<b>Total depreciation and impairment charges</b>	<b>31,995</b>	<b>64,231</b>	<b>59,061</b>	<b>95,446</b>

Note 5 Financial income and expense	October-December		January-December	
	2017	2016	2017	2016
Interest income	-	-	-	2
Sale of dormant subsidiary company	-	-	-13	-
<b>Total financial income</b>	<b>0</b>	<b>-</b>	<b>-13</b>	<b>2</b>
Interest expense	-2,669	-1,162	-6,117	-4,536
Financial exchange rate differences	1,676	-383	1,643	2,991
<b>Total financial expense</b>	<b>-993</b>	<b>-1,545</b>	<b>-4,474</b>	<b>-1,545</b>
<b>Net financial items</b>	<b>-993</b>	<b>-1,545</b>	<b>-4,487</b>	<b>-1,543</b>

### Note 6 Income taxes

The management's assessment is that the group will not generate taxable income with the next 2-3 years and therefore no deferred tax assets are reported.

Note 7 Earning per share	October-December		January-December	
	2017	2016	2017	2016
<i>KSEK if not otherwise stated</i>				
Before and after dilution effect:				
Net result 100 % attributable to the parent company	-38,920	-84,463	-69,253	-125,021
Weighted average number of issued shares	10,486,275	10,486,275	10,486,275	10,008,698
<b>Earning per share</b>	<b>-3.71</b>	<b>-8.05</b>	<b>-6.60</b>	<b>-12.49</b>
<b>Number of shares:</b>				
Number of shares at end of period			10,486,275	10,486,275

Note 8 Intangible and tangible fixed assets	January-December	
	Intangible assets	Tangible assets
KSEK		
Opening net book amount	59,416	104,592
Additions	1,847	12,337
not used	-	2,254
Exchange differences	1,798	2,115
Depreciation	-	-36,099
not used	-	-22,962
<b>Closing net book amount</b>	<b>63,061</b>	<b>62,237</b>

Note 9 Financial fixed assets	31 Dec 2017	31 Dec 2016
	Other receivables	
Pledged liquid assets due to environmental guarantees	5,171	6,936

<b>Note 10 Financial instruments (KSEK)</b>	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
<b>Loan and trade receivables:</b>		<b>Total</b>
Trade receivables and other receivables excluding accruals	7,678	9,114
Liquid assets	15,813	29,440
	<b>23,491</b>	<b>38,554</b>
<b>Other financial liabilities:</b>		
Bank loans	74,759	72,613
Finance lease	6,314	8,534
Loans with special terms	2,485	2,414
<b>Subtotal borrowings</b>	<b>83,558</b>	<b>83,561</b>
Bridge loan to finance advance payment for acquisition	2,223	–
Accounts payables and other current liabilities excluding non-financial liabilities	11,629	15,630
<b>Total</b>	<b>97,410</b>	<b>99,191</b>

<b>Note 11 Borrowing and net debt KSEK</b>	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
<b>Long-term</b>		
Bank loans	70,819	72,613
Loans with special term	2,485	2,414
Lease financing	2,613	4,412
<b>Total long-term liabilities</b>	<b>75,917</b>	<b>79,438</b>
<b>Short-term</b>		
Bank loans	3,940	0
Lease financing	3,701	4,122
<b>Total short-term liabilities</b>	<b>7,641</b>	<b>4,122</b>
<b>Total borrowings</b> (all amounts are EUR-denominated)	<b>83,558</b>	<b>83,561</b>
<b>Net debt</b>		
Liquid assets	15,813	29,440
Total borrowings	-83,558	-83,561
<b>Net interest-bearing debt</b>	<b>-67,745</b>	<b>-54,121</b>
<b>Shareholders' equity</b>	<b>45,381</b>	<b>114,536</b>
Net gearing (net debt divided by equity)	149.3%	47.3%

#### Bank Loans

The bank loans will be repaid by a fixed amount each quarter during 2018-2019 by a total of 700,000 EUR. In addition, a variable pay-back based on the adjusted cash flow of Endomines Oy will be made starting in the third quarter of 2018 on cash-flow above a certain limit. The loan shall be fully paid back by 15 November 2019.

#### Endomines' bank debt rearrangement and repayment executed on 14 February 2018

As of 14 February 2019, the Company has not outstanding bank debt in accordance with an agreement dated 22 November 2017. For more information, see "Significant events after year-end"

#### Loan covenants

The loan agreement includes a number of ordinary financial covenants to be fulfilled by either the Finnish subsidiary Endomines Oy or the parent company Endomines AB. Loan covenants are calculated and reported semiannually at June 30 and December 31 unless waived by the bank and the guarantor.

Loan covenants include minimum working capital in the subsidiary (liquid assets, trade receivables, gold inventories, accounts payables and net VAT amount), EBITDA and adjusted equity ratio (shareholders' equity in the subsidiary + shareholder loans divided by total assets). In addition, there is only a minimum equity ratio requirement for the parent company.

#### Reported breaches of loan covenants in 2017

Breaches of the loan agreement would justify a termination. Due to expected breaches of the loan covenants as of 30 June and 31 December 2017, the lender has issued a waiver before the end of the respective period.

<b>Note 12 Pledged assets and contingent liabilities KSEK</b>	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>	
<b>The Group</b>			
Pledged assets for liabilities to credit institutions	(net assets in the subsidiary)	2,110	37,566
Pledged cash deposits due to environmental guarantees		5,171	6,936
<b>Pledged assets</b>	<b>7,281</b>	<b>44,502</b>	
Contingent liabilities	(conditional future royalty payments)	39,624	38,486
<b>The parent company</b>			
Pledged assets for liabilities to credit institutions	(net book value of shares in the subsidiary)	129,914	149,622
Contingent liabilities	None	None	

<b>Note 13 Analyses of change of EBIT MSEK</b>	<b>Oktober-december</b>		<b>Helår</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>EBIT as reported</b>	<b>-37.9</b>	<b>-62.6</b>	<b>-64.8</b>	<b>-103.1</b>
Change of EBIT	24.7		38.4	
<i>Change of EBIT per category</i>				
<b>Total Revenue</b>	<b>-6.3</b>		<b>21.5</b>	
Cost of raw materials	0.9		-4.6	
Employee cost	-1.1		-2.7	
Other cost	-0.9		-10.8	
<b>Total Cost</b>	<b>-1.1</b>		<b>-18.0</b>	
<b>EBITDA</b>	<b>-7.4</b>		<b>3.5</b>	
Depreciation	-1.4		2.8	
Write-down of fixed assets	33.6		33.6	
Results from derivate instruments	-0.2		-1.5	
<b>+Incr/-Decr of EBIT</b>	<b>24.7</b>		<b>38.4</b>	

End of notes