

## KOPY GOLDFIELDS AB (publ) Year End Report January – December 2019

### Financial information July – December and full year 2019

- The Company does not report any revenue
- Income from sale of the Kopylovskoye project MSEK 3.4 (-20.4), full year MSEK 6.4 (-20.4)
- Net income MSEK -3.1 (-34.7), full year -3.7 (-44.0)
- Total comprehensive income MSEK -9.3 (-0.9), full year -6.4 (-5.2)
- Earnings per share before and after dilution SEK -0.03 (-0.40), full year -0.04 (-0.52)
- Total cash flow of MSEK -5,0 (6.3), full year -13,8 (14.2)
- Investments in exploration work and licenses MSEK 6.0 (1.6), full year 6.0 (2.5)
- Investments into joint ventures MSEK 5.7 (5.1), full year 5.7 (5.1)
- Cash and cash equivalents amounted to MSEK 6.3 (20.1) at period end
- The Board of Directors proposes that no dividend is paid

| Key ratios   | Jul – Dec |       | Jan – Dec |       |
|--|-----------|-------|-----------|-------|
|  | 2019      | 2018  | 2019      | 2018  |
| Investments in exploration work and licenses, MSEK | 6.0       | 1.6   | 6.0       | 2.5   |
| Investments into joint ventures, MSEK              | 5.7       | 5.1   | 5.7       | 5.1   |
| Cash & cash equivalents at end of period, MSEK     | 6.3       | 20.1  | 6.3       | 20.1  |
| Net income for the period, MSEK                    | -3.1      | -34.7 | -3.7      | -44.0 |
| Total comprehensive income for the period, MSEK    | -9.3      | -0.9  | -6.4      | -5.2  |
| Earnings per share before and after dilution, SEK  | -0.03     | -0.40 | -0.04     | -0.52 |
| Equity per share, SEK                              | 1.16      | 1.22  | 1.16      | 1.22  |
| Equity asset ratio, %                              | 71.2      | 78.1  | 71.2      | 78.1  |

### Significant events during July – December and full year 2019

#### The first drilling program ever on the Maly Patom project was carried out during the autumn 2019

- A total of 2,505 meters of core holes were drilled, and 2,338 meters of trenches were developed and sampled within three previously identified gold anomalies. In addition, a geophysical survey of 38 sq. km was done.
- Several intervals with anomalous gold content were intersected, but no commercial gold mineralization was identified.
- Multiple sulfide mineralizations were identified, confirming strong exploration potential of the area. The results confirm that the long-term target of making one or several +1 Moz discoveries within the Maly Patom licenses is achievable.

#### New loan was received, and existing long-term loans were renegotiated and extended

- As per year end 2018, the Company held two 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 accumulated interest of SEK 2.8 million was paid.
- In September 2019, a new loan of SEK 15 million was received from Scandinavian Credit Fund and all outstanding loans were merged into one loan of SEK 45 million. Accumulated interest of SEK 1.9 million was paid.
- New repayment date is set to September 13, 2022 and the loan bears an annual interest rate of 11.75 percent that is capitalized each quarter and due for payment on the maturity date, which means that there are no interest payments planned until the loan is finally repaid.

#### The Company paid a contribution to the Krasny JV to maintain it's 49% stake in the Krasny project

- During the summer 2018, Kopy Goldfields and GV Gold agreed to invest totally USD 2.3 million into the Krasny project. GV Gold paid its part in full during 2018, while Kopy Goldfields paid USD 559 thousand

in November 2018 and the rest, amounting to USD 599 thousand including accumulated interest, was paid in July 2019.

#### **In June 2019, a new scoping study for the Krasny project was published**

- The Scoping study was developed by AMC Consultants Pty Ltd from Perth, Australia, which has a strong expertise for Lena Goldfields area by working for Poluys Gold's local projects. The scoping study was based on the most recent gold resource estimation in accordance with the JORC from 2018.
- The study provides several production scenarios for developing the Krasny project, all with positive NPV.
- The recommended production option for Kopy Goldfields, providing the highest internal rate of return (IRR), uses an annual 1-million-ton plant throughput rate and a combined open pit and underground mine at the Krasny deposit in combination with an open pit mine at the Vostochny mineralization.
- The recommended option returns a pre-tax NPV of USD 90 to 104 million at 6% discount rate and pre-tax IRR of 20% to 26%, using a gold price of 1,300 USD/oz.

#### **In April 2019, a new exploration property was added to the Maly Patom project**

- The new exploration license, called Polovinka, is bordering the Gorbylyakh license area, which is part of the Maly Patom exploration project.
- The new property covers an area of 88 sq. km and provides the right for bedrock gold prospecting and exploration for seven years.
- The license was issued by the Russian State Federal authorities on a "first come, first served" basis with no upfront payment. If gold is discovered within the license area, Kopy Goldfields is entitled to a priority production permit for the area.
- The license is 100% controlled via the fully owned Russian subsidiary LLC Patom Gold.

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

During March 2020 there was an accelerated spread of the Covid-19 virus. The effects of the virus are deemed not to give any direct impact on the profit and loss statement during 2020, but may have macro-economic effects, such as change in gold price and exchange rates, which will give an indirect impact.

## Comments from the CEO

Dear shareholders,

During 2019, most of our discussions and financial planning were focused on the Krasny project, while most of the actual exploration value creation activities took place at the Maly Patom project.

As we have reported, our primary strategy for Krasny is to make an exit. The 2019 and early 2020 market conditions with strong gold price, significant depletion of gold reserves by major gold producers during the last years, and a notable return of interest for exploration projects appeared to favor our approach. However, the current reactions on the stock market as a consequence of the COVID-19 virus and emergency actions taken by most countries worldwide, might lead to a change in our approach short term. We are closely monitoring the market development. On the positive side, the current depreciation of the Russian ruble (since the start of 2020 the Ruble has fallen by 29% against USD), in combination with record low oil and strong gold prices, are very favorable for the Russian gold mining industry and significantly improve fundamentals of our projects.

To support the Krasny sales process, we assigned AMC Consultants engineering company from Perth, Australia to do a scoping study for the project. The study is based on the most recent gold resource estimation from 2018 and it comes as the fourth report of similar studies. All the previous studies have returned positive NPV results and this 2019 scoping study was favorable as well. The scoping study suggested several production scenarios for developing the Krasny project, all with positive NPV. The recommended production option for Kopy Goldfields shows a pre-tax NPV of USD 90 to 104 million at a 6% discount rate and pre-tax IRR of 20% to 26%, using a gold price of 1,300 USD/oz. When writing these CEO-words, the gold price exceeds 1 600 USD/oz.

There are different ways to put a valuation to the Krasny project. NPV based valuation is one approach and EV/resources is another. Having approached various mining companies and investors with Krasny, we appreciate that many investors are looking for “ready to mine” gold reserves and are reluctant to take exploration risks associated with resources. We understand that it would require some further exploration before the Krasny project would be ready for mine construction and large-scale production. The worldwide market for gold mining projects above 1 Moz is however very limited and it is getting even more scarce every year. We also notice an increase in M&A activity in the Russian gold mining industry with several significant transactions reported during 2019.

We believe that Lena Goldfields is a big and exciting gold mining and exploration region and it is still on the upswing in bedrock gold production. The area hosts several producing mines and also one of the largest undeveloped gold deposits in the world, Sukhoy Log, which is currently undergoing feasibility studies. With the announced start of the 60 Moz Sukhoy Log mine in the mid-2020s, the gold production from the area will increase from today’s 0.5%, to 2% of the annual world gold production. Kopy Goldfields has a significant land position corresponding to some 20%+ of the total issued gold properties in the area. This makes us one of three major regional players.

During 2019, most of our actual exploration activities were focused on the Maly Patom area, where we believe many gold deposits will be discovered. In April 2019, we completed the acquisition of a new exploration property called “Polovinka”, which extended the Maly Patom project by 88 sq.km. During the fall 2019, Kopy Goldfields drilled the first holes ever in the area, totally 2,505 meters. Based on the activities, gold mineralizations were intersected with several intervals with anomalous gold content above 1 gr/t. Unfortunately, commercial gold mineralization was not yet identified. However, the exploration results strongly evidence the existence of bedrock gold mineralization within our license area. This is a large area with a lot of alluvial gold production. So far, we are the first to prospect for bedrock gold here. We see many targets to explore and with results we have received from our activities, it is our judgement that we are one step closer to discovering a multimillion-ounce gold deposit.

We wish all our shareholders and new investors to stay safe and strong during the current market volatilities. At the moment, we don’t know how long the effects of the COVID-19 virus will last, but the uncertainties will eventually subside, and the markets will start recovering. Gold is forever.

With kind regards,

Mikhail Damrin  
CEO

## Kopy Goldfields creates value through prospecting and exploration with focus on Lena Goldfields in Russia



### 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 12 years, the company has acquired totally 23 licenses, whereof six have been sold and two have been returned to the Russian license authorities. Three of the existing licenses, located in the Lena Goldfields area, 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 an industrial partner.

### 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, Maly Patom, Amur and the newly acquired license Verkhovya Tamaraka. The flagship project, Krasny, which is at the feasibility development stage, 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, which is in the prospecting stage, is split into seven licenses (Tyrynakh, Bolshaya Taimendra, Gorbylyakh, Omur-Yuryakh, Chenchka, Malo-Patomsky and Polovinka) with a total area of 1,940 km<sup>2</sup>. The Amur project, being in the prospecting stage, includes four licenses with a total area of 104.4 km<sup>2</sup>. The Verkhovya Tamaraka license, with an area of 83 km<sup>2</sup> and in the prospecting stage, is located in the Bodaibo area, but stays separately from Krasny and Maly Patom, and if successful, will grow into a standalone project.

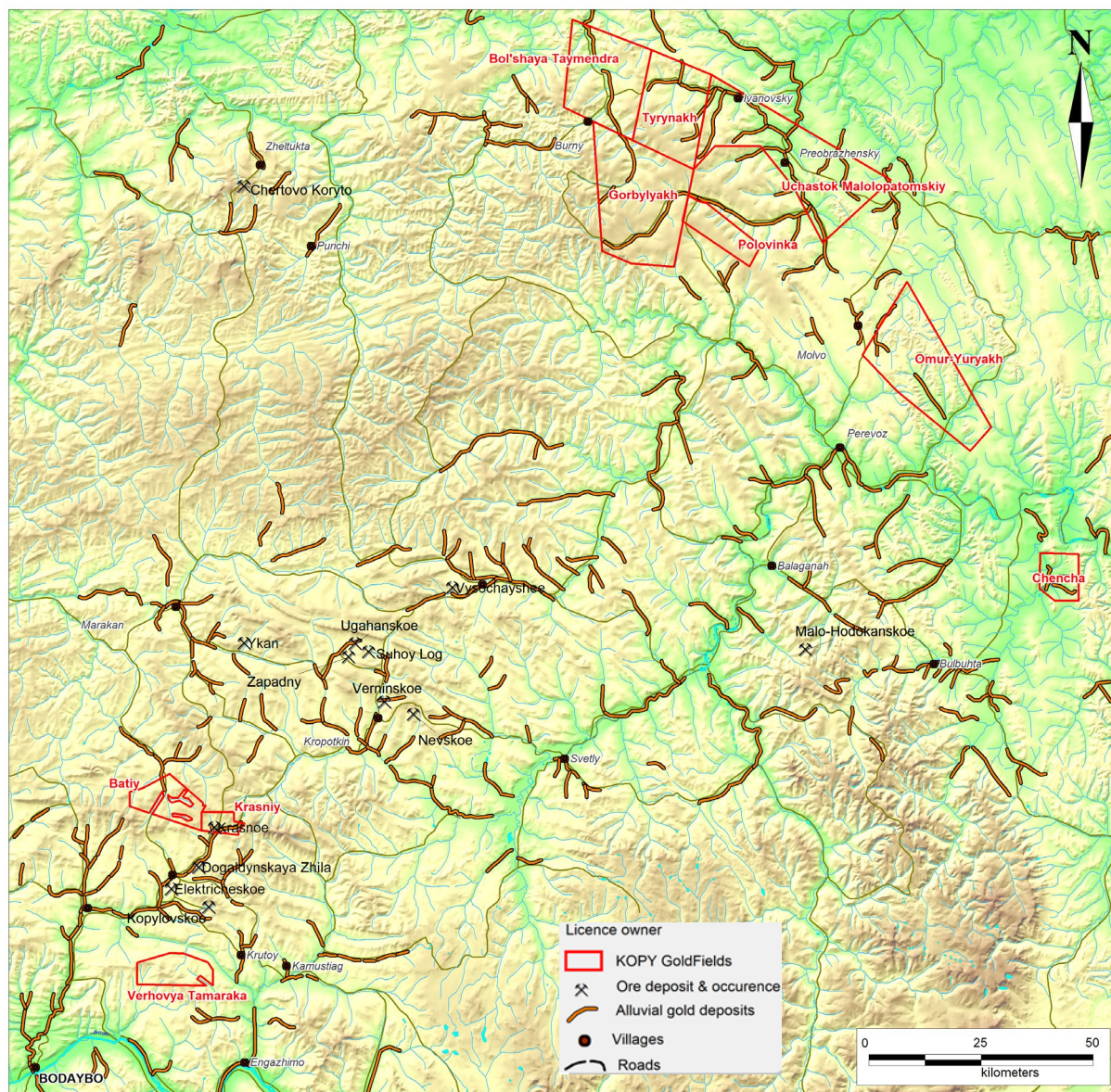
### Lena Goldfields

Most of the Company's projects are located within the Lena Goldfields which is an exciting gold mining and exploration region on a global scale. The first gold production was officially recorded in the 1840s. The area is currently producing some 0.5% of the annual global gold production with around 50% of this amount still coming from alluvial gold mining. With the announced start of the Sukhoy Log mine in the mid 2020s, the gold production from the area will increase to 2% of the global production. Kopy Goldfields currently has a land

position corresponding up to 28% of the total gold properties in the area. This makes the Company one of three major players in the area after Polyus Gold and GV Gold.

The Krasny project is located within 75 km of the area's main town Bodaibo and within 12 km of Artem community. The infrastructure is well developed with water supply, electricity and federal roads to the deposits. The seven 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, which is the largest undeveloped gold deposit in Russia, with 60 Moz of gold resources. 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 preliminary estimated at USD 2.5 billion.



The 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 2019

During 2019, the Company had two focus areas; the exploration program on Maly Patom and the Krasny-project, where different options to exit the project have been evaluated. In parallel to the planned exit from the Krasny project, more efforts were put into the search for new growth opportunities.

## The Krasny project

Krasny is Kopy Goldfields' most advanced gold project to date. In the summer of 2014, Kopy Goldfields entered into a joint venture agreement with the Russian gold producer GV Gold regarding the Krasny project. Under this 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 2019, another USD 6 million for further development of the project has been invested by GV Gold and Kopy Goldfields.

During 2019, technical activities within the Krasny project were focused on arranging infrastructure support for future mine development. After a couple of years of negotiations, the project received a proposal for electricity supply from the local national electricity land grid for 15 MW capacity which should be enough to support a production start.

In June 2019, AMC Consultants Pty Ltd from Perth, Australia, issued a scoping study for the project which provides several production scenarios for developing the Krasny project, all with positive NPV. The recommended production option for Kopy Goldfields, providing the highest internal rate of return (IRR) but not the highest NPV for the investment, shows a pre-tax NPV of USD 90 to 104 million at 6% discount rate and pre-tax IRR of 20% to 26%, using a gold price of 1,300 USD/oz. This scoping study provides both a valuation benchmark for the project and several potential mine development alternatives. The study is based on the most recent gold resource estimation from 2018.

In the middle of 2018, the field exploration activities on Krasny were put on hold and the project was prepared for a sale. Since then, discussions have been held with GV Gold regarding the different options for a sale. Although an external sale of Kopy Goldfields' part in the Krasny project is the Board's dedicated goal, being the 49% owner means that the majority partner's interest must be taken into consideration.

## The Maly Patom project

The total area of the Maly Patom project is 1,940 km<sup>2</sup> (194,000 ha) and following the acquisition of the Polovinka license area in April 2019, it is now split into seven properties. Geographically, the project is located northeast of the Bodaibo area, approximately 250 km from Bodaibo. The area has high potential for new 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. However, no serious and consistent bedrock gold exploration has been conducted in the area to date.

In 2016, the 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 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.

In April 2019, a new license area called Polovinka was added to the Maly Patom project. The new exploration license is bordering the Gorbylyakh license area, which was already a part of the Maly Patom exploration project and covers the potential extension of the previously identified soil gold anomaly also called Polovinka. The new property covers an area of 88 sq. km. The license provides the right for bedrock gold prospecting and exploration for seven years. The license was issued by the Russian State Federal authorities on a “first come, first served” basis with no upfront payment. If gold is discovered within the license area, Kopy Goldfields is entitled to a priority production permit for the area.

During September – November 2019, Kopy Goldfields conducted Stage 3 exploration activities within the Maly license area. A total of 2,505 meters of core holes were drilled, and 2,338 meters of trenches were developed and sampled within three previously identified gold anomalies, starting with the Zhelanny target and proceeding with the Alemakitskiy targets. In addition, a geophysical survey of 38 sq. km of the ground was done within the Zhelanny, Alemakitskiy and Russkaya Pech targets. Based on the activities, gold mineralizations at both the Zhelanny and Alemakitskiy areas were intersected with several intervals with anomalous gold content above 1 gr/t. Presumably, these intervals represent syngenetic concentrations of gold within carboniferous rocks, a typical formation process for gold deposits in Lena Goldfields including the famous Sukhoi Log, and also in line with our initial models. Although no commercial gold mineralization has been identified yet, the exploration results strongly evidence existence of bedrock gold mineralization within our license area and make one more step on the way to discovering a multimillion gold deposit.

#### The Kopylovskoye project

The Kopylovskoye project was sold in December 2018 at a total sales amount of USD 6 million which will be paid in several installments. Following some changes to the initial production plans and the production permitting process, the final payment date has been rescheduled to June 2022. The first payments of totally RUB 8 million was duly received in December 2018. If all remaining payments are accelerated and completed by December 31, 2020, the total price is reduced to USD 5 million. The Company closely follows the buyer’s activities to prolong the license terms and prepare for production and so far, the activities appear to be generally on track.

#### The Amur project

In October 2018, the acquisition of the Amur project was completed. 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 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. Kopy Goldfields has received 51% controlling interest in the project against future investments into explorations with an option to increase to 75%.

Kopy Goldfields has currently no plans to invest further into the project and in line with the earn-in agreement, the ownership will be reduced. As a result, the project has been impaired to 0 as per year end 2019.

## July – December 2019 and full year 2019

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

The Company does not report any net revenue during the period.

Investments in exploration works amounted to MSEK 6.0 (1.6) for the last six months, and MSEK 6.0 (2.5) for the full year. One license was acquired during the year with no upfront payment and five licenses were acquired previous year at a total amount of KSEK 25.

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, 2019, investments in joint ventures amount to MSEK 105.2 (96.7) on the Balance Sheet and the Profit and Loss statement shows results from Joint Ventures of MSEK 3.1 (-4.9) for the last six months and MSEK 7.6 (-7.5) for the full year 2019, the difference between the years mainly explained by exchange rate differences. During the summer 2018, Kopy Goldfields and GV Gold agreed to invest totally MUS\$ 2.3 into the Krasny project. GV Gold paid its part in full during 2018, while Kopy Goldfields paid KUSD 559 in November 2018 and the rest, amounting to KUSD 599 including accumulated interest, was paid in July 2019. The payments are shown in the Cash Flow from investing activities for each year.

Operating expenses for the six months' period amounted to MSEK 7.9 (31.9), and MSEK 14.6 (41.3) for the full year, the difference between the years mainly explained by the differences in results from joint ventures, this year's result being positive while last year's result was negative, and results from sale of subsidiaries during 2018. The operating expenses further include expenses for writing off the Amur project of MSEK 1.7 (0) and MSEK 3.3 (3.0) of personnel costs for the last six months and MSEK 7.0 (6.5) for the full year.

Financial items for the period amounted to MSEK 1.2 (-1.9), and for the full year MSEK 2.3 (-3.2), explained by the effect of the recalculated receivable from the Kopylovskoye sale and by interest costs referring to long term loans.

Net tax for the period amounted to MSEK 0.5 (-0.2) and for the full year MSEK 0.4 (-0.2). 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 -3.1 (-34.6), which equals SEK -0.03 (-0.40) per share. The profit for the year, attributable to equity holder of the parent, amounted to MSEK -3.7 (-43.8), which equals SEK -0.04 (-0.52) per share.

In September 2019, the Company received a loan of totally MSEK 15 from Scandinavian Credit Fund I AB. This is reflected in the 2019 Cash Flow from financing activities.

Cash and cash equivalents amounted to MSEK 6.3 (20.1) at the end of the period.

Equity amounted to MSEK 120.5 (126.5) at the end of the period which equals SEK 1.16 (1.22) per share.

Equity asset ratio was 71.2% (78.1) at the end of the period.

The average number of employees during the period was 8 (9). 5 (5) persons were permanent employees and 3 (4) persons were temporary employees involved in seasonal exploration work. Number of employees at period end was 8 (8).

## Going concern

Gold exploration is a capital-intensive activity and as noted above the Company does not yet have any revenues. 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 June 30, 2022, 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 at 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 as a going concern.

## Significant events after the reporting period

During March 2020 there was an accelerated spread of the Covid-19 virus. The effects of the virus are deemed not to give any direct impact on the profit and loss statement during 2020, but may have macro-economic effects, such as change in gold price and exchange rates, which will give an indirect impact.

## The Parent Company

Total assets at the period end amounted to MSEK 136.7 (142.1). Cash and cash equivalents amounted to MSEK 6.2 (19.9). Net income for the period amounted to MSEK -19.7 (-21.8).

## Risks and uncertainties

A detailed description of the Company's risks is included in the 2018 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, 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.

The Board of Directors and Management monitors the general development of the Covid-19 virus and its impact on the Company's business. The effects of the virus are deemed not to give any direct impact on the profit and loss statement during 2020, but may have macro-economic effects, such as change in gold price and exchange rates, which will give an indirect impact.

## Audit

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

Stockholm March 26, 2020

Kopy Goldfields AB (publ)

The Board of Directors

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## Upcoming financial reporting

The next financial reporting will be the half year report for January – June 2020, published on August 27, 2020.

## Annual Report

The Annual Report 2019 will be published on the Company's homepage [www.kopygoldfields.com](http://www.kopygoldfields.com) in the beginning of May 2020.

## Annual General Meeting

The Annual General Meeting for Kopy Goldfields AB will be held on Friday, May 29, 2020 at 10 am at the Company's head office on Skeppargatan 27, 4th floor in Stockholm.

## For more information, please contact:

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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 8:30 CET on March 26, 2020.

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      |                |
|--|------|---------------|----------------|----------------|----------------|
|  |      | 2019          | 2018           | 2019           | 2018           |
| Net turnover   |      | 0             | 0              | 0              | 0              |
| Result from Joint Ventures   |      | 3 058         | 0              | 7 618          | 0              |
| Other revenue  |      | 88            | 165            | 562            | 796            |
| <b>Total revenue</b>   |      | <b>3 146</b>  | <b>165</b>     | <b>8 180</b>   | <b>796</b>     |
| Work performed by the company for its own use and capitalized  |      | 0             | -874           | 0              | 0              |
| Other external costs   |      | -2 820        | -3 342         | -5 655         | -6 763         |
| Personnel costs  |      | -3 276        | -3 003         | -7 049         | -6 491         |
| Result from Joint Ventures   |      | 0             | -4 922         | 0              | -7 453         |
| Result from sale of subsidiary   | 5    | 0             | -20 394        | 0              | -20 394        |
| Depreciation and write-downs of intangible and fixed assets  |      | -1 798        | -206           | -1 897         | -209           |
| <b>Total operating expenses</b>  |      | <b>-7 894</b> | <b>-31 867</b> | <b>-14 601</b> | <b>-41 310</b> |
| <b>Operating result</b>  |      | <b>-4 748</b> | <b>-32 576</b> | <b>-6 421</b>  | <b>-40 514</b> |
| Financial items  | 5    | 1 164         | -1 912         | 2 307          | -3 247         |
| <b>Result after financial items</b>  |      | <b>-3 584</b> | <b>-34 488</b> | <b>-4 114</b>  | <b>-43 761</b> |
| Tax  |      | 488           | -228           | 400            | -249           |
| <b>NET INCOME FOR THE PERIOD</b>   |      | <b>-3 096</b> | <b>-34 716</b> | <b>-3 714</b>  | <b>-44 010</b> |
| <i>Attributable to:</i>  |      |               |                |                |                |
| Equity holders of the parent   |      | -3 084        | -34 551        | -3 707         | -43 845        |
| Non-controlling interests  |      | -12           | -166           | -7             | -166           |
|  |      | <b>-3 096</b> | <b>-34 717</b> | <b>-3 714</b>  | <b>-44 010</b> |
| <b>Earnings per share attributable to the equity holders of the parent, before and after dilution*</b> |      | <b>-0,03</b>  | <b>-0,40</b>   | <b>-0,04</b>   | <b>-0,52</b>   |
| <i>Average number of shares before and after dilution*</i>   |      | 103 825 869   | 85 809 502     | 103 825 869    | 83 710 877     |
| <i>Number of shares at the end of the period</i>   |      | 103 825 869   | 103 825 869    | 103 825 869    | 103 825 869    |

\*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 issue in 2018.

## Consolidated Statement of Comprehensive Income

| KSEK   | Jul – Dec     |             | Jan – Dec     |               |
|--|---------------|-------------|---------------|---------------|
|  | 2019          | 2018        | 2019          | 2018          |
| Net income for the period  | -3 096        | -34 716     | -3 714        | -44 010       |
| <i>Items that may be reclassified subsequently to profit or loss</i> |               |             |               |               |
| Translation differences on foreign operations                        | -6 201        | 33 858      | -2 731        | 38 851        |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>                     | <b>-9 297</b> | <b>-858</b> | <b>-6 445</b> | <b>-5 159</b> |
| <i>Attributable to:</i>  |               |             |               |               |
| Equity holders of the parent   | -9 285        | -692        | -6 438        | -4 993        |
| Non-controlling interests  | -12           | -166        | -7            | -166          |
|  | <b>-9 297</b> | <b>-858</b> | <b>-6 445</b> | <b>-5 159</b> |

## Condensed Consolidated Balance Sheet

| KSEK  | Note | Dec 31<br>2019 | Dec 31<br>2018 | Jun 30<br>2019 | Jun 30<br>2018 |
|---|------|----------------|----------------|----------------|----------------|
| <b>ASSETS</b>   |      |                |                |                |                |
| <i>Non-current assets</i>                                     |      |                |                |                |                |
| <i>Intangible fixed assets</i>                                |      |                |                |                |                |
| Exploration licenses and evaluation work                      |      | 16 732         | 10 547         | 12 070         | 9 920          |
| <i>Tangible fixed assets</i>                                  |      |                |                |                |                |
| Buildings and Machinery and equipment                         |      | 937            | 982            | 970            | 1 185          |
| <i>Financial fixed assets</i>                                 |      |                |                |                |                |
| Joint Ventures  |      | 105 234        | 96 708         | 103 078        | 94 908         |
| Deferred tax assets   |      | 0              | 44             | 43             | 35             |
| Other non-current financial assets                            | 5    | 38 589         | 32 221         | 31 260         | -              |
| <b>Total non-current assets</b>                               |      | <b>161 492</b> | <b>140 502</b> | <b>147 421</b> | <b>106 048</b> |
| <i>Current assets</i>   |      |                |                |                |                |
| Inventory   |      | 1              | 11             | 15             | 13             |
| Receivables   |      | 1 545          | 1 140          | 4 748          | 1 396          |
| Cash & cash equivalents                                       |      | 6 326          | 20 078         | 11 386         | 13 839         |
| <b>Total current assets</b>                                   |      | <b>7 872</b>   | <b>21 229</b>  | <b>16 149</b>  | <b>15 248</b>  |
| Assets held for sale  |      | -              | -              | -              | 18 304         |
| <b>TOTAL ASSETS</b>   |      | <b>169 364</b> | <b>161 731</b> | <b>163 570</b> | <b>139 600</b> |
| <b>EQUITY AND LIABILITIES</b>                                 |      |                |                |                |                |
| <b>Equity</b>   | 6    | <b>120 471</b> | <b>126 371</b> | <b>129 768</b> | <b>105 672</b> |
| <b>Total non-current liabilities</b>                          |      | <b>46 586</b>  | <b>15 576</b>  | <b>30 657</b>  | <b>30 000</b>  |
| <b>Total current liabilities</b>                              |      | <b>2 307</b>   | <b>19 784</b>  | <b>3 145</b>   | <b>3 919</b>   |
| Liabilities directly associated with the assets held for sale |      | -              | -              | -              | 9              |
| <b>TOTAL EQUITY AND LIABILITIES</b>                           |      | <b>169 364</b> | <b>161 731</b> | <b>163 570</b> | <b>139 600</b> |

## Condensed Consolidated Cash Flow Statement

| KSEK                                | Note | Jul – Dec |        | Jan – Dec |         |
|-------------------------------------|------|-----------|--------|-----------|---------|
|                                     |      | 2019      | 2018   | 2019      | 2018    |
| Cash flow from operating activities |      | -8 246    | -9 951 | -17 165   | -15 831 |
| Cash flow from investing activities |      | -11 817   | -5 349 | -11 853   | -6 553  |
| Cash flow from financing activities |      | 15 000    | 21 558 | 15 254    | 36 607  |
| Cash flow for the period            |      | -5 063    | 6 258  | -13 764   | 14 223  |
| Cash at the beginning of the period |      | 11 386    | 13 839 | 20 078    | 5 871   |
| Exchange differences on cash        |      | 2         | -19    | 12        | -16     |
| Cash at the end of the period       |      | 6 325     | 20 078 | 6 326     | 20 078  |

## Condensed Consolidated Statement of Changes in Equity

| KSEK                                      | Note | Jan – Dec | Jan – Dec |
|---|------|-----------|-----------|
|   |      | 2019      | 2018      |
| Equity at the beginning of the period     |      | 126 371   | 109 883   |
| Share issue                               |      | 0         | 25 158    |
| Issue costs                               |      | 0         | -3 601    |
| Warrants                                  |      | 544       | 90        |
| Net income for the period                 |      | -3 714    | -44 010   |
| Other comprehensive income for the period |      | -2 731    | 38 851    |
| Equity at the end of the period           |      | 120 471   | 126 371   |

## Parent Company Condensed Income Statement

| KSEK                                     | Jul – Dec      |                | Jan – Dec      |                |
|--|----------------|----------------|----------------|----------------|
|  | 2019           | 2018           | 2019           | 2018           |
| Revenue                                  | 805            | 1 322          | 2 385          | 3 141          |
| Other external costs                     | -4 266         | -4 396         | -8 401         | -7 478         |
| <b>Operating result</b>                  | <b>-3 461</b>  | <b>-3 074</b>  | <b>-6 016</b>  | <b>-4 337</b>  |
| Results from investments in subsidiaries | -13 516        | -12 092        | -18 001        | -14 914        |
| Financial items                          | 423            | -853           | 4 289          | -2 553         |
| <b>Result after financial items</b>      | <b>-16 554</b> | <b>-16 019</b> | <b>-19 728</b> | <b>-21 804</b> |
| Appropriations                           | 0              | 0              | 0              | 0              |
| <b>Result before tax</b>                 | <b>-16 554</b> | <b>-16 019</b> | <b>-19 728</b> | <b>-21 804</b> |
| Tax                                      | 0              | 0              | 0              | 0              |
| <b>NET INCOME FOR THE PERIOD</b>         | <b>-16 554</b> | <b>-16 019</b> | <b>-19 728</b> | <b>-21 804</b> |

## Parent Company Condensed Balance Sheet

| KSEK                               | Note | Dec 31  | Dec 31  | Jun 30  | Jun 30  |
|------------------------------------|------|---------|---------|---------|---------|
|                                    |      | 2019    | 2018    | 2019    | 2018    |
|                                    |      |         |         |         |         |
| ASSETS                             |      |         |         |         |         |
| Non-current assets                 |      |         |         |         |         |
| Tangible fixed assets              |      | 6       | 12      | 9       | 15      |
| Shares in group companies          | 5    | 87 395  | 83 837  | 83 837  | 119 263 |
| Other non-current financial assets | 5    | 38 589  | 32 221  | 31 260  | -       |
| Financial fixed assets             |      | 125 984 | 116 058 | 115 097 | 119 263 |
| Current assets                     |      |         |         |         |         |
| Receivables                        |      | 4 492   | 6 087   | 11 155  | 3 530   |
| Cash & cash equivalents            |      | 6 246   | 19 938  | 11 263  | 13 002  |
| Total current assets               |      | 10 738  | 26 025  | 22 418  | 16 532  |
| TOTAL ASSETS                       |      | 136 728 | 142 095 | 137 524 | 135 810 |
| EQUITY AND LIABILITIES             |      |         |         |         |         |
| Equity                             | 6    | 88 330  | 107 724 | 104 871 | 102 257 |
| Non-current liabilities            |      | 46 586  | 15 000  | 30 000  | 30 000  |
| Current liabilities                |      | 1 812   | 19 371  | 2 653   | 3 553   |
| TOTAL EQUITY AND LIABILITIES       |      | 136 728 | 142 095 | 137 524 | 135 810 |

## 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 with a primary focus on Lena Goldfields in Russia" section in this report.

### **Note 2 Accounting principles**

The interim report for the period ended December 31, 2019 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 2018 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 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 2018 annual report.

The same accounting principles have been applied during the period as were applied during the financial year 2018 and corresponding interim reporting period in the way they were described in the 2018 annual report, except for the adoption of new and amended standards as set out below.

#### New and amended accounting principles 2019 that have been adopted by the Group

IFRIC 23 Uncertainty over income tax treatments came into force as of January 1, 2019. The transition had no impact on Group's consolidated financial statements. The company applies IFRIC 23 as of January 1, 2019.

IFRS 16 Leases. The company applies IFRS 16 as of 1 January 2019. This standard supersedes all previous lease requirements under IFRS. For the IFRS 16 transition, the company has decided to apply the simplified approach and thus has not restated comparative amounts for 2018, the year prior to first adoption. All right-of-use assets are measured at the amount of the lease liability on adoption and are adjusted for any prepaid or accrued lease expense. IFRS 16 mainly affects lessee accounting and the main impact is on the leases previously recognized as operating leases. As of 1 January 2019, following the IFRS 16, no distinction is made between operating and finance leases, but all are recognized as a right-of-use assets and as a leasing liability.

The Group applies an exemption to the new rules whereby in the recognition of low value leases, no right-of-use asset or leasing liability are recognized. According to the standard, lessees may elect not to recognize assets and liabilities for leases with a lease term of 12 months or less. The company has operating leases for offices premises which are negotiated on an individual basis and contain different terms and conditions. Common to all lease contracts is that all leases are short term which means that the company uses the exemption and recognizes the lease payments in profit or loss on a straight-line basis over the lease term.

The IFRS 16 had no impact on Group's consolidated financial statements' opening balances.

The parent company applies an exemption to the rules in accordance with RFR 2 and thus does not apply IFRS 16. The parent company continues to report all leasing agreements as operating leases. As at 31 December 2019, the parent company had no outstanding lease liabilities.

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

### **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 2018 annual report.

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

June 30, 2018, all assets and liabilities associated with the fully owned subsidiary LLC Taiga were classified as assets held for sale in accordance with IFRS 5. A legally binding agreement for the sale of 100% of LLC Taiga was executed in December 2018.

The buyer represents a group of Russian private investors. The total sales price is equal to USD 6 million, which will be paid in several trenches. Following some changes to the initial production plans and the production permitting process, the final payment date has been rescheduled to June 2022. However, if the payments are accelerated and finalized on December 31, 2020, the sale price will be discounted by USD 1 million and total USD 5 million.

As per December 31, 2018, the sales amount of USD 5 million, corresponding to SEK 45.2 million, was discounted and recorded in the profit and loss. The receivable as per December 31, 2018, net after transaction costs, amounted to SEK 32.2 million. In accordance with IFRS 10, historical exchange differences of SEK 33.1 million, referable to the Kopylovskoye-project was recorded as a cost in the profit and loss, which resulted in an accounting loss of SEK 20.4 million from sale of subsidiaries for the year 2018

The expected payments of USD 6 million are discounted by the end of each reporting period, and as per December 31, 2019, the receivable totals SEK 38.6 million and the profit and loss shows income of SEK 3.4 million in the financial net for the period and SEK 6.4 million for the full year.

## **Note 6            Warrants**

The Annual General Meeting 2019 approved two long-term incentive programs 2019/2022; one for management and one for the Board of Directors. Under the programs, a total of 2,835,000 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 1,077,927 at maximum. The exercise date is December 31, 2022 and strike price is SEK 1.30. As per December 31, 2019, the number of warrants issued amount to 2,835,000.

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

|   | Group   |        | Parent |        |
|---|---------|--------|--------|--------|
|   | Dec 31  | Dec 31 | Dec 31 | Dec 31 |
|   | 2019    | 2018   | 2019   | 2018   |
| <b>KSEK</b>                             |         |        |        |        |
| Floating charges to credit institutions | 105 234 | 96 708 | 87 344 | 81 618 |