

## KOPY GOLDFIELDS AB (publ) Half Year Report January – June 2014

### Financial information half year 2014

- The Company does not yet report any revenue
- Net income MSEK -13.1 (-5.4)
- Earnings per share before and after dilution SEK -0.43 (-0.22)
- Total cash flow of MSEK 0 (-9.8)
- Investments in exploration work and licenses MSEK 2.1 (12.4)
- Cash and cash equivalents amounted to MSEK 2.5 (1.6)

MSEK	Jan – Jun		Jan - Dec
	2014	2013	2013
Investments in exploration work and licenses	2.1	12.4	19.4
Cash & cash equivalents at end of period	2.5	1.6	2.5
Profit/loss after financial items	-5.3	-9.1	-69.3
Net income for the period	-13.1	-5.4	-66.6
Earnings per share before and after dilution, SEK	-0.43	-0.22	-2.51

### Significant events during January – June 2014

**In February 2014, the Company received the remaining part of the sales amount from the sale of the subsidiaries LLC Kavkaz Gold and LLC Prodolny.**

- A short term loan of SEK 3 million was repaid and the pledge was released.

**In the end of April 2014 Kopy Goldfields raised a short term loan of SEK 3.0 million.**

- The loan is due on April 30, 2015 and the lender has the right to convert the loan into shares at a subscription rate of 1.30 SEK/share.

**The application for return of two prospecting licenses, Purpolskaya och Verkhnyaya Orlovka, to the Russian state was confirmed in January 2014 and the licenses were returned.**

- The return of the licenses did not have any negative impact on the cash flow.
- The application was filed in 2013 and the impact on the profit and loss was recorded in the Group accounts during 2013.

### Significant events after the reporting period

**On August 12, 2014, Kopy Goldfields completed an agreement with the Russian gold producer GV Gold to take the Krasny project further towards production in a Joint Venture-deal.**

- Under the agreement GV Gold will invest up to USD 9 million, of which USD 1 million is a cash consideration which was paid to Kopy Goldfields upon Completion and USD 6 million is ear marked for exploration activities. The agreement also includes an additional consideration payment of USD 2 million in the event of successful exploration program. This will earn GV Gold up to a 51% interest in the Krasny Project.
- The exploration program will primarily target the part of the Krasny deposit which is closer to surface and limited to the depth of 200 meters and will be developed in two stages. The budget for Stage 1 is USD 3 million which was paid by GV Gold at completion.
- The total exploration program is scheduled for 18 months including the reserve reporting in accordance with both the Russian GKZ classification and the international JORC standard. Kopy Goldfields provides exploration support services for the Project, including core logging, data base management, deposit modelling and general planning of the exploration process.
- In connection with this deal, Kopy Goldfields has established two new subsidiaries – AB Krasny Gold Fields, registered in Sweden, and Bodaibo Holding Ltd, registered on Cyprus.

## Comments from CEO

Dear shareholders,

Looking back at the first six months of 2014, we can conclude that it has been a busy period for Kopy Goldfields. Despite a bearish mining financial market and continuing tensions between Russia and the West over Ukraine and Crimea we succeeded to develop along our principals identified for this year: Focus, Cost savings, Minimizing exploration expenditures on a short-term basis and Getting into production.

First of all, we continued to reduce our administration costs and overall burn rate. We sold some of our exploration equipment, machinery and real estate in Bodaibo and we also cut our personnel in Bodaibo, keeping only the key members crucial for developing the company forward. In addition, we returned two green field exploration licenses, Purpolskaya and Verkhnyaya Orlovka, to the Russian state, everything reflecting the focus on our most promising projects and the lower scope of exploration activities.

Secondly, we successfully completed the sale of the Kavkaz and Prodolny licenses, which was initiated in the end of 2013. Total sales price amounted to USD 1.5 million. The Buyer was a Russian local company "Siberian Gold Mining Company", which intends to develop both projects into gold production. Apart from strengthening our cash balance for 2014, the deal proved that we have quality projects attracting professional investors and it also demonstrated the possibility of commercializing licenses in the area and the ability to repatriate cash from Russia.

Thirdly, after eight months of intense negotiations, on July 10 we signed a legally binding joint venture agreement with GV Gold over development of the Krasny project into production. GV Gold is a fast-developing private Russian gold mining company with an annual output of 175.5 koz of gold and a total resource base of 20.32 Moz. Their main projects are located in the Irkutsk and Yakutia regions of Russia. On August 12, we completed the transaction and GV Gold transferred the initial USD 4 millions of investments into the project.

This deal is very important for Kopy Goldfields. As part of the transaction, Kopy Goldfields receives cash to support the current costs. USD 1 million is already received and an additional consideration of USD 2 million is expected as a success fee subject to the results of the reserve reporting, which we consider realistic. Further, with this transaction, we will potentially move into production pretty soon and in cooperation with a strong production partner with extensive experience from the area. This has been our target for years.

Exploration activities under the joint venture with GV Gold were commenced in July 2014 and under the current contract, GV Gold will finance the agreed exploration program in full. Kopy Goldfields will be the operational manager for the program providing logging services, data base management, deposit modelling and general exploration plans. Drilling operations are performed by a Russian independent contractor who served for the Krasny project since 2011. In 2013 we published a JORC resource report for the Krasny project which showed total gold resources of 1.3 Moz (40.7 tons) at an average grade of 1.53 grams per ton. The current exploration program targets the Upper Mineralization Zone within the Krasny deposit to the depth of 200 meters. Together with GV Gold we schedule to finalize exploration and prove reserves in the second part of 2015. If successful, the first production is expected in 2017.

After several years of prospecting and exploration, we came to the current crisis with a portfolio of assets which have now proved to have a clear value. Although today's investor valuations of exploration projects are far below what they were several years ago, our projects are still solid and have good potential. The market will come back one day and we are prepared to ride the rally.

With kind regards,

Mikhail Damrin, CEO

## Kopy Goldfields creates value through prospecting and exploration in Lena Goldfields



### History of Kopy Goldfields

Kopy Goldfields AB (publ) (ticker: KOPY) is a public junior Swedish gold exploration company, listed on Nasdaq OMX First North, Stockholm. The Company was established in 2007 after having acquired a gold deposit with the name Kopylovskoye. During the last seven years the company has acquired 14 additional licenses, whereof two have been sold, two have been returned to the Russian state and one is developed in joint venture.

Kopy Goldfields AB is the holding company and holds 100% of the Russian subsidiaries LLC Kopylovskoye, LLC Vostochny, LLC Patom Gold and LLC Taiga, the Swedish subsidiaries AB Krasny Gold Fields and Kopy Development AB and 49% of the Cyprus subsidiary Bodaibo Holding Ltd and the Russian subsidiary LLC Krasny.

In 2012, LLC Kopylovskoye Management was closed down and a representative office in Moscow was opened the same year. In December 2013 the fully owned subsidiaries LLC Kavkaz Gold and LLC Prodolny were sold. During the first quarter of 2014, AB Krasny Gold Fields registered in Sweden, and Bodaibo Holding Ltd, registered on Cyprus was established.

### Business concept and targets

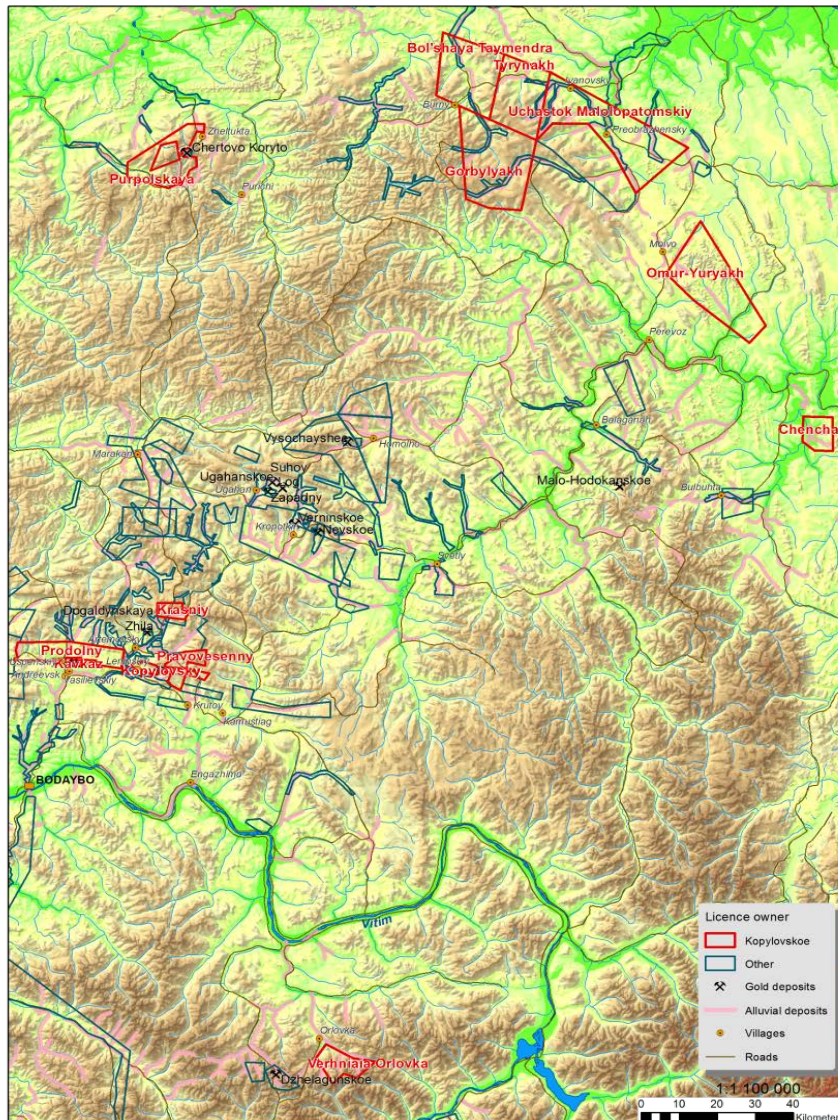
Kopy Goldfields vision is to become a world-class exploration company. The company's business concept is to create value by identifying and acquiring high potential gold projects, located within the established area of alluvial gold mining in the Lena Goldfields in Bodaibo area of Irkutsk Region in Russia, prospect and explore them until the stage when they can either be sold out for cash or developed in cooperation with another partner under a JV arrangement.

### Well-developed infrastructure and trusted by local authorities

The Company does now have a diversified portfolio of exploration targets in different stages. Five of the licenses are geographically concentrated within a 40 x 20 km large area, within 40 to 75 km distance to the area's main town Bodaibo. The distance from the deposits to the main road is between one and ten km. The infrastructure is well developed with water supply, electricity and federal roads to the deposits. Six licenses, all acquired during 2012, are geographically located on a distance of 200 – 300 km from Bodaibo, all served by a public road and have a history of alluvial production.

All deposits are located up to 150 km from Sukhoy Log (60 Moz) which is the largest undeveloped gold deposit in Russia. Artemovskiy district (Lena Goldfields) is the target exploration area with 20 Moz of historic alluvial gold production. All Russian subsidiaries closely follow the Russian environmental and safety requirements and are on good record with local authorities.





## Development during the first six months 2014

In response to the current crisis on the gold market and in the mining sector in general, Kopy Goldfields has reviewed and reduced overall administration costs and exploration expenditures. During the first six months of 2014, the Company limited the total exploration activities and expenditures, still putting the main focus on finalizing the Krasny deal. We also reduced our technical personnel. Our activities were limited to statutory license reporting and maintaining the license properties.

In July - August 2014 Kopy Goldfields entered into a joint venture agreement with the Russian gold producer GV Gold over the Krasny project. Under the agreement, GV Gold may earn up to a 51% interest in the Krasny Project by completing an in-fill exploration program followed by a reserve report in accordance with both the Russian GKZ classification and the international JORC standard. The budget for the total exploration program is USD 6 million and will be financed by GV Gold in full. The program will primarily target the part of the Krasny deposit which is closer to surface and limited to the depth of 200 meters and will be developed in two stages. Within Stage 1, the exploration activities aim to confirm the existing model of the Krasny mineralization for 840 meters along the strike and include 7,415 meters of core drilling and 1,733 meters of trench sampling. The budget for Stage 1 is USD 3 million which was paid at completion. Depending on the results from Stage 1, GV Gold has the right to stop further financing of the Krasny project or continue exploration work in accordance with the revised exploration program. In connection with the finalization of the deal, the exploration on the Krasny license was started again and Kopy Goldfields will act as operator of the exploration.

## January – June 2014

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

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

During the first six months, the Company invested MSEK 2.1 (12.4) in exploration work. No acquisition of licenses was done during the period or during the corresponding period last year. Of the exploration work MSEK 1.8 (6.0) consisted of work performed by the company for its own use and capitalised. On December 19, 2013, the Company announced the sale of two licenses and the sale was recorded in full during the fourth quarter 2013 in operating profit. 10% of the sales amount was received upon signing and the remaining part was received in February 2014 and as a consequence, the cash flow statement as per June 30, 2014, shows MSEK 8.3 from sale of subsidiaries. Due to the weakened Rouble, the payment gave rise to an exchange loss of MSEK 0.7. The exploration licenses and evaluation work amounts to MSEK 82.5 (140.5) in the balance sheet, the difference towards previous year is mainly explained by the licenses sold.

Operating expenses amounted to MSEK 7.4 (15.0), last year's figure including a write-down of two prospecting licenses of MSEK 4.9, which have been returned to the state. The operating expenses further include MSEK 4.0 (7.6) of personnel costs, reflecting savings from a cost cutting program.

Net tax for the period amounted to MSEK -7.8 (3.7), explained by changes in deferred tax liability as a result of restructuring and change in final tax in the Russian subsidiaries. The company does not record any deferred tax assets related to tax loss carry forwards.

Net profit for the period amounted to MSEK -13.1 (-5.4) which equals SEK -0.43 (-0.24) per share.

During the period January – June the Russian rouble appreciated against the Swedish krona by approximately 0.5 %, compared to depreciation by 4.7 % during the corresponding period last year. Since a large portion of the Groups assets are denominated in roubles, the Company reports exchange differences of MSEK 3.9 (-7.1) in the consolidated statement of comprehensive income for the quarter.

Cash and cash equivalents amounted to MSEK 2.5 (1.6) at the end of the period.

During December 2013 the subscription period of the warrants from the December 2012 rights issue was due and 963 shares were subscribed at a total amount of SEK 3,852. Since the transaction was registered in January 2014 the transaction was recorded as not yet registered share issue as per year end. Following the registration in 2014, the number of issued shares in Kopy Goldfields amount to 30,247,220 shares and the new share capital totals SEK 20,000,636.77.

Equity amounted to MSEK 78.5 (141.8) at the end of the period which equals SEK 2.6 (5.83) per share.

Equity asset ratio was 84.9 % (92.4 %) at the end of the period.

The average number of employees during the period was 16 (52). 11 (20) persons were permanent employees and 5 (32) persons were temporary employees involved in seasonal exploration work. Number of employees at period end was 13 (44).

## Going concern

Gold exploration is a capital intensive activity and as noted above the Company does not yet have any revenue. As described in the 2013 annual report the Company will require additional financing to continue the operations for the next 12-month period. The Board believes that financing primarily should be done via either sale of assets or new share issues possibly supplemented by bridge financing. The priority is given to get revenue through divestment or Joint venture agreements over the Kopylovskoye- and the Krasny projects. Given the estimated values of the Company's licenses and probable additionally raised capital the Board's assessment is that the Company can continue on a going concern.

## The Parent Company

Total assets at period end amounted to MSEK 124.9 (261.6). Cash and cash equivalents amounted to MSEK 1.9 (1.6). Net income for the six months period amounted to MSEK -3.2 (-8.2). The net income for 2013 includes a MSEK 4.9 write-down of shares in subsidiaries, due to the two prospecting licenses that have been returned to the state.

## Risks and uncertainties

A detailed description of the Company's risks is included in the 2013 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, liquidity risks, gold price risks, currency exchange risk and political risks.

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

The Board of Directors and CEO declare that the interim report gives a fair view of the business development, financial position and result of operation of the Parent Company and the consolidated Group, and describes significant risks and uncertainties that the Parent Company and its subsidiaries are facing.

Stockholm August 21, 2014  
Kopy Goldfields AB (publ)

Kjell Carlsson  
*Chairman*

Mikhail Damrin  
*CEO*

Johan Österling  
*Director*

Andreas Forssell  
*Director*

Markus Elsasser  
*Director*

## Upcoming financial reporting

The Board of Directors has decided to change from quarterly reporting to half-year reporting starting from 2014. The next financial reporting will be the year end reporting January - December 2014.

## For more information, please contact:

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Ticker codes: KOPY (Nasdaq OMX First North)

Number of shares: 30,247,220

## Publication under Swedish law

Kopy Goldfields AB (publ) is publishing this information in accordance with the Swedish Financial Markets Act (Sw. Lag om värdepappersmarknaden) and/or the Swedish Financial Trading Act (Sw. Lag om handel med finansiella instrument). This information was released for publication on August 21, 2014 at 08.00 CET.

Kopy Goldfields is since June 3, 2011, applying the internationally accepted JORC code to verify the mineral resources and ore reserves. SRK Consulting and OOO Miramine 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. Aqurat Fondkommission acts as Certified Adviser.

This yearend report and additional information are 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	Jan – Jun		Jan – Dec
	2014	2013	2013
Net turnover	0	0	0
Other revenue	1 109	325	2 728
<b>Total revenue</b>	<b>1 109</b>	<b>325</b>	<b>2 728</b>
Work performed by the company for its own use and capitalized	2 104	5 956	9 160
Other external costs	-3 411	-2 420	-5 316
Personnel costs	-3 977	-7 621	-12 872
Result from sale of subsidiaries	-29	-4 983	-491
Depreciation and write-downs of intangible and fixed assets	0	0	-61 961
<b>Total operating expenses</b>	<b>-7 417</b>	<b>-15 024</b>	<b>-80 640</b>
<b>Operating result</b>	<b>-4 204</b>	<b>-8 743</b>	<b>-68 752</b>
Financial items	-1 084	-322	-509
<b>Result after financial items</b>	<b>-5 288</b>	<b>-9 065</b>	<b>-69 261</b>
Tax	-7 822	3 686	2 679
<b>NET INCOME FOR THE PERIOD</b>	<b>-13 110</b>	<b>-5 379</b>	<b>-66 582</b>
<b>Earnings per share before and after dilution*</b>	<b>-0,43</b>	<b>-0,22</b>	<b>-2.51</b>
<i>Average number of shares before and after dilution*</i>	30 247 071	24 338 115	26 491 661
<i>Number of shares at the end of the period*</i>	30 247 220	24 338 115	30 246 257

\*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 2013.

## Consolidated Statement of Comprehensive Income

KSEK	Jan – Jun		Jan – Dec
	2014	2013	2013
Net income for the period	-13 110	-5 379	-66 582
<i>Items that may be reclassified subsequently to profit or loss</i>			
Translation differences on foreign operations	3 901	-7 106	-9 463
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-9 209</b>	<b>-12 485</b>	<b>-76 045</b>



## Condensed Consolidated Balance Sheet

KSEK	Note	Jun 30 2014	Dec 31 2013	Jun 30 2013
<b>ASSETS</b>				
<i>Non-current assets</i>				
<i>Intangible fixed assets</i>				
Exploration licenses and evaluation work		82 541	79 299	140 533
<i>Tangible fixed assets</i>				
Buildings and Machinery and equipment		4 373	4 846	6 439
<i>Financial fixed assets</i>				
Deferred tax		0	0	1 119
<b>Total non-current assets</b>		<b>86 914</b>	<b>84 145</b>	<b>148 091</b>
<i>Current assets</i>				
Inventory		643	847	1607
Receivables		2 464	11 453	2 134
Cash & cash equivalents		2 500	2 476	1 602
<b>Total current assets</b>		<b>5 607</b>	<b>14 776</b>	<b>5 343</b>
<b>TOTAL ASSETS</b>		<b>92 521</b>	<b>98 921</b>	<b>153 434</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>	6	<b>78 536</b>	<b>87 703</b>	<b>141 809</b>
<b>Deferred Tax</b>		<b>4 879</b>	<b>0</b>	<b>0</b>
<b>Total current liabilities</b>	7	<b>9 106</b>	<b>11 218</b>	<b>11 625</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>92 521</b>	<b>98 921</b>	<b>153 434</b>

## Condensed Consolidated Cash Flow Statement

KSEK	Note	Jan – Jun		Jan – Dec
		2014	2013	2013
Cash flow from operating activities		-7 709	-144	-2 769
Cash flow from investing activities		7 659	-11 625	-17 087
Cash flow from financing activities	6, 7	46	1 988	10 987
<b>Cash flow for the period</b>		<b>-4</b>	<b>-9 781</b>	<b>-8 869</b>
<b>Cash at the beginning of the period</b>		<b>2 476</b>	<b>11 421</b>	<b>11 421</b>
Exchange differences on cash		28	-38	-76
<b>Cash at the end of the period</b>		<b>2 500</b>	<b>1 602</b>	<b>2 476</b>

## Condensed Consolidated Statement of Changes in Equity

KSEK	Note	Jan – Jun	Jan – Dec	Jan – Jun
		2014	2013	2013
<b>Equity at the beginning of the period</b>		<b>87 703</b>	<b>154 307</b>	<b>154 307</b>
Share issue		4	11 092	0
Not yet registered share issue		-4	4	0
Issue costs		0	-1 655	-13
Warrants	6	42	0	0
Net income for the period		-13 110	-66 582	-5 379
Other comprehensive income for the period		3 901	-9 463	-7 106
<b>Equity at the end of the period</b>		<b>78 536</b>	<b>87 703</b>	<b>141 809</b>

## Parent Company Condensed Income Statement

KSEK	Jan – Jun		Jan – Dec
	2014	2013	2013
Revenue	1 742	144	3 743
Operating expenses	-3 953	-8 041	-141 602
<b>Operating result</b>	<b>-2 211</b>	<b>-7 897</b>	<b>-137 859</b>
Financial items	-1 012	-300	-12 779
<b>Result after financial items</b>	<b>-3 223</b>	<b>-8 197</b>	<b>-150 638</b>
Tax	0	0	0
<b>NET INCOME FOR THE PERIOD</b>	<b>-3 223</b>	<b>-8 197</b>	<b>-150 638</b>

## Parent Company Condensed Balance Sheet

KSEK	Note	Jun 30	Dec 31	Jun 30
		2014	2013	2013
<b>ASSETS</b>				
<i>Non-current assets</i>				
<b>Total tangible fixed assets</b>		<b>146</b>	<b>175</b>	<b>205</b>
<b>Total financial fixed assets</b>		<b>119 421</b>	<b>118 465</b>	<b>252 091</b>
<i>Current assets</i>				
Receivables		3 431	9 231	7 729
Cash & cash equivalents		1 930	2 346	1 551
<b>Total current assets</b>		<b>5 361</b>	<b>11 577</b>	<b>9 280</b>
<b>TOTAL ASSETS</b>		<b>124 928</b>	<b>130 217</b>	<b>261 576</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>	6	<b>119 143</b>	<b>122 085</b>	<b>255 539</b>
<b>Total current liabilities</b>	7	<b>5 785</b>	<b>8 132</b>	<b>6 037</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>124 928</b>	<b>130 217</b>	<b>261 576</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 OMX 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" section in this report.

### **Note 2 Accounting principles**

The interim report for the period ended June 30, 2014 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 2013 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 2013 and in the way they were described in the 2013 annual report.

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 2013 annual report.

### **Note 3 Fair value of financial instruments**

Financial assets include loans and accounts receivables and cash and cash equivalents. All financial liabilities have been classified as other financial liabilities valued at amortized cost, which includes non-current financial liabilities, current interest bearing liabilities, accounts payable and part of other current liabilities. The fair value of the financial assets and liabilities are estimated to in all material respects correspond to the carrying values as the maturities are short term or the interest rates are estimated to be on market terms.

### **Note 4 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 5 Related party transactions**

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 2013 annual report. See also Note 6.

### **Note 6 Warrants**

As part of the Board remuneration, the Annual General Meeting 2014 resolved upon a long-term incentive program for the Board through an issue of maximum 650,000 warrants. The bought the warrants to market value. The exercise date is December 31, 2016 and strike price is SEK 1.60. Each warrant entitles the subscriber to subscribe for one share in the Company. The number of warrants issued amounts to 520,000, which means that the share capital can be increased by SEK 343,844 at maximum.

### **Note 7 Liabilities**

In December 2013, the Company raised a short term loan of MSEK 3.0 which was repaid in February 2014. In April 2014, a new short term loan of MSEK 3.0 was raised and is due in April 2015.

### **Note 8 Pledged assets and contingent liabilities**

The Company has no pledged assets or contingent liabilities on the balance day.