

Initiate coverage with BUY

Through a recent transaction Endomines acquired American entity TVL Gold and the five gold assets it holds. With the completed rights issue and financing arrangements the company is in a stronger position to continue production as resources at the Pampalo mine have neared depletion. We initiate coverage of Endomines with a BUY rating and target price of SEK 9.3

Acquisition and strengthening of balance sheet

Endomines recently acquired TVL Gold and its five gold projects in the Orogrande mining district in Idaho, USA. In conjunction with the acquisition and completed rights issue, with net proceeds of some SEK 180m, Endomines completed a series of financial transactions after which the company has no remaining bank debt.

Production focus to shift to the acquired assets

With the current reserves Endomines targets production of 250-300kg gold at the Pampalo mine after which investments into an extension would need to be made. Production at the first of the acquired assets is expected within a year of the acquisition and within 2-5 years at the other assets.

Potential coupled with uncertainty

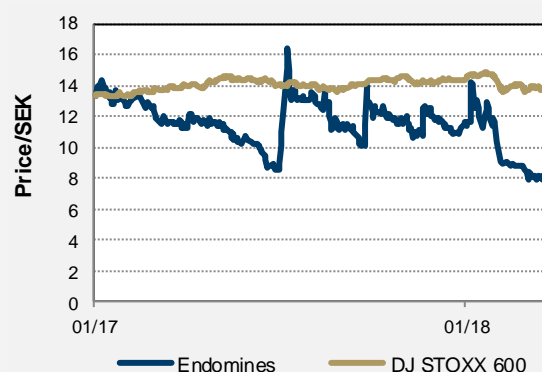
The acquisition and a planned expansion of the exploration program offer increased potential but we note a high uncertainty relating to the TVL Gold assets as resource estimates are limited and no production is currently on-going at the assets and resources at Pampalo are nearing depletion.

Initiate coverage with BUY and target price of SEK 9.3

We initiate coverage of Endomines with a BUY rating and a target price of SEK 9.3. Our target price is based on a 0.95x multiple to our NAVPS estimate, taking into consideration the stability of the operating jurisdictions and the early stages of the assets.

Rating

BUY



Share price, SEK (Last trading day's closing price) 8.12

Target price, SEK 9.3

Latest change in recommendation 22-Mar-18

Latest report on company 22-Mar-18

Research paid by issuer: YES

No. of shares outstanding, '000's 35,148

No. of shares fully diluted, '000's 35,148

Market cap, SEKm 285

Free float, % -

Exchange rate 0.000

Reuters code ENDO.ST

Bloomberg code ENDO SS

Average daily volume, SEKm 0.2

Next interim report 17-May-18

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BUY HOLD SELL

KEY FIGURES

	Sales SEKm	EBIT SEKm	EBIT %	Ptx profit SEKm	EPS SEK	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS SEK
2016	101	-103	-102.1%	-105	-8.18	-1.5	2.4	-16.3	-2.4	0.00
2017	122	-65	-53.0%	-69	-4.53	-1.8	1.6	33.5	-3.0	0.00
2018E	120	-41	-34.1%	-31	-0.88	-9.2	4.1	-42.0	-11.9	0.00
2019E	174	-3	-1.5%	-4	-0.31	-26.3	2.8	8.4	-184.4	0.00
2020E	189	40	20.9%	38	0.52	15.7	2.3	4.9	11.2	0.00
Market cap, SEKm		285		BV per share 2018E, SEK		6.3	CAGR EPS 2017-20, %			0.0
Net debt 2018E, SEKm		202		Price/book 2018E		1.3	CAGR sales 2017-20, %			15.6
Enterprise value, SEKm		487		Dividend yield 2018E, %		0.0	ROE 2018E, %			-23.3
Total assets 2018E, SEKm		497		Tax rate 2018E, %		0.0	ROCE 2018E, %			-7.3
Goodwill 2018E, SEKm		0		Equity ratio 2018E, %		44.6	PEG, P/E 18/CAGR			0.0

All the important disclosures can be found on the last pages of this report.

Investment summary

Endomines is active in exploration, mining, and extraction of gold deposits. The company's current operations are centered to the Karelian Gold Line in Finland, in which the company controls several exploration and mining rights.

In Finland production is currently on-going at the Pampalo mine in Ilomantsi. Endomines is focusing on selective mining of the area, with production in 2017 at 398kg (325kg) at head grades of 2.9g/t (2.7g/t). With current reserves production is estimated until the third quarter of 2018. An investment into the deep extension would according to Endomines add production for another 10 months but no investment decision has currently been made.

Endomines completed a rights issue for the acquisition of gold projects in North America and expansion of exploration along the Karelian Gold Line. The acquisition of TVL Gold was completed on the 27.2.2018 and includes five gold projects in the Orogrande mining district in Idaho, USA. In conjunction with the rights issue Endomines also completed other arrangements to strengthen the company's balance sheet. Endomines raised net proceeds of some SEK 181m, of which SEK 57m is to be used for the acquisition, SEK 63m for the start-up of the Friday-project, SEK 20m for loan repayment, and SEK 41m for continued prospecting along the Karelian Gold Line.

In conjunction with the acquisition and rights issue, SEK 36m of Endomines bank loan was transferred to Joensuun Kone ja Kauppa against a directed share issue, approx. SEK 20m was repaid to the lender, and an additional SEK 20m was written off. After the transactions Endomines has no remaining bank debt. SEK 171m of the acquisition price was paid to the seller of TVL Gold through a convertible note with three-year maturity and mandatory conversion at maturity.

Of the acquired five assets Endomines expects to start full production at the Friday-project in 2019, with production estimated at around 290 kg per year for seven years, at head grades of over 8g/tonne. Start-up of the other projects is expected within 2 to 5 years.

According to Endomines the seller of the assets to TVL Gold has stated that known resources at the five projects would exceed 500,000 oz of gold. Parts of the current resource estimates are based on historical estimation and Endomines intends to upgrade the resource estimates in preparation of production start-up at the projects. Resources at the Friday and Buffalo Gulch projects amount to some 284,000 oz.

The main investment risks relate to production factors. Revenue and profitability are highly dependent on gold prices. Although increased gold prices could offer considerable upside potential, decreasing gold prices would affect profitability and at a certain price level production may no longer be feasible due to costs. The mineable gold resources may also prove to be less than had been estimated or the head grades may be lower than assumed, thus affecting production. We note a high uncertainty due to the limited current production and the early stages of the TVL Gold assets.

We initiate coverage of Endomines with a BUY rating and a target price of SEK 9.3. Our target price is based on a 0.95x multiple to our NAVPS estimate, taking into consideration the stability of the operating jurisdictions and the early stages of the assets.

Company in brief

Endomines is active in exploration, mining, and extraction of gold deposits. The company's current operations are centered to the Karelian Gold Line in Finland, in which the company controls several exploration and mining rights. The company was founded in 2005. The company's headquarter is in Sweden with shares traded on Nasdaq Stockholm and Nasdaq Helsinki.

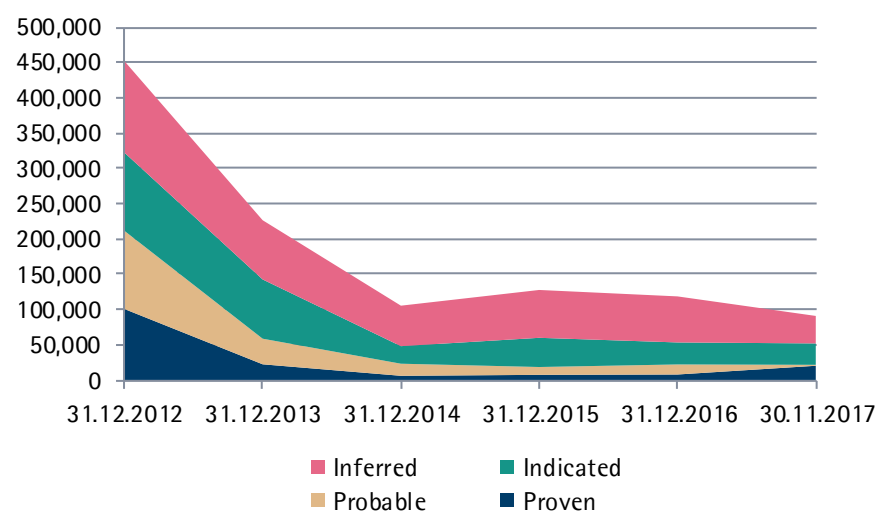
Production is focused on the Pampalo underground mine, where mining operations started in larger scale in 2011. During the peak years in 2011-2014 gold production was on average closer to 800kg per year. With increased depletion of reserves and with gold prices having decreased since the all-time high during 2011-2012 the company now focuses on more selective mining. The operations are focused on higher grade areas in order to lower the cash costs of production. Head grades during 2017 have been at around 3g/tonne. The production in 2017 amounted to 398 kg gold.

Apart from Pampalo the company has explored other deposits located in the Karelian gold line. Production in the Rämepuro mine begun in 2014 and ended in 2016, with some 200 000 tonnes of ore mined during the active production phase. Gold deposits have also been discovered at several other locations. The company intends to continue exploration along the Karelian Gold Line. Endomines also owns ilmenite deposits in the Kälviä area in central Ostrobothnia. No production has taken place at the deposits.

Endomines has its own processing plant at Pampalo. The processing capacity is 420,000 tonnes per annum with an additional production license for up to 450,000 tpa. The mined ore is processed into gravimetric concentrate and flotation concentrate. Endomines has agreements with two companies for the delivery of the concentrates, with the gravimetric concentrate delivered to refiner K.A. Rasmussen AS in Norway and the flotation concentrate to Bolidens refinery in Harjavalta in south west Finland.

Endomines' personnel by 30.9.2017 were 40. Endomines' own personnel are mainly employed within tasks relating to processing and prospecting. For the operations relating to mining and prospecting Endomines also employs sub-contractors.

Figure 1: Endomines Pampalo reserves and resources (30.11.2017)



Source: Endomines, full summary of reserves and resources of page 20

Rights issue

Endomines completed a rights issue in February 2018 for the acquisition of gold projects in North America and expansion of exploration along the Karelian Gold Line. Concurrently Endomines completed financing arrangements to strengthen the company's balance sheet. Endomines' rights issue was oversubscribed at a subscription price of SEK 9 per share, which gross issue proceeds of some SEK 189m.

Endomines completed a transaction with its lenders for a write-off of SEK 20m of currently outstanding debt. SEK 20m of the loan was repaid. As a part of the transaction SEK 36m of the existing debt was transferred to Joensuun Kauppa ja Kone (JKK), an investment company whose main owner is Kyösti Kakkonen. A directed share issue corresponding the amount of transferred debt, at a subscription price of SEK 9.9 per share, was made to JKK. As a result of the transaction the number of Endomines' shares increased by 3,688,960 to 35,147,785. After the aforementioned transactions Endomines has no remaining bank debt.

In addition to the reduction of its bank debt Endomines has used proceeds from the rights issue to acquire the American entity TVL Gold 1, which holds five gold projects in the US. The total acquisition amount was USD 31.25m (approx. SEK 255m). Of the rights issue proceeds SEK 63m will be used to start production at one of the TVL Gold assets, the Friday mine. The company intends to use the remaining rights issue proceeds of SEK 41m for further exploration along the Karelian gold line.

TVL Gold acquisition

Endomines completed the acquisition of the American entity TVL Gold the 27.2.2018, which holds five gold projects in the US. Endomines anticipates that the company will be able to start production at the first of the mines, Friday, within a year of the acquisition, with start-up costs estimated to SEK 63m.

Of the total purchase price of USD 31.25m, one-third was paid in cash and two-thirds through a convertible note. USD 7m (SEK 6m) of the cash consideration was paid at the closing of the transaction and USD 3.33m (SEK 27m) through a loan with 18months maturity and a 3.0 percent annual interest.

The convertible note will have a three-year maturity with a 6.0 percent coupon, which can be paid in cash or in freely tradable shares. The conversion base price at 21.11.2017 was SEK 11.60. One half of the convertible note is convertible at one year (31.3.2019) and two years (31.3.2020) after issuance at base conversion price +10 percent (SEK 12.75) and base conversion price +20 percent (SEK 13.91) respectively. The conversion price for conversion at maturity (31.3.2021) will be conversion base price + 30 percent (SEK15.01). The convertible note will have mandatory conversion at maturity. Endomines' Board of Directors further has the right to advance conversion of half of the note to before 31.3.2019 at a conversion price of SEK 12.75 if it is viewed to be favourable for Endomines. Any shares the seller has received through early conversion have a lock-up until the 31.3.2019.

TVL Gold assets

The Friday-project has measured resources of 53,437 oz¹, 43,047 oz indicated, and 46,731 oz inferred. Extensive prospecting has been completed in the area, more recently by Premium Exploration during 2009-2014. Endomines anticipates construction to start at the site in the second quarter of 2018 and full production to start in 2019. Production is expected to continue for seven years after production has started. Endomines expects production to amount to around 9,000 oz gold per year for the seven years of production. The average gold grade according to the production plan is over 8g/tonne. In metallurgical testing of the ore gold recoveries of over 90 % have been achieved.

The five patent mining claims within the Friday-project are an object of a five year renewal agreement with Idaho Gold Corporation, which as owner of the property receives a three percent net smelter return up to one million USD.

The Buffalo Gulch-project has measured resources of 64,800 oz, 49,900 indicated, and 25,700 inferred. The Buffalo-Gulch and Deadwood-projects have 91 unpatent mining claims, and one State of Idaho mineral lease. Endomines has not given any production plan or mine lifetime estimates for the Buffalo Gulch and Deadwood projects.

The other two projects, Kimberly and Rescue, do not currently have any reported resources. Both projects are owned by TVL. The Kimberly-project is covered by 24 unpatent mining claims and the Rescue project by 22 mining claims.

Endomines expects production at the other projects than Friday to start within 2 to 5 years, with the required permits for the planned open pit and heap leaching operations at Buffalo Gulch and Deadwood expected to be received within 3-5 years. According to the seller of the projects to TVL Gold the known resources would amount to over 500,000 oz, with parts of the resource estimates based on historical estimation that is not compatible with current classification requirements.

Table 1: Gold resources of the acquired TVL Gold projects

Mineral resources (10.12.2017)					
Deposit	Tonnage	Grade g/tonne	Gold (oz)	Gold (kg)	Classification
Friday	270 371	6,16	53 437	1 662	Measured
Friday	238 896	6,78	43 047	1 339	Indicated
Friday	326 189	4,45	46 731	1 453	Inferred
Buffalo-Gulch	3 875 000	0,53	64 800	2 016	Measured
Buffalo-Gulch	3 560 000	0,44	49 900	1 552	Indicated
Buffalo-Gulch	2 346 000	0,34	25 700	799	Inferred

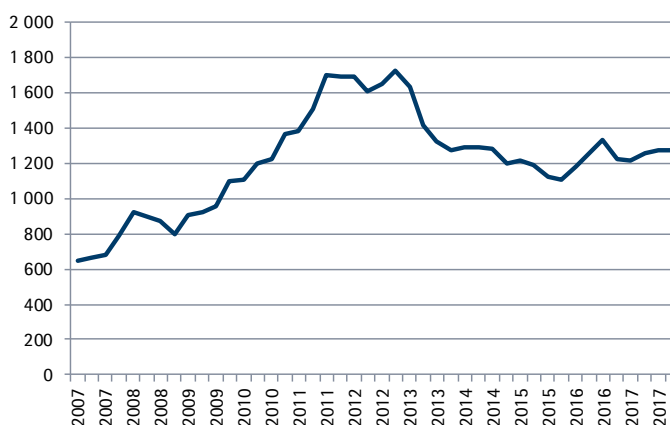
Source: Endomines

¹ All measures in ounces (oz) refer to troy ounces, corresponding to approximately 31.104 grams

Market overview

Gold has to an increasing extent become a financial asset for hedging against economic downturns and other turbulences. This affects the pricing mechanisms of gold, as the price is not driven solely by supply and demand factors, but instead also by other factors such as interest rates. The most recent financial crisis had a strong impact on gold, pushing prices closer to 1,800 USD/Oz, with price levels having stabilized at between 1,200-1,400 USD/Oz in the past few years.

Figure 2: Average quarterly gold price USD/oz (2007-2017)



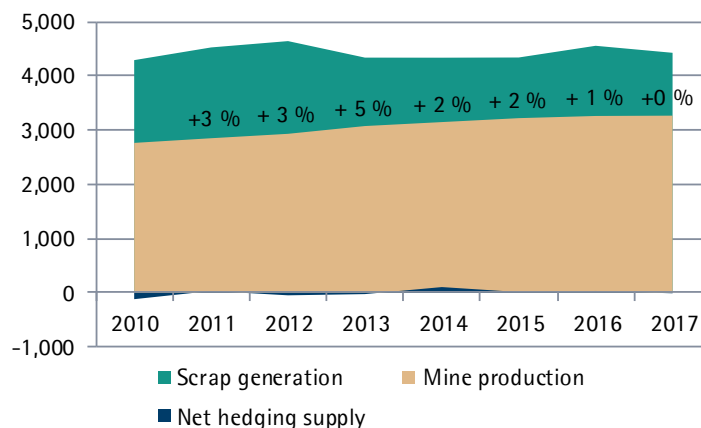
Source: World Gold Council

Supply and demand

Mine production has grown at a steady pace, with the production increase CAGR between 2010 and 2016 at some 3 %. The pace of growth has slowed slightly down in the most recent years and stalled in 2017. Part of the slower growth is attributable to fewer new mine starts. More recently imposed regulations relating to the use of cyanide in gold production has affected gold production by the world largest producing country China, where production has declined y-on-y the last five quarters (WGC).

Scrap generation refers to gold obtained from recycling. Recycling has fallen from peak years in 2010-2012 but still accounts for nearly 30 % of the annual gold supply. In general, the supply of scrap gold has been affected by gold prices, with higher volumes of scrap when prices have been high.

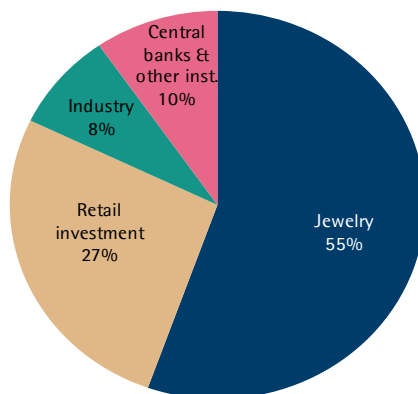
Figure 3: Global gold supply, tonnes



Source: Metals Focus, Bloomberg

Jewelry has historically stood for the largest part of global physical gold demand, accounting for 55 % of demand in 2017. The second largest demand category is retail investments, which includes investments into objects such as physical bars and coins but excludes investments in ETFs and similar instruments.

Figure 4: Physical gold demand distribution (2017)

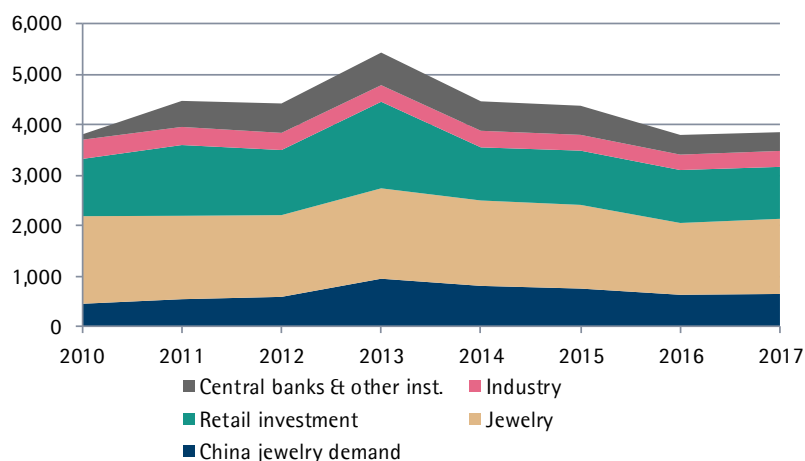


Source: Metals Focus, Bloomberg

Demand for physical gold increased significantly from 2010 to 2013, with increases in essentially all fields but industry demand. Retail investments and jewelry consumption in China helped in boosting the exceptionally strong demand in 2013. Lower gold prices, compared to the peak years of 2010-2012, helped push up demand. In 2016 demand decreases were driven by decreased jewelry consumption, of which the net change largely stemmed from China and India.

Some uncertainty in the future gold demand lies in the gold demand from jewelry in the world's second largest gold jewelry consumer India. The government passed an amendment to the Prevention of Money Laundering Act in August 2017, requiring individuals to provide identity details for transactions above 50,000 rupees (~780 USD). The amendment was withdrawn in October 2017, aiding gold demand during the festival season of Diwali, but a reissuance of the notification with clearer guidelines is still plausible, which could curb jewelry demand of individuals shying away from identification requirements. The introduction of a 3 % Goods and Services Tax in India in July 2017 is also likely to have an effect on jewelry demand.

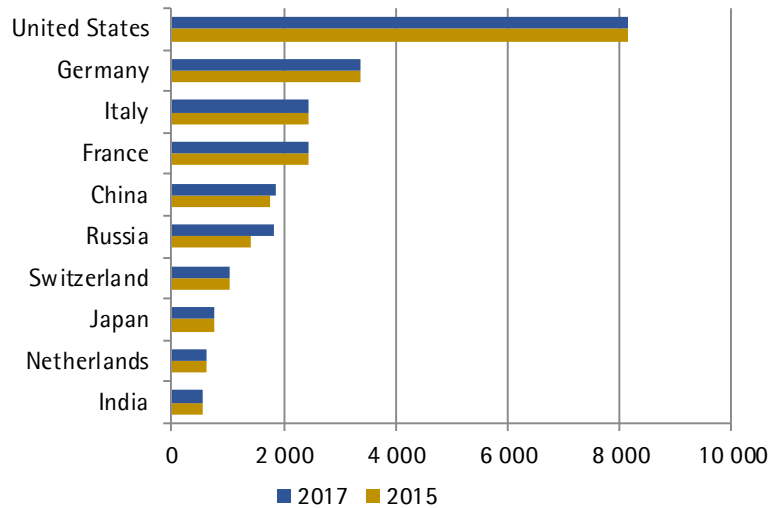
Figure 5: Physical gold demand distribution, 2010-2017 (excludes ETFs and similar inv.)



Source: Metals Focus, Bloomberg

Central bank net purchases also slowed down in 2016 and 2017. Central bank purchases by China, one of the biggest buyers, saw slow-downs and countries also decreased gold reserves. Venezuela, being in a severe economic crisis, has made notable reductions to gold reserves. Venezuelas gold reserves dropped from 273 tonnes at the end of 2015 to 187 tonnes by the end of 2017. Russia has remained the largest buyer in the previous years, having increased gold reserves by some 425 tonnes since the end of 2015. (IMF)

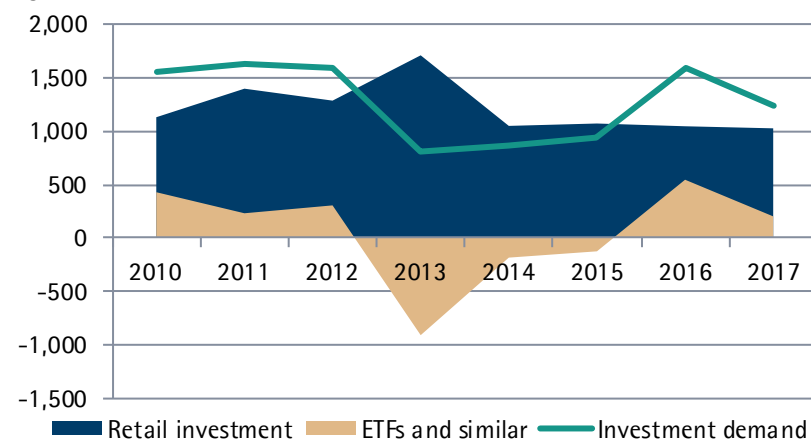
Figure 6: Central bank gold reserves (Au tonnes)



Source: IMF

The net selling trend of ETFs and similar (such as futures and OTC markets) during 2013-2015, saw a turn-around again in 2016. Investor sentiment towards gold investment has largely been affected by global economy outlooks and policy rates, with the slower rate of FED rate hikes during 2016 likely having an effect on the positive sentiment towards gold investments. Total investment demand increased as a result of the net buying of ETFs and similar, with retail investments into physical gold bars and coins remaining relatively flat during the previous three years.

Figure 7: Investment demand distribution, 2010-2016

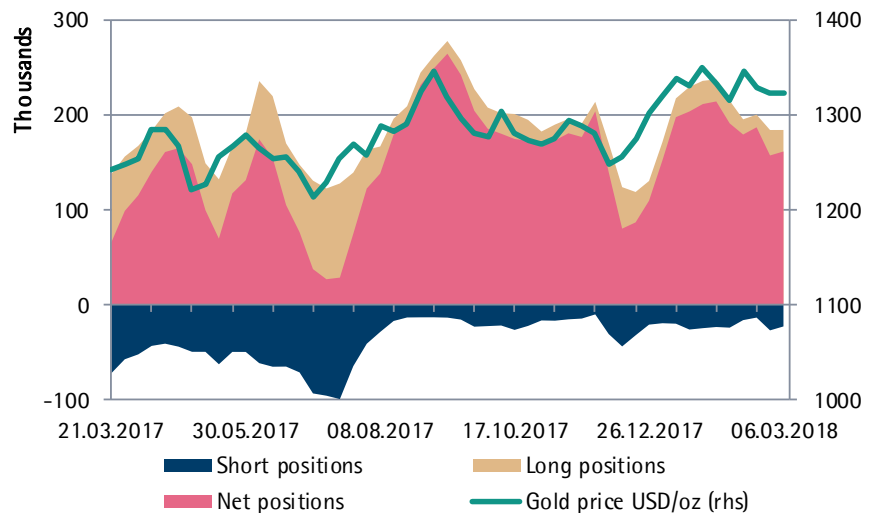


Source: Metals Focus, Bloomberg

Gold price

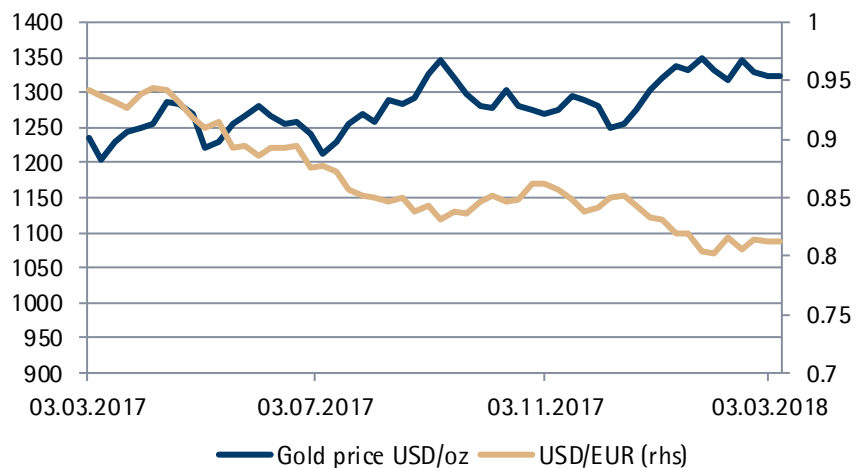
Long positions in gold contracts (COMEX futures and options) during the last year have surpassed short positions. Some fluctuation was seen already during the first half of 2017 but a larger shift in net positions is observable from mid-year onwards. The shift coincides with some delay with the weakening of the US Dollar beginning in Q2/17. As the gold price globally is dollar-denominated, fluctuations of the dollar impacts gold prices.

Figure 8: Money managers gold contract positions (COMEX combined), LTM



Source: Bloomberg

Figure 9: Gold price and USD/EUR exchange rate, LTM

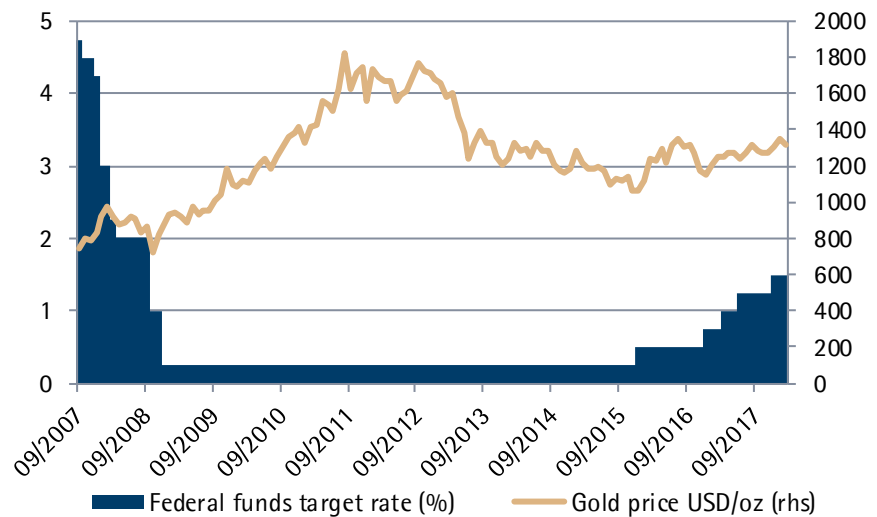


Source: Bloomberg

Gold is often considered a safe investment during increased uncertainties in the economy. During the most recent financial crisis gold prices rose considerably, while interest rates fell to around zero percent. Although gold retains its fundamental value over time, it offers no yield, and rising interest rates would likely shift funds from gold to bonds and fixed income investments.

The Federal funds rate is closely followed due to its impact on the US economy. The rate remained at 0.25 % for some seven years. The rates have been hiked several times in the past two years, with further hikes speculated on possibly having a bearish effect on gold prices. Higher interest rates could as such have some effect on putting downward pressure on gold prices.

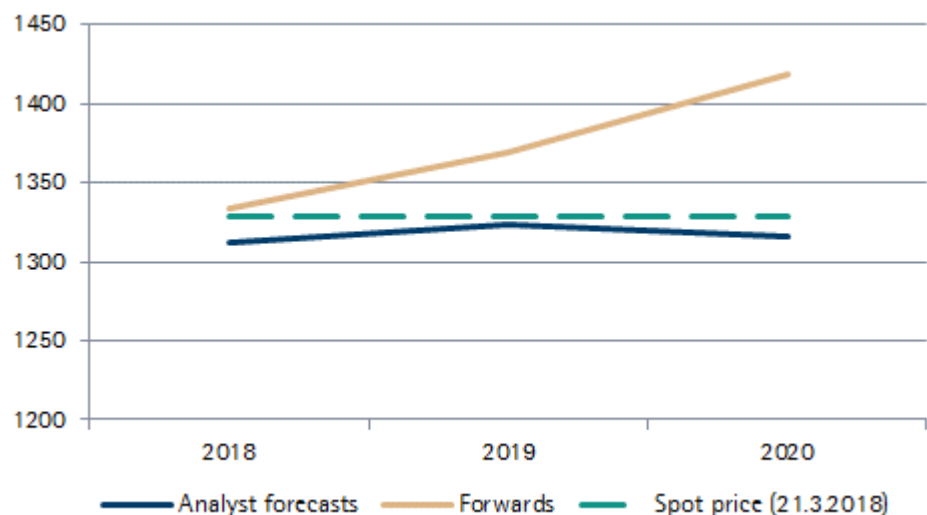
Figure 10: Gold price and Federal funds target rate



Source: Bloomberg

The gold price forecast based on median analyst estimates point toward gold prices remaining at a level of around 1320-1330 USD/oz in the following few years, currently quite in line with the gold spot price.

Figure 11: Gold futures prices and analyst gold price forecasts (USD/Oz)



Source: Bloomberg

Gold mining in Finland

Finland is currently the single largest gold producing country in Europe, with production volumes in 2016 at 8.4 tonnes (WGC). The largest production areas in Finland are at Kittilä (Agnico-Eagle Mines), Huittinen and Orivesi (Dragon Mining), and Ilimantsi (Endomines). Of the companies operating the mines only Endomines has shares listed on the Finnish stock exchange. Agnico-Eagle Mines is listed in Canada and Dragon Mining in Australia.

Table 2: Comparison of Finnish gold mines

Operating statistics (2016)			
	Pampalo	Kittilä	Vammala*
	Endomines	Agnico-Eagle Mines	Dragon Mining
Ore milled (th tonnes)	151	1 667	314
Head grade (g/tonne)	2,6	4,4	3,4
Gold production (oz)	10 450	202 508	30 478
Production costs (EUR/tonne)	68	77 -	
Cash cost (USD/Oz)	1 195	699	792

*Production centre covering the Orivesi and Jokisivu mines

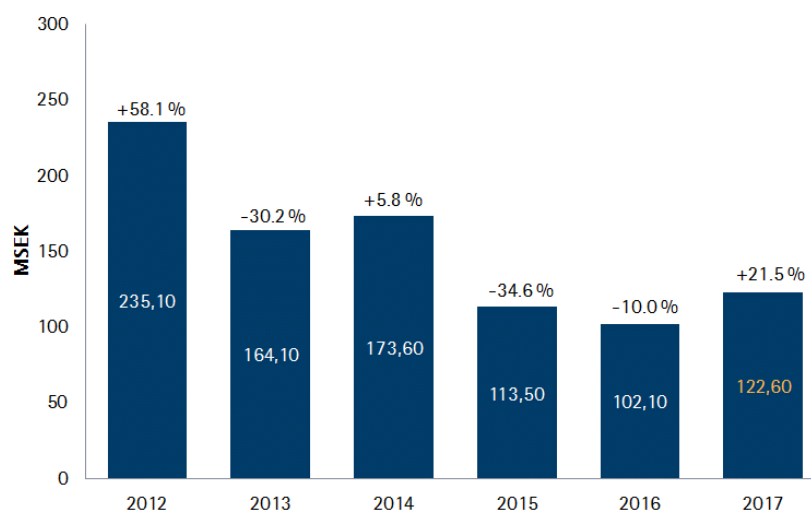
Source: Company reports

Based on gold production the mine at Kittilä is by far the largest of the mines in Finland. The head grades of the milled ore were also the highest in 2016. Endomines has been able to achieve higher operational efficiency measured by the lower production costs per tonne of ore, but due to lower head grades the cash cost was higher.

Financial performance

Endomines revenue amounted to SEK 122.6m in 2017 and to SEK 102.1m in 2016, with a growth of 21.5 %. Revenue has seen a declining trend since 2012, as a result of lower ore grades and a lower gold price. Endomines was able to increase revenue as a result of focusing selectively on higher head grade ore, rather than larger production volumes.

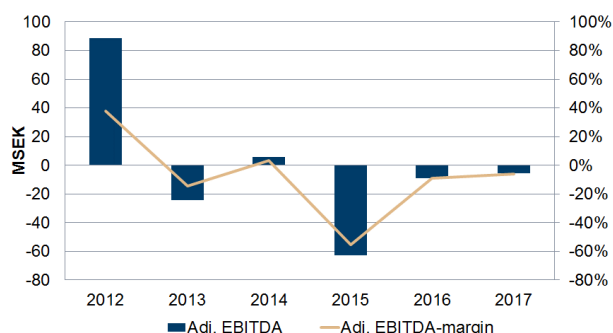
Figure 12: Endomines revenue



Source: Endomines

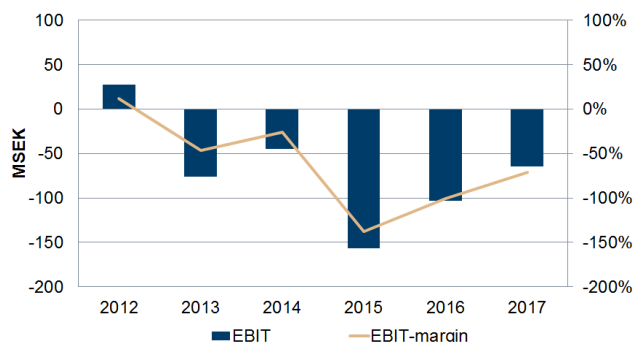
Endomines profitability has been negative since 2013. The large negative EBIT in especially 2015 and 2016 is largely due to depreciation and write-downs related to mine assets, with large write-downs having been made to reflect the company's focus on selective mining and estimated gold deposits.

Figure 13: Endomines adjusted EBITDA and EBITDA-margin



Source: Endomines

Figure 14: Endomines EBIT and EBIT-margin



Source: Endomines

Revenue

Endomines revenue is mainly dependent on the amount of ore that can be milled and the head grades of that ore. The head grade of the milled ore, along with a lower amount of mined and milled ore, have been the main drivers in the decreasing revenue, with head grades having decreased from 4.0 g/tonne in 2012 to 1.9 g/tonne in 2015. Increasing the amount of milled ore would boost revenues but with the depletion of currently known deposits Endomines focuses on selective mining and ore with higher head grades, as a result of which head grades increased to 2.9g/tonne in 2017 (2.7g/tonne 2016), but the scarcity of resources has affected production volumes. Due to production costs, mining larger amounts of ore with low head grades would not be economically reasonable.

Revenue determinants	2017
Milled ore (tonnes)	165,539
Head grades (g/tonne)	2.9
Recovery rate	83.4
Gold production (oz)	12,799
Avg. gold price (USD/oz)	1,277
Revenue (MSEK)	122.6

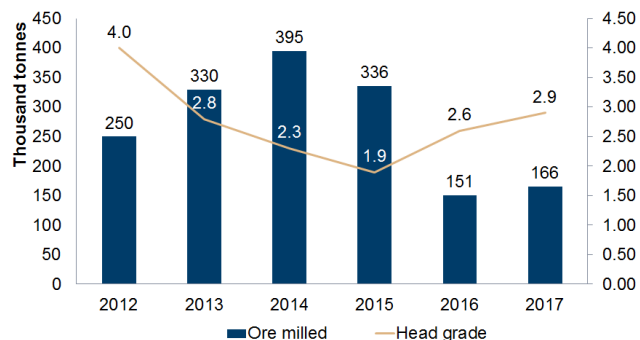
Source: Endomines, Evli

The efficiency of the milling process also affects how much of the gold can be recovered from the milled ore (head grade). Recovery rates are usually optimized to recover as much gold as possible without recovery costs becoming too high. Endomines' recovery rate has since 2016 been between some 82-86 %.

The gold price also has a significant effect on revenues. The gold price saw a decline from 2012 to 2015, with more stable average prices in the past few years. The gold price has a direct effect on how much income can be realized from the produced gold. The gold price also has an effect on production volumes, as a lower gold price could lead to certain gold ore deposits not being economically feasible to mine, as the total cost for each produced troy ounce could exceed the income. This is part of the reason that Endomines has focused on selective mining of higher head grade deposits.

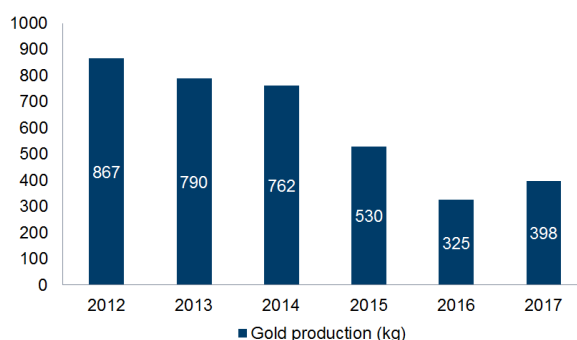
Of the produced gold concentrate Endomines delivers to the refiners the payable amount is reduced by the fee paid for the services. This decreases revenue compared to just converting the produced gold by the gold price. Endomines has not given information about the fee paid to the refiners.

Figure 15: Endomines ore head grade and processing volumes



Source: Endomines

Figure 16: Endomines gold production



Source: Endomines

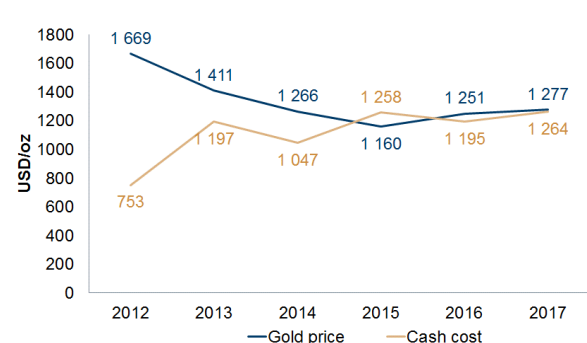
2017 gold production target 350-400 kg, realized production 398.1 kg

Endomines gold production in 2016 amounted to 325kg. During 2017 Endomines produced 398.1kg, with the full-year production target having been set at 350-400 kg. Production increased by 23 % from 2016.

Costs

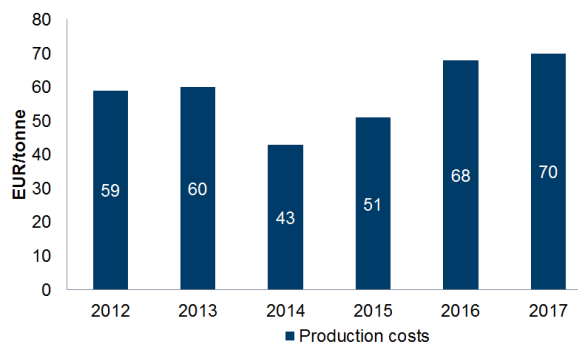
Endomines costs relate mainly to running the mining and milling operations, with the largest share of costs being subcontracting and personnel related costs. According to management the operational efficiency has been good, measured by the cost per milled tonne ore. The cash costs² have in recent years been closer to the gold price, due to which reason profitability has been weak. The cash cost is largely determined by head grades, with higher head grades giving lower cash costs.

Figure 17: Endomines cash cost and average gold price



Source: Endomines

Figure 18: Endomines cost per milled tonne ore



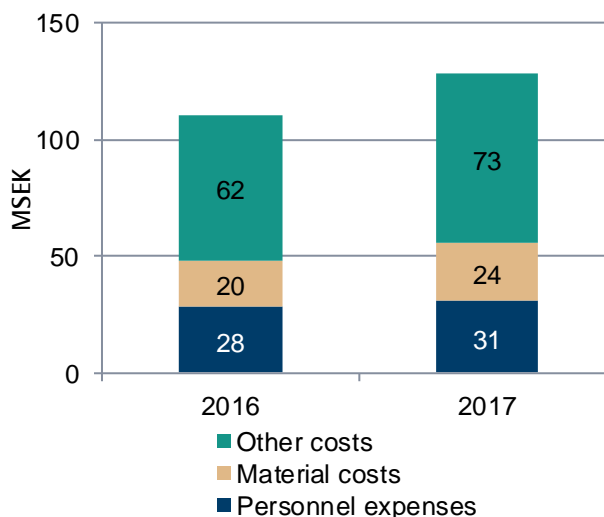
Source: Endomines

The personnel expenses in 2017 amounted to SEK 31.1m (2016: SEK 28.5m). The personnel at the end of the year decreased from 44 in 2016 to 40 in 2017. Endomines' own personnel are mainly concerned with the mining, ore processing, and to some extent prospecting related activities. Raw material and supply costs increased from SEK 19.9m in 2016 to SEK 24.4m in 2017.

² Cash cost is a common metric in mining used to report the costs of current mining operations, excluding costs relating to further development and exploration.

The other costs increased from SEK 62m in 2016 to SEK 72.8m in 2017. Of the other costs in 2017 some SEK 48.6m were expenses related to subcontracting. Endomines uses subcontractors in operating the mines and in drilling and exploration related activities. Of the other costs SEK 8.2m were energy costs and SEK 15.9m unspecified other costs.

Figure 19: Endomines cost structure

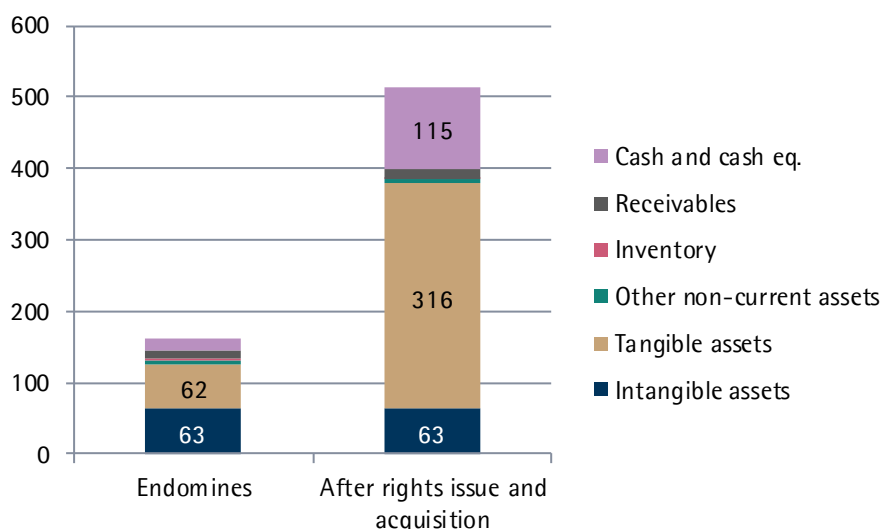


Source: Endomines

Figure 20 shows Endomines assets before any transactions related to the rights issue and the TVL Gold acquisition and the expected asset split after the transactions. A large part of the assets are tangible assets relating to the Pampalo mine and the production plant. Endomines has during recent years made write-offs on the book value of mine assets to reflect the focus on selective mining and estimated gold resources. The intangible assets are fully related to activated expenses relating to prospecting and evaluation assets.

After the transactions related to the rights issue and acquisition the tangible assets are expected increase by SEK 253m. Cash and cash equivalents will be increased by the expected net proceeds of the rights issue of SEK 181m. The acquisition will reduce cash and cash equivalents by approx. SEK 59m through the advance payment and cash payment to the seller and by SEK 4m due to acquisition related costs. The repayment of part of the existing bank debt would have a further reduction of approx. SEK 20m.

Figure 20: Endomines' assets per 31.12.2017 (MSEK)

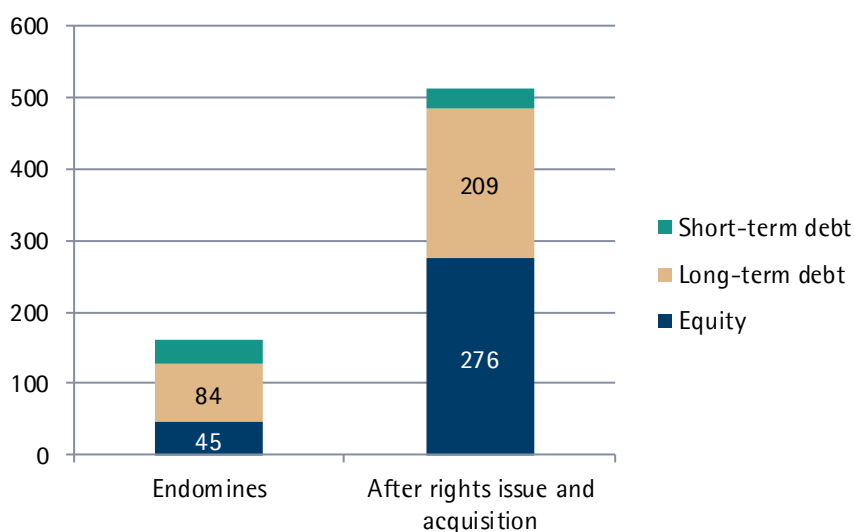


Source: Endomines, Evli research

Endomines had some SEK 75m in bank debt by the 31.12.2017. With the completion of the rights issue and acquisition, of the existing bank debt SEK 36 m was transferred to Joensuun Kone ja Kauppa, SEK 20m was repaid to the lender, and an additional SEK 20m was written off. The long-term debt after completion was increased by the 18 month maturity debt to the seller of SEK 27m and the convertible note of SEK 168m. Endomines is upon completion of the aforementioned transactions without bank debt.

With the completion of the rights issue equity is expected to have increased by around SEK 181m. The directed issue to JKK will further increase equity by SEK 36m. The bank debt write-off will further increase equity by SEK 20m. Acquisition-related costs will decrease equity by SEK 4m.

Figure 21: Endomines' equity and liabilities per 31.12.2017 (MSEK)



Source: Endomines, Evli research

Estimates

The acquisition of TVL Gold will open up a whole new chapter for Endomines. The company has seen some rougher times in recent years, as gold prices fell notably from the 2011-2012 levels, when the company had just started production. Mine depletion in Pampalo has further reduced production as Endomines has focused on selective mining. We currently see the larger proportion of potential in the acquired assets. Continued longer term production in Finland will in our view require the discovery of additional assets and/or significant changes in the market situation, especially gold prices.

In our short-term estimates we have assumed production to continue at Pampalo during 2018-2019. According to Endomines the current reserves would cover production up until the third quarter of 2018. Furthermore, the company has identified deposits in the deep extension that would cover production for an additional 10 months. Mining the deposits would require investments into the extension. Endomines has not yet decided on the building of the extension but according to the company the construction of the extension will depend on the development of the gold price. In our estimates for Pampalo we expect the company to invest in the extension. Given the uncertainty our view is more on the optimistic side but we see the gold price development during the previous year to have been favourable, which would support the view of investing in the extension.

We have not included production estimates for Pampalo from 2019 forward. With the current information on resources future production is uncertain. It is possible that further prospecting could reveal additional, mineable resources or gold price increases could make some earlier identified resources economically feasible to mine, in which case production would continue for longer than in our base assumptions.

Table 3: Evli estimates 2018-2029

Evli estimates	2017A	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Gold price USD/Oz	1 257	1 300	1 300	1 300	1 300	1 300	1 300	1 300	1 300	1 300	1 300	1 300	1 300
Gold price EUR/Oz	1 114	1 083	1 083	1 083	1 083	1 083	1 083	1 083	1 083	1 083	1 083	1 083	1 083
USD/SEK	8,19	8,33	8,33	8,33	8,33	8,33	8,33	8,33	8,33	8,33	8,33	8,33	8,33
EUR/SEK	9,83	10,00	10,00	10,00	10,00	10,00	10,00	10,00	10,00	10,00	10,00	10,00	10,00
EUR/USD	1,20	1,20	1,20	1,20	1,20	1,20	1,20	1,20	1,20	1,20	1,20	1,20	1,20
Pampalo													
Tonnage milled	165 539	150 000	100 000										
Grades (g/tonne)	2,9	3,0	3,0										
Recovery rate	83 %	84 %	84 %										
Gold production (oz)	12799	11757	7838										
Idaho													
Tonnage milled			38 000	100 000	220 000	1 114 000	1 524 000	1 674 000	1 671 000	1 634 000	1 634 000	1 390 000	920 000
Grades (g/tonne)			9,0	6,9	6,0	2,1	1,6	1,4	1,4	1,1	1,1	0,8	0,7
Recovery rate			90 %	86 %	85 %	87 %	87 %	87 %	87 %	87 %	87 %	88 %	88 %
Gold production (oz)			9 896	19 167	35 838	64 872	68 861	66 627	64 010	52 786	50 764	31 831	17 428
Total production (oz)	12 799	11 757	17 734	19 167	35 838	64 872	68 861	66 627	64 010	52 786	50 764	31 831	17 428
Payable	91 %	91 %	91 %	91 %	91 %	91 %	91 %	91 %	91 %	91 %	91 %	91 %	91 %
Saleable volumes	11 698	10 699	16 138	17 442	32 613	59 034	62 664	60 631	58 249	48 035	46 195	28 966	15 860
Net sales	122	116	175	189	353	640	679	657	631	520	500	314	172
Production costs	-102	-95	-98	-67	-121	-247	-289	-310	-307	-283	-283	-180	-95
Overhead and other	-22	-29	-24	-26	-28	-30	-30	-30	-28	-25	-22	-18	-16
EBITDA	-1	-8	53	96	204	363	360	316	296	212	195	116	61
Depreciation and amort.	-59	-45	-55	-56	-82	-107	-108	-108	-110	-93	-93	-97	-59
EBIT	-61	-53	-2	40	122	256	252	208	185	119	102	19	1

Source: Evli research

Endomines intends to continue exploration along the Karelian gold line, which despite exploration having been done there already for a longer time is relatively unexplored. Finland as a country offers a good base for production from stability and infrastructure as well as a cluster of mining, exploration, and mining equipment companies. Endomines has existing capacity to be able to start production at any possible new nearby discoveries. Endomines' also has resources of some 130,000 ounces (excluding Pampalo) at its other assets in Finland. We have not included production from any possible new deposits or start-up at existing deposits in our production estimates due to the uncertainty and our base assumptions on the gold price.

Our estimates for production at the five acquired assets in Idaho are based on accumulated production of some 480,000 gold oz. According to Endomines the seller of the assets to TVL Gold has stated that known resources at the assets would amount to over 500,000 oz. Parts of the classifications do not follow current requirements.

Published resource estimates are only available for two of the five projects; Friday and Buffalo Gulch. The amounts of gold resources for the two projects based on their classifications are rather similar but the Friday-project boasts far higher average grades. For the remaining three projects we have estimated grades in between that of the two projects.

We have estimated production at the first of the projects, Friday, to start in 2019. Endomines has assessed production to start within a year from the completion of the acquisition, with production of around 9,000 oz per year for seven years and average head grades of over 8g/tonne. We have assumed production for seven years and accumulated production over the period to be 64,000 oz with an average head grade of approximately 8g/tonne. We expect the focused mining of higher grade deposits to raise production cost and have estimated average costs per milled tonne at 1000 SEK/tonne.

Production at Buffalo Gulch would likely be at least partly through open-pit mining with heap leach processing of the ore. Heap leaching is economically a feasible method for processing lower grade ores but the use of cyanide in the process limits usage in some countries. We have estimated a mine life of eight years, with accumulated production of some 110,000 oz at average head grades of approximately 0.6 g/tonne. The assumed method for mining would in our view result in far lower production costs per tonne in comparison to Friday. We have estimated production costs to be on average some 100 SEK/tonne. We have estimated production to start in 2021 due to the lengthy process of acquiring the necessary permits for heap leaching. Mining of any sulphide mineralization could commence earlier but with the limited information we have not yet taken any such outcome into consideration in our estimates.

For the three other projects available information is currently very limited. The Deadwood-project has similarities to the Buffalo Gulch-project and we have assumed similar production with lower tonnage milled but slightly higher head grades. The process of acquiring the licenses required for the use of cyanide in the heap leaching process is estimated to shift start-up of the projects to a later stage than for the other projects. For the Kimberly and Rescue projects we have assumed total tonnage of some 1,850,000 at average head grades of approximately 4g/tonne and average production costs of around 500 SEK/tonne. Production in the other projects has been estimated to start between 2019 and 2022.

Of the gold produced we have assumed payment of 91 % of the value of the produced gold. Endomines has not disclosed the fees paid to the ore refiners on the concentrate delivered.

In our estimates we have assumed a long-term gold price of 1,300 USD/oz. The gold price during 2017 fell below 1,200 USD/oz but saw steady recovery and has during the beginning of 2018 exceeded the 1,300 USD/oz price level. The gold price has developed favorably supported by a weaker dollar and FED rate hikes not really having had a larger impact. Given the sensitivity of the gold price to our estimates we remain conservative in our view on gold price development as a continued favorable development would only offer upside potential.

Investment risks

The main investment risks in our view are concerned with the variables relating to production. The first of them is related to gold price. While a higher gold price would support profitability and as such firm value, lower gold prices could affect the company to such a degree that certain deposits would no longer be economically feasible to mine and profitability would suffer.

Secondly, the gold resources may prove to be lesser or have lower grades than had been anticipated, resulting in lower production output and lower revenue. Especially for three of the acquired projects, that the company has not stated any resources for, there is a risk that further analysis could indicate that any gold found in the ore would be insufficient, or have too low grades or insufficient amounts, to be fit for production or at lower production than anticipated. The deposits could also be of such nature that production costs would become too high for the deposits to be mineable.

The investment risks associated with the more junior gold miners are increased by the reliance on assets not yet in a production stage in comparison to the senior miners. Endomines currently has one operating mine and a large part of the company's value is dependent upon bringing development and exploration stage assets into production. With larger initial investments and cash flows residing further into the future, further financing could be necessary to bring the assets into production.

Valuation

We initiate coverage of Endomines with a BUY rating and target price of SEK 9.3. Our target price is based on a 0.95x NAV per share valuation. We see the operating environment as beneficial, with operations in the stable jurisdictions of Finland and the United States but consider a slight discount to be in order given the early stages of the US assets.

Share price valuation NAV	Evli est. MSEK	Spot MSEK
Assets	664	716
Exploration	40	40
Corporate/other	-158	-158
Net cash (debt)	-202	-202
Total	344	396
Per share	9,8	11,3
Target price (0,95x NAVPS)	9,3	
LT gold price	1300	
Spot price	1328	
Shares (m)	35,1	

Sensitivity analysis Base case	NAVPS SEK 9.8	
Gold price (USD/oz) +/- 5%	13,4	6,5
Production +/- 5%	13,3	6,6

Source: Evli research

Our valuation of Endomines' assets is based on our estimates for production at Pampalo and the TVL Gold assets and an option valuation for the other assets in Finland, for which we see production as feasible at gold price levels of around USD 1,450/oz, at an estimated value of SEK 17m.

We expect Endomines to use around SEK 20m per year in the following few years on exploration along the Karelian gold line. We also expect further exploration to be done around the Idaho assets but with focus on getting the assets into production we do not expect these activities to commence within a few years. We have assigned only a minor likelihood of a discovery of new assets but see a larger likelihood of an increased resource base from further exploration around the Idaho projects.

Our estimates are highly sensitive to especially changes in the gold price and production volumes, assuming no changes in other parameters. The sensitivity is mainly due to none of the production currently being hedged.

Appendix

Table 4: Endomines ore reserves and mineral resources (as of 30.11.2017)

Gold ore reserves (30.11.2017)					
Deposit	Tonnage	Grade g/tonne	Gold (oz)	Gold (kg)	Classification*
Pampalo	223,513	2.8	20,111	626	Proven
Pampalo East	32,000	1.3	1,358	42	Probable
Total	255,513	2.6	21,470	668	

Mineral resources (30.11.2017)					
Deposit	Tonnage	Grade g/tonne	Gold (oz)	Gold (kg)	Classification*
Pampalo Deep	101,503	5.1	16,611	517	Indicated
Pampalo Deep	118,125	5.4	20,341	633	Inferred
Pampalo D-zone	164,110	1.9	9,912	308	Inferred
Pampalo East	199,000	1.8	11,452	356	Indicated
Pampalo East	62,000	1.4	2,791	87	Inferred
Pampalo NW	29,000	2.5	2,284	71	Indicated
Pampalonlammit	103,000	1.8	5,961	185	Inferred
Pampalo resources total	776,738	2.8	69,352	2,157	
Hosko	35,000	4.1	4,557	142	Measured
Hosko	675,000	1.2	25,761	801	Indicated
Hosko	240,000	0.8	6,019	187	Inferred
Rämepuro	136,000	2.3	9,926	309	Inferred
Muurinsuo	354,000	1.9	22,080	687	Indicated
Muurinsuo	231,000	1.4	10,398	323	Inferred
Kuivisto East	37,000	3.2	3,807	118	Indicated
Kuivisto East	145,000	1	4,662	145	Inferred
Kuittila	275,000	2.6	22,988	715	Inferred
Korvilansuo	256,000	2	16,461	512	Inferred
Total	3,160,738	1.9	196,009	6,097	

*Estimated according to the JORC-code, except for Kuittila

Source: Endomines

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	8.12 PV of Free Cash Flow	372 Long-term growth, %	-3.8 Risk-free interest rate, %	2.25
DCF share value	8.65 PV of Horizon value	0 WACC, %	8.7 Market risk premium, %	5.8
Share price potential, %	6.5 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	9.4 Marketable securities	16 Minimum WACC, %	8.2 Equity beta coefficient	1.20
Minimum value	7.9 Debt - dividend	-84 Maximum WACC, %	9.2 Target debt ratio, %	30
Horizon value, %	0.0 Value of stock	304 Nr of shares, Mn	35.1 Effective tax rate, %	20

DCF valuation, SEKm	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	Horizon
Net sales	122	120	174	189	353	640	679	657	631	520	500	0
<i>Sales growth, %</i>	<i>21.0</i>	<i>-2.0</i>	<i>45.5</i>	<i>8.4</i>	<i>87.0</i>	<i>81.0</i>	<i>6.1</i>	<i>-3.2</i>	<i>-3.9</i>	<i>-17.5</i>	<i>-3.8</i>	<i>0.0</i>
Operating income (EBIT)	-65	-41	-3	40	122	256	252	208	185	119	102	0
<i>EBIT margin, %</i>	<i>-53.0</i>	<i>-34.1</i>	<i>-1.5</i>	<i>20.9</i>	<i>34.6</i>	<i>40.0</i>	<i>37.1</i>	<i>31.7</i>	<i>29.4</i>	<i>22.9</i>	<i>20.4</i>	<i>0.0</i>
+ Depreciation+amort.	59	37	50	53	78	102	105	105	108	91	91	
- Income taxes	0	0	1	-8	-26	-54	-53	-44	-39	-25	-21	
- Change in NWC	9	-3	-8	-4	-25	-44	-6	3	4	17	3	
<i>NWC / Sales, %</i>	<i>-7.9</i>	<i>-5.4</i>	<i>0.8</i>	<i>2.9</i>	<i>8.7</i>	<i>11.8</i>	<i>12.0</i>	<i>11.9</i>	<i>11.7</i>	<i>10.9</i>	<i>10.7</i>	
+ Change in other liabs	6	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-19	-344	-108	-118	-123	-106	-43	-41	-42	-36	-36	0
<i>Investments / Sales, %</i>	<i>15.2</i>	<i>287.1</i>	<i>62.0</i>	<i>62.4</i>	<i>34.8</i>	<i>16.6</i>	<i>6.3</i>	<i>6.2</i>	<i>6.7</i>	<i>6.9</i>	<i>7.2</i>	<i>0.0</i>
- Other items	0	0	-10	-5	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	-9	-351	-78	-43	26	154	254	232	216	166	139	0
= Discounted FCF (DFCF)		-329	-67	-34	19	104	157	132	113	80	62	0
= DFCF min WACC		-330	-68	-35	19	106	162	136	117	84	65	0
= DFCF max WACC		-328	-67	-34	19	101	153	128	109	77	59	0

INTERIM FIGURES

EVLI ESTIMATES, SEKm	2017Q1	2017Q2	2017Q3	2017Q4	2017	2018Q1E	2018Q2E	2018Q3E	2018Q4E	2018E	2019E	2020E
Net sales	28	35	28	32	122	28	34	27	31	120	174	189
EBITDA	-1	0	1	-6	-6	-2	1	1	-4	-4	48	92
<i>EBITDA margin (%)</i>	<i>-4.6</i>	<i>1.4</i>	<i>3.9</i>	<i>-18.8</i>	<i>-4.7</i>	<i>-6.4</i>	<i>2.4</i>	<i>3.7</i>	<i>-12.0</i>	<i>-3.1</i>	<i>27.3</i>	<i>48.8</i>
EBIT	-11	-9	-7	-38	-65	-12	-9	-7	-13	-41	-3	40
<i>EBIT margin (%)</i>	<i>-38.4</i>	<i>-26.9</i>	<i>-23.9</i>	<i>-120.4</i>	<i>-53.0</i>	<i>-41.9</i>	<i>-27.4</i>	<i>-25.5</i>	<i>-42.1</i>	<i>-34.1</i>	<i>-1.5</i>	<i>20.9</i>
Net financial items	-1	0	-2	-1	-4	10	0	0	0	10	-1	-2
Pre-tax profit	-12	-10	-8	-39	-69	-2	-9	-7	-13	-31	-4	38
Tax	0	0	0	0	0	0	0	0	0	0	1	-8
<i>Tax rate (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>20.0</i>	<i>21.0</i>
Net profit	-12	-10	-8	-39	-69	-2	-9	-7	-13	-31	-13	25
EPS	-0.80	-0.64	-0.55	-2.55	-4.53	-0.04	-0.27	-0.20	-0.37	-0.88	-0.31	0.52
EPS adjusted (diluted no. of shares)	-0.80	-0.64	-0.55	-2.55	-4.53	-0.04	-0.27	-0.20	-0.37	-0.88	-0.31	0.52
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SALES, SEKm												
Endomines	28	35	28	32	122	28	34	27	31	120	174	189
Total	28	35	28	32	122	28	34	27	31	120	174	189
SALES GROWTH, Y/Y %												
Endomines	76.8	67.3	2.1	-15.3	21.0	-2.0	-2.0	-2.0	-2.0	-2.0	45.5	8.4
Total	76.8	67.3	2.1	-15.3	21.0	-2.0	-2.0	-2.0	-2.0	-2.0	45.5	8.4
EBIT, SEKm												
Endomines	-11	-9	-7	-38	-65	-12	-9	-7	-13	-41	-3	40
Total	-11	-9	-7	-38	-65	-12	-9	-7	-13	-41	-3	40
EBIT margin, %												
Endomines	-38.4	-26.9	-23.9	-120.4	-53.0	-41.9	-27.4	-25.5	-42.1	-34.1	-1.5	20.9
Total	-38.4	-26.9	-23.9	-120.4	-53.0	-41.9	-27.4	-25.5	-42.1	-34.1	-1.5	20.9

INCOME STATEMENT, SEKm	2013	2014	2015	2016	2017	2018E	2019E	2020E
Sales	163	172	113	101	122	120	174	189
<i>Sales growth (%)</i>	<i>-30.4</i>	<i>5.3</i>	<i>-34.3</i>	<i>-10.5</i>	<i>21.0</i>	<i>-2.0</i>	<i>45.5</i>	<i>8.4</i>
Costs	-168	-172	-181	-109	-128	-123	-127	-97
Reported EBITDA	-5	0	-68	-8	-6	-4	48	92
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	<i>-3.0</i>	<i>-0.1</i>	<i>-60.0</i>	<i>-7.6</i>	<i>-4.7</i>	<i>-3.1</i>	<i>27.3</i>	<i>48.8</i>
Depreciation	-62	-45	-85	-95	-59	-37	-50	-53
EBITA	-67	-45	-153	-103	-65	-41	-3	40
Goodwill amortization / writedown	-9	0	-4	0	0	0	0	0
Reported EBIT	-76	-45	-157	-103	-65	-41	-3	40
<i>EBIT margin (%)</i>	<i>-46.7</i>	<i>-26.2</i>	<i>-138.6</i>	<i>-102.1</i>	<i>-53.0</i>	<i>-34.1</i>	<i>-1.5</i>	<i>20.9</i>
Net financials	1	2	-6	-2	-4	10	-1	-2
Pre-tax profit	-75	-43	-163	-105	-69	-31	-4	38
Extraordinary items	0	0	0	0	0	0	0	0
Taxes	12	8	-2	-20	0	0	1	-8
Minority shares	0	0	0	0	0	0	0	0
Net profit	-63	-35	-165	-125	-69	-31	-13	25
BALANCE SHEET, SEKm								
Assets								
Fixed assets	288	282	221	171	130	437	495	560
<i>% of sales</i>	<i>176</i>	<i>164</i>	<i>195</i>	<i>169</i>	<i>107</i>	<i>365</i>	<i>284</i>	<i>297</i>
Goodwill	0	0	0	0	0	0	0	0
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Inventory	7	5	2	1	2	2	3	6
<i>% of sales</i>	<i>4</i>	<i>3</i>	<i>2</i>	<i>1</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>3</i>
Receivables	36	29	12	21	12	15	22	24
<i>% of sales</i>	<i>22</i>	<i>17</i>	<i>10</i>	<i>21</i>	<i>10</i>	<i>13</i>	<i>13</i>	<i>13</i>
Liquid funds	46	114	20	29	16	42	35	28
<i>% of sales</i>	<i>28</i>	<i>66</i>	<i>18</i>	<i>29</i>	<i>13</i>	<i>35</i>	<i>20</i>	<i>15</i>
Total assets	393	459	274	222	161	497	555	618
Liabilities								
Equity	268	318	169	115	45	221	292	401
<i>% of sales</i>	<i>164</i>	<i>185</i>	<i>149</i>	<i>113</i>	<i>37</i>	<i>185</i>	<i>168</i>	<i>212</i>
Deferred taxes	0	0	0	0	0	0	0	0
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Interest bearing debt	66	65	83	84	84	244	231	185
<i>% of sales</i>	<i>40</i>	<i>38</i>	<i>74</i>	<i>83</i>	<i>68</i>	<i>203</i>	<i>133</i>	<i>98</i>
Non-interest bearing current liabilities	31	30	14	0	0	0	0	0
<i>% of sales</i>	<i>19</i>	<i>18</i>	<i>12</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Other interest free debt	28	45	8	24	32	32	32	32
<i>% of sales</i>	<i>17</i>	<i>26</i>	<i>7</i>	<i>24</i>	<i>26</i>	<i>26</i>	<i>18</i>	<i>17</i>
Total liabilities	393	459	274	222	161	497	555	618
CASH FLOW, SEKm								
+ EBITDA	-5	0	-68	-8	-6	-4	48	92
- Net financial items	1	2	-6	-2	-4	10	-1	-2
- Taxes	48	-4	6	-1	0	0	1	-8
- Increase in Net Working Capital	-39	29	-23	-2	9	-3	-8	-4
+/- Other	-18	-17	19	0	0	0	-10	-5
= Cash flow from operations	-12	10	-71	-12	-1	3	29	73
- Capex	-54	-39	-28	-46	-19	-344	-108	-118
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	-84	0	-126	-77	-19	-341	-79	-45
+/- Change in interest-bearing debt	-13	-1	18	0	0	160	-13	-46
+/- New issues/buybacks	196	85	16	71	0	207	84	84
- Paid dividend	0	0	0	0	0	0	0	0
+/- Change in loan receivables	-157	-4	-11	-4	6	0	0	0
Change in cash	-59	80	-103	-10	-14	26	-7	-7

KEY FIGURES	2014	2015	2016	2017	2018E	2019E	2020E
M-cap	149	55	192	126	285	285	285
Net debt	-49	63	54	68	202	196	157
Enterprise value	100	118	246	194	487	482	442
Sales	172	113	101	122	120	174	189
EBITDA	0	-68	-8	-6	-4	48	92
EBIT	-45	-157	-103	-65	-41	-3	40
Pre-tax	-43	-163	-105	-69	-31	-4	38
Earnings	-35	-165	-125	-69	-31	-13	25
Book value	318	169	115	45	221	292	401
Valuation multiples							
EV/sales	0.6	1.0	2.4	1.6	4.1	2.8	2.3
EV/EBITDA	-533.3	-1.7	-32.0	-34.0	-131.7	10.1	4.8
EV/EBITA	-2.2	-0.8	-2.4	-3.0	-11.9	-184.4	11.2
EV/EBIT	-2.2	-0.8	-2.4	-3.0	-11.9	-184.4	11.2
EV/operating cash flow	10.0	-1.7	-21.0	51.5	-71.7	12.0	5.5
EV/cash earnings	-41.4	-1.8	-24.7	-19.0	79.1	10.2	5.4
P/E	-4.2	-0.3	-1.5	-1.8	-9.2	-26.3	15.7
P/E excl. goodwill	-4.2	-0.3	-1.5	-1.8	-9.2	-26.3	15.7
P/B	0.5	0.3	1.7	2.8	1.3	1.0	0.7
P/sales	0.9	0.5	1.9	1.0	2.4	1.9	2.1
P/CF	14.9	-0.8	-16.3	33.5	-42.0	8.4	4.9
Target EV/EBIT	0.0	0.0	0.0	-2.2	-12.9	-223.7	15.2
Target P/E	0.0	0.0	0.0	0.0	-10.5	-30.1	18.0
Target P/B	0.0	0.0	0.0	0.0	1.5	1.3	1.1
Per share measures							
Number of shares	8,991	8,991	15,280	15,280	35,148	41,736	47,775
Number of shares (diluted)	8,991	8,991	15,280	15,280	35,148	41,736	47,775
EPS	-3.92	-18.35	-8.18	-4.53	-0.88	-0.31	0.52
EPS excl. goodwill	-3.92	-17.91	-8.18	-4.53	-0.88	-0.31	0.52
Cash EPS	-0.27	-7.50	-0.65	-0.67	0.18	1.13	1.72
Operating cash flow per share	1.12	-7.93	-0.77	0.25	-0.19	0.96	1.67
Capital employed per share	29.88	25.81	11.04	7.40	12.04	11.71	11.68
Book value per share	35.35	18.75	7.50	2.97	6.30	7.01	8.39
Book value excl. goodwill	35.35	18.75	7.50	2.97	6.30	7.01	8.39
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Efficiency measures							
ROE	-12.0	-67.8	-88.3	-86.6	-23.3	-5.0	7.1
ROCE	-12.6	-49.3	-45.8	-39.6	-7.3	-0.5	7.1
Financial ratios							
Capex/sales, %	22.8	24.4	45.2	15.2	287.1	62.0	62.4
Capex/depreciation excl. goodwill,%	87.5	27.8	47.9	31.5	924.7	214.9	224.0
Net debt/EBITDA, book-weighted	261.5	-0.9	-7.0	-11.9	-54.5	4.1	1.7
Debt/equity, market-weighted	0.4	1.5	0.4	0.7	0.9	0.8	0.6
Equity ratio, book-weighted	69.3	61.6	51.6	28.3	44.6	52.7	64.9
Gearing	-0.15	0.38	0.47	1.49	0.91	0.67	0.39
Number of employees, average	0	0	0	0	0	0	0
Sales per employee, SEK	0	0	0	0	0	0	0
EBIT per employee, SEK	0	0	0	0	0	0	0

COMPANY DESCRIPTION: Endomines AB engages in exploration, mining, and extraction of gold and ilmenite deposits. Its site is found in Eastern Finland along the Karelian Gold line. The company was founded on October 20, 2005 and is headquartered in Stockholm, Sweden.

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	SEKm	%
Euroclear Finland	8,116,966	65.910	23.1%
Svenska Handelsbanken Markets	7,496,212	60.869	21.3%
Nordea Bank	1,677,167	13.619	4.8%
Lago Kapital	957,306	7.773	2.7%
Ålandsbanken	926,815	7.526	2.6%
Avanza Pension	873,373	7.092	2.5%
Aktia Bank	780,000	6.334	2.2%
Handels & Industri	685,298	5.565	1.9%
Skandinaviska Enskilda Banken	396,000	3.216	1.1%
WIP Hakkapeliitat -mutual fund	360,000	2.923	1.0%
Ten largest	22,269,137	180.825	63%
Residual	12,878,648	104.575	37%
Total	35,147,785	285.400	100%

EARNINGS CALENDAR

May 17, 2018	Q1 report
August 16, 2018	Q2 report
November 14, 2018	Q3 report

OTHER EVENTS

April 19, 2018	AGM
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COMPANY MISCELLANEOUS

CEO: Saira Miettinen-Lähde	Birger Jarlsgatan 41 A 3 fl., SE-11145 Stockholm
CFO: Marcus Ahlström	Tel: +46 8 611 66 45
IR:	

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/Sales	$\frac{\text{Market cap}}{\text{Sales}}$	DPS	Dividend for the financial period per share
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	CEPS	$\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF	$\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	EV/Share	$\frac{\text{Enterprise value}}{\text{Number of shares}}$
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	Sales/Share	$\frac{\text{Sales}}{\text{Number of shares}}$
Net debt	Interest bearing debt – financial assets	EBITDA/Share	$\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Number of shares}}$
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	EBIT/Share	$\frac{\text{Operating profit}}{\text{Number of shares}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortisation}}$	EAFI/Share	$\frac{\text{Pretax profit}}{\text{Number of shares}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Capital employed/Share	$\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Total assets	Balancesheet total
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Interest coverage (x)	$\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share	$\frac{\text{Financial assets} - \text{interest bearing debt}}{\text{Number of shares}}$	Asset turnover (x)	$\frac{\text{Turnover}}{\text{Balancesheet total (average)}}$
ROA, %	$\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balancesheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balancesheet total} - \text{non interest bearing debt (average)}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest free loans}}$
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year

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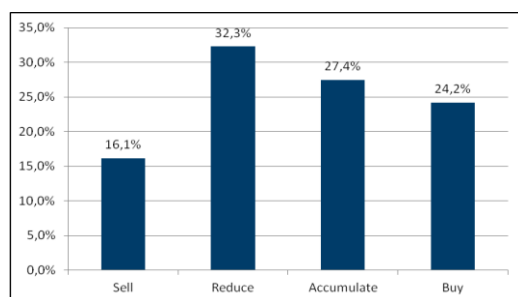
Detailed information about the valuation or methodology and the underlying assumptions is accessible via ERP:

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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

ERP's investment recommendation of the analyzed company is in general updated 2 – 4 per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 22nd of February 2017. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Salokivi

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