

# Endomines AB (Publ)

(Company registration no. 556694-2974)

## Interim report 1 January- 30 June 2018

This interim report is a translation from the Swedish original which was published on 16 August 2018. In the event of difference between the English translation and the Swedish original, the Swedish interim report shall prevail.

### **Positive EBITDA in Q2 2018 driven by healthy gold production Idaho projects progressing according to plan**

#### **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 Iломantsi, 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.”

## Production

Total gold production in Pampalo in Q2 2018 amounted to 129.6kg (107.4) and in H1 2018 to 221.8kg (205.3).

In Q2, the gold head grade averaged 3.6 g/t and was 0.9 g/t higher than in the corresponding period in 2017, contributing to the improved gold production at 129.6kg (107.4kg). For the first six months of 2018, the head grade averaged 3.3g/t, which also represents a significant, 0.5g/t improvement over the previous year and similarly shows in improved production figures year-on-year. The improvement in the head grade primarily derives from a higher in-situ grade of ore.

Endomines’ ore production and milled ore tonnes in the second quarter and first half of 2018 were somewhat lower than the year before, largely due to continued challenging rock conditions in some sections of the Pampalo mine.

Production figures	Apr-Jun			Jan-Jun		
	2018	2017	+/-	2018	2017	+/-
Milled ore (tonnes)	44,453	47,621	-3,168	82,021	88,425	-6,404
Head grade (Au gram/tonne)	3.6	2.7	0.9	3.3	2.8	0.5
Gold recovery (%)	82.8	83.1	-0.3	82.8	83.1	-0.3
Hourly utilization (%)	41.6	43.5	-1.9	38.5	42.3	-3.8
Gold production (kg)	129.6	107.4	22.2	221.8	205.3	16.5
Gold production (oz)	4,168	3,453	715	7,131	6,601	530
Cash Cost (USD/oz)	819	1,124	-305	1,064	1,162	-98
LTIFR	9	7	2	9	7	2

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 resulting in one day or more off work per 1,000,000 hours worked on a rolling 12-month basis. LTIFR has been calculated for the whole company including contractors.

## Exploration and underground development in Pampalo

The underground drilling program focusing on the 2018 production area was completed in October 2017; hence, no exploration drilling in the deep extension of the Pampalo mine has been conducted in 2018.

The results of the 2017 drilling campaign 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 would require investment in a decline, which at the current gold price does not appear profitable. Following the employee co-operation negotiations concluded on 5 June 2018, the Company took the decision to postpone the decline investment and temporarily suspend gold concentrate production in Pampalo after September 2018.

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

Endomines commenced an extensive, multi-year exploration program on the Karelian Gold Line in May. The program is based on a three-dimensional structural model of the area, developed jointly with Model Earth from Australia. The first phase of the model was completed in March, and it will be further developed throughout the exploration program based on the data accumulating from the exploration activities.

In June, a total of 1,621 meters was drilled primarily on targets near the Pampalo mine and in the Central Duplex zone located south of Pampalo.

Further drilling targets for the remainder of the year are being evaluated based on additional structural mapping that is being conducted in the area to improve the accuracy of drilling target selection. The additional mapping is likely to delay the completion of the initial 5,000 meters drilling program by some months.

The base of till (BOT) sampling program was commenced mid-June. By the end of June, a total of 136 BOT samples from 12 sampling lines near the Pampalo mine were collected. Sampling continues near the mine and will later be extended to areas north of the mine, the Hosko North zone and the Central Duplex zone. In addition, the exploration plan for 2018 includes geophysics covering an induced polarization (IP) survey, gravimetric ground survey and a drone magnetic survey. Further information will also be obtained from the hyperspectral scanning project, which is being conducted with GTK and analyzes previously taken drill cores from the Karelian Gold Line.

Endomines has numerous exploration permits along the Karelian Gold Line and said permits have to be reapplied from the responsible authority, the Finnish Safety and Chemicals Agency (Tukes), at 3-4 year intervals according to their respective times of expiration. At present, some permit extension applications are pending, which may have an impact on the selection of drilling and BOT sampling targets until late 2018 according to current estimates.

Results of the 2018 exploration campaign will be reported as soon as practicable after the studies, including the drilling and BOT sampling, have been completed.

In June, Endomines launched a layman sample competition, "Kultakisa Kakkonen" (Gold competition Kakkonen), in Ilomantsi, Finland. Several layman samples have already been received and the most interesting samples will be sent to a laboratory for further analysis. The competition runs until the end of October.

### **Endomines Idaho**

Endomines completed the acquisition of TVL Gold, the US mining company that holds rights to five gold projects in Idaho, USA, in February 2018. The total purchase price of TVL Gold was 31.25 MUSD, of which 7.25 MUSD was paid in cash at closing. The remainder of the purchase price will be paid by a 3.33 MUSD, 18-month loan note and a 20.67 MUSD (SEK 170,826,528) convertible note. For further information on the terms of the acquisition and related loan instruments, see Note 12 in the financial section.

The Company has changed the name of the acquired US entity that holds the assets to Endomines Idaho LLC. Endomines Idaho will be the US operating entity within the Endomines Group structure.

### **Project development at the Idaho, USA projects**

During the second quarter, the construction and commissioning activities at the Friday mine project advanced in line with the original expectations regarding both timetable and budget. The announced target timetable is to start up the mine within a year from the acquisition, i.e. by the end of February 2019, and the project capital expenditure budget is USD 7.7million.

In preparation for mine startup, general site infrastructure improvements have been implemented by a contractor since April. These include installation of storm water control measures, improvements to access and haul roads, installation of lined waste rock disposal areas and preparations for a secondary mine access. The majority of the site improvement works were completed by the end of July, on budget and ahead of schedule.

Underground preproduction development of the secondary mine access as well as the initial mine development have been contracted out. The new access is anticipated to be completed by the end of November. Dewatering of the existing decline has after the reporting period been completed, and rehabilitation is scheduled to begin in August. Endomines intends to carry out stoping activities using its own mining crews and equipment. Purchases of the key underground equipment were completed in June, with deliveries scheduled between July and November.

The Friday ores will be shipped from the mine site to a processing facility that will be located close to the nearest township, Elk City, some 32 km from the mine. Endomines completed the purchase of the processing facility land on 11 June after a due diligence review and survey of the property. The property is located adjacent to a maintained road and has access to nearby power and water. After the end of the reporting period, Endomines has started development of the site and will proceed to construction of the building foundations in August after having received the necessary storm water permit for the site in July, as expected.

Endomines has entered into a contract for the design, purchase and installation of the mill equipment. At the end of June, the detailed design of the process flow sheet was close to completion and most of the equipment had been identified or purchased. To optimize for the cost, delivery time and performance of the plant, the process will utilize both refabricated second-hand and new equipment. The detailed plant layout and building designs have been developed concurrently with the process design and were similarly nearing completion in June. In July, the process flow sheet and plant layout have been finalized, and the process plant building has been ordered.

Permitting of the Friday mine and the processing facility are progressing according to plan. The underground operations at the mine are permitted, and the mine site already has a temporary water permit in place. Endomines has begun the application for an air quality permit, which it anticipates obtaining in early 2019. Until then, mining operations can commence at a scale that is allowed under the applicable State of Idaho exemptions for small mines. For the processing facility site, Endomines obtained the storm water permit in late July, as expected, but will not need to apply for the air quality permit. The Idaho Department of Environmental Quality has issued a letter to the Company confirming that the mill operation meets air permit exemption requirements. Excess water from both the mine and the processing facility site will be disposed of using a land-application disposal (LAD) method that allows the disposed water to evaporate or be taken up by plants. The disposal occurs through perforated piping during the summers and by snow-making machines in the winter time.

During the second quarter, the Company's focus has been on the development of the Friday mine. Further studies on the other four assets, Rescue, Kimberly, Buffalo Gulch and Deadwood, will be carried out after the Friday mine has been commissioned.

### 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 the second quarter of 2018, the focus has been on the development of relevant safety and environmental practices for the Company's Idaho operations, while also paying attention to the continued good practices in Pampalo. The rolling twelve-month LTI rate (lost-time injuries per one million working hours) at the end of Q2 2018 was 9.

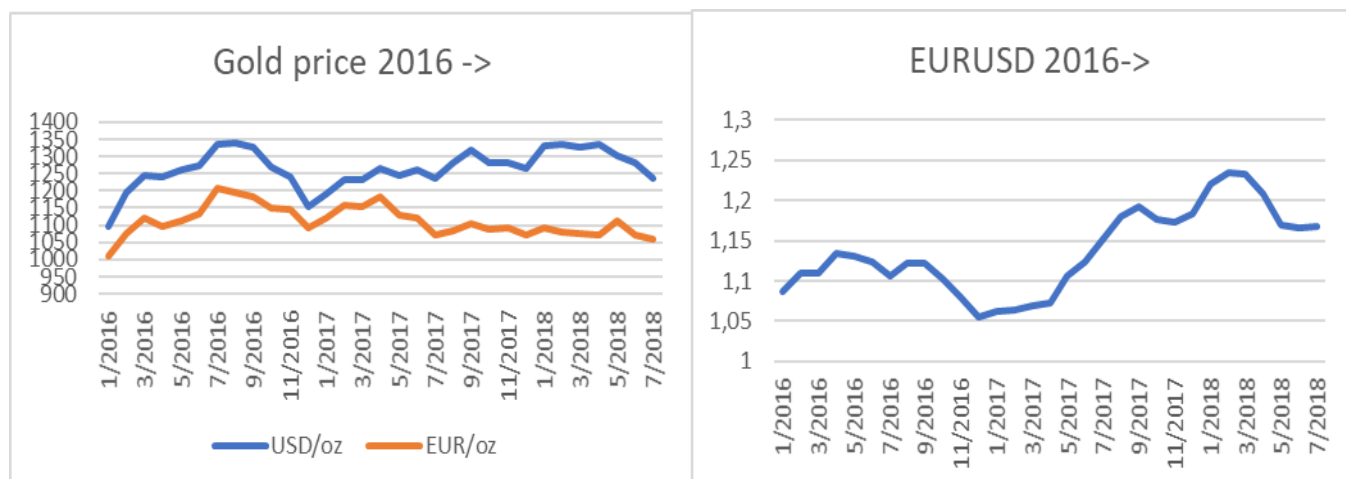
### Gold price and EURUSD exchange rate

At the end of Q2 2018 the gold price was 1,251 USD/oz, an increase of 1 per cent compared to 1,243 USD/oz at the end of Q2 2017 (LBMA AM on 29 June 2018). The average gold price for Q2 2018 was 1,306 USD/oz (1,256), representing an increase of 4 per cent over the corresponding period the year before.

The average gold price in euro for Q2 2018 was 1,096 EUR/oz (1,144), representing a decrease of 4 per cent over Q2 2017. The positive development of the average gold price in USD was largely offset by the significant appreciation of EUR against USD from 1.07 to 1.17.

With its current gold production solely in Finland, Endomines incurred 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

### Q2 2018

Key figures (Consolidated)	Apr-Jun		
	2018	2017	+/-
<i>MSEK if not otherwise stated</i>			
Revenue	42.1	33.9	8.2
Cost	-33.6	-33.4	-0.2
Adjusted EBITDA	11.4	0.5	10.9
EBITDA	8.5	0.5	8.0
Depreciation and write-downs	-11.7	-9.8	-1.9
EBIT	-3.2	-9.3	6.1
Net result for the period	-5.3	-9.8	4.5
Earnings per share (SEK)	-0.15	-0.64	0.49

Total revenue, including change in inventory, for the second quarter amounted to MSEK 42.1 (33.9). Net sales amounted to 42.2 MSEK (34.6), representing a 7.6 MSEK, or 22.0 per cent increase compared to Q2 2017. The delivered gold content in concentrate amounted to 129.6kg (107.4), or 4,168 oz (3,453), which was 20.7% more than in the corresponding period 2017.

EBITDA increased to 8.5 MSEK (0.5), mainly due to the higher volume of deliveries. Adjusted EBITDA, excluding transaction costs associated with the acquisition of TVL Gold, was 11.4 MSEK.

Depreciations and write downs amounted to 11.7 MSEK (9.8).

Operating expenses increased to 33.6 MSEK (33.4). Increase in operating expenses was mainly due to 2.9 MSEK costs associated with the TVL Gold acquisition. Operating expenses per milled ore ton at the Pampalo mine decreased from previous year's level to 58 EUR/ton (67). Cash cost decreased to 819 USD/oz (1,124). Cash cost was positively impacted by the improved head grade compared to the previous year as well as the discontinuation of mine development towards the end of the period due to the upcoming suspension of production after September 2018.

Net financial result amounted to -2.1 MSEK (-0.5). The increase came mainly from the 3.1 MSEK interest on the convertible loan issued to the sellers of TVL Gold.

Profit after tax was -5.3 MSEK (-9.8), with income taxes amounting to 0.0 MSEK (0.0). Net result per share was -0.15 SEK (-0.64).

## H1 2018

<i>MSEK if not otherwise stated</i>	Jan-Jun			Full year
	2018	2017	+/-	2017
Revenue	71.5	67.4	4.1	122.6
Cost	-71.5	-68.2	-3.3	-128.3
Depreciation and write-downs	-23.1	-19.4	-3.7	-59.1
Adjusted EBITDA	7.8	-0.8	8.6	-5.7
EBITDA	0.0	-0.8	0.8	-5.7
EBIT	-23.1	-20.2	-2.9	-64.8
Net result for the period	-3.5	-22.0	18.5	-69.3
Earnings per share (SEK)	-0.10	-1.44	1.34	-6.6

### Result

Total revenue, including change in inventory, for H1 amounted to 71.5 MSEK (67.4). Net sales increased by 6.5 MSEK to 69.6 MSEK (63.1), representing an improvement of 10 per cent. The delivered gold content in concentrate increased by 8 per cent and amounted to 221.8kg (205.3), equivalent to 7,131 oz (6,601). The average gold price was slightly higher than the year before at 1,319 USD/oz (1,238).

EBITDA amounted to 0.0 MSEK (-0.8), an increase of 0.8 MSEK primarily reflecting higher gold grade in ore and improved production efficiency. Adjusted EBITDA, excluding transaction costs associated with the acquisition of TVL Gold, was 7.8 MSEK. EBIT was slightly below the previous year's level and amounted to -23.1 MSEK (-20.2).

Depreciations amounted to 23.1 MSEK (19.4).

Operating expenses increased to 69.6 MSEK (64.3). Increase in operating expenses was mainly due to 7.9 MSEK costs associated with the TVL Gold acquisition. Operating expenses at the Pampalo mine decreased and amounted to 64 EUR (71) per milled ore ton. Total milled ore amounted to 82,030 tons (88,425). Cash Cost decreased to 1,064 USD/oz (1,162). Cash cost was positively impacted by the improved head grade compared to the previous year as well as the discontinuation of mine development towards the end of the period due to the upcoming suspension of production after September 2018.

Net financial result amounted to 19.6 MSEK (-1.8). The increase came mainly from the 2 MEUR (19.8 MSEK) write down of a bank loan in connection with other financing transactions, including the 189 MSEK rights issue completed in February 2018.

Profit after tax was -3.5 MSEK (-22.0), with income taxes amounting to 0.0 MSEK (0.0). Net result per share was -0.10 SEK (-1.44).

### Investments

Investments into intangible and tangible fixed assets amounted to 279.6 MSEK (-7.0), of which the acquisition of TVL Gold, which was completed in Q1 2018, was 257.5 MSEK. The rest of the increase relates mainly to project costs for the commissioning of the Friday mine and exploration costs at the Karelian Gold Line.



### **Cash flow and financing**

Cash flow from operations before change in net working capital was -4.2 MSEK (-3.2) in 2017. The change in net working capital was 11.8 MSEK (2.2). Cash flow after investments was -89.7 MSEK (-16.0). Total cash flow from financing amounted to 161.3 MSEK (-1.1). Main items comprise net proceeds from the rights issue of 182.1 MSEK and the 19.8 MSEK repayment of loans related to the restructuring of the outstanding bank loans. For further information regarding the restructuring of the bank loans, see Note 12 in the financial section.

Endomines had no outstanding bank loans at the end of the second quarter 2018.

### **Financial position**

Net debt, including the debt portion of the convertible note issued to the sellers of TVL Gold, amounted to 117.6 MSEK (67.7) MSEK at the end of Q2 2018. Total equity amounted to 285.5 MSEK (45.4). Gearing decreased to 41 per cent (149) mainly due to the restructuring of the outstanding bank debt and the completed rights emission.

Balance sheet total amounted to 523.5 MSEK (160.6), and equity ratio increased to 55 per cent (28). Capital employed amounted to 498.6 MSEK (129.0).

### **Future liquidity development**

The Company has a solid financial position as a result of the successful rights emission completed in February 2018 and the elimination of all previously outstanding bank loans. Further development of the acquired Idaho, USA assets and continued exploration on the Karelian Gold Line is expected to require additional funding in 2019. The Company is assessing financing options for said purposes.

### **Employees**

Total head count at the end of Q2 2018 was 42, of which 35 at the Pampalo Mine and 4 in Endomines Idaho LLC. YTD average head count was 40 (43).

Endomines concluded co-operation negotiations with its whole personnel at the Pampalo mine on 5 June 2018, leading to lay-off of 26 employees for more than 90 days and termination of 4 employee contracts, to be implemented mainly after the third quarter of 2018.

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

The parent company's operating expenses amounted to 6.3 MSEK (5.1), an increase of 1.2 MSEK or 24 per cent. Other external expenses amounted to 5.2 MSEK (3.2) including costs for the group CEO. From May 2017 all the expenses for the group CEO have been carried by the parent company. Personnel expenses amounted to 1.1 MSEK (1.9), including Board remuneration.

Cash at the end of Q2 2018 amounted to 70.6 MSEK (1.5), and total cash flow was 69.0 MSEK. Cash paid for the acquisition of TVL Gold was 57.1 MSEK and other cash flow was 103.1 MSEK net. Equity was 386.8 MSEK (174.2), including share capital of 282.2 MSEK (262.2).

Endomines AB established a branch in Finland, Endomines AB (Suomen sivuliike), in June 2018

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

### **Changes in Group Management**

Marcus Ahlström was appointed as Endomines' CFO as of January 2018.

### **Annual General Meeting on 22 May 2018**

Endomines AB held its Annual General Meeting on 22 May 2018. The minutes of the AGM are available (in Swedish only) on the Company's website. A summary of the most important resolutions in English is included in the press release published on 22 May 2018.

### **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. In addition, foreign operations may expose the Company to various risks relating to e.g. currency exchange risks, and operational or legal requirements specific to the foreign jurisdictions in question. For further information on risks and uncertainties, see the latest Annual Report. 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.

### **Endomines share capital and the share**

The share capital of Endomines AB amounts to 281,182,280 SEK, consisting of 35,147,785 shares at a quota value of SEK 8 per share. According to Endomines' articles of association, the share capital shall amount to not less than SEK 100 million and not more than SEK 400 million.

The total number of shares traded during the first six months of the year on the stock exchange was 11.7 million, representing 33.3 per cent of the total number of shares. The relative liquidity of the share in Nasdaq Helsinki was 51.4% and 48.6% in Nasdaq Stockholm. In the second quarter of 2018, 84 % of the outstanding shares were registered in Nasdaq Helsinki and 16 % in Nasdaq Stockholm

The share price at the end of 2017 was 11.46 SEK and 6.3 SEK as at 29 June 2018, closing at highest on 8 January 2018 at 17.0 SEK and lowest on 13 June 2018 at 6.2 SEK.

### **Authorization for the Board of Directors to resolve on new issue of shares, warrants and convertibles**

The AGM resolved to authorize the Board of Directors during the period up to the next Annual General Meeting to, on one or several occasions, resolve on the issuance of new shares, warrants and/or convertibles with or without deviation from the shareholders' pre-emption right, through payment with cash, with non-cash consideration or set-off.

### **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 acquired in February 2018 TVL Gold, which holds the rights to five old projects in Idaho, USA.

### **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 2017 Annual Report, except for the newly applied IFRS 9 and IFRS 15 which are discussed under a separate heading.

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 2017 Annual Report as well as on the Company's website (both Swedish and English). Definitions and calculations are not reproduced in this report.

### **Changes in reporting principles as of January 1, 2018**

As of 1 January 2018, the company applies IFRS 9 financial instruments and IFRS 15 revenues from contracts with customers.

#### **IFRS 9, Financial Instruments**

This standard is applied from 1 January 2018. Endomines applies IFRS 9 as of 1 January 2018. IFRS 9 replaces IAS 39, financial instruments; accounting and valuations. IFRS 9 changes how financial assets are classified and valued, introduces an impairment model for losses on receivables and a change of principles for hedging instruments. The implementation of IFRS 9 has no significant impact on Endomines' reported figures.

#### **IFRS 15, Revenues from Contracts with Customers**

This standard is applied from 1 January 2018. Endomines applies IFRS 15 as of 1 January 2018. IFRS 15 is the standard for revenue recognition and replaces IAS 18 Revenues and IAS 11 Construction Contracts.

Endomines has evaluated its contracts with its current customers and concluded that the revenue recognition is not materially impacted after the transition to IFRS 15. Hence, no adjustments have been made.

## **Financial calendar**

- 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.

## **Contact person**

Saila Miettinen-Lähde, CEO of Endomines AB, +358 40 548 36 95

## **Financial information**

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.

## **Board assurance**

The Board of Directors and the CEO affirm that this interim report provides an accurate overview of the operations, financial position and performance of the Parent Company and the Group, and describes the significant risks and uncertainties faced by the Parent Company and the companies in the Group.

In Stockholm on 16 August 2018

Endomines AB (Publ)

Ingmar Haga  
Chairman of the Board

Staffan Simberg  
Member of the Board

Rauno Pitkänen  
Member of the Board

Michael Mattsson  
Member of the Board

Thomas Hoyer  
Member of the Board

Saila Miettinen-Lähde  
CEO

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

KSEK	Note	April-June		January-June	
		2018	2017	2018	2017
Net sales	1	42 219	34 632	69 557	63 111
Change in stock of finished goods and work in progress		-125	-792	1 933	3 942
Other income		10	90	16	351
<b>Total revenue</b>		<b>42 104</b>	<b>33 930</b>	<b>71 506</b>	<b>67 404</b>
Raw materials and supplies		-3 726	-6 886	-9 757	-14 076
Personnel expenses	2	-7 616	-8 002	-15 127	-15 258
Other expenses	3	-22 235	-18 554	-46 641	-38 906
<b>EBITDA</b>		<b>8 527</b>	<b>488</b>	<b>-19</b>	<b>-836</b>
Depreciation and impairment	4	-11 740	-9 795	-23 089	-19 413
<b>Operating result</b>		<b>-3 213</b>	<b>-9 307</b>	<b>-23 108</b>	<b>-20 249</b>
Financial income	5	362	-13	20 290	-13
Financial expenses	5	-2 465	-479	-645	-1 737
<b>Net financial items</b>		<b>-2 103</b>	<b>-492</b>	<b>19 645</b>	<b>-1 750</b>
<b>+Profit/(-) loss before taxes</b>		<b>-5 316</b>	<b>-9 799</b>	<b>-3 463</b>	<b>-21 999</b>
<b>Net result for the period</b>		<b>-5 316</b>	<b>-9 799</b>	<b>-3 463</b>	<b>-21 999</b>
<b>Other comprehensive income that will be classified to profit/loss</b>					
Translation differences		19 903	489	26 262	359
		<b>19 903</b>	<b>489</b>	<b>26 262</b>	<b>359</b>
<b>Comprehensive income for the period</b>		<b>14 587</b>	<b>-9 310</b>	<b>22 799</b>	<b>-21 640</b>
<b>Net result 100 % attributable to the parent company</b>		<b>-5 316</b>	<b>-9 799</b>	<b>-3 463</b>	<b>-21 999</b>
<b>100% of total comprehensive income is attributable to the parent company</b>		<b>14 587</b>	<b>-9 310</b>	<b>22 799</b>	<b>-21 640</b>
<b>Earnings per share (SEK)</b>	7				
before and after dilution effect		<b>-0,15</b>	-0,64	<b>-0,10</b>	-1,44
<b>Average number of shares</b>	7				
before and after dilution effect		35 147 785	15 275 357	33 096 395	15 275 357

## Parent company statement of profit and loss

KSEK	April-June		January-June	
	2018	2017	2018	2017
Net sales	–	110	–	227
<b>Total revenue</b>	<b>0</b>	<b>110</b>	<b>0</b>	<b>227</b>
Other external expenses	-2 851	-1 633	-5 201	-3 175
Personnel expenses	-284	-902	-1 090	-1 907
<b>Operating result</b>	<b>-3 135</b>	<b>-2 425</b>	<b>-6 291</b>	<b>-4 855</b>
Financial income	1 142	998	4 222	1 152
Financial expenses	-3 136	-59	-3 170	-93
<b>Net financial items</b>	<b>-1 994</b>	<b>939</b>	<b>1 052</b>	<b>1 059</b>
<b>+Profit/(-) loss before taxes</b>	<b>-5 129</b>	<b>-1 486</b>	<b>-5 239</b>	<b>-3 796</b>
<b>Net result for the period</b>	<b>-5 129</b>	<b>-1 486</b>	<b>-5 239</b>	<b>-3 796</b>
<b>Comprehensive income for the period</b>	<b>-5 129</b>	<b>-1 486</b>	<b>-5 239</b>	<b>-3 796</b>

## Consolidated balance sheet

KSEK	Note	30 June 2018	31-Dec 2017
Intangible fixed assets	8	354 567	63 061
Tangible fixed assets	8	50 025	62 237
Financial fixed assets	9	5 491	5 171
<b>Total fixed assets</b>		<b>410 083</b>	<b>130 469</b>
Inventories		4 110	2 182
Trade receivables		970	7
Other receivables		266	2 500
Prepaid expenses and accrued income		18 045	9 589
Liquid assets		90 051	15 813
<b>Total current assets</b>		<b>113 442</b>	<b>30 091</b>
<b>TOTAL ASSETS</b>		<b>523 525</b>	<b>160 560</b>
<b>Shareholders' equity</b>			
Shareholders' equity			
Share capital	10	281 182	262 157
Other capital provided		541 292	343 873
Reserves		31 669	5 407
Retained earnings		-568 624	-566 056
Shareholders' equity attributable to the parent company shareholders		<b>285 519</b>	<b>45 381</b>
<b>Total shareholders' equity</b>		<b>285 519</b>	<b>45 381</b>
<b>Liabilities</b>			
Liabilities to credit institutions	12	32 482	75 917
Other provisions		8 625	7 724
<b>Total long-term liabilities</b>		<b>213 090</b>	<b>83 641</b>
Liabilities to credit institutions	12	3 233	7 641
Other provisions		406	384
Accounts payable		10 266	11 630
Other current liabilities		4 784	4 491
Accruals and other		6 227	7 392
<b>Total current liabilities</b>		<b>24 916</b>	<b>31 538</b>
<b>Total liabilities</b>		<b>238 006</b>	<b>115 179</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>523 525</b>	<b>160 560</b>

## Parent company balance sheet

KSEK		30 June 2018	31-Dec 2017
Shares in group companies		445 618	132 714
Receivables from group companies		72 269	49 249
Other receivables		9 016	5 356
Liquid assets		70 565	1 516
<b>Total assets</b>		<b>597 468</b>	<b>188 835</b>
Shareholders' equity		386 775	174 215
Payables to group companies		7 857	7 427
Other liabilities		30 855	7 193
<b>Total shareholder's equity and liabilities</b>		<b>597 468</b>	<b>188 835</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 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	–	–	–	-21 999	<b>-21 999</b>
Other comprehensive income	–	–	359	–	<b>359</b>
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>359</b>	<b>-21 999</b>	<b>-21 640</b>
<b>Transactions with the shareholders</b>					
<b>Closing balance as of 30 June 2017</b>	<b>262 157</b>	<b>343 873</b>	<b>5 669</b>	<b>-518 803</b>	<b>92 896</b>
<b>Opening balance 1 Jan 2018</b>	<b>262 157</b>	<b>343 873</b>	<b>5 407</b>	<b>-566 056</b>	<b>45 381</b>
Net result for the period	–	–	–	-3 463	<b>-3 463</b>
Other comprehensive income	–	–	26 262	–	<b>26 262</b>
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>26 262</b>	<b>-3 463</b>	<b>22 799</b>
<b>Transactions with the shareholders</b>					
Rights issue, conversion of loan	29 512	6 029	–	–	<b>35 541</b>
Rights issue	167 779	20 973	–	–	<b>188 752</b>
Rights issue costs	–	-8 473	–	–	<b>-8 473</b>
Decrease of quota value	-178 267	178 267	–	–	<b>–</b>
Reclassification of equity part of convertible	–	–	–	1 519	<b>1 519</b>
<b>Total transactions with the shareholders</b>	<b>19 024</b>	<b>196 796</b>	<b>–</b>	<b>1 519</b>	<b>217 339</b>
<b>Closing balance as of 30 June 2018</b>	<b>281 181</b>	<b>540 669</b>	<b>31 669</b>	<b>-568 000</b>	<b>285 519</b>

## Consolidated statement of cash flows

KSEK	April-June		January-June	
	2018	2017	2018	2017
<b>Cash flows from operating activities</b>				
+Profit/(-) loss before taxes	-5 316	-9 799	-3 463	-21 999
Adjusted for:				
Depreciation	11 740	9 795	23 089	19 413
Unrealised exchange rate differences on internal receivables and payables	-1 796	-729	-3 691	-612
Remission of loan	-362	–	-20 290	–
Other items	-43	–	174	–
<b>Cash flows from operating activities before change in net working capital</b>	<b>4 223</b>	<b>-733</b>	<b>-4 181</b>	<b>-3 198</b>
Change in net working capital	-7 268	-1 622	-11 790	-2 180
<b>Total cash flows from operating activities</b>	<b>-3 045</b>	<b>-2 355</b>	<b>-15 971</b>	<b>-5 378</b>
<b>Cash flows from investing activities</b>				
Payments for intangible fixed assets	-6 629	-267	-7 307	-1 499
Payments for tangible fixed assets	-7 181	-2 504	-7 182	-11 005
Proceeds from tangible fixed assets	699	–	-59 176	–
Change in other long-term receivables	–	17	-19	1 918
<b>Total cash flows from investing activities</b>	<b>-13 111</b>	<b>-2 754</b>	<b>-73 684</b>	<b>-10 587</b>
<b>Total cash flows before financing activities</b>	<b>-16 156</b>	<b>-5 109</b>	<b>-89 655</b>	<b>-15 965</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of new shares	–	–	188 753	–
Share issue costs	1 106	–	-6 616	–
Repayment of borrowings	161	–	-19 767	–
Finance lease payments	-590	-471	-1 086	-1 142
<b>Total cash flows from financing activities</b>	<b>677</b>	<b>-471</b>	<b>161 284</b>	<b>-1 142</b>
<b>Net (decrease)/increase in liquid assets</b>	<b>-15 479</b>	<b>-5 580</b>	<b>71 629</b>	<b>-17 107</b>
Liquid assets at the beginning of the period	103 601	17 858	15 813	29 440
Effect of exchange rate changes on liquid assets	1 929	112	2 609	56
<b>Liquid assets in the end of the period</b>	<b>90 051</b>	<b>12 390</b>	<b>90 051</b>	<b>12 390</b>

## Notes to the interim financial reports

### Exchange rates EUR/SEK

Conversion of profit and loss statements  
 Conversion of closing balance at end of previous year period  
 Conversion of closing balance at end of previous year

January-June	
2018	2017
10,1448	9,5923
10,4213	9,6734
	9,8497

Source: Riksbanken

Note 1 Net sales by geographical market	April-June		January-June	
	2018	2017	2018	2017
KSEK				
EU (flotation concentrate)	42 196	32 209	68 236	58 793
Norway (gravimetric gold concentrate)	23	2 422	1 321	4 318
<b>Net sales</b>	<b>42 219</b>	<b>34 632</b>	<b>69 557</b>	<b>63 111</b>

Note 2 Remuneration to employees	April-June		January-June	
	2018	2017	2018	2017
Average number of employees	38	43	40	43
Total personnel expenses including Board fees	KSEK 7 616	8 002	15 127	15 258
Average per person and month	SEK 66 000	62 000	63 000	60 000

Note 3 Other expenses	April-June		January-June	
	2018	2017	2018	2017
External services, production	12 335	13 075	25 169	27 074
Energy, production	2 133	2 133	5 076	4 787
Transaction costs	2 867	–	7 858	–
Other	4 900	3 346	8 538	7 045
<b>Total other expenses</b>	<b>22 235</b>	<b>18 554</b>	<b>46 641</b>	<b>38 906</b>

Note 4 Depreciation and impairment	April-June		January-June	
	2018	2017	2018	2017
Depletion based on production of ore	8 281	6 033	16 272	11 921
Other depreciation	3 459	3 762	6 817	7 492
<b>Total depreciation</b>	<b>11 740</b>	<b>9 795</b>	<b>23 089</b>	<b>19 413</b>
<b>Total depreciation and impairment charges</b>	<b>11 740</b>	<b>9 795</b>	<b>23 089</b>	<b>19 413</b>

Note 5 Financial income and expense	April-June		January-June	
	2018	2017	2018	2017
Sale of dormant subsidiary company	–	-13	–	-13
Remission of loan	362	–	20 290	–
<b>Total financial income</b>	<b>362</b>	<b>-13</b>	<b>20 290</b>	<b>-13</b>
Interest expense	-3 380	-1 189	-4 620	-2 325
Financial exchange rate differences	915	710	3 975	588
<b>Total financial expense</b>	<b>-2 465</b>	<b>-479</b>	<b>-645</b>	<b>-1 737</b>
<b>Net financial items</b>	<b>-2 103</b>	<b>-492</b>	<b>19 645</b>	<b>-1 750</b>

### Note 6 Income taxes

Management is re-assessing the Group's outlook on generating taxable income over the next 2-3 years. As at 30 June 2018, the Group has not recognized any deferred tax assets.

Note 7 Earnings per share	April-June		January-June	
	2018	2017	2018	2017
<i>KSEK if not otherwise stated</i>				
Before and after dilution effect:				
Net result 100 % attributable to the parent company	-5 316	-9 799	-3 463	-21 999
Weighted average number of issued shares	35 147 785	15 275 357	33 096 395	15 275 357
<b>Earnings per share</b>	<b>-0,15</b>	<b>-0,64</b>	<b>-0,10</b>	<b>-1,44</b>
<b>Number of shares:</b>				
Number of shares at end of period			35 147 785	10 486 275



<b>Note 8 Intangible and tangible fixed assets</b>	<b>January-June</b>	
<b>KSEK</b>	<b>Intangible assets</b>	<b>Tangible assets</b>
<b>Opening net book amount</b>	<b>63 061</b>	<b>62 237</b>
Additions	7 182	7 307
Acquisitions	257 511	30
Exchange differences	26 813	3 540
Depreciation	-	-23 089
<b>Closing net book amount</b>	<b>354 567</b>	<b>50 025</b>

<b>Note 9 Financial fixed assets</b>	<b>30 June 2018</b>	<b>31 Dec 2017</b>
<b>Other receivables</b>		
Pledged liquid assets due to environmental guarantees	5 490	5 171

#### **Note 10 Rights issue**

In February 2018, Endomines completed a rights issue of 22,069,718 shares with the subscription price of SEK 9 per share in Sweden and EUR 0.92 per share in Finland. The gross proceeds of the rights issue amounted to approximately 189 MSEK before transaction costs and net proceeds to approximately 182 MSEK after transaction costs.

<b>Note 11 Financial instruments (KSEK)</b>	<b>30 June 2018</b>	<b>31 Dec 2017</b>
Trade receivables and other receivables excluding accruals	6 727	7 678
Cash and cash equivalents	90 051	15 813
	<b>96 778</b>	<b>23 491</b>
<b>Other financial liabilities:</b>		
Bank loans	-	74 759
Convertible	171 983	-
Finance lease	5 565	6 314
Loans with special terms	-	2 485
<b>Subtotal borrowings</b>	<b>177 548</b>	<b>83 558</b>
Bridge loan to finance advance payment for acquisition	-	2 223
Accounts payables and other current liabilities excluding non-financial liabilities	12 652	11 629
<b>Total</b>	<b>190 200</b>	<b>97 410</b>

<b>Note 12 Borrowings and net debt</b>	<b>30 June 2018</b>	<b>31 Dec 2017</b>
<b>KSEK</b>		
<b>Long-term</b>		
Bank loans	-	70 819
Convertible	171 983	-
Acquisition loan	30 150	-
Loans with special term	-	2 485
Lease financing	2 332	2 613
<b>Total long-term liabilities</b>	<b>204 465</b>	<b>75 917</b>
<b>Short-term</b>		
Bank loans	-	3 940
Lease financing	3 233	3 701
<b>Total short-term liabilities</b>	<b>3 233</b>	<b>7 641</b>
<b>Total borrowings</b> (all amounts are EUR-denominated)	<b>207 698</b>	<b>83 558</b>
<b>Net debt</b>		
Liquid assets	90 051	15 813
Total borrowings	-207 698	-83 558
<b>Net interest-bearing debt</b>	<b>-117 647</b>	<b>-67 745</b>
<b>Shareholders' equity</b>	<b>285 519</b>	<b>45 381</b>
Equity ratio (net debt divided by equity)	41,2%	149,3%

#### **Bank Loans**

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

As of 14 February 2018, the Company has no outstanding bank debt in accordance with an agreement dated 22 November 2017. As announced on 22 November 2017, the Company had reached an agreement with its lenders such that 2 MEUR (20 MSEK) of the outstanding debt of 7.6 MEUR (76 MSEK) will be written off, provided the Company makes a prepayment of 2 MEUR (20 MSEK) after the Rights Issue has been completed and Joensuun Kauppa ja Kone Oy ("JKK") in connection therewith takes over the remaining debt, 3.6 MEUR (36 MSEK), from the lenders. These transactions were completed on 14 February 2018 and, as a result, Endomines has no remaining bank debt.

As also had been agreed, the company's lender, JKK, subsequently offset Endomines' full 3.6 MEUR loan against a directed share issue in Endomines. The directed share issue comprised 3,688,960 shares to JKK, corresponding to 10.5 per cent of the total number of shares in Endomines after the issue, at a subscription price of 9.90 SEK per share.

<b>Note 13 Convertible</b>	<b>30 jun 2018</b>	<b>31 dec 2017</b>
<b>KSEK</b>		

<b>The Group</b>		
Convertible	168 880	-
Accrued interest of convertible	3 103	-
<b>Total amount</b>	<b>171 983</b>	<b>-</b>

The convertible loan of 170,826,528 SEK in total runs with a yearly interest of 6.0 percent that, at Endomines' discretion, can be paid in cash or in shares. Half of the convertible loan can be converted during the period 31 March 2019 – 30 March 2020 (or at an earlier time if Endomines Board of Directors resolves that such early conversion is in the company's best interest) at a conversion price of 12.76 SEK per new share. The remaining part of the convertible loan can be converted during the period 31 March 2020 – 30 March 2021 at a conversion price of 13.91 SEK per new share. If conversion has not taken place before 1 April 2021, Endomines has the right to execute conversion of the remaining part of the convertible loan at a conversion price of 15.07 SEK per share.

If conversion is made after approximately 12 and 24 months in accordance with the description above, the holder of the convertible will get in total 12,834,250 shares in Endomines, corresponding to approximately 26.8 per cent of the total number of shares in the company (calculated without conversion of the interest into new shares and assuming no other equity issues prior to said conversions ). As a result of conversion, the holder's total shareholding in Endomines cannot exceed 29.9 percent.

<b>Note 14 Pledged assets and contingent liabilities</b>	<b>30 June 2018</b>	<b>31 Dec 2017</b>
<b>KSEK</b>		

<b>The Group</b>		
Pledged assets for liabilities to credit institutions	-	2 110
Pledged cash deposits due to environmental guarantees	5 491	5 171
<b>Pledged assets</b>	<b>5 491</b>	<b>7 281</b>
Contingent liabilities	-	39 624
<b>The parent company</b>		
Pledged assets for liabilities to credit institutions	-	129 914
Contingent liabilities	None	None

<b>Note 15 Analyses of change of EBIT</b>	<b>April-juni</b>		<b>Januari-juni</b>	
<b>MSEK</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>

<b>EBIT as reported</b>	<b>-3,2</b>	<b>-9,3</b>	<b>-23,1</b>	<b>-20,2</b>
Change of EBIT	6,1		-2,9	
<i>Change of EBIT per category</i>				
<b>Total Revenue</b>	<b>8,2</b>		<b>4,1</b>	
Cost of raw materials	3,2		4,3	
Employee cost	0,4		0,1	
Other cost	-3,7		-7,7	
<b>Total Cost</b>	<b>-0,1</b>		<b>-3,3</b>	
	<b>8,0</b>		<b>0,8</b>	
Depreciation	-1,9		-3,7	
<b>+Incr/-Decr of EBIT</b>	<b>6,1</b>		<b>-2,9</b>	

End of notes