

# Endomines AB (Publ)

(Company registration no. 556694-2974)

## Interim report 1 January- 30 September 2018

This interim report is a translation from the Swedish original which was published on 14 November 2018. In the event of difference between the English translation and the Swedish original, the Swedish interim report shall prevail.

### **Endomines' gold production at Pampalo exceeds expectations Friday mine project in Idaho expected to start initial production before year-end**

#### **Q3 2018 (vs Q3-2017)**

##### *Operational highlights*

- Gold production was 81.6 kg (94.1)
- Milled ore was 26,876 tons (37,422) at head grade of 3.9 g/t (3.0)
- Cash Cost was 768 USD/oz (1,081)

##### *Financial highlights*

- Net sales were 26.2 MSEK (27.6)
- Adjusted EBITDA, excluding costs associated with the TVL acquisition and co-operation negotiations, was 4.3 MSEK
- EBITDA was 0.6 MSEK (1.1)
- Total cash flow was -27.7 MSEK (1.6)
- Earnings per share was -0.46 SEK (-0.55)

#### **Q1-Q3 2018 (vs Q1-Q3 2017)**

##### *Operational highlights*

- Gold production was 303.5 kg (299.4)
- Milled ore was 108,987 tons (125,847) at head grade of 3.4 g/t (2.8)
- Cash Cost was 985 USD/oz (1,136)

##### *Financial highlights*

- Net sales were 95.8 MSEK (90.7)
- Adjusted EBITDA, excluding costs associated with the TVL acquisition and co-operation negotiations, was 11.9 MSEK
- EBITDA was 0.6 MSEK (0.2)
- Total cash flow was 43.9 MSEK (-15.5)
- Earnings per share was -0.58 SEK (-1.99)

### Significant subsequent events

Gold production at the Pampalo mine in January-October 2018 amounted to 318.5kg (10,240oz). Operations at the mine and the adjacent processing facility have been temporarily suspended; hence, no further production in 2018 is expected. However, additional gold will be recovered in connection with the maintenance of the processing facility. The total gold output from Pampalo including the gold recovered in maintenance will be reported in November.

### Production guidance for 2018 amended:

**New guidance:** Operations at the Pampalo mine have been suspended and gold production in January-October amounted to 318.5kg (10,240oz). Including the additional gold that will be recovered in connection with the maintenance of the processing facility, the total gold output from Pampalo in 2018 is expected to exceed 320kg (10,300oz). Initial production at the Friday mine in Idaho, USA, is anticipated to commence in December 2018, but no substantial production volumes are expected before the year-end.

**Previous guidance:** Endomines anticipates producing 312-320kg gold in Pampalo in January-October 2018.

| Key figures (Consolidated)<br>MSEK if not otherwise stated | Jul-Sep |       |       | Jan-Sep |       |       |
|--|---------|-------|-------|---------|-------|-------|
|  | 2018    | 2017  | +/-   | 2018    | 2017  | +/-   |
| Revenue  | 25.9    | 26.7  | -0.8  | 97.4    | 94.1  | 3.3   |
| Cost   | -25.3   | -25.6 | 0.3   | -96.8   | -93.9 | -2.9  |
| Depreciation and write-downs                               | -11.8   | -7.7  | -4.1  | -34.9   | -27.1 | -7.8  |
| Adjusted EBITDA  | 4.3     | 1.1   | 3.2   | 11.9    | 0.2   | 11.7  |
| EBITDA   | 0.6     | 1.1   | -0.5  | 0.6     | 0.2   | 0.4   |
| EBIT   | -11.2   | -6.6  | -4.6  | -34.3   | -26.8 | -7.5  |
| Net result for the period                                  | -16.0   | -8.3  | -7.7  | -19.5   | -30.3 | 10.8  |
| Earnings per share (SEK)                                   | -0.46   | -0.55 | 0.09  | -0.58   | -1.99 | 1.41  |
|  |         |       |       |         |       |       |
| Cash flows from operating activities                       | 4.9     | 2.9   | 2.0   | -11.1   | -2.4  | -8.7  |
| Investments  | -35.1   | -1.1  | -34.0 | -108.8  | -11.7 | -97.1 |
| Financing  | 2.5     | -0.3  | 2.8   | 163.8   | -1.4  | 165.2 |
| Liquid assets at the end of the period                     | 62.4    | 13.8  | 48.6  | 62.4    | 13.8  | 48.6  |
| Personnel at the end of the period                         | 40      | 41    | -1    | 40      | 41    | -1    |

**CEO Saila Miettinen-Lähde:** *“During the third quarter our key tasks were the construction of our Friday mine in Idaho towards production start-up and preparation of the Pampalo mine in Finland for care and maintenance. While these two undertakings were essentially opposite in nature, I’m pleased to note that both projects proceeded safely and on time.*

*Construction at the Friday mine and the adjacent processing facility progressed well, prompting us to conclude that initial gold concentrate production would likely commence already before the year-end 2018, followed by ramp-up in early 2019. Our local team in Idaho has been instrumental in driving the project forward, and I am happy to note that we have also been well received by the local communities, authorities and contractors.*

*Ahead of the planned suspension, stoping at the Pampalo mine ended in mid-September, but some gold concentrate production still continued in October. Despite the difficult underground rock conditions and the forthcoming care and maintenance, production output remained good throughout the period. Gold production for the third quarter amounted to 81.6kg and for January-September to 303.5kg. In October, another 15kg of gold was produced, bringing the total production at Pampalo this year to 318.5kg (10,240oz), which clearly exceeds our original estimates. Furthermore, we will still*

*recover additional gold from the maintenance of our processing facility, which will increase the total output beyond 320kg (10,300oz).*

*Our financial performance reflected the continued solid production output with net sales amounting to 26.2MSEK in Q3 and 95.8MSEK in Q1-Q3 2018. Adjusted EBITDA, excluding costs associated with the TVL Gold acquisition and the co-operation negotiations, was clearly positive at 4.3MSEK in Q3 and 11.9MSEK in Q1-Q3 2018.*

*Our extensive exploration project along the Karelian Gold Line progressed with structural mapping, base of till sampling and drilling primarily in areas near the Pampalo mine and the Central Duplex zone located south of Pampalo. Most of the results from these studies are expected before the year-end. The layman sample competition, "Kultakisa Kakkonen" (Gold competition Kakkonen), in Ilomantsi, Finland, attracted substantial interest, and 137 samples were received by the end of October. We look forward to announcing the winners as well as interesting results from the competition in January 2019."*

### **Production in Pampalo**

Total gold production in Pampalo in Q3 2018 amounted to 81.6kg (94.1), with the lower output compared to the year before stemming primarily from suspension of the mining operations in mid-September. In Q1-Q3 2018 gold production amounted to 303.5kg (299.4), exceeding both the previous year's output as well as the original production guidance for the year.

In Q3, the gold head grade averaged 3.9 g/t and was 0.9 g/t higher than in the corresponding period in 2017. For the first nine months of 2018, the head grade averaged 3.4g/t, which also represents a significant, 0.6g/t improvement over the previous year and contributes to the improved production figures year-on-year. The improvement in head grade primarily derives from a higher in-situ grade of ore.

Endomines' ore production and milled ore tonnes in the third quarter and Q1-Q3 of 2018 were somewhat lower than the year before, largely due to continued challenging rock conditions in some sections of the Pampalo mine as well as the suspension of stoping in mid-September.

The Pampalo mine and its adjacent processing facilities have been placed under care and maintenance in October 2018. Gold production in January-October amounted to 318.5kg (10,240oz), and no further production in 2018 is expected. The total output will, however, still be increased by gold recovered from the maintenance of the processing facility in November. The mine may be reopened upon a decision to invest in a decline that would allow access to the deeper sections of ore located below the level mined in 2018.

| <b>Production figures in Pampalo</b> | Jul-Sep |        |         | Jan-Sep |         |         |
|--------------------------------------|---------|--------|---------|---------|---------|---------|
|                                      | 2018    | 2017   | +/-     | 2018    | 2017    | +/-     |
| Milled ore (tonnes)                  | 26,876  | 37,422 | -10,546 | 108,987 | 125,847 | -16,860 |
| Head grade (Au gram/tonne)           | 3.9     | 3.0    | 0.9     | 3.4     | 2.8     | 0.6     |
| Gold recovery (%)                    | 84.2    | 83.8   | 0.4     | 83.2    | 83.5    | -0.3    |
| Hourly utilization (%)               | 40.6    | 34.2   | 6.4     | 39.2    | 39.6    | -0.4    |
| Gold production (kg)                 | 81.6    | 94.1   | -12.5   | 303.5   | 299.4   | 4.1     |
| Gold production (oz)                 | 2 624   | 3 025  | -401    | 9 758   | 9 626   | 132     |
| Cash Cost (USD/oz)                   | 768     | 1 081  | -313    | 985     | 1 136   | -151    |
| LTIFR                                | 9       | 8      | 1       | 9       | 8       | 1       |

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**

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 production area of 2018. The gold grade of that resource is slightly higher compared to the gold grades in the upper level. Mining the deep extension would require investment in a decline, which at the current gold price does not appear profitable. The decline investment has therefore been postponed and the operations at Pampalo temporarily suspended in November 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 remains subject to further development throughout the exploration program based on the data accumulating from the exploration activities.

By the end of September, a total of 3,300 meters had been drilled primarily on targets near the Pampalo mine and the Central Duplex zone located south of Pampalo. The drilling assays are anticipated to be completed in December.

During the third quarter, additional structural mapping was conducted particularly in the Central Duplex zone in order to improve the accuracy of drilling target selection. As anticipated in Endomines' H1 interim report, the additional mapping has delayed the completion of the initial 5,000 meters drilling program by some months, such that one third of the drilling will be pushed to 2019.

The base of till (BOT) sampling program was commenced mid-June. By the end of September, a total of 1,046 BOT samples had been taken, primarily from areas close to Pampalo. During the remainder of the year, sampling continues in the Hosko North zone and the Central Duplex zone. Assay results from roughly one third of the samples taken since the beginning of the program have been received, revealing anomalies warranting further evaluation as well as clear drilling targets to the northeasterly direction from the Pampalo mine. Further results from the BOT samples are expected in December and during the first quarter of 2019.

The geophysics studies included in the exploration plan for 2018 are carried out during the fourth quarter. These include an induced polarization (IP) survey for the Hosko North zone, gravimetric survey covering the Pampalo area and the Central Duplex zone and a drone magnetic survey in the northern part of the Karelian Gold Line.

Endomines is conducting a hyperspectral scanning project jointly with GTK. In the project, some 24,000 meters of existing drill core from the Karelian Gold Line is scanned with the aim of creating an extensive mineralogical model of the area. Most of the scanning was carried out during the past summer, and an initial mineralogical model based on the data is expected during the summer of 2019.

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. Some permit extension applications were pending through the third quarter, which had some impact on the selection of drilling and BOT sampling targets. The Company expects the permit renewals to be completed during the fourth quarter.

In June, Endomines launched a layman sample competition, "Kultakisa Kakkonen" (Gold competition Kakkonen), in Ilomantsi, Finland. The competition raised substantial interest, and 137 samples were received. The competition ran until the end of October and laboratory assay results of the most interesting samples are expected to be obtained by the end of the year. Results of the competition will be announced in January 2019.

### **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 with fixed SEK currency rate and mandatory conversion at pre-agreed share prices. For further information on the terms of the acquisition and related loan instruments, see Note 13 in the financial section.

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

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

The Friday mine project in Idaho, USA, continued to progress well during the third quarter. Based on the stage of completion at the end of September and the near-term outlook, Endomines foresees that initial mine production will likely commence before the year-end, followed by production ramp-up in early 2019. After ramp-up, the Friday mine is anticipated to produce around 9,000oz (280kg) gold per annum at an average grade of approximately 8g/t for an initial mine life of more than seven years. All-in cash cost of production following ramp-up is estimated at USD 650-900 per oz depending on the area of production.

The mine site infrastructure improvements, including installation of storm water control measures, improvements to access and haul roads, and installation of lined waste rock disposal areas were completed during the third quarter as planned. Mine development in the secondary mine access as well as rehabilitation of the old access are ongoing.

Endomines started developing the processing facility site near Elk City in July and has since completed all major earth works and finalized the construction of building foundations. Preparation of the tailings areas and necessary site infrastructure is ongoing. Erection of the processing plant building is expected to be completed in November.

Equipment for the processing plant has been purchased and is being constructed into modules for ease of installation after delivery. The contractor has started shipping the modules in November. Assuming on-time delivery and installation of all equipment, trial runs at the processing plant can start in December.

All necessary permits to start operations at the Friday mine and the Elk City processing facility are in place. Reaching sustainable full-scale production will, however, still require air quality and water reuse permits, the application processes for which are ongoing.

Work at the other four projects in Idaho, Rescue, Kimberly, Buffalo Gulch and Deadwood, has to date been limited to the review of existing data, sampling and planning of future exploration activities, and environmental baseline studies related to permitting. It is estimated that the permitting processes for said projects will take 1-5 years depending on the project and type of planned operation.

## 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 third 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, especially as the operations have been under preparation for suspension. At the end of Q3 2018 the rolling twelve-month LTI rate (lost-time injuries per one million working hours) in Pampalo was 9, and in Idaho 0. The combined Group level LTI frequency was 8.

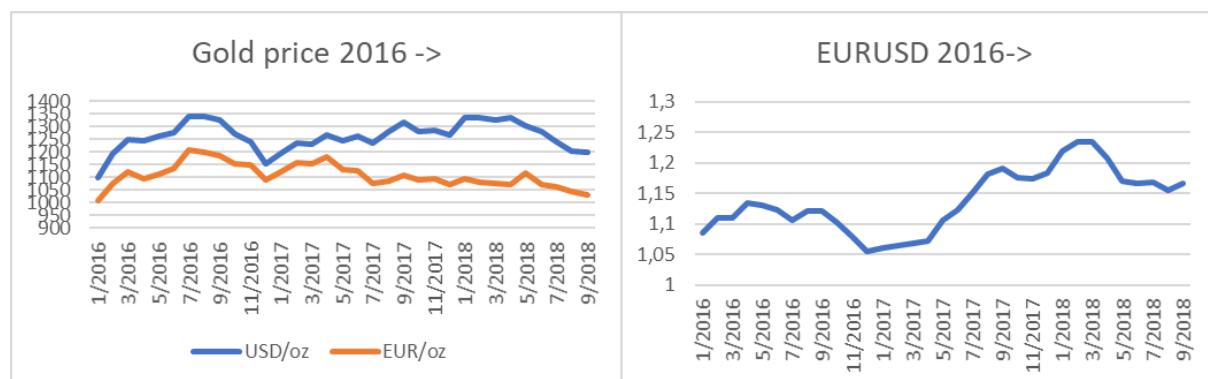
## Gold price and EURUSD exchange rate

At the end of Q3 2018 the gold price was 1,184 USD/oz, a decrease of 8 per cent compared to 1,287 USD/oz at the end of Q3 2017 (LBMA AM on 28 September 2018). The average gold price for Q3 2018 was 1,213 USD/oz (1,278), representing a decrease of 6 per cent over the corresponding period the year before.

The average gold price in euro for Q3 2018 was 1,044 EUR/oz (1,088), representing a decrease of 4 per cent over the corresponding period the year before.

With its gold production to date solely in Finland, Endomines incurred virtually all its operating 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

### Q3 2018

| Key figures (Consolidated)   |  | Jul-Sep |       |      |
|------------------------------|--|---------|-------|------|
| MSEK if not otherwise stated |  | 2018    | 2017  | +/-  |
| Revenue                      |  | 25.9    | 26.7  | -0.8 |
| Cost                         |  | -25.3   | -25.6 | 0.3  |
| Adjusted EBITDA              |  | 4.3     | 1.1   | 3.2  |
| EBITDA                       |  | 0.6     | 1.1   | -0.5 |
| Depreciation and write-downs |  | -11.8   | -7.7  | -4.1 |
| EBIT                         |  | -11.2   | -6.6  | -4.6 |
| Net result for the period    |  | -16.0   | -8.3  | -7.7 |
| Earnings per share (SEK)     |  | -0.46   | -0.55 | 0.09 |

### Result

Total revenue, including change in inventory, for the third quarter amounted to MSEK 25.9 (26.7). Net sales amounted to 26.2 MSEK (27.6), representing a 1.4 MSEK, or 5 per cent decrease compared to Q3 2017. The delivered gold content in concentrate amounted to 84.2kg (95.6), or 2,707 oz (3,073), which was 12 per cent less than in the corresponding period 2017.

EBITDA was 0.6 MSEK (1.1), impacted by lower volume of deliveries but on the other hand compensated by lower costs due to the suspension of the mining activities in mid-September. Adjusted EBITDA, excluding the costs associated with the acquisition of TVL Gold in Q1 2018 and the costs related to the co-operation negotiations was 4.3 MSEK.

Depreciations and write downs amounted to 11.8 MSEK (7.7).

Operating expenses decreased slightly to 25.3 MSEK (25.6). Operating expenses per milled ore ton at the Pampalo mine decreased from previous year's level to 58 EUR/ton (66). Cash cost decreased to 768 USD/oz (1,081). Cash cost was positively impacted by the improved head grade compared to the previous year as well as the discontinuation of mine development in June in anticipation of the planned suspension of production in Pampalo after September 2018.

Net financial result amounted to -4.9 MSEK (-1.7). The increased loss came mainly from the 2.6 MSEK interest on the convertible loan issued to the sellers of TVL Gold.

Profit after tax was -16.0 MSEK (-8.3), with income taxes amounting to 0.0 MSEK (0.0). Net result per share was -0.46 SEK (-0.55).

## Q1-Q3 2018

| Key figures (consolidated)   | Jan-Sep |       |      | Full year |
|------------------------------|---------|-------|------|-----------|
|                              | 2018    | 2017  | +/-  |           |
| MSEK if not otherwise stated |         |       |      | 2017      |
| Revenue                      | 97.4    | 94.1  | 3.3  | 122.6     |
| Cost                         | -96.8   | -93.9 | -2.9 | -128.3    |
| Depreciation and write-downs | -34.9   | -27.1 | -7.8 | -59.1     |
| Adjusted EBITDA              | 11.9    | 0.2   | 11.7 | -5.7      |
| EBITDA                       | 0.6     | 0.2   | 0.4  | -5.7      |
| EBIT                         | -34.3   | -26.8 | -7.5 | -64.8     |
| Net result for the period    | -19.5   | -30.3 | 10.8 | -69.3     |
| Earnings per share (SEK)     | -0.58   | -1.99 | 1.41 | -3.25     |

### Result

Total revenue, including change in inventory, for Q1-Q3 amounted to 97.4 MSEK (94.1). Net sales increased by 5.0 MSEK to 95.8 MSEK (90.7), representing an improvement of 6 per cent. The delivered gold content in concentrate increased by 3 per cent and amounted to 305.7kg (296.7), equivalent to 9,827 oz (9,538). The average gold price was slightly lower than the year before at 1,213 USD/oz (1,278).

EBITDA amounted to 0.6 MSEK (0.2), an increase of 0.4 MSEK primarily reflecting higher gold grade in ore and improved production efficiency as well as lower costs due to the suspension of the mining operations in Pampalo. Adjusted EBITDA, excluding the costs associated with the acquisition of TVL Gold in Q1 2018 and the costs related to the co-operation negotiations was 11.9 MSEK. EBIT was below the previous year's level largely due to the above named non-recurring costs and amounted to -34.3 MSEK (-26.8).

Depreciations amounted to 34.9 MSEK (27.1).

Operating expenses increased to 96.8 MSEK (93.9), mainly due to the addition of the US activities in Q1 2018 as well as costs relating to the co-operation negotiations. Operating expenses at the Pampalo mine decreased and amounted to 62 EUR (69) per milled ore ton. Total milled ore amounted to 108,987 tons (125,847). Cash Cost decreased to 985 USD/oz (1,136). Cash cost was positively impacted by the improved head grade compared to the previous year as well as the discontinuation of mine development in June ahead of the suspension of production in Pampalo after September 2018.

Net financial result amounted to 14.8 MSEK (-3.5). The increase came mainly from the 2 MEUR (20.5 MSEK) write down of a bank loan in connection with other financing transactions in Q1 2018.

Profit after tax was -19.5 MSEK (-30.3), with income taxes amounting to 0.0 MSEK (0.0). Net result per share was -0.58 SEK (-1.99).

### Investments

Investments into intangible and tangible fixed assets amounted to 307.1 MSEK (13.6), of which the acquisition of TVL Gold 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 -7.9 MSEK (-3.3) in Q1-Q3 2018. The change in net working capital was 3.2 MSEK (-0.8). Cash flow after investments was -108.8 MSEK (-11.7). Total cash flow from financing amounted to 163.8 MSEK (-1.4). 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 third quarter 2018.

### **Financial position**

Net debt, including the debt portion of the convertible note issued to the sellers of TVL Gold, amounted to 147.7 MSEK (67.7) MSEK at the end of Q3 2018. Total equity amounted to 265.6 MSEK (45.4). Gearing decreased to 56 per cent (149) mainly due to the restructuring of the outstanding bank debt and the completed rights emission.

Balance sheet total amounted to 504.3 MSEK (160.6), and equity ratio increased to 53 per cent (28). Capital employed amounted to 481.9 MSEK (129.0). Group cash at the end of Q3 2018 amounted to 62.4 MSEK.

### **Future liquidity development**

The Company has an adequate 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 Q3 2018 was 40, of which 34 at the Pampalo Mine and 6 in Endomines Idaho LLC. YTD average head count was 41 (42).

Endomines concluded co-operation negotiations with its whole personnel at the Pampalo mine on 5 June 2018, leading to the lay-off 26 employees for more than 90 days and termination of 4 employee contracts, to be implemented mainly after the third quarter of 2018 upon the suspension of mining operations in Pampalo. During July-September, 4 employees were laid off and 4 employment contracts were terminated.

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

The parent company's operating expenses amounted to 8.6 MSEK (7.4), an increase of 1.2 MSEK or 16 per cent. Other external expenses amounted to 6.9 MSEK (4.6) 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 1.7 MSEK (2.7), including Board remuneration.

Cash at the end of Q3 2018 amounted to 37.9 MSEK (1.5), and total cash flow was 36.3 MSEK. Cash paid for the acquisition of TVL Gold was 57.1 MSEK and other cash flow was 103.1 MSEK net. Equity was 279.6 MSEK (174.2), including share capital of 281.2 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**

Seppo Tuovinen was appointed President, Endomines Idaho LLC in the USA, in August 2018. Mr. Tuovinen was previously General Manager, Finland (Endomines Oy), from January 2017 through July 2018. He continues as a member of Endomines Group's Management Team.

## **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 200 million and not more than SEK 800 million.

The total number of shares traded during the first nine months of the year on the stock exchange was 13.2 million, representing 37.6 per cent of the total number of shares. The relative liquidity of the share in Nasdaq Helsinki was 52.4 per cent and 47.6 per cent in Nasdaq Stockholm. In the third quarter of 2018, 83 per cent of the outstanding shares were registered in Finland, 15 per cent in Sweden and 2 per cent elsewhere.

The share price at the end of 2017 was 11.46 SEK and 6.3 SEK as at 28 September 2018, closing at highest on 9 January 2018 at 14.2 SEK and lowest on 21 September 2018 at 6.0 SEK.

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

The Annual General Meeting resolved to authorize the Board of Directors during the period up to the next AGM 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. The share capital after the issue cannot exceed the Company's current maximum share capital which is 800 MSEK.

## **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 in

February 2018, Endomines acquired TVL Gold (now Endomines Idaho), which holds rights to five gold 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. The Parent Company Accounts have been prepared in accordance with the Swedish Financial Reporting Board recommendation, RFR2 Accounting for a legal person. 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.

### **Alternative financial metrics**

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 1 January 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.

The accrued liabilities for the convertible loan amounting to 170.8 MSEK at fixed currency rate on 13 March 2018 is treated as a liability at fair value through profit and loss. Equity component of the liability amounting to 1.5 MSEK and deferred tax assets effect have been recognized in retained earnings. Comparable figures for 2017 have not been restated. The fair value changes of the loan are recorded through profit and loss.

#### **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 February 2019 *Interim report Q4 2018 and full year 2018*

## **Auditors review**

The auditor of Endomines AB has issued an audit report on the review of this interim report.

## **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 CET on 14 November 2018.

In Stockholm on 14 November 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



## Auditor's report

Endomines AB (publ) corp. reg. no. 556694-2974

### Introduction

We have reviewed the condensed interim financial information (interim report) of Endomines AB (publ) as of 30 September 2018 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 14 november 2018

PricewaterhouseCoopers AB

Martin Johansson  
Authorized Public Accountant

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

| KSEK  | Note | July-September |               | January-September |                |
|---|------|----------------|---------------|-------------------|----------------|
|   |      | 2018           | 2017          | 2018              | 2017           |
| Net sales   | 1    | 26 202         | 27 610        | 95 759            | 90 721         |
| Change in stock of finished goods and work in progress                          |      | -331           | -959          | 1 602             | 2 983          |
| Other income  |      | 11             | 27            | 27                | 378            |
| <b>Total revenue</b>  |      | <b>25 882</b>  | <b>26 678</b> | <b>97 388</b>     | <b>94 082</b>  |
| Raw materials and supplies  |      | -2 076         | -4 964        | -11 833           | -19 040        |
| Personnel expenses  | 2    | -9 947         | -6 593        | -25 074           | -21 851        |
| Other expenses  | 3    | -13 258        | -14 058       | -59 899           | -52 964        |
| <b>EBITDA</b>   |      | <b>601</b>     | <b>1 063</b>  | <b>582</b>        | <b>227</b>     |
| Depreciation and impairment   | 4    | -11 776        | -7 653        | -34 865           | -27 066        |
| <b>Operating result</b>   |      | <b>-11 175</b> | <b>-6 590</b> | <b>-34 283</b>    | <b>-26 839</b> |
| Financial income  | 5    | 180            | —             | 20 470            | -13            |
| Financial expenses  | 5    | -5 032         | -1 744        | -5 677            | -3 481         |
| <b>Net financial items</b>  |      | <b>-4 852</b>  | <b>-1 744</b> | <b>14 793</b>     | <b>-3 494</b>  |
| <b>+Profit/(-) loss before taxes</b>  |      | <b>-16 027</b> | <b>-8 334</b> | <b>-19 490</b>    | <b>-30 333</b> |
| Income taxes  | 6    | —              | —             | —                 | —              |
| <b>Net result for the period</b>  |      | <b>-16 027</b> | <b>-8 334</b> | <b>-19 490</b>    | <b>-30 333</b> |
| <b>Other comprehensive income that will be classified to profit/loss</b>        |      |                |               |                   |                |
| Translation differences   |      | -4 270         | -502          | 21 992            | -143           |
|   |      | <b>-4 270</b>  | <b>-502</b>   | <b>21 992</b>     | <b>-143</b>    |
| <b>Comprehensive income for the period</b>                                      |      | <b>-20 297</b> | <b>-8 836</b> | <b>2 502</b>      | <b>-30 476</b> |
| <b>Net result 100 % attributable to the parent company</b>                      |      | <b>-16 027</b> | <b>-8 334</b> | <b>-19 490</b>    | <b>-30 333</b> |
| <b>100% of total comprehensive income is attributable to the parent company</b> |      | <b>-20 297</b> | <b>-8 836</b> | <b>2 502</b>      | <b>-30 476</b> |
| <b>Earnings per share (SEK)</b>   | 7    |                |               |                   |                |
| before and after dilution effect  |      | <b>-0,46</b>   | -0,55         | <b>-0,58</b>      | -1,99          |
| <b>Average number of shares</b>   |      |                |               |                   |                |
| before and after dilution effect  | 7    | 35 147 785     | 15 275 357    | 33 780 192        | 15 275 357     |

**Parent company statement of profit and loss**

| KSEK                                       |  | July-September  |               | January-September |               |
|--|--|-----------------|---------------|-------------------|---------------|
|  |  | 2018            | 2017          | 2018              | 2017          |
| Net sales                                  |  | —               | 108           | —                 | 335           |
| <b>Total revenue</b>                       |  | <b>0</b>        | <b>108</b>    | <b>0</b>          | <b>335</b>    |
| Other external expenses                    |  | -1 737          | -1 449        | -6 938            | -4 624        |
| Personnel expenses                         |  | -591            | -840          | -1 681            | -2 747        |
| Depreciation and impairment                |  | -100 000        | —             | -100 000          | —             |
| <b>Operating result</b>                    |  | <b>-102 328</b> | <b>-2 181</b> | <b>-108 619</b>   | <b>-7 036</b> |
| Financial income                           |  | -1 424          | -349          | 2 798             | 803           |
| Financial expenses                         |  | -3 134          | -32           | -6 304            | -125          |
| <b>Net financial items</b>                 |  | <b>-4 558</b>   | <b>-381</b>   | <b>-3 506</b>     | <b>678</b>    |
| <b>+Profit/(-) loss before taxes</b>       |  | <b>-106 886</b> | <b>-2 562</b> | <b>-112 125</b>   | <b>-6 358</b> |
| <b>Net result for the period</b>           |  | <b>-106 886</b> | <b>-2 562</b> | <b>-112 125</b>   | <b>-6 358</b> |
| <b>Comprehensive income for the period</b> |  | <b>-106 886</b> | <b>-2 562</b> | <b>-112 125</b>   | <b>-6 358</b> |

**Consolidated balance sheet**

| KSEK   | Note | 30 Sept<br>2018 | 31 December<br>2017 |
|--|------|-----------------|---------------------|
| Intangible fixed assets  | 8    | 350 389         | 63 061              |
| Tangible fixed assets  | 8    | 73 675          | 62 237              |
| Financial fixed assets   | 9    | 5 405           | 5 171               |
| <b>Total fixed assets</b>  |      | <b>429 469</b>  | <b>130 469</b>      |
| Inventories  |      | 3 516           | 2 182               |
| Trade receivables  |      | 2               | 7                   |
| Other receivables  |      | 289             | 2 500               |
| Prepaid expenses and accrued income                                  |      | 8 615           | 9 589               |
| Cash and cash equivalents  | 11   | 62 430          | 15 813              |
| <b>Total current assets</b>  |      | <b>74 852</b>   | <b>30 091</b>       |
| <b>TOTAL ASSETS</b>  |      | <b>504 321</b>  | <b>160 560</b>      |
| <b>Shareholders' equity</b>  |      |                 |                     |
| Shareholders' equity   |      |                 |                     |
| Share capital  | 10   | 281 182         | 262 157             |
| Unrestricted equity fund   |      | 541 292         | 343 873             |
| Reserves   |      | 27 399          | 5 407               |
| Retained earnings  |      | -584 323        | -566 056            |
| Shareholders' equity attributable to the parent company shareholders |      | <b>265 550</b>  | <b>45 381</b>       |
| <b>Total shareholders' equity</b>                                    |      | <b>265 550</b>  | <b>45 381</b>       |
| <b>Liabilities</b>   |      |                 |                     |
| Liabilities to credit institutions                                   | 12   | 32 687          | 75 917              |
| Convertible bond   | 13   | 174 914         | 0                   |
| Other provisions   |      | 8 745           | 7 724               |
| <b>Total long-term liabilities</b>                                   |      | <b>216 346</b>  | <b>83 641</b>       |
| Liabilities to credit institutions                                   | 12   | 2 997           | 7 641               |
| Other provisions   |      | 401             | 384                 |
| Accounts payable   |      | 7 104           | 11 630              |
| Other current liabilities  | 11   | 3 036           | 4 491               |
| Accruals and other provisions  |      | 8 887           | 7 392               |
| <b>Total current liabilities</b>                                     |      | <b>22 425</b>   | <b>31 538</b>       |
| <b>Total liabilities</b>   |      | <b>238 771</b>  | <b>115 179</b>      |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>                    |      | <b>504 321</b>  | <b>160 560</b>      |

**Parent company balance sheet**

| KSEK  |  | 30 Sept<br>2018 | 31 December<br>2017 |
|---|--|-----------------|---------------------|
| Shares in group companies                         |  | 345 618         | 132 714             |
| Receivables group companies                       |  | 100 988         | 49 249              |
| Other receivables                                 |  | 8 988           | 5 356               |
| Cash and cash equivalents                         |  | 37 852          | 1 516               |
| <b>Total assets</b>                               |  | <b>493 446</b>  | <b>188 835</b>      |
| Shareholders' equity                              |  | 279 648         | 174 215             |
| Payables to group companies                       |  | 7 762           | 7 427               |
| Convertible bond                                  |  | 174 914         | –                   |
| Other liabilities                                 |  | 31 122          | 7 193               |
| <b>Total shareholder's equity and liabilities</b> |  | <b>493 446</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                                      | —              | —                      | —             | -69 252           | <b>-69 252</b>             |
| Other comprehensive income                                     | —              | —                      | 97            | —                 | <b>97</b>                  |
| <b>Total comprehensive income for the period</b>               | <b>—</b>       | <b>—</b>               | <b>97</b>     | <b>-69 252</b>    | <b>-69 155</b>             |
| <b>Transactions with the shareholders</b>                      |                |                        |               |                   |                            |
| <b>Closing balance as of 31 December 2017</b>                  | <b>262 157</b> | <b>343 873</b>         | <b>5 407</b>  | <b>-566 056</b>   | <b>45 381</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                                      | —              | —                      | —             | -19 490           | <b>-19 490</b>             |
| Other comprehensive income                                     | —              | —                      | 21 992        | -50               | <b>21 942</b>              |
| <b>Total comprehensive income for the period</b>               | <b>—</b>       | <b>—</b>               | <b>21 992</b> | <b>-19 540</b>    | <b>2 452</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   | —              | -7 850                 | —             | —                 | <b>-7 850</b>              |
| Decrease of quota value  | -178 267       | 178 267                | —             | —                 | —                          |
| Reclassification of equity part of convertible                 | —              | —                      | —             | 1 273             | <b>1 273</b>               |
| <b>Total transactions with the shareholders</b>                | <b>19 024</b>  | <b>197 419</b>         | <b>—</b>      | <b>1 273</b>      | <b>217 716</b>             |
| <b>Closing balance as of 30 Sept 2018</b>                      | <b>281 181</b> | <b>541 292</b>         | <b>27 399</b> | <b>-584 323</b>   | <b>265 550</b>             |

## Consolidated statement of cash flows

| KSEK   | July-September |               | January-September |                |
|--|----------------|---------------|-------------------|----------------|
|  | 2018           | 2017          | 2018              | 2017           |
| <b>Cash flows from operating activities</b>                                      |                |               |                   |                |
| +Profit/(-) loss before taxes  | -16 027        | -8 334        | -19 490           | -30 333        |
| Adjusted for:  |                |               |                   |                |
| Depreciation   | 11 776         | 7 653         | 34 865            | 27 066         |
| Impairment   | —              | —             | —                 | —              |
| Unrealised exchange rate differences on internal receivables and payables        | 260            | 612           | -3 431            | —              |
| Remission of loan  | -180           | —             | -20 470           | —              |
| Other items  | 485            | —             | 659               | —              |
| <b>Cash flows from operating activities before change in net working capital</b> | <b>-3 686</b>  | <b>-69</b>    | <b>-7 867</b>     | <b>-3 267</b>  |
| Change in net working capital  | 8 582          | 3 011         | -3 208            | 831            |
| <b>Total cash flows from operating activities</b>                                | <b>4 896</b>   | <b>2 942</b>  | <b>-11 075</b>    | <b>-2 436</b>  |
| <b>Cash flows from investing activities</b>                                      |                |               |                   |                |
| Payments for intangible fixed assets   | 43             | -295          | -7 350            | -1 794         |
| Payments for tangible fixed assets   | -35 067        | -760          | -42 249           | -11 765        |
| Acquisition of TVL   | —              | —             | -59 176           | —              |
| Change in other long-term receivables  | —              | -10           | -19               | 1 908          |
| <b>Total cash flows from investing activities</b>                                | <b>-35 110</b> | <b>-1 065</b> | <b>-108 794</b>   | <b>-11 652</b> |
| <b>Total cash flows before financing activities</b>                              | <b>-30 214</b> | <b>1 877</b>  | <b>-119 869</b>   | <b>-14 088</b> |
| <b>Cash flows from financing activities</b>                                      |                |               |                   |                |
| Proceeds from issue of new shares  | —              | —             | 188 753           | —              |
| Share issue costs  | —              | —             | -6 616            | —              |
| Repayment of borrowings  | 2 909          | —             | -16 858           | —              |
| Finance lease payments   | -418           | -305          | -1 504            | -1 447         |
| <b>Total cash flows from financing activities</b>                                | <b>2 491</b>   | <b>-305</b>   | <b>163 775</b>    | <b>-1 447</b>  |
| <b>Net (decrease)/increase in liquid assets</b>                                  | <b>-27 723</b> | <b>1 572</b>  | <b>43 906</b>     | <b>-15 535</b> |
| Liquid assets at the beginning of the period                                     | 90 051         | 12 390        | 15 813            | 29 440         |
| Effect of exchange rate changes on liquid assets                                 | 102            | -141          | 2 711             | -85            |
| <b>Liquid assets in the end of the period</b>                                    | <b>62 430</b>  | <b>13 821</b> | <b>62 430</b>     | <b>13 821</b>  |

## Notes to the interim financial report

### Exchange rates EUR/SEK

|  | January-September |        |
|--|-------------------|--------|
|  | 2018              | 2017   |
| Conversion of profit and loss statements                     | 10,2348           | 9,5305 |
| Conversion of closing balance at end of previous year period | 10,2945           | 9,5668 |
| Conversion of closing balance at end of previous year        |                   | 9,8497 |

Source: Riksbanken

| Note 1 Net sales by geographical market | July-September |               | January-September |               |
|---|----------------|---------------|-------------------|---------------|
|   | 2018           | 2017          | 2018              | 2017          |
| KSEK                                    |                |               |                   |               |
| EU (flotation concentrate)              | 26 190         | 25 485        | 94 426            | 84 278        |
| Norway (gravimetric gold concentrate)   | 12             | 2 125         | 1 333             | 6 443         |
| <b>Net sales</b>                        | <b>26 202</b>  | <b>27 610</b> | <b>95 759</b>     | <b>90 721</b> |

| Note 2 Remuneration to employees  | July-September |        | January-September |        |
|---|----------------|--------|-------------------|--------|
|   | 2018           | 2017   | 2018              | 2017   |
| Average number of employees   | 40             | 42     | 41                | 42     |
| Total personnel expenses including Board fees excl. co-operation negotiations costs | KSEK 6 320     | 6 593  | 21 447            | 21 851 |
| Average per person and month  | SEK 53 000     | 52 000 | 59 000            | 57 000 |

| Note 3 Other expenses                               | July-September |               | January-September |               |
|---|----------------|---------------|-------------------|---------------|
|   | 2018           | 2017          | 2018              | 2017          |
| External services, production                       | 7 582          | 9 802         | 32 751            | 36 876        |
| Energy, production                                  | 1 611          | 1 543         | 6 687             | 6 330         |
| Other   | 4 065          | 2 713         | 20 461            | 9 758         |
| <b>Total other expenses and extraordinary costs</b> | <b>13 258</b>  | <b>14 058</b> | <b>59 899</b>     | <b>52 964</b> |

| Note 4 Depreciation                              | July-September |              | January-September |               |
|--|----------------|--------------|-------------------|---------------|
|  | 2018           | 2017         | 2018              | 2017          |
| Depletion based on production of ore             | 8 353          | 4 419        | 24 625            | 16 340        |
| Other depreciation                               | 3 423          | 3 234        | 10 240            | 10 726        |
| <b>Total depreciation</b>                        | <b>11 776</b>  | <b>7 653</b> | <b>34 865</b>     | <b>27 066</b> |
| <b>Total depreciation and impairment charges</b> | <b>11 776</b>  | <b>7 653</b> | <b>34 865</b>     | <b>27 066</b> |

| Note 5 Financial income and expense | July-September |               | January-September |               |
|-------------------------------------|----------------|---------------|-------------------|---------------|
|                                     | 2018           | 2017          | 2018              | 2017          |
| Sale of dormant subsidiary company  | –              | –             | –                 | -13           |
| Remission of loan                   | 180            | –             | 20 470            | –             |
| <b>Total financial income</b>       | <b>180</b>     | <b>–</b>      | <b>20 470</b>     | <b>-13</b>    |
| Interest expense                    | -3 380         | -1 123        | -8 000            | -3 448        |
| Financial exchange rate differences | -1 652         | -621          | 2 323             | -33           |
| <b>Total financial expense</b>      | <b>-5 032</b>  | <b>-1 744</b> | <b>-5 677</b>     | <b>-3 481</b> |
| <b>Net financial items</b>          | <b>-4 852</b>  | <b>-1 744</b> | <b>14 793</b>     | <b>-3 494</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 September 2018, the Group has not recognized any deferred tax assets.

| Note 7 Earnings per share                           | July-September |              | January-September |              |
|---|----------------|--------------|-------------------|--------------|
|   | 2018           | 2017         | 2018              | 2017         |
| <i>KSEK if not otherwise stated</i>                 |                |              |                   |              |
| Before and after dilution effect:                   |                |              |                   |              |
| Net result 100 % attributable to the parent company | -16 027        | -8 334       | -19 490           | -30 333      |
| Weighted average number of issued shares            | 35 147 785     | 15 275 357   | 33 780 192        | 15 275 357   |
| <b>Earnings per share</b>                           | <b>-0,46</b>   | <b>-0,55</b> | <b>-0,58</b>      | <b>-1,99</b> |
| <b>Number of shares:</b>                            |                |              |                   |              |
| Number of shares at end of period                   |                |              | 35 147 785        | 10 486 275   |

| Note 8 Intangible and tangible fixed assets<br>KSEK | January-September<br>2018 |                 |
|---|---------------------------|-----------------|
|   | Intangible assets         | Tangible assets |
| <b>Opening net book amount</b>                      | <b>63 061</b>             | <b>62 237</b>   |
| Additions   | 7 350                     | 42 250          |
| Aquisitions   | 257 511                   | 30              |
| Exchange differences                                | 22 467                    | 4 024           |
| Depreciation  | –                         | -34 865         |
| <b>Closing net book amount</b>                      | <b>350 389</b>            | <b>73 676</b>   |

| Note 9 Financial fixed assets                         | 30 Sept 2018 |       |
|---|--------------|-------|
|   | 31 Dec 2017  |       |
| Other receivables                                     |              |       |
| Pledged liquid assets due to environmental guarantees | 5 424        | 5 171 |

| Note 10 Rights issue | 30 Sept 2018 | 31 Dec 2017 |
|----------------------|--------------|-------------|
|                      |              |             |

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.

| Note 11 Financial instruments (KSEK)                       | 30 Sept 2018  |               |
|--|---------------|---------------|
|  | 31 Dec 2017   |               |
| Trade receivables and other receivables excluding accruals | 5 696         | 7 678         |
| Cash and cash equivalents                                  | 62 430        | 15 813        |
|  | <b>68 126</b> | <b>23 491</b> |

| Other financial liabilities:  | 30 Sept 2018   |               |
|---|----------------|---------------|
|   | 31 Dec 2017    |               |
| Bank loans  | –              | 74 759        |
| Convertible   | 174 914        | –             |
| Finance leases  | 5 086          | 6 314         |
| Loans with special terms  | –              | 2 485         |
| <b>Subtotal borrowings</b>  | <b>180 000</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 | 7 939          | 11 629        |
| <b>Total</b>  | <b>187 939</b> | <b>97 410</b> |

| Note 12 Borrowings and net debt<br>KSEK                   | 30 Sept 2018   |               |
|---|----------------|---------------|
|   | 31 Dec 2017    |               |
| <b>Long-term</b>  |                |               |
| Bank loans  | –              | 70 819        |
| Convertible   | 174 914        | –             |
| Acquisition loan  | 30 118         | –             |
| Loans with special term                                   | –              | 2 485         |
| Lease financing   | 2 089          | 2 613         |
| <b>Total long-term liabilities</b>                        | <b>207 121</b> | <b>75 917</b> |
| <b>Short-term</b>   |                |               |
| Bank loans  | –              | 3 940         |
| Lease financing   | 2 997          | 3 701         |
| <b>Total short-term liabilities</b>                       | <b>2 997</b>   | <b>7 641</b>  |
| <b>Total borrowings (all amounts are EUR-denominated)</b> | <b>210 118</b> | <b>83 558</b> |
| <b>Net debt</b>   |                |               |
| Cash and cash equivalents                                 | 62 430         | 15 813        |
| <b>Total borrowings</b>                                   | <b>210 118</b> | <b>83 558</b> |
| <b>Net interest-bearing debt</b>                          | <b>147 688</b> | <b>67 745</b> |
| <b>Shareholders' equity</b>                               | <b>265 550</b> | <b>45 381</b> |
| Gearing ratio (net debt divided by equity)                | 56 %           | 149 %         |

#### 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) was written off, provided that the Company made a prepayment of 2 MEUR (20 MSEK) after the Rights Issue had been completed and Joensuun Kauppa ja Kone Oy ("JKK") in connection therewith took 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.

**Note 13 Convertible  
KSEK**

30 sep 2018 31 dec 2017

**The Group**

Convertible

Accrued interest of convertible

**Total amount**

|                |   |
|----------------|---|
| 168 880        | - |
| 6 034          | - |
| <b>174 914</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.

**Note 14 Pledged assets and contingent liabilities**

30 Sept 2018 31 Dec 2017

**KSEK**

**The Group**

Pledged assets for liabilities to credit institutions

- 2 110

Pledged cash deposits due to environmental guarantees

5 405 5 171

**Pledged assets**

**5 405** **7 281**

Contingent liabilities

- 39 624

**The parent company**

Pledged assets for liabilities to credit institutions

- 129 914

Contingent liabilities

None

**Note 15 Analyses of change of EBIT**

**MSEK**

|  | <b>July-September</b> | <b>January-September</b> |
|--|-----------------------|--------------------------|
|  | <b>2018</b>           | <b>2017</b>              |

**EBIT as reported**

|              |             |              |              |
|--------------|-------------|--------------|--------------|
| <b>-11,2</b> | <b>-6,6</b> | <b>-34,3</b> | <b>-26,8</b> |
|--------------|-------------|--------------|--------------|

Change of EBIT

|      |      |  |  |
|------|------|--|--|
| -4,6 | -7,4 |  |  |
|------|------|--|--|

*Change of EBIT per category*

**Total Revenue**

|             |            |  |  |
|-------------|------------|--|--|
| <b>-0,8</b> | <b>3,3</b> |  |  |
|-------------|------------|--|--|

Cost of raw materials

|     |     |  |  |
|-----|-----|--|--|
| 2,9 | 7,2 |  |  |
|-----|-----|--|--|

Employee cost

|      |      |  |  |
|------|------|--|--|
| -3,4 | -3,2 |  |  |
|------|------|--|--|

Other cost

|     |      |  |  |
|-----|------|--|--|
| 0,8 | -6,9 |  |  |
|-----|------|--|--|

**Total Cost**

|     |             |  |  |
|-----|-------------|--|--|
| 0,3 | <b>-3,0</b> |  |  |
|-----|-------------|--|--|

Depreciation

|             |            |  |  |
|-------------|------------|--|--|
| <b>-0,5</b> | <b>0,4</b> |  |  |
|-------------|------------|--|--|

**+Incr/-Decr of EBIT**

|      |      |  |  |
|------|------|--|--|
| -4,1 | -7,8 |  |  |
|------|------|--|--|

End of notes