

## KOPY GOLDFIELDS AB (publ) Year End Report January – December 2018

### Financial information July – December and full year 2018

- The Company does not report any revenue
- Net income MSEK -34.5 (-5.6), full year -43.8 (-13.9)
- Total comprehensive income MSEK -0.9 (-2.6), full year -5.1 (-11.9)
- Earnings per share before and after dilution SEK -0.40 (-0.07), full year -0.52 (-0.17)
- Total cash flow of MSEK 6.3 (0.1), full year 14.2 (-4.8)
- Investments in exploration work and licenses MSEK 1.6 (2.2), full year 2.5 (2.3)
- Investments into joint ventures MSEK 5.1 (8.5), full year 5.1 (8.5)
- Cash and cash equivalents amounted to MSEK 20.1 (5.9) at period end
- The Board of Directors proposes that no dividend is paid

Key ratios	Jul – Dec		Jan – Dec	
	2018	2017	2018	2017
Investments in exploration work and licenses, MSEK	1.6	2.2	2.5	2.3
Investments into joint ventures, MSEK	5.1	8.5	5.1	8.5
Cash & cash equivalents at end of period, MSEK	20.1	5.9	20.1	5.9
Net income for the period, MSEK	-34.5	-5.6	-43.8	-13.9
Total comprehensive income for the period, MSEK	-0.9	-2.6	-5.1	-11.9
Earnings per share before and after dilution, SEK	-0.40	-0.07	-0.52	-0.17
Equity per share, SEK	1.22	1.35	1.22	1.35
Equity asset ratio, %	78.2	85.7	78.2	85.7

### Significant events during July – December and full year 2018

#### In December 2018, the Kopylovskoye project was sold for USD 6 million

- Kopy Goldfields sold 100% of its subsidiary LLC Taiga for USD 6 million cash to a group of private Russian investors.
- LLC Taiga was a 100% owned subsidiary of Kopy Goldfields AB, holding the four bedrock gold exploration and production licenses Kopylovskoye, Vostochnaya Ploshad, Pravovesenny and Takhtykan, of which the Kopylovskoye deposit has reported 7.4 tons of C1+C2 bedrock gold reserves.
- The total sales price amounts to USD 6 million, corresponding to SEK 54.3 million, and will be paid in several installments until the end of 2021. The first payment of RUB 8 million, corresponding to SEK 1.1 million, was duly received in December 2018. If all payments are accelerated and completed by December 31, 2020, the total price is reduced to USD 5 million. Until the full payment is made, the project is pledged in favor of Kopy Goldfields.
- The sale has been recorded in the profit and loss for 2018 by discounting the future payments. The receivable as per December 31, 2018, net after transaction costs, amounts to SEK 32.2 million. In accordance with IFRS 10, historical exchange differences of SEK 33.1 million, referable to the Kopylovskoye-project have been recorded as a cost in the profit and loss, which leads to the Group showing an accounting loss of SEK 20.4 million from sale of subsidiaries.

#### During October-November 2018, SEK 21.6 million (net of transaction costs) was raised by Kopy Goldfields via a preferential rights issue

- 23,959,815 new shares were issued at a subscription price of SEK 1.05/share.
- The share issue was subscribed to 111.2%, whereof 90.5% of the shares were subscribed by shareholders using their preferential rights.

## **In September 2018, a new exploration property in the Bodaibo area was acquired by the Company**

- The new exploration license, called Verkhovya Tamaraka, is located 40 km from Bodaibo and covers an area of 83 sq. km.
- The license provides the right for bedrock gold prospecting and exploration for seven years. The license is issued by the Russian State and was acquired on a “first come, first served” basis with no upfront payment. If gold is discovered, Kopy Goldfields is entitled to a priority production permit for the area.
- The license is 100% controlled via the fully owned Russian subsidiary LLC Nirungda Gold.

## **In June 2018, a new alluvial gold exploration project in the Amur region of Russian was started**

- The project includes four alluvial exploration properties covering 104 sq. km, valid for five years. The project is located within 60 km from Blagoveshensk, the capital of the Amur region, in a historic gold mining area with well-developed infrastructure.
- Kopy Goldfields paid no acquisition price for the licenses, but instead earn into the project based on the investments made in exploration activities. Partners in the project are well established local entrepreneurs. As a first step, Kopy Goldfields has received 51% controlling interest in the project against future investments into explorations with an option to increase to 75%.
- A limited revision program including some exploration drilling and sample testing, was completed in 2018 in order to verify historic data and confirm exploration upside. A decision on how to proceed with the Amur project will follow later, based on the results.

## **In June 2018, a mineral resource update in accordance with JORC was announced for the Krasny project**

- The report was developed by Micon International. The report is based on the exploration data acquired through March 2018.
- The report shows 1,832 koz of Indicated and Inferred gold resources, an increase by 32% since last year, reflecting the successful exploration activities of 2017.
- The resource estimation includes both “Krasny” and “Vostochny” (previously “Krasny North”). For Krasny, the resource estimation shows 291 koz of Indicated mineral resources (mineral resources of 7,539,000 tons at an average grade of 1.20 g/t Au) and 1,202 koz of Inferred mineral resources (18,515,000 tons at an average grade of 2.02 g/t Au). Vostochny shows a total of 339 koz of Inferred mineral resources (6,689,000 tons at an average grade of 1.57 g/t Au). All resources are reported within economically minable open pits.
- The report also includes 257 koz of Probable gold reserves.

## **In February 2018, a loan of SEK 15 million was granted from Scandinavian Credit Fund I AB**

- The loan was received in two installments: SEK 10 million on March 5, 2018 and SEK 5 million on May 3, 2018, with repayment date on March 3, 2020.
- The loan bears an annual interest rate of 11.75 percent with no arrangement fee.

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

### **Existing long-term loans were renegotiated and extended in March 2019**

- The Company holds two long-term loans of SEK 15 million each, granted by Scandinavian Credit Fund I AB, originally due for repayment on July 7, 2019 and March 3, 2020.
- In March 2019, the loans were merged into one loan of SEK 30 million, and the new repayment date is set to March 4, 2021. The loan bears an annual interest rate of 11.75 percent and no arrangement fees.

## Comments from the CEO

Dear shareholders,

In 2018, we focused our activities on achieving both short term wins and creating long-term value. We intensified the marketing of our most advanced projects, Krasny and Kopylovskoye, to realize their maximum value in the short term. At the same time, we added new prospecting projects to our portfolio to support long-term growth.

Firstly, by the end of 2018 we completed the sale of the Kopylovskoye project. The project combines four bedrock gold exploration and production licenses: Kopylovskoye, Vostochnaya Ploshad, Pravovesenny and Takhtykan. The sale process turned out to be legally challenging, as the initial buyer of Kopylovskoye failed to pay the first payment as scheduled. We therefore decided to contest and reverse the initial agreement and restore our ownership of the project. Finally, we found a new buyer. The total sale price is USD 6 million cash payable in several installments until the end of 2021. If all payments are accelerated and completed by December 31, 2020, the total price will be reduced to USD 5 million. The first payment was duly received and the new owner is enthusiastic about the project and is preparing for the 2019 development season.

Secondly, we made the decision to exit the Krasny project. From 2010 until early 2018, our company has been the operator of exploration activities in Krasny and initial prospecting and exploration is now finalized. We are happy and proud to see that we have moved the Krasny project from the initial greenfield stage to the current total of 1.8 Moz of I&I gold resources, as reported by Micon in May 2018 in accordance with JORC. In addition, as the Krasny and Vostochny mineralizations are open along both the strike and down dip, we see strong further potential for gold resource growth from Krasny and Vostochny themselves and from the neighboring Batiy license. However, current discussions on Krasny focus on development and production of the existing resources. We believe it is a good time to look for an exit and our overall target is that the project shall generate return to our shareholders. In parallel with the sales process, we are reviewing different options with our partner on how to proceed with Krasny to get the best outcome for all parties.

Following the completed sale of the Kopylovskoye project and the proposed exit from the Krasny project, both representing short-term wins for our portfolio of assets, we added new high-quality exploration properties to increase the long-term upside. Within the Bodaibo area and in addition to our existing Northern Territories project, we acquired a new prospecting license called Verkhovya Tamaraka. The license is located close to the city of Bodaibo with its well-developed infrastructure. We are now summarizing the historic exploration data and then we will propose a new exploration program to understand the potential of the license.

In 2018, Kopy Goldfields entered an alluvial gold exploration project in the Amur region of the Russian Far East. The project combines four exploration properties with total area of 115 sq. km located in a historic gold mining area with well-developed infrastructure. During the autumn, we completed a limited revision program including some exploration drilling and sample testing to understand the scope of the project. When we entered the project we had very high expectations, but currently we are reviewing other options for the project since the exploration results do not seem to support these high expectations.

Following our 10 years in Russia, we now have a track record and long experience of running successful exploration projects. To utilize our exploration expertise, we will continue looking for new projects in the area.

The Company is well received and visible in the Russian mining industry. In 2018, we participated in several trade shows and conferences. We were invited to speak and participate in panel discussions at the Eastern Economic Forum in Vladivostok, the MINEX Far East conference in Magadan, the China Gold Congress in Beijing, and at the MINEX conference in Moscow. We were also pleased to welcome the delegation from the Ministry of natural resources of Russia to our booth to discuss our projects and to give our view on certain aspects of the industry. Just back from an intense week of meetings and presentations at the PDAC conference in Toronto, I conclude after comparing with other projects that we have a good asset in Krasny in combination with good potential in our greenfield projects. I also note that the market sentiment is optimistic as regards the coming year, which Kopy Goldfields has every reason to be excited about as well.

With kind regards,

Mikhail Damrin

## Kopy Goldfields creates value through prospecting and exploration in Lena Goldfields and the Russian Far East



### History of Kopy Goldfields

Kopy Goldfields AB (publ) (ticker: KOPY) is a public junior Swedish gold exploration company, listed on Nasdaq First North, Stockholm. The Company was established in 2007 following the acquisition of a gold deposit named Kopylovskoye. During the last 11 years, the company has acquired totally 22 licenses, whereof six have been sold and two have been returned to the Russian state. Three of the existing licenses are developed in a joint venture with the Russian gold producer GV Gold, and four licenses, located in the Amur region, are 51% owned.

Kopy Goldfields AB is the ultimate holding company and holds 100% of the Swedish subsidiaries AB Krasny Gold Fields and Kopy Development AB and 100% of the Russian subsidiaries LLC Vostochny, LLC Patom Gold, and LLC Nirungda Gold, all domiciled in Bodaibo in the Irkutsk region of Russia. The Company also holds 51% of the Russian subsidiaries LLC Enerkom, OOO Stanovoy and OOO Zolt, all domiciled in Blagoveshensk in the Amur region of Russia, and 49% of the Cyprus company Bodaibo Holding Ltd and the Russian company LLC Krasny. The subsidiary LLC Taiga was sold in December 2018, being the holder of four gold licenses.

### Business concept and targets

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 target for Kopy Goldfields is to become a near-term gold producer in cooperation with a producing partner under a joint venture agreement.

### Current projects in brief

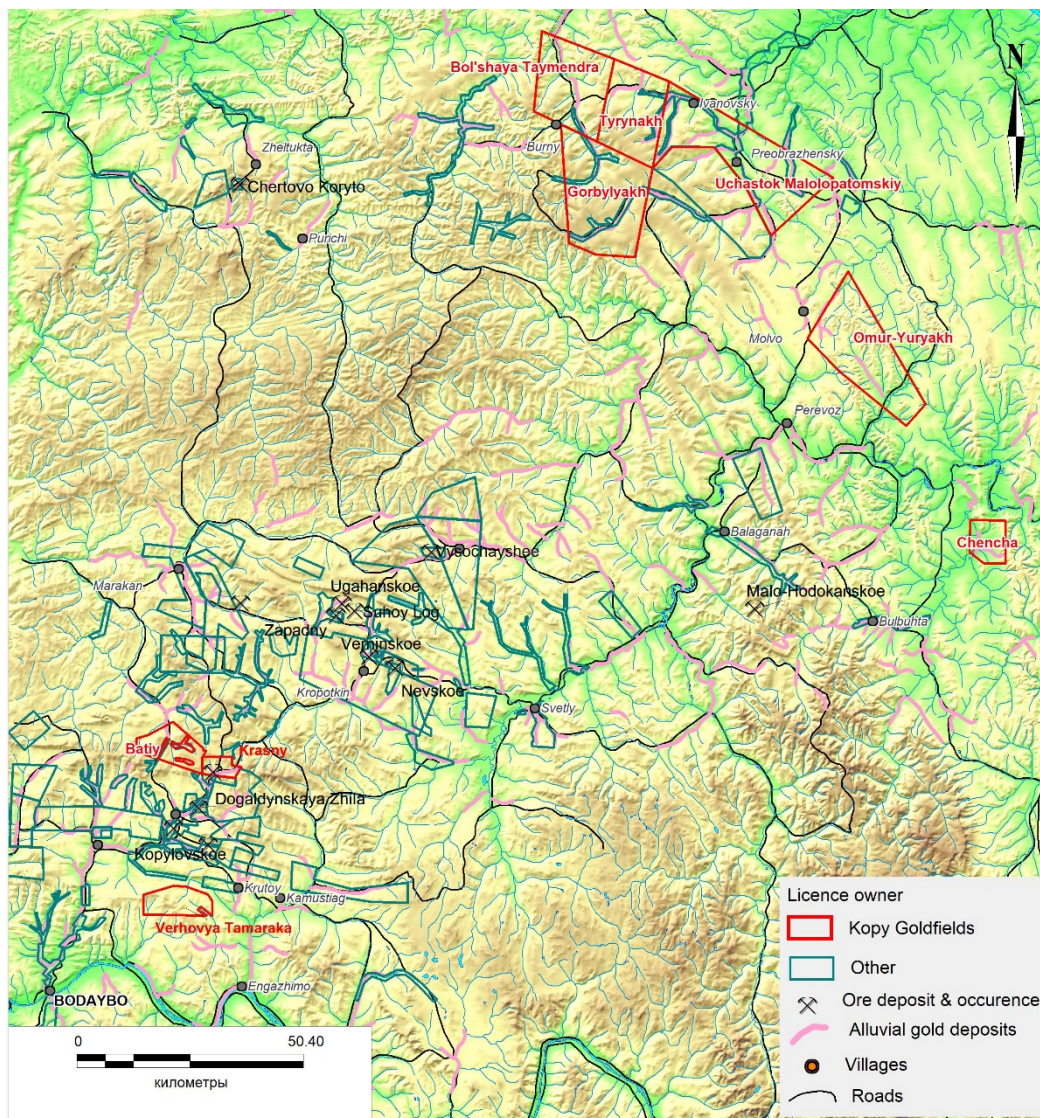
The Company has a diversified portfolio of exploration targets in different stages. All licenses have been grouped into a portfolio consisting of four projects: Krasny, the Maly Patom (former called Northern Territories), Amur and the newly acquired license Verkhovya Tamaraka. The flagship project, Krasny, consists of three licenses (Krasny bedrock, Krasny alluvial and Batiy bedrock) with a total area of 117 km<sup>2</sup>. The Maly Patom project is split into six licenses (Tyrynakh, Bolshaya Taimendra, Gorbylyakh, Omur-Yuryakh, Chench, Malo-Patomsky) with a total area of 1,852 km<sup>2</sup>. The Amur project includes four licenses (Bolshaya Kamenushka, Evtukan, Pad' Varnatskaya and Evtukan Verkhniy) with a total area of 104.4 km<sup>2</sup>. The newly acquired Verkhovya Tamaraka license, located in the Bodaibo area, stays separately from Krasny and Maly Patom, and if successful, will grow into a standalone project.

The Krasny project is located within 75 km of the area's main town Bodaibo. The infrastructure is fairly well developed with water supply, electricity and federal roads to the deposits. The six licenses, which together make up the Maly Patom project, are geographically located 200-300 km from Bodaibo and are all served by gravel and seasonal roads. The area of the Maly Patom licenses has a history of rich alluvial production. Alluvial (placer) gold mining operations are currently being developed within the Maly Patom and the Krasny license areas by external producers under separate alluvial licenses which sometimes coincide geographically with the



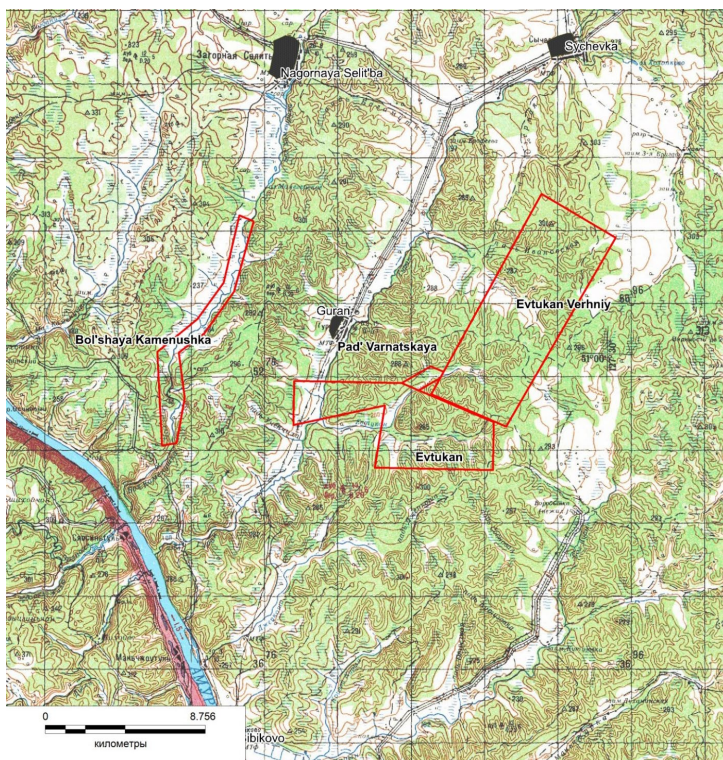
boundaries of the Maly Patom and Krasny bedrock licenses. All Russian subsidiaries closely follow the Russian environmental and safety requirements and have a good relationship with local authorities.

All Bodaibo projects are located within 100-200 km from Sukhoy Log (60 Moz), which is the largest undeveloped gold deposit in Russia. Sukhoy Log was sold at a Russian State auction in January 2017 to a joint venture between Polyus Gold, a Russian major gold producer, and Rostekh, a Russian state-owned multi-industry company. Currently, feasibility studies and an intensive exploration program are being carried out on Sukhoy Log, which includes 180,000 meters of drilling during 2018-2019, in addition to historic drilling of approximately 300,000 meters. Production start is planned for 2025 at a rate of 1.6-1.7 Moz of gold per year which will make some 2% of the worldwide annual mine gold production. Total CAPEX to take the project into production is estimated at USD 2.5 billion.



The newly acquired Amur project is located within 60 km from the regional capital Blagoveshensk and most of the project can be reached by a concrete road. Infrastructure is well developed with roads, electricity and villages around.





## Development of the projects during 2018

During 2018, the Company focused on the Krasny-project, where it became clear that the main part of project value creation through exploration is completed and it is time to realize the value of Krasny. Currently different options to exit the project are being evaluated. During the last six months of 2018, a lot of work was done on the sale of the Kopylovskoye project, which was finally closed in December 2018. With the planned exits from the Krasny and Kopylovskoye projects, more effort was put into the search for new exploration opportunities, resulting in a new alluvial exploration project in the Amur region of Russia being initiated on an earn-in basis and an acquisition of the Verkhovya Tamaraka license, located in the Bodaibo area.

## The Krasny project

Krasny is Kopy Goldfields' most advanced gold project to date. In the summer of 2014, Kopy Goldfields entered a joint venture agreement with the Russian gold producer GV Gold on the Krasny project. Under the agreement, GV Gold earned a 51% interest in the Krasny Project by paying Kopy Goldfields USD 3 million in cash and investing USD 6 million in exploration. During 2016 to 2018, another USD 6 million for further development of the project was invested by GV Gold and Kopy Goldfields. Cumulative joint investments in the Krasny project totaled USD 20.1 million by the end of 2018.

In May 2018, field exploration activities on Krasny were put on hold and an update of resource estimation in accordance with JORC was issued in early June 2018. The report was developed by Micon International, which made the JORC resource estimation for Krasny in 2016 and 2017 as well. The report is based on the exploration data acquired through March 2018. The new estimation of 1,832 koz of Indicated and Inferred gold resources for the Krasny project shows a 32% increase since last year which reflects successful exploration activities during 2017 and early 2018. The resource estimation includes both "Krasny" and "Vostochny" (previously "Krasny North"). For the Krasny deposit, the resource estimation shows 291 koz of Indicated mineral resources (mineral resources of 7,539,000 tons at an average grade of 1.20 g/t Au) and 1,202 koz of Inferred mineral resources (18,515,000 tons at an average grade of 2.02 g/t Au). The Vostochny mineralization shows a total of 339 koz of Inferred mineral resources (6,689,000 tons at an average grade of 1.57 g/t Au). All resources are reported within economically minable open pits. The report also includes 257 koz of Probable gold reserves.

During Q1 2018, a new mineral processing test for the Vostochny gold mineralization was completed. The processing test was done by TOMS Engineering, a company from Irkutsk, Russia. The test's target was to evaluate the possibility of processing the gold ores from the Vostochny mineralization using the flow chart previously proposed for the Krasny gold ores. The test confirmed that the ore from the Vostochny

mineralization may be processed using the processing flow chart proposed for the Krasny ore with 90.19% total gold recovery. The report confirmed that the gold ore from Vostochny may be mixed in any proportions with the ore from the Krasny deposit with no loss of gold recovery. It was proven that Vostochny is a similar type of gold mineralization as Krasny and may be viewed as a satellite deposit of Krasny which means that they may be developed together, sharing the same infrastructure and one central processing plant.

Since February 2018, Kopy Goldfields is no longer the operator of the exploration program on the Krasny project, since this role has now been handed over to our joint venture partner. Exploration activities on Krasny during 2018 included 11,638 meters of core drilling, primarily within the Krasny and Vostochny structures and within the Batiy license area. Water flow tests, engineering studies, a geochemical survey, as well as new processing tests for Vostochny were also completed.

In the spring 2018, Kopy Goldfields took a decision to evaluate the exit opportunities for the Krasny project. In June 2018, Kopy Goldfields AB and GV Gold agreed to review various options how to develop the project going forward, including divestment of 100% of Krasny. During the summer 2018, Kopy Goldfields and GV Gold agreed to invest totally MUS\$ 2.3 into the Krasny project for sales activities, the 2018 exploration and other value adding activities. GV Gold has already paid its part, while Kopy Goldfields, after the finalization of the 2018 share issue, paid KUS\$ 559 in November 2018 and KUS\$ 553 is due for payment in July 2019.

#### **The Maly Patom (former called Northern Territories) project**

The total area of the Maly Patom project is 1,852 km<sup>2</sup> (182,500 ha) and it is split into six properties. Geographically, the project is northeast of the Bodaibo area, approximately 250 km from Bodaibo. The area has high potential for elephant gold discoveries and it is known for a long history of successful alluvial mining. Within Kopy Goldfields' bedrock licenses there are still a lot of active alluvial mines. The geology and age of rock in the area is similar to that of Sukhoy Log, with stratigraphy, lithology and structural settings favorable for primary gold mineralization. There have been numerous reports from the area of secondary gold halo, zone and points of gold mineralization, as well as many grab samples with gold. No serious and consistent bedrock gold exploration, however, has been conducted in the area to date.

In 2016, the total license area of 1,852 sq. km was covered by a stream sediment survey with a density of 5-6 samples per square km. In total, 5,380 samples were collected, and all samples were analyzed both for gold and 24 other chemical elements. The collected geochemical data was then used to develop geochemical maps of gold and multiplicative anomalies for every license area. These anomalies, the result of 2016 exploration activities, were compared with historic exploration data existing before 2016. Based on the work done, 23 prospective clusters for more detailed exploration were identified.

In 2017, the Stage 2 exploration program was carried out, consisting of a soil geochemical survey using a 200\*50 meters grid, together with geological mapping within the seven most promising gold anomalies in a total area of 122 sq. km. Totally, 12,896 soil samples were collected and analyzed for 32 chemical elements plus gold. The results confirm the expectations of the Maly Patom 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 sq. km. All three anomalies, called Mezhdurechnaya, Sekushaya and Polovinka, correspond to the exploration parameters and target gold deposits of +1 Moz. They 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.

Kopy Goldfields is currently in discussion with several global mining companies over options to develop further exploration on the Maly Patom in partnership.

#### **The Kopylovskoye project**

Kopylovskoye project was finally sold in December 2018 following a challenging legal process in Russia. In the first run on July 13, 2018, a legally binding agreement for the sale of 100% of LLC Taiga was executed with a group of Russian private investors. LLC Taiga was a 100% subsidiary of Kopy Goldfields AB, holding the four bedrock gold exploration and production licenses Kopylovskoye, Vostochnaya Ploshad, Pravovesenny and Takhtykan, of which the Kopylovskoye deposit has reported 7.4 tons of C1+C2 bedrock gold reserves. However, this initial buyer failed to pay the first payment as agreed, which triggered Kopy Goldfields to use the option mechanism to restore control over the subsidiary. In November 2018, Kopy Goldfields retuned ownership over 100% of LLC Taiga.

In the second run in December 2018, a new sales agreement was signed with a new group of Russian investors and Kopy Goldfields sold LLC Taiga for USD 6 million cash. The total sales price will be paid in several installments until the end of 2021. The first payment of RUB 8 million was duly received in December 2018. If all payments are accelerated and completed by December 31, 2020, the total price is reduced to USD 5 million.

The new owner of Kopylovskoye is enthusiastic over the project and currently prepares for 2019 full speed development season.

### The Amur project

In October 2018, the acquisition of several new licenses in the Amur region of Russia was completed when joint venture agreements in relation to the Russian companies LLC Stanovoy, LLC Zolt and LLC Enerkom were executed by a Russian notary. Each of the subsidiaries is a holder of prospecting license for alluvial gold. The Amur project includes four alluvial exploration properties covering 104 sq. km, valid for five years. All licenses are located within 60 km from Blagoveshensk, the capital of Amur region, in a historic gold mining area with well-developed infrastructure.

Kopy Goldfields will pay no acquisition price for the licenses, but instead earn into the project based on the investments made in exploration activities. Partners in the project are well established local entrepreneurs. As a first step, Kopy Goldfields has received 51% controlling interest in the project against future investments into explorations with an option to increase to 75%.

A limited revision program including some exploration drilling and sample testing, was completed in 2018 in order to verify historic data and confirm exploration upside. Based on the results, a further decision on how to proceed with Amur explorations will follow.



## July – December 2018 and full year 2018

(Numbers in brackets refer to the same period last year)

The Company has not started production and does therefore not report any net revenue.

During the last six months, the Company invested MSEK 1.6 (2.2) in exploration work, of which MSEK 0 (1.1) consisted of work performed by the company for its own use and capitalized. For the full year 2018, the Company invested MSEK 2.5 (2.3) in exploration work, of which MSEK 0 (2.2) consisted of work performed by the company for its own use and capitalized. Five licenses were acquired at a total amount of KSEK 25 (no acquisitions last year).

Since 2014, the Company is part of a Joint Venture agreement with the Russian gold producer GV Gold regarding the Krasny project. As per December 31, 2018, investments in joint ventures amount to MSEK 96.7 (92.3) on the Balance Sheet and the Profit and Loss statement shows results from Joint Ventures of MSEK -4.9 (-1.5) for the last six months and MSEK -7.5 (-4.3) for the full year 2018, the difference between the years mainly explained by exchange rate differences. During the summer 2018, Kopy Goldfields and GV Gold agreed to invest MUS\$ 2.3 into the Krasny project. The capital contribution was split pro-rata 51/49 by GV Gold and Kopy Goldfields and paid in two tranches. Kopy Goldfields' first installment, which amounted to KUSD 559, corresponding to MSEK 5.1, was paid on November 30, 2018 and is shown in the Cash Flow from investing activities. The second part, amounting to KUSD 553 for Kopy Goldfields, is due for payment in July 2019. GV Gold have already paid both their installments and until July 2019, GV Gold has issued a loan to the Joint Venture company corresponding to Kopy Goldfields' second part.

In December 2018, Kopy Goldfields sold the fully owned subsidiary LLC Taiga, which is the holder of the four bedrock gold exploration and production licenses Kopylovskoye, Vostochnaya Ploshad, Pravovesenny and Takhtykan. The total sales price amounts to MUS\$ 6, corresponding to MSEK 54.3, whereof MRUB 8, corresponding to MSEK 1.1, was duly received in December 2018 and is shown in the Cash Flow from investing activities. The remaining sales amount will be paid in several installments until the end of 2021. If all payments are accelerated and completed by December 31, 2020, the total price is reduced to MUS\$ 5.

As per December 31, 2018, the sales amount of MUS\$ 5 has been discounted and recorded in the profit and loss. The receivable as per December 31, 2018, net after transaction costs, amounts to MSEK 32.2. In accordance with IFRS 10, historical exchange differences of MSEK 33.1, referable to the Kopylovskoye-project have been recorded as a cost in the profit and loss, which leads to the Group showing an accounting loss of MSEK 20.3 from sale of subsidiaries.

Operating expenses for the six months' period amounted to MSEK 31.9 (12.0), and MSEK 41.3 (21.6) for the full year, including results from joint ventures and results from sale of subsidiaries. The operating expenses further include MSEK 3.0 (3.1) of personnel costs for the last six months and MSEK 6.5 (6.6) for the full year.

Net tax for the six months' period amounted to MSEK -0.2 (3.1) and for the full year MSEK -0.2 (3.1), last year explained by changes in deferred tax liability as a result of the divestment of OOO Kopylovskoye. The company does not record any deferred tax assets related to tax loss carry forwards.

Net profit for the last six months, attributable to equity holders of the parent, amounted to MSEK -34.6 (-5.7), which equals SEK -0.40 (-0.07) per share. The profit for the year, attributable to equity holder of the parent, amounted to MSEK -43.8 (-13.9), which equals SEK -0.52 (-0.17) per share. Total comprehensive income for the last six months, amounted to MSEK -0.9 (-2.6) and for the full year MSEK -5.1 (-11.9), reflecting the historical exchange differences from the Kopylovskoye-project being reclassified from other comprehensive income to profit and loss.

In March and May 2018, the Company received a loan of totally MSEK 15 from Scandinavian Credit Fund I AB. This is reflected in the 2018 Cash Flow from financing activities.

A share issue was done in 2018 which provided the Company with MSEK 21.6 net after issue costs. The cash flow effect is shown in cash flow from financing activities for 2018.

Cash and cash equivalents amounted to MSEK 20.1 (5.9) at the end of the period.

Equity attributable to equity holders of the parent amounted to MSEK 126.5 (109.9) at the end of the period which equals SEK 1.22 (1.35) per share.

Equity asset ratio was 78.2% (85.7) at the end of the period.

The average number of employees during the period was 9 (7). 5 (5) persons were permanent employees and 4 (2) person was a temporary employee involved in seasonal exploration work. Number of employees at period end was 8 (7).

## Going concern

Gold exploration is a capital-intensive activity and as noted above the Company does not yet have any revenues. It is the opinion of the Board that the operating capital is sufficient to cover the needs of Kopy Goldfields for the twelve months of 2019. In December 2018, the Company signed an agreement to sell the fully owned subsidiary LLC Taiga at a sales price corresponding to MUS\$ 6. The payment will be done in several tranches until December 31, 2021, with the main part paid by the end of the period. If the total price is paid before December 31, 2020, the total sales price is reduced to an amount corresponding to MUS\$ 5. After several years of exploration on Krasny, the Company is now evaluating the options to exit the project. Depending on the timing of this process, it cannot be excluded that further capitalizations will be needed to finance the Company's operations and to maintain the 49% stake in the Krasny project until it has been divested. The Board believes that this financing primarily should be done via new share issues possibly supplemented by bridge financing. Given the estimated values of the Company's assets, it is the Board's assessment that the Company can continue a going concern.

## Significant events after the reporting period

In March 2019, the two existing long-term loans of MSEK 15 each were renegotiated and extended. The loans are granted by Scandinavian Credit Fund I AB and were originally due for repayment on July 7, 2019 and March 3, 2020. The loans were merged into one loan of MSEK 30, and the new repayment date is set to March 4, 2021. The loan bears an annual interest rate of 11.75 percent and no arrangement fees.

## The Parent Company

Total assets at period end amounted to MSEK 140.1 (125.9). Cash and cash equivalents amounted to MSEK 19.9 (5.5). Net income for the year amounted to MSEK -21.8 (-13.3).

## Risks and uncertainties

A detailed description of the Company's risks is included in the 2017 annual report of Kopy Goldfields. The risks include, among others, geological risks, risks related to the deposits, supplier and contractor delivery risk, impairment test risks, financing risks, gold price risks, currency exchange risk and political risks. Since 2014, the EU and USA have implemented sanctions towards Russia. The Company is not directly affected by the sanctions as per today but does continuously monitor the development.

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

Stockholm March 21, 2019  
Kopy Goldfields AB (publ)

The Board of Directors

## Upcoming financial reporting

The next financial reporting will be the half year report for January – June 2019, published on August 29, 2019.

## Annual Report

The Annual Report 2018 will be published on the Company's homepage [www.kopygoldfields.com](http://www.kopygoldfields.com) in the beginning of May 2019.

## Annual General Meeting

The Annual General Meeting for Kopy Goldfields AB will be held on Wednesday, May 29, 2019 at 10 am at the Company's head office on Skeppargatan 27, 4th floor in Stockholm.

## For more information, please contact:

Mikhail Damrin, CEO, +7 916 808 1217

Tim Carlsson, CFO, +46 70 231 87 01

## Address:

Kopy Goldfields AB (publ) (CIN 556723-6335)

Skeppargatan 27, 4th floor, 114 52 Stockholm, SWEDEN

Tel: +46 702 31 87 01

[www.kopygoldfields.com](http://www.kopygoldfields.com)

Ticker code: KOPY (Nasdaq First North)

Number of shares 103,825,869

## Publication under Swedish law

This information is information that Kopy Goldfields AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8:45 CET on March 21, 2019.

Kopy Goldfields is since June 3, 2011, applying the internationally accepted JORC code to verify the mineral resources and ore reserves. Micon International Co Limited act as consultants and will approve the mineral resources according to the JORC Code. Kopy Goldfields AB applies International Financial Reporting Standards (IFRS), as approved by the European Union. Hagberg & Aneborn Fondkommission acts as Certified Adviser, contact number: +46 8 408 933 50, e-mail: [info@hagberganeborn.se](mailto:info@hagberganeborn.se).

This year-end report and additional information is available on [www.kopygoldfields.com](http://www.kopygoldfields.com)

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This report is an in-house translation of the original in Swedish

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## Condensed Consolidated Income Statement

KSEK	Note	Jul – Dec		Jan – Dec	
		2018	2017	2018	2017
Net turnover		0	0	0	0
Other revenue		165	1 760	796	3 093
<b>Total revenue</b>		<b>165</b>	<b>1 760</b>	<b>796</b>	<b>3 093</b>
Work performed by the company for its own use and capitalized		-874	2 231	0	2 300
Other external costs		-3 342	-5 766	-6 763	-9 014
Personnel costs		-3 003	-3 082	-6 491	-6 619
Result from Joint Ventures		-4 922	-1 477	-7 453	-4 307
Result from sale of subsidiary	5	-20 394	-1 699	-20 394	-1 699
Depreciation and write-downs of intangible and fixed assets		-206	-3	-209	-6
<b>Total operating expenses</b>		<b>-31 867</b>	<b>-12 027</b>	<b>-41 310</b>	<b>-21 645</b>
<b>Operating result</b>		<b>-32 576</b>	<b>-8 036</b>	<b>-40 514</b>	<b>-16 252</b>
Financial items		-1 912	-725	-3 247	-754
<b>Result after financial items</b>		<b>-34 488</b>	<b>-8 761</b>	<b>-43 761</b>	<b>-17 006</b>
Tax		-228	3 101	-249	3 058
<b>NET INCOME FOR THE PERIOD</b>		<b>-34 716</b>	<b>-5 660</b>	<b>-44 010</b>	<b>-13 948</b>
<i>Attributable to:</i>					
Equity holders of the parent		-34 550	-5 660	-43 844	-13 948
Non-controlling interests		-166	-	-166	-
		<b>-34 716</b>	<b>-5 660</b>	<b>-44 010</b>	<b>-13 948</b>
<b>Earnings per share attributable to the equity holders of the parent, before and after dilution*</b>		<b>-0,40</b>	<b>-0,07</b>	<b>-0,52</b>	<b>-0,17</b>
<i>Average number of shares before and after dilution*</i>		85 809 502	81 577 469	83 710 877	81 577 469
<i>Number of shares at the end of the period*</i>		103 825 869	81 577 469	103 825 869	81 577 469

\*Earnings per share before and after dilution and Average number of shares before and after dilution, as well as Number of shares at the end of the period has been recalculated to reflect the rights issues in 2016 and 2018.

## Consolidated Statement of Comprehensive Income

KSEK	Jul – Dec		Jan – Dec	
	2018	2017	2018	2017
Net income for the period	-34 716	-5 660	-44 010	-13 948
<i>Items that may be reclassified subsequently to profit or loss</i>				
Translation differences on foreign operations	33 858	3 065	38 851	2 035
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-858</b>	<b>-2 595</b>	<b>-5 159</b>	<b>-11 913</b>



## Condensed Consolidated Balance Sheet

KSEK	Note	Dec 31 2018	Dec 31 2017	Jun 30 2018	Jun 30 2017
<b>ASSETS</b>					
<i>Non-current assets</i>					
<i>Intangible fixed assets</i>					
Exploration licenses and evaluation work		10 547	27 323	9 920	25 105
<i>Tangible fixed assets</i>					
Buildings and Machinery and equipment		982	1 430	1 185	1 490
<i>Financial fixed assets</i>					
Joint Ventures		96 708	92 283	94 908	83 858
Deferred tax assets		44	56	35	-
Other non-current financial assets	5	32 221	-	-	-
<b>Total non-current assets</b>		<b>140 502</b>	<b>121 092</b>	<b>106 048</b>	<b>110 453</b>
<i>Current assets</i>					
Inventory		11	14	13	69
Receivables		1 140	1 280	1 396	1 531
Cash & cash equivalents		20 078	5 871	13 839	5 786
<b>Total current assets</b>		<b>21 229</b>	<b>7 165</b>	<b>15 248</b>	<b>7 386</b>
Assets held for sale		-	-	18 304	-
<b>TOTAL ASSETS</b>		<b>161 731</b>	<b>128 257</b>	<b>139 600</b>	<b>117 839</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>	6	<b>126 371</b>	<b>109 883</b>	<b>105 672</b>	<b>112 478</b>
<b>Total non-current liabilities</b>		<b>15 576</b>	<b>15 000</b>	<b>30 000</b>	<b>3 142</b>
<b>Total current liabilities</b>		<b>19 784</b>	<b>3 374</b>	<b>3 919</b>	<b>2 219</b>
Liabilities directly associated with the assets held for sale		-	-	9	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>161 731</b>	<b>128 257</b>	<b>139 600</b>	<b>117 839</b>

## Condensed Consolidated Cash Flow Statement

KSEK	Note	Jul – Dec		Jan – Dec	
		2018	2017	2018	2017
Cash flow from operating activities		-9 951	-3 890	-15 831	-9 101
Cash flow from investing activities		-5 349	-11 022	-6 553	-11 122
Cash flow from financing activities		21 558	15 000	36 607	15 397
Cash flow for the period		6 258	88	14 223	-4 826
Cash at the beginning of the period		13 839	5 786	5 871	10 708
Exchange differences on cash		-19	-3	-16	-11
Cash at the end of the period		20 078	5 871	20 078	5 871

## Condensed Consolidated Statement of Changes in Equity

KSEK	Note	Jan – Dec	Jan – Dec
		2018	2017
Equity at the beginning of the period		109 883	121 082
Share issue		25 158	0
Issue costs		-3 601	0
Warrants		90	714
Net income for the period		-44 010	-13 948
Other comprehensive income for the period		38 851	2 035
Equity at the end of the period		126 371	109 883

## Parent Company Condensed Income Statement

KSEK	Jul – Dec		Jan – Dec	
	2018	2017	2018	2017
Revenue	1 322	1 656	3 141	3 420
Operating expenses	-4 396	-3 886	-7 478	-7 107
<b>Operating result</b>	<b>-3 074</b>	<b>-2 230</b>	<b>-4 337</b>	<b>-3 687</b>
Results from investments in subsidiaries	-12 092	-2 229	-14 914	-4 496
Financial items	-853	-5 464	-2 553	-5 719
<b>Result after financial items</b>	<b>-16 019</b>	<b>-9 923</b>	<b>-21 804</b>	<b>-13 902</b>
Appropriations	0	575	0	575
<b>Result before tax</b>	<b>-16 019</b>	<b>-9 348</b>	<b>-21 804</b>	<b>-13 327</b>
Tax	0	0	0	0
<b>NET INCOME FOR THE PERIOD</b>	<b>-16 019</b>	<b>-9 348</b>	<b>-21 804</b>	<b>-13 327</b>

## Parent Company Condensed Balance Sheet

KSEK	Note	Dec 31	Dec 31	Jun 30	Jun 30
		2018	2017	2018	2017
<b>ASSETS</b>					
<i>Non-current assets</i>					
<b>Tangible fixed assets</b>		<b>12</b>	<b>18</b>	<b>15</b>	<b>24</b>
Shares in group companies	5	83 837	119 236	119 263	119 237
Other non-current financial assets	5	32 221	-	-	-
<b>Financial fixed assets</b>		<b>116 070</b>	<b>119 254</b>	<b>119 263</b>	<b>119 237</b>
<i>Current assets</i>					
Receivables		6 087	1 157	3 530	2 808
Cash & cash equivalents		19 938	5 455	13 002	5 598
<b>Total current assets</b>		<b>26 025</b>	<b>6 612</b>	<b>16 532</b>	<b>8 406</b>
<b>TOTAL ASSETS</b>		<b>142 095</b>	<b>125 866</b>	<b>135 810</b>	<b>127 664</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>	6	<b>107 724</b>	<b>108 014</b>	<b>102 257</b>	<b>117 403</b>
<b>Non-current liabilities</b>		<b>15 000</b>	<b>15 000</b>	<b>30 000</b>	<b>0</b>
<b>Current liabilities</b>		<b>19 371</b>	<b>2 852</b>	<b>3 553</b>	<b>10 261</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>142 095</b>	<b>125 866</b>	<b>135 810</b>	<b>127 664</b>

## Notes

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

Kopy Goldfields AB (publ), corporate identity number 556723-6335, with registered office in Stockholm, Sweden, is a public company listed on Nasdaq First North, Stockholm under the ticker code "KOPY". The Company's and its subsidiaries' operations are described in the "Kopy Goldfields creates value through prospecting and exploration in Lena Goldfields and the Russian Far East" section in this report.

### **Note 2 Accounting principles**

The interim report for the period ended December 31, 2018 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 2017 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 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 2017 and in the way they were described in the 2017 annual report with the following additions.

In accordance with IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations, the Kopylovskoye project, which are being held for sale as from the second quarter of 2018. The balance sheet has not been restated to reflect earlier periods.

#### New IFRSs effective from 2018

A number of new or changed IFRS has entered into force during the financial year 2018.

IFRS 9 Financial Instruments, effective from January 1, 2018, replaces IAS 39 Financial Instruments: Recognition and Measurement, and addresses the classification and measurement of financial assets and liabilities, impairment and hedge accounting. Regarding classification and measurement, IFRS 9 requires that all financial instruments be evaluated based on a combination of the entity's business model for managing the asset and liability and the cash flow characteristics of the instrument. The classification and measurements categories in IAS 39 have been replaced by the following categories: Fair value through profit and loss, Fair value through other comprehensive income, and Amortized cost. The standard introduces a new model for impairment of financial assets in stages, based on expected losses, and not as previously, impairment when an event had occurred.

Regarding the new classification and measurement categories, Kopy Goldfields has concluded that these have not resulted in any significant impact on the financial statements of the Group. The majority of the Group's financial assets and liabilities are cash and cash equivalents, trade payables and loans, which continue to be measured at amortized cost since the purpose is to honor the contractual agreements. The Company has no trade receivables and consequently, the new impairment model has no effect on the financial statements. The standard contains changed disclosure requirements and will impact the entity's disclosures in the future.

IFRS 15 Revenue from Contracts with Customers – a new standard for revenue recognition from customer contracts with new disclosure requirements that replaces IAS 18, IAS 11 and IFRIC 13. The standard, effective from January 1, 2018, regulates commercial agreements (contracts) with customers in which delivery of goods/services is divided into separately identifiable performance obligations that are recognized independently. The transition to IFRS 15 has not had any impact on Kopy Goldfields' revenue recognition. The Company has chosen to adopt IFRS 15 according to the modified retrospective approach, which means that no restatement of previous periods has been carried out according to the new standard. IFRS 15 contains changed disclosure requirements and will impact the entity's disclosures going forward.

#### New IFRSs effective from 2019

IFRS 16 Leases. The standard establishes changes in recognition of leases and requires all leases to be recognized in the balance sheet. The company has operating leases for offices premises which will affect financial position and key ratios at transition. The company has chosen to apply transition rules for this standard according to the simplified method with the cumulative effect of initial application of the standard on the initial application date, January 1, 2019. Comparative information will therefore not be recalculated and will continue to be reported in accordance with IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. The company has chosen to exclude leases where the underlying asset is of low



value. Leasing costs for former operating leases will be replaced in 2019 with depreciation of right-of-use assets and financial interest expenses on leasing liabilities. Right-of-use assets will be measured at an amount equal to the leasing liabilities on the transition date. Based on existing leases at January 1, 2019, the Group's leasing liabilities and right-of-use assets are expected to increase the balance sheet total by 0.3 percent, with no impact on equity.

Other new and amended IFRSs with future adoption are not expected to have any impact on the company's financial statements.

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 2017 annual report.

### **Note 3 Segment reporting**

The Company applies IFRS 8 for segment reporting. All of the exploration activity within Kopy Goldfields 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**

Except for what is said in Note 6, there have been no significant changes in the relationships or transactions with related parties for the Group or Parent Company compared with the information given in the 2017 annual report.

### **Note 5 Result from sale of subsidiary**

On June 28, 2018, the Company publicly announced that negotiations of selling the Kopylovskoye project were held with external investors and that the transaction was close to completion. A legally binding agreement for the sale of 100% of LLC Taiga was executed in December 2018 by a notary in Moscow. LLC Taiga was a 100% owned subsidiary of Kopy Goldfields AB, holding the four bedrock gold exploration and production licenses Kopylovskoye, Vostochnaya Ploshad, Pravovesenny and Takhtykan.

The buyer represents a group of Russian private investors. The total sales price is equal to MUSD 6, corresponding to MSEK 54.3, whereof MRUB 8, corresponding to MSEK 1.1, was paid in December 2018. The remaining part will be paid in several trenches until December 31, 2021. However, if the payments are accelerated and finalized on December 31, 2020, the sale price will be discounted by MUSD 1 and total MUSD 5.

As per December 31, 2018, the sales amount of MUSD 5, corresponding to MSEK 45.2, has been discounted and recorded in the profit and loss. The receivable as per December 31, 2018, net after transaction costs, amounts to SEK 32.2 million. In accordance with IFRS 10, historical exchange differences of MSEK 33.1, referable to the Kopylovskoye-project have been recorded as a cost in the profit and loss, which leads to the Group showing an accounting loss of SEK 20.4 million from sale of subsidiaries.

### **Note 6 Warrants**

The Annual General Meeting 2018 approved two long-term incentive programs 2018/2021; one for management and one for the Board of Directors. Under the programs, a total of 1,700,000 warrants can be issued. Each warrant entitles the holder to subscribe for one (1) share in the Company, which means that the share capital can be increased by SEK 646,376 at maximum. The exercise date is December 31, 2021 and strike price is SEK 1.70. As per December 31, 2018, the number of warrants issued amount to 1,700,000.

### **Note 7 Pledged assets and contingent liabilities**

	Group		Parent	
	Dec 31	Dec 31	Dec 31	Dec 31
KSEK	2018	2017	2018	2017
Floating charges to credit institutions	96 708	92 283	84 153	76 735