

KOPY GOLDFIELDS  
GOLD EXPLORATION

A SWEDISH GOLD  
EXPLORATION COMPANY  
OPERATING IN RUSSIA





# A Swedish gold exploration company operating in Russia



Kopy Goldfields AB (publ) is a public Swedish junior gold exploration company, listed on Nasdaq First North in Stockholm, Sweden, with the ticker "KOPY". The Company was established in 2007 following the acquisition of a gold deposit named Kopylovskoye. During the last ten years, the Company has acquired 21 additional licenses, whereof six have been sold and two have been returned to the Russian state.

The current 14 licenses cover a total area of 2,159 km<sup>2</sup> and are located in Lena Goldfields of Siberia and in the Amur Region of the Russian Far East. Total mineral resources according to JORC amounts to 1.832 koz, of which 896 koz refers to the ownership of Kopy Goldfields.

In November 2018, Kopy Goldfields AB, closed an oversubscribed share issue of USD 2.7 million and market capitalization after closure of the transaction amounts to USD 14 million.

## Strategy and proof of concept

Kopy Goldfields' vision is to become a world-class exploration company with a focus on Russia. The Company's business concept is to create value by identifying and acquiring high potential gold projects, located within the established area of alluvial and bedrock gold mining in Russia, prospect and explore them until they reach the stage of being ready to be sold for cash or further developed in cooperation with a partner.

The latest transaction was done during the summer 2018, when Kopy Goldfields completed negotiations for a cash sale of the Kopylovskoye project for USD 6 million to a group of Russian investors. Under the agreement, Kopy Goldfields sold 100 % of its subsidiary LLC Taiga, holding four bedrock gold exploration and production licenses. The Kopylovskoye deposit has reported 7.4 tons of C1+C2 bedrock gold reserves.

In 2014, the two licenses Kavkaz and Prodolny were sold for RUB 50 million in cash, corresponding to approximately USD 1.5 million.

In 2014, after three years of exploration, Kopy Goldfields sold 51 % of the Krasny license to the Russian gold producer GV Gold. GV Gold paid USD 3 million in cash to Kopy Goldfields and invested USD 6 million for further exploration.

## Gold mining in Russia

Russia has a strong mining tradition and is known for its highly skilled mining specialists. However, gold mining – in contrast to exploration of other national resources such as oil and gas or uranium - is not regarded as a national strategic industry. Russia is currently in second place in the world when it comes to estimated gold reserves. Approximately 30% of total gold production in Russia is being run by international companies and the largest five gold producing companies operating in Russia are international.

The mining and tax legislation climate in Russia is favorable - it only takes 6-12 months in average to get production permits. Production costs are low as a result of a good supply of local expertise, combined with comparatively cheap electricity and fuel. In addition, there are certain tax subsidies to apply for when developing mines in the eastern part of Russia, which implies reduced royalty and profit tax during the first 10 years of operation.

Production costs in USD terms has also been significantly reduced by the drop of the Russian ruble. Cash cost for companies comparable to Kopy Goldfields operating in Lena Goldfields amount to 500-600 USD/oz and the gold price in Russian rubles is on a historical high level.

Most exploration data in Russia goes back to the 1960-70s and new exploration data collected with modern technique is limited to brown field projects. The known big gold deposits are not exploited to their full potential and large areas of Russia remain to be explored.

## Lena Goldfields – gold rich and underexplored

The Company's projects are located in Lena Goldfields, near the city of Bodaibo, in the Irkutsk region of Russia. The total area covers some 150,000 km<sup>2</sup>. Bodaibo is located approximately 900 km northeast of Irkutsk. Gold has been mined in the Bodaibo area for more than 150 years, and placer production was conducted

as early as in the 1840s. Since then the region has steadily been producing around 0.25 Moz of alluvial gold per year. In early 2000, production of bedrock gold was established but a major part of the area remains unexplored for bedrock gold. Lena Goldfields has shown a 34 % growth in gold production since 2011. In 2017, 733 koz of gold was produced of which 47 % was alluvial. Previous exploration work has also shown that the Bodaibo area hosts several world-class bedrock gold deposits, including Vysochaishiy (2.9 Moz) Verninskoye (3.8 Moz), Chertovo Koryto (2.4 Moz) and Sukhoy Log, the latter being the largest undeveloped gold deposit in the world with some 60 Moz of reserves and sold to Polyus Gold in January 2017 on a public auction at a price of USD 158 million. Bodaibo became the regional center for alluvial gold production during the late 19th century, and the gold mining industry is still the area's most important industry.

## Infrastructure

Bodaibo, is a lively city of more than 16,000 citizens, with schools, colleges, hospital and other service facilities, and the majority of the population have a relation to the gold mining industry. The area has developed infrastructure with an airport in Bodaibo, state roads maintained all-year round to access the most important gold production sites, and hydropower plant located on the local Mamakan river. There are several established electric grids crossing the Krasny site, although the current exploration activities are supported by diesel electric generators. The Krasny sites are located favourable, with the distance to the main state road – which runs north from Bodaibo to the town of Kropotkinsky – ranging between 1 and 10 km. The Northern Territories project is accessible by all-year-round roads. The licenses owned by Kopy Goldfields have been grouped into projects with a geographical distribution that makes it possible to process ore from several deposits at one production plant per project.

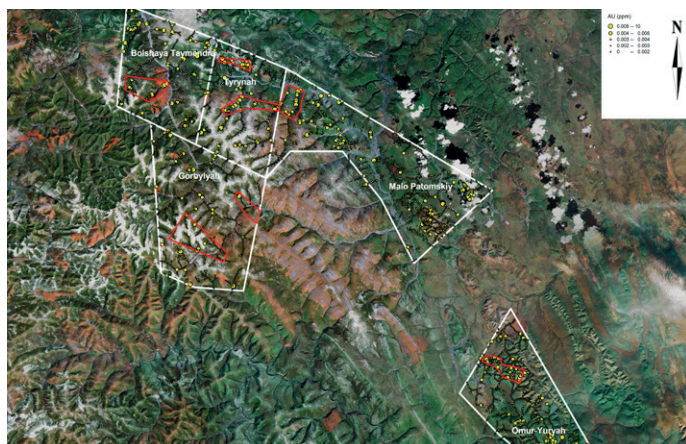
Traded at NASDAQ First North, Stockholm	Ticker: KOPY
Shares issued	103,825,869
Hi/Lo since 52 weeks	USD 0.11/USD 0.20
Market cap	USD 14.0 million
Mineral Resources according to JORC	898 koz (Indicated & Inferred) (incl 49% of the Krasny-license)
Financial Advisor	Stockholm Corporate Finance, <a href="http://www.stockholmcorp.se">www.stockholmcorp.se</a>
Certified Adviser	Hagberg & Aneborn Fondkommission, <a href="http://www.hagberganeborn.se">www.hagberganeborn.se</a>
Supervisors and preparing reports within JORC	Micon International (UK)
Analyst	Aktiespararna, ( <a href="http://www.aktiespararna.se/analysguiden/">www.aktiespararna.se/analysguiden/</a> )

## Current projects in brief

Kopy Goldfields currently holds nine bedrock and five alluvial exploration and production licenses. All licenses have been grouped into a portfolio consisting of three projects: Krasny, the Northern Territories and Amur.

### THE NORTHERN TERRITORIES PROJECT

The Maly Patom-area, also called “the Northern Territories”, is located to the north of Bodaibo and covers a total area of 1,852 km<sup>2</sup> (182,500 ha), split into six properties that were acquired at the end of year 2012. Kopy Goldfields’ licenses for bedrock gold prospecting, exploration and production in the Northern Territories project are valid to 2037, with extension options. The area is located in the Patomo-Nechersky gold district within Lena Goldfields, with a 100-year history of successful alluvial gold mining and with many active mining projects of this type currently ongoing. A majority of the river valleys in this part host alluvial gold deposits and placer miners have reported pristine gold grains in the area, which indicates the existence of bedrock sources of alluvial gold nearby. No serious and consistent bedrock gold exploration, however, has been conducted in the area to date.



*Geographic location of Kopy Goldfields licenses in project Northern Territories*

### Exploration approach

During the initial review of the historic exploration data and maps of the licenses, preliminary targets were identified based on a combination of geochemical anomalies, vicinity of alluvial mines, grab samples with gold and high concentration of pathfinder elements. Kopy Goldfields’ has prepared an exploration program for the project and the exploration approach includes covering the whole area with initial survey and further step-by-step target prioritization in order to reduce the whole area to 3-5 high potential targets, with at least 1 Moz resources each. By the end of the program, the Company intends to report initial JORC Inferred resources for 3-5 targets.

Based on characteristics of major gold deposits within Lena Goldfields (Sukhoi Log, Verninskoye, Vysochaishy) with similar geology to the area, the following exploration parameters are expected for the Northern Territories project:

- Strike extension of gold mineralization: from 500 meters; steep ore bodies with thickness from 30 meters
- Type of gold mineralization: gold sulfide, disseminated and veinlet-disseminated in black shale complexes
- Average gold grade: around 2 g/t

### Exploration program 2016

During 2016, stage 1 of the exploration program was commenced with the target of covering the total licence area with a systematic and modern method for exploration, to identify and prioritize multiple targets during the first year of field operations. The plan was to verify historic data and to identify new clusters for the next stage of exploration. Initially, the whole area of 1,852 km<sup>2</sup> was covered with a stream sediment survey with a density of 5-6 samples/km<sup>2</sup>. In total, 5,380 samples were collected and analysed, both for gold and 24 other chemical elements. The collected geochemical data was then used to develop geochemical maps of gold and concomitant elements distribution. A statistical review of the identified anomalies based on gold and pathfinder elements was completed. Further, multiplicative anomalies were identified and mapped for every license area. These anomalies, identified in the 2016 exploration activities, were compared with historic exploration data existing before 2016. Comparing the historic and the new exploration results, 21 exploration clusters were selected for more detailed Stage 2 follow-up explorations with a total exploration area of 243 km<sup>2</sup>.

### Exploration program 2017

In 2017, stage 2 of the exploration program was carried out, covering seven of the 21 exploration targets that were identified during the 2016 stream sediment survey. A detailed geochemical survey at 200\*50 meters grid, together with geological mapping, was conducted of the area, corresponding to 122 km<sup>2</sup>. In total, 12,896 soil samples were collected and analyzed for 32 chemical elements plus gold. Results from the 2017 exploration program were reported in February 2018. The results confirmed the expectations of the Northern Territories being an area with high exploration potential. In line with the target, it was possible to scale down the exploration area further and three anomalous geochemical areas were identified with a total area of 10.2 km<sup>2</sup>. All three anomalies, called Mezhdurechnaya, Sekushaya and Polovinka, corresponded to the exploration parameters and target gold deposits of 1+ Moz and are now ready for drilling and trench sampling. In addition to these drilling and trench sampling targets, there are still another 14+ targets from 2016 left for detailed geochemical survey, similar to the exploration done in 2017. Alluvial (placer) gold mining operations are currently being developed within the Northern Territories license areas by external producers under separate alluvial licenses.

### Major events at Northern territories in 2017-2018:

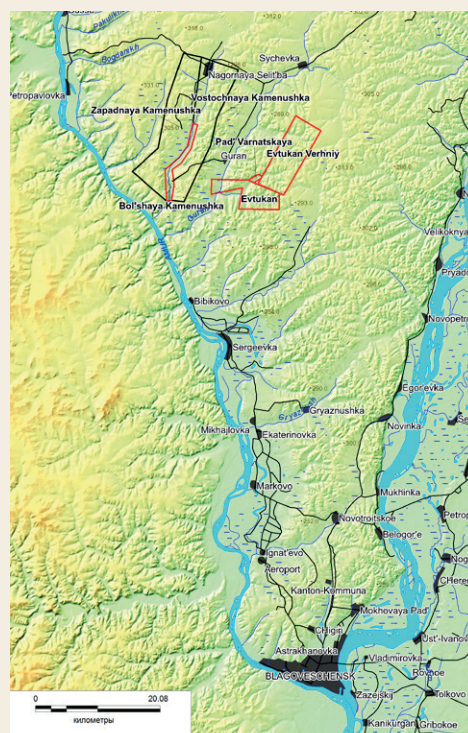
- Exploration program covered seven out of the 21 exploration targets identified during the 2016 stream sediment survey
- 12,896 soil samples collected and analysed
- Great exploration potential for gold confirmed and 14 clusters left for detailed geochemical survey
- Three anomalous geochemical areas were identified with a total area of 10.2 km<sup>2</sup> that are ready for drilling and trench sampling.

### Going forward

The Company believes in a great exploration potential of the area. Within the next two years of exploration activities, the first gold resources may be discovered and reported within the area, which would significantly increase the value of the Company. The Company now reviews different possibilities on how to finance further exploration activities within the Northern territories project.

### AMUR PROJECT

The Amur project is a new exploration project that the Company entered during the second half of 2018 through the acquisition of several new alluvial licenses. The project is located in the Russian Far East, within 60 km from the regional capital Blagoveshchensk. Infrastructure is well developed and most of the project can be reached by a concrete road. Kopy Goldfields is investing in the Amur project on an earn-in basis, making direct investments into exploration activities with no upfront payment involved. Kopy Goldfields owns 51 % of the project and partners in the project are well established local seasoned entrepreneurs. A limited exploration program consisting of exploration drilling and testing work, with a budget of approximately USD 0.3 million is currently being conducted.



*Geographic location of Kopy Goldfields licenses in the Amur project*



# Krasny Gold Project

The shareholders of Krasny project offer for sale up to 100% of the project. The Krasny project includes the license for exploration and production of bedrock gold within the Krasny license area located within the Bodaibo district of the Irkutsk Region, hosting the Krasny deposit and Vostochnoye mineralisation plus the license for prospecting and exploration of ore gold within the Batyi site, bordering on the Krasny deposit. The Krasny project licenses are held by LLC Krasny. The project is sold with the valid licences, with full compliance of the license agreement and the legislative requirements, free from any encumbrances or debt to the third parties.

## 1. Vast Mineral Resource Base with the Growth Prospects

### License Area and Exploration activities completed

- The total license area is 117 sq.km.
- The Krasny license is valid until 2035.
- Scope of exploration (2011- 2018): drilling – 85,276 m (401 drill holes), trenching – 10,633 m, geochemical, geophysical and topographic-geodetic studies.
- In 2015, the Krasny deposit reserves of 9,767 kg of gold were approved by the Russian Reserves Committee
- In 2016, the Vostochnoye mineral occurrence was discovered within the license area.

### JORC Resources Estimation (Micon, May 2018) – 56.9 t (1,832 koz)

Category	Ore, kt	Gold, kg	Au, koz	Average Grade, g/t
Indicated	7,539	9,045	291	1.20
Inferred	25,204	47,908	1,202	1.90
incl. Vostochnoye	6,689	10,537	339	1.57
<b>Total</b>	<b>32,743</b>	<b>56,953</b>	<b>1,832</b>	<b>1.74</b>

### Approved Gold Reserves (State Balance record, 2015)

Category	Ore, kt	Gold, kg	Average Grade, g/t
Balance C2	5,533	8,352	1.51
Off-balance C2	784	1,415	1.60
<b>Total</b>	<b>6,317</b>	<b>9,767</b>	<b>1.55</b>

### Potential for Mineral Resource Base Increase

- Krasny site license: prospecting and appraisal operations at the extension of the Krasny deposit and Vostochnoye mineral occurrence structures.
- Batyi site license: prospecting and appraisal operations at the extension of the Krasny deposit and Vostochnoye mineral occurrence structures within the Anticlinalny, Munur, Batyi sites.

## 2. Well-developed Gold Mining Province. Proximity to Infrastructure

Regional motor road Bodaibo-Kropotkin crosses the license, close to the south border of it

- The deposit is located at the distance of 85 km from Bodaibo and 15 km from the Artemovskiy Settlement
- The road distance to the Vysochayshe Site is 85 km, to the Sukhoi Log deposit – 60 km, to the Verninskoye deposit – 50 km.
- Two high voltage power lines VL110 run across the license site: Bodaibo-Kropotkin and Bodaibo-Marakan

## 3. Readiness for Development

The mineral processing flow chart was developed by Irgiredmet (2017) and verified by VNIPI TOMS (2018). Gravity and flotation flowsheet with the recovery of >85%.

- In 2017, TOMS Engineering prepared the scoping study of different deposit development options (processing capacity 1.6 Mt, gold production 1.5-2 t p.a.) based on the exploration results as at 10.10.2016.
- Taking into account a significant resource increase following the exploration results of 2017-2018 and a discovery of the Vostochnoye mineral occurrence, the plant could process from 3.0 Mt of ore p.a. and produce 3-4.5 t of gold annually.
- An approval was granted for 4.9 MW of electric power supply by the local electric grid. An application for 15 MW have been included into the Program of the Irkutsk Region Electric Power Industry Development for 2019-2023. In 2019 the company will obtain the technical conditions for the full capacity by 2020.
- Essential geotechnical, hydrogeological studies and environment monitoring have been done.

