

**Interim report  
January – June 2010**



## Significant events during the period

### Financing

- A new share issue of 84.4 million shares in April raised approximately 24.4 MSEK combined with issue of 84.4 million subscription options. In June 73.2 million options were exercised which contributed 23.4 MSEK in July to Kopylovskoye AB.

### Exploration activities

- On the Kopylovskoye prospect 240 meters of trenches were developed, is logged and channel sampled . All assay test results confirmed gold mineralizations in trenches 337, 338, 339, 347 and 349. The new results are in full compliance with exploration model for ore bodies 2 and 3.
- On the Kopylovskoye prospect core drilling with target to verify and convert old Russian reserves into JORC have started. 380 meter of core drilling is finalized (total core drilling program - 600 meters).

### Investments and results

- In March Kopylovskoye bided and won two auctions for Krasny and Pravovesenny exploration properties. Both licenses provide rights for bedrock gold exploration and production.
- During the period 12.4 MSEK was invested in exploration and evaluation work.
- During the period two new licenses were acquired for 4.7 MSEK.
- Net income amounted to -6.2 MSEK.
- Earnings per share amounted to -2.55 SEK.

### Organisation

- Two new board members were elected as new board members at the Extra General Meeting in March: Björn Fernström, former partner of Ernst & Young and Kjell Carlsson, former director at Sandvik, ABB and Atlas Copco. Markku Mäkelä, prof. Geology with 30 years+ of experience from the exploration and mining industry was elected as new board member at the Annual General Meeting. Kjell Carlsson was elected as new Chairman.

## CEO comments

Dear shareholders,  
Thank you for the support and trust you keep in Kopylovskoye AB. Without it we would never succeed in closing the rights issues during the first half of 2010 and developing the company so far. Now it is the Company's responsibility to create the best value for your investments.



We set ambitious targets for 2010 and we are on the way to achieve them. We proceed with exploration activities on all our exploration properties with main focus on Kopylovskoye, where we spend more than 50% of our exploration budget. We succeeded with acquiring a couple of new high potential exploration properties located in close vicinity to Kopylovskoye and Prodolny. We are considering further acquisitions in the same area. We proceed with preparation for listing which is now expected by the end of August. By the end of the year the market will demonstrate how successful we are with our strategy.

However I believe that our major asset is the people – both shareholders and the management. Kopylovskoye continues attracting new respectable shareholders and talented personnel. During the second quarter Alex Mikhailov as Vice president on Exploration, Gunnar Danielsson as CFO and Anna Daun Wester as Vice President on IR joined the company as. We have significantly strengthened our geologist team in Russia in order to meet the extended exploration targets. I believe that they all will contribute a lot to the company development and value creation for the shareholders.

In the next half of 2010 we shall proceed with our exploration targets with main focus on RC drilling at Kopylovskoye, Kavkaz and Prodolny. It is in on our agenda to issue JORC resource reports for Kopylovskoye and potentially other properties where possible.

Mikhail Damrin  
CEO

## Kopylovskoye AB operations in brief

### Background

Kopylovskoye AB is a public Swedish exploration company in the gold industry. The Company was established in 2007 after having acquired a gold deposit, with the same name. Up until December 2008 Kopylovskoye AB was a subsidiary of Central Asia Gold (“CAG”) which is another Swedish gold exploration and production company. In December 2008 Kopylovskoye became an independent company when CAG decided to dividend the shares in Kopylovskoye AB to its shareholders. Kopylovskoye AB is the holding company for five Russian subsidiaries: OOO Kavkaz Gold, OOO Kopylovskoye, OOO Krasny, OOO Prodolny and OOO Kopylovskoye Management.

### Business Concept

Kopylovskoye business is to develop gold deposits in Lena Goldfields in Bodaibo area of Irkutsk Region in Russia from prospecting and exploration into production. Based on exploration data from 2010, the company's goal is to complete a feasibility study 2011 at Kopylovskoye-deposit, report all resources and reserves in the international standard JORC, continue develop other projects into intermediate and advanced exploration stages and complete production planning, with the objective to produce the first gold from Kopylovskoye deposit in 2013.

### Licenses

Kopylovskoye AB is developing five bedrock gold projects in one of the world’s most gold prospective area. The projects are at different development stages – Kopylovskoye project is in advanced exploration stage, Kavkaz and Krasny are in the intermediate exploration stage. Prodolny has several exploration sites: Uspensky, Zolotoy and Obrucheve where we currently prospect and explore and Gromovsky, Cherkessky and others where we have not started yet, which varies from greenfield to intermediate exploration stage. Pravovesenny are in the earliest prospecting stage.

### Kopylovskoye AB total mineral resources and reserves by Russian classification GKZ

Classification	Ore (kton)	Gold grade (g/ton)	Cut-off (g/ton)	Gold (kg)	Gold (oz)
C1	80	2,9	1,0	231	7 400
C2	2 341	3,5	1,0	8 257	265 500
Total C1+C2	2 422	3,5	1,0	8 488	272 900
P1	3 483	n/a	n/a	31 015	997 300
P2	n/a	n/a	n/a	18 000	578 800
Total P1+P2	n/a	n/a	n/a	49 015	1 576 000

### Activities on each license during H1 2010

#### Kopylovskoye prospect

**Exploration target 2010:** File JORC resource report following scoping drilling, collect data for JORC reserve report and feasibility review

#### H1 2010 Exploration activities

- Trenching 240 meter logged
- Core drilling 380 meter (in total 600 meter)
- Bulk sampling equipment ordered and will sample 3 000 tons during Q4 2001 – Q1 2011.
- RC scoping drilling is under mobilization to the site and will drill 5000 meter during Q3

**Geology:** Gold mineralization at Kopylovskoye is preferentially hosted in sericite-altered carbonaceous shale/slate spatially and genetically associated with saddle reefs and quartz vein stockworks +/- pyrite that have exploited cleavage and bedding planes in the hinge zone, limbs and parasitic folds of a highly compressed overturned anticline. The fold-hinge stockwork-vein zone is by far the most important and potentially most economic structural setting for gold mineralization at Kopylovskoye. Exploration results of this year confirm adopted exploration model. All trenches intersected gold mineralisation

Russian classification Kopylovskoye	Ore (kton)	Gold grade (g/ton)	Cut-off (g/ton)	Gold (kg)	Gold (oz)
C1	80	2,9	1,0	231	7 400
C2	2 231	3,2	1,0	7 220	232 200
Total C1+C2	2 311	3,2	1,0	7 451	232 200
P1	3 308	3,1	n/a	10 370	333 400
Total P1+P2	n/a	3,1	n/a	10 370	333 400

## Kavkaz prospect

**Exploration targets 2010:** Collect data for JORC resource report for North Western part (Milliony fault), estimate potential central part (Korolkovsky fault)

### H1 2010 Exploration activities

- Trenching 265 meter logged (in total 1700 meter )
- Core drilling 550 m drilled (in total 600 m)
- RC scoping drilling is mobilizations to the site and will drill 1 500 meter during Q3/Q4
- Bulk sampling equipment ordered and will sample 1 000 tons during Q4 2010 – Q1 2011.

**Geology:** Lithologies present in the area are sandstone and siltstone with different degrees of metamorphism. Igneous rocks are very limited and represented by dykes of lamprophyre with maximum lengths about 100 m and widths of about 1 meter to 2 meters.

Russian classification Kavkaz	Ore (kton)	Gold grade (g/ton)	Cut-off (g/ton)	Gold (kg)	Gold (oz)
C2	110	9,4	1,0	1 037	33 300
Total C1+C2	110	9,4	1,0	1 037	33 300
P1	175	9,4	n/a	1 645	52 900
Total P1+P2	n/a	9,4	n/a	1 645	52 900

## Prodolny prospect

**Exploration target 2010:** JORC resource report Uspenskoye mineralization, drill target generation at Zolotoy and Obrucheva

### H1 2010 Exploration activities

- Trenching 200 meter logged (in total 1500 meter )
- Geochemical 1:10000 – 10 sq km
- Geophysics – 1:10000 – 10 sq km
- RC scoping drilling is mobilizations to the site and will drill 1 500 meter during Q3/Q4

**Geology:** Geologically the Prodolny license is located in the central part of Bodaibo Complex Syncline (synclorium). The Bodaibo Complex syncline coincides with the Artemovsky Gold District. The Bodaibo Complex Syncline is composed of interlayered sandstone, siltstone with variable carbon

content (commonly known as black schists), and limestone. The sedimentary rocks are weakly metamorphosed, and folded into a complex syncline with a number of strongly elongated secondary folds striking in the west-northwest direction. Exploration trenches of 2010 field season intersected mineralized zones with visible gold. Analytical results will be available in the nearest future

Russian classification Prodolny	Ore (kton)	Gold grade (g/ton)	Cut-off (g/ton)	Gold (kg)	Gold (oz)
P2	n/a	n/a	n/a	18 000	579 000
Total P1+P2	n/a	9,4	n/a	18 000	579 000

## Krasny prospect

**Exploration target 2010:** validate old historic data, file JORC resource report and develop and communicate exploration plan

### H1 2010 Exploration activities

- Recognizance geological mapping of 100 km
- 100 trench sampling
- Review and digitalize historic exploration data
- Prepare and communicate exploration plan

**Geology:** Krasny license area is in very prospective lithological and stratigraphical position. Area characterized by intensive geochemical gold anomalies and rich alluvial gold deposits in the streams. Limited exploration work done in the past had demonstrated presents of the primary gold mineralization at the surface and at the depth in the two continuous mineralized zones.

Russian classification Krasny	Ore (kton)	Gold grade (g/ton)	Cut-off (g/ton)	Gold (kg)	Gold (oz)
P1	n/a	2,7	n/a	19 000	611 000
Total P1+P2	n/a	9,4	n/a	19 000	611 000

## Pravovesenny prospect

**Exploration target 2010:** validate old historic data and develop and communicate exploration plan

### H1 2010 Exploration activities

- Recognizance geological mapping of 100 km
- Review and digitalize historic exploration data
- Prepare and communicate exploration plan

**Geology:** Pravovesenny license area cover prospective anticline structure with favorable lithology outcropping in the central part of the fold. Based on exploration model it is expected to discover saddle shape mineralized zones. Geological information and presence of the alluvial deposits in the streams indicate wide distribution of the gold mineralisation.

## Personnel

The total amount of employees was 48 by the end of June.

## Outlook 2010

The major activities will be to transfer the Russian reserves into JORC classification and confirm the total JORC resources on Kopylovskoye prospect after finalized drilling. Further drilling, trenching and sample preparations will take place in Kopylovskoye, Prodolny and Kavkaz. SRK Consulting will advise

on drilling and exploration and the samples from the activities are analysed at Alex Stewart Laboratory in Moscow. The negotiations of leasing drilling rigs for next year have already started.



## January – June 2010

The Company has not yet started production and does therefore not have any revenue.

During the period the Company invested 12.4 MSEK (4.0) in exploration and evaluation work and 4.7 MSEK (0) in two new licences. The new licenses were acquired on an open auction. Of the exploration and evaluation work 5.0 MSEK (2.9) consisted of work performed by the company for its own use and capitalised.

Operating costs amounted to 10.3 MSEK (7.4) of which 5.6 MSEK (2.7) were personnel costs.

Net income for the period amounted to - 6.2 MSEK (-4.3) which equals -2.55 SEK per share (-0.51).

Cash and cash equivalents amounted to 5.5 MSEK (4.5).

Cash flow for the period amounted to -0.2 MSEK (-7.6). During the period the Company raised approximately 21.3 MSEK, net of issue costs, in a new share issue. The Company also completed a bridge financing agreement with a Russian creditor of approximately 10.4 MSEK. At the end of the period approximately 4.9 MSEK of the bridge loan had been repaid and the remainder of the loan is due by the end of August 2010. As noted above 17.1 MSEK was invested in exploration and evaluation work and new licenses.

Equity amounted to 123.9 MSEK (96.2) at the end of the period which equals 42 SEK per share.

Equity asset ratio was 82.5% (85.4%).

The number of employees at the end of the period was 48 (23).

In April the Company successfully completed an issue of 84 407 580 new shares. The issue raised 24.4 MSEK before issue costs which amounted to 3.1 MSEK. Shareholders who subscribed to the new shares also received an option to subscribe for one new share before June 30, 2010 at a price of 0.32 SEK. 73 161 270 of the options were utilized and thus 73 161 270 new share were issued in July which raised approximately 23.4 MSEK.

### **Going concern**

Gold exploration is a capital intensive activity. As described in the 2009 annual report the Company will require additional financing to continue the operations for the next 12-month period. The Board believe that financing firstly should be done via new share issues but also via bridge financing. Given the value of the Company's licenses and probable additionally raised capital the Board's assessment is that the Company can continue on a going concern.

### **Significant events after the reporting period**

On August 4 the Company completed a reverse split of the outstanding shares at the ratio 1:100. After the reverse split the number of shares amount to 3,681,633.

The company received approval from Nasdaq OMX First North on August 24 and will be listed on Nasdaq OMX First North on August 27 2010 as planned.



On August 23 Kopylovskoye restructured the bridge loan amounting to 23 MRUR (approximately 5.6 MSEK including interest) from a Russian creditor. According to the renegotiated schedule the loan should be repaid, including interest, on the following dates:

- 31 August – 5.8 MRUR (1.4 MSEK)
- 30 September – 5.8 MRUR (1.4 MSEK)
- 10 November – 11.6 MRUR (2.8 MSEK)

### **The Parent Company**

Total assets at the end of the period amounted to 209.3 MSEK (175.3). Cash and cash equivalents amounted to 5.1 MSEK (3.9). Net income for the period amounted to -1.9 MSEK (-0.2).

### **Risks and uncertainties**

A detailed description of the Company's risks is included in the 2009 annual report of Kopylovskoye. There have not been any significant changes in significant risks and uncertainties during the period. The risks include, among others, geological risks, risks related to the deposits, gold price risks and political risks,

This report has not been reviewed by the company's auditors.

*The Board of Directors and CEO certify that this report give a true and fair view of the operations, financial position and result of the parent company and the group and describe all significant risks and uncertainties that the parent company and the group faces.*

Stockholm August 25, 2010  
Kopylovskoye AB (publ)

Kjell Carlsson  
Chairman

Mikhail Damrin  
CEO

Björn Fernström

Ulrika Hagdahl

Claes Levin

Markku Mäkelä

Sergei Petrov

### **Upcoming financial reporting**

Interim report third quarter 2010

November 10, 2010

Interim report fourth quarter 2010

March 25, 2011

### **Publication under Swedish law**

Kopylovskoye is publishing this information in accordance with the Swedish Financial Markets Act (Sw. Lag om värdepappersmarknaden) and/or the Swedish Financial Trading Act (Sw. Lag om handel

med finansiella instrument). This information was released for publication on August 25, 2010 at 09.00 CET.

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## CONDENSED CONSOLIDATED INCOME STATEMENT

KSEK	Jan-Jun		Jan-Dec
	2010	2009	2009
Net turnover	0	0	0
Other revenue	223	293	524
<b>Total revenue</b>	<b>223</b>	<b>293</b>	<b>524</b>
Work performed by the company for its own use and capitalised	5 017	2 856	6 596
Operating expenses	-9 849	-6 834	-11 608
Depreciation	-454	-555	-744
<b>Total operating expenses</b>	<b>-10 303</b>	<b>-7 389</b>	<b>-12 352</b>
<b>Operating result</b>	<b>-5 063</b>	<b>-4 240</b>	<b>-5 232</b>
Financial items	-400	-317	-369
<b>Result after financial items</b>	<b>-5 463</b>	<b>-4 557</b>	<b>-5 601</b>
Tax	-753	253	-2 962
<b>Net income for the period</b>	<b>-6 216</b>	<b>-4 304</b>	<b>-8 563</b>
<i>Earnings per share before and after dilution</i>	<b>-2.55</b>	<b>-0.51</b>	<b>-0.16</b>
<i>Average number of shares before and after dilution*</i>	<b>2 433 004</b>	<b>8 490 000</b>	<b>52 726 902</b>
<i>Number of shares at the end of the period*</i>	<b>2 950 020</b>	<b>8 490 000</b>	<b>210 594 450</b>

\*The calculation of average number of shares and shares number of shares at the end of the period have taken the reverse splits that were completed in July/August 2010 and 2009 into account.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	Jan-Jun		Jan-Dec
	2010	2009	2009
Net income for the period	-6 216	-4 304	-8 563
<i>Other comprehensive income</i>			
Exchange differences	3 228	-3 030	-7 682
<b>Total comprehensive income for the period</b>	<b>-2 988</b>	<b>-7 334</b>	<b>-16 245</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

KSEK	2010 Jun 30	2009 Dec 31
<b>ASSETS</b>		
<b>Non-current assets</b>		
<i>Intangible fixed assets</i>		
Exploration licenses and evaluation work	133 255	111 338
<i>Tangible fixed assets</i>		
Buildings and Machinery and equipment	2 281	2 247
<b>Total non-current assets</b>	<b>135 536</b>	<b>113 585</b>
<i>Current assets</i>		
Inventory	1 062	553
Receivables	8 035	5 011
Cash & cash equivalents	5 501	5 702
Total current assets	<b>14 598</b>	<b>11 266</b>
<b>TOTAL ASSETS</b>	<b>150 134</b>	<b>124 851</b>
<b>EQUITY AND LIABILITIES</b>		
<i>Equity</i>	<b>123 868</b>	<b>105 510</b>
<i>Total non-current liabilities</i>	<b>9 650</b>	<b>7 674</b>
<i>Total current liabilities</i>	<b>16 616</b>	<b>11 667</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>150 134</b>	<b>124 851</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

KSEK	2010 Jan-Jun	2009 Jan-Jun	2009 Jan-Dec
Cash flow from operating activities	-6 769	-3 510	-1 933
Cash flow from investing activities	-18 136	-4 118	-19 146
Cash flow from financing activities	24 690	0	13 633
<b>Cash flow for the period</b>	<b>-215</b>	<b>-7 628</b>	<b>-7 416</b>
Cash at the beginning of the period	5 702	13 163	13 163
Exchange differences on cash	14	-22	-45
Cash at the end of the period	5 501	5 513	5 702

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KSEK	2010 Jan-Jun	2009 Jan-Jun	2009 Jan-Dec
<b>Equity at the beginning of the period</b>	<b>105 510</b>	<b>103 487</b>	<b>103 487</b>
Share issue	24 478	0	20 210
Issue costs	-3 132	0	-1 942
Net income for the period	-6 216	-4 304	-8 563
Other comprehensive income for the period	3 228	-3 030	-7 682
<b>Equity at the end of the period</b>	<b>123 868</b>	<b>96 153</b>	<b>105 510</b>

## PARENT COMPANY CONDENSED INCOME STATEMENT

KSEK	Jan-Jun		Jan-Dec
	2010	2009	2009
Revenue	900	1 400	2 799
Operating expenses	-3 192	-2 004	-4 828
<b>Operating result</b>	<b>-2 292</b>	<b>-604</b>	<b>-2 029</b>
Financial items	412	408	833
<b>Result after financial items</b>	<b>-1 880</b>	<b>-196</b>	<b>-1 196</b>
Tax	0	0	0
<b>NET INCOME FOR THE PERIOD</b>	<b>-1 880</b>	<b>-196</b>	<b>-1 196</b>

## PARENT COMPANY CONDENSED BALANCE SHEET

KSEK	2010 Jun 30	2009 Dec 31
<b>ASSETS</b>		
<i>Financial fixed assets</i>		
Shares in group companies	151 030	135 414
Receivables, group companies	50 415	46 152
<b>Total non-current assets</b>	<b>201 445</b>	<b>181 566</b>
<i>Current assets</i>		
Receivables	2 689	1 384
Cash & cash equivalents	5 135	5 425
<b>Total current assets</b>	<b>7 824</b>	<b>6 809</b>
<b>TOTAL ASSETS</b>	<b>209 269</b>	<b>188 375</b>
<b>EQUITY AND LIABILITIES</b>		
<i>Equity</i>	<b>206 975</b>	<b>185 501</b>
<b>Total current liabilities</b>	<b>2 294</b>	<b>2 874</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>209 269</b>	<b>188 375</b>

## NOTES

### **Note 1 Information about the Company**

Kopylovskoye AB (publ), corporate identity number 556723-6335, with registered office in Stockholm, Sweden, is a public but not yet listed company. The Company's and its subsidiaries' operations are described in the "Kopylovskoye in brief" section in this report.

### **Note 2 Accounting principles**

The interim report for the period ended June 30, 2010 has been prepared in accordance with IAS 34 and the Swedish Annual Reports Act (Sw. *Årsredovisningslagen*). The interim consolidated financial statements have been prepared, consistently with the 2009 consolidated financial statements, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and by the Swedish Annual Reports Act. The parent company's financial statements have been prepared in accordance with the Swedish Annual Reports Act and the recommendations "RFR 2.2 on Financial Reporting for Legal Entities" issued by the Swedish Financial Reporting Board (Sw. *Rådet för finansiell rapportering*).

The same accounting principles have been applied during the period as were applied during the financial year 2009 and in the way they were described in the 2009 annual report. No new or revised standards, interpretations or amendments adopted by the EU had an effect on the group during the period. IFRS 3R and IAS 27 should be applied for acquisitions completed after 1 January 2010. There were no business combinations during the period.

The interim report does not contain the entirety of the information that appears in the annual report and, accordingly, the interim report should be read in conjunction with the 2009 annual report.

### **Note 3 Segment reporting**

The Company applies IFRS 8 for segment reporting. All of the exploration activity within Kopylovskoye is exposed to similar risks and possibilities and is performed within Russia. The Company's operations constitute one segment and segment information is therefore not disclosed.

### **Note 4 Related party transactions**

In February the company completed a bridge financing amounting to 40 MRUR (approximately 10.4 MSEK) with an annual interest rate of 28.8% with a Russian creditor. Sergei Petrov, a board member of Kopylovskoye AB, is a shareholder of the Russian creditor which provided the bridge financing.



## Word list

Alluvial gold	Mineralization in the river bed.
Anomalies	Deviation from normal value, relates in the moraine area with elevated concentrations of metals.
Bankable	The opportunity to bank financing of activities through project-or gold loans.
Core samples	A drilling method to examine the rock core, which is used partly in connection with exploration, i e searching for minerals worth mining.
Cut-off	The lowest mineral content where the deposit is mined.
CW/NW Shallow	Central/north West Shallow, description of the ore body Kopylovskoye.
Deposit	The presence of mineralization.
Exploration	Search for economic mining ores and minerals.
Fault	The crust formation, which rose, lowered or moved sideways.
Lena Goldfields	The name of gold-producing area 150 years ago, which lies between the rivers Lena and Vitim in Irkutsk region. Geographical coincides with the northern part of Bodaibo area.
Litology	Macroscopic hand-collected samples with scale description of rocks.
Million fault	Region in the Bodaibo area with high mineralization.
Mineralization	Natural concentration of minerals in the bedrock.
Moz	Million ounces.
Ounce	31,104 grams. Weight unit for gold.
Prospecting	Locating ores with different methods eg boulder tracing, geochemistry, geophysics etc.
Quartz	Quartz is a mineral composed of silica, SiO <sub>2</sub> . The color is white or transparent.
RC drilling	A drilling method used primarily in connection with exploration that is searching for mineral deposits. RC is an abbreviation of Reverse Circulation.
Russian GKZ reserves	The Russian State Committee for reserve estimates
SRK Consulting	International consultancy firm in the exploration and mining production.