

Endomines interim report January- June 2018: Positive EBITDA in Q2 2018 driven by healthy gold production. Idaho projects progressing according to plan

Endomines AB, Stock Exchange Release 16 August 2018 at 07:30 CEST

Q2 2018 (vs Q2-2017)

Operational highlights

- Gold production was 129.6 kg (107.4)
- Milled ore was 44,453 tons (47,621) at head grade of 3.6 g/t (2.7)
- Cash Cost was 819 USD/oz (1,124)

Financial highlights

- Net sales were 42.2 MSEK (34.6)
- Adjusted EBITDA, excluding transaction costs associated with the acquisition of TVL Gold, was 11.4 MSEK (0.5)
- EBITDA was 8.5 MSEK (0.5)
- Total cash flow was -15.5 MSEK (-5.6)
- Earnings per share was -0.15 SEK (-0.64)

H1 2018 (vs H1-2017)

Operational highlights

- Gold production was 221.8 kg (205.3)
- Milled ore was 82,021 tons (88,425) at head grade of 3.3 g/t (2.8)
- Cash Cost was 1,064 USD/oz (1,162)

Financial highlights

- Net sales were 69.6 MSEK (63.1)
- Adjusted EBITDA, excluding transaction costs associated with the acquisition of TVL Gold, was 7.8 MSEK (-0.8)
- EBITDA was 0.0 MSEK (-0.8)
- Total cash flow was 71.6 MSEK (-17.1)
- Earnings per share was -0.10 SEK (-1.44)

Strategic highlights

- Endomines concluded co-operation negotiations with its whole personnel at the Pampalo mine in Ilomantsi, Finland, on 5 June 2018, leading to lay-off of 26 employees for more than 90 days and termination of 4 employee contracts mainly after the end of the third quarter of 2018.
- The decision was taken to postpone the investment required to deepen the Pampalo mine. Consequently, gold concentrate production in Pampalo will be temporarily suspended after September 2018.

SIGNIFICANT SUBSEQUENT EVENTS

No significant subsequent events.

Production guidance for 2018 amended:

New guidance: Endomines anticipates producing 270-300kg gold in Pampalo in January-September 2018.

Previous guidance: Endomines anticipates producing 250-300kg gold in Pampalo in January-September 2018.

Key figures (Consolidated) <i>MSEK if not otherwise stated</i>	Apr-Jun			Jan-Jun		
	2018	2017	+/-	2018	2017	+/-
Revenue	42.1	33.9	8.2	71.5	67.4	4.1
Cost	-33.6	-33.4	-0.2	-71.5	-68.2	-3.3
Depreciation and write-downs	-11.7	-9.8	-1.9	-23.1	-19.4	-3.7
Adjusted EBITDA	11.4	0.5	10.9	7.8	-0.8	8.6
EBITDA	8.5	0.5	8.0	0.0	-0.8	0.8
EBIT	-3.2	-9.3	6.1	-23.1	-20.2	-2.9
Net result for the period	-5.3	-9.8	4.5	-3.5	-22.0	18.5
Earnings per share (SEK)	-0.15	-0.64	0.49	-0.10	-1.44	1.34
Cash flows from operating activities	-3.0	-2.4	-0.6	-16.0	-5.4	-10.6
Investments	-13.1	-2.8	-10.3	-73.7	-10.6	-63.1
Financing	0.7	-0.5	1.3	161.3	-1.1	162.4
Liquid assets at the end of the period	90.1	12.4	77.7	90.1	12.4	77.7
Personnel at the end of the period	42	42	0	42	42	0

CEO Saira Miettinen-Lähde: *“After completing our financing transactions and the TVL Gold acquisition in the USA in the first quarter, the second quarter saw us return to a more regular operational mode with emphasis on successfully running gold production and exploration in Pampalo, Finland, and developing our newly acquired gold assets in Idaho, USA.*

Operations at our Pampalo mine proceeded well during the second quarter despite the prevailing, rather difficult rock conditions. Gold production amounted to 129.6kg, representing a nearly 21 per cent increase over the corresponding period last year. At the end of June, total production for the year had reached 221.8kg, prompting us to amend our production guidance for January-September 2018 from 250-300kg to 270-300kg.

In June, Endomines concluded co-operation negotiations with its whole personnel at the Pampalo mine, leading to 26 lay-offs and 4 terminations that will be implemented mainly after the third quarter. After the negotiations, we took the difficult decision to postpone the investment that would be required to deepen the Pampalo mine, as our estimates suggested that the prevailing market price of gold does not support the investment. Consequently, gold concentrate production in Pampalo will be temporarily suspended after September 2018.

Our financial performance reflected the good production output with revenue amounting to 42.1MSEK in Q2 and 71.5MSEK in H1 2018. Adjusted EBITDA, excluding transaction costs associated with the acquisition of TVL Gold, was clearly positive at 11.4MSEK in Q2 and 7.8MSEK in H1 2018.

Our extensive exploration project along the Karelian Gold Line commenced in May, followed by the launch of a layman sample competition, “Kultakisa Kakkonen”, in June. With the increased exploration activity, we look into enabling profitable gold production in the region in the longer term.

Project development at the Friday mine in Idaho progressed according to plan during the second quarter. Our announced goal of commissioning the first of the five Idaho mines within one year from the acquisition, i.e. by the end of February 2019, remains realistic and our project team is working hard to minimize the lag between the suspension of operations in Pampalo and the start-up of production at Friday.”

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ENDOMINES AB
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Full quarterly report

The full quarterly report is attached to this press release as well as available on the Company's website, www.endomines.com.

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This information is information that Endomines AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 07:30 CEST on 16 August 2018.

About Endomines

Endomines is a mining and exploration company with its primary focus on gold. The Company operates a gold mine in Pampalo, has exploration activities along the Karelian Gold Line in Eastern Finland and develops mining operations in Idaho, USA. Endomines aims to improve its long-term growth prospects by increasing its exploration activities and through acquisitions. Endomines aims to acquire deposits that are situated in stable jurisdictions and can be brought to production rapidly with limited investments.

The shares trade on Nasdaq Stockholm (ENDO) and Nasdaq Helsinki (ENDOM).