

# Kopy Goldfields

Organic growth to more than 100koz in Russia

Initiation of coverage

Metals & mining

Kopy Goldfields produced 53koz of gold equivalent in FY20 following the reverse takeover by Amur Zoloto and plans to grow organically to 100koz within five years. This does not include the substantial potential of the 1.8Moz Krasny project, where Kopy retains 49% ownership. Kopy Goldfields is investigating a possible listing on the Nasdaq Nordic main market, which could enhance its appeal to a broader range of investors.

Year end	Revenue (US\$m)	PBT* (US\$m)	EBITDA (US\$m)	EPS* (c)	EV/EBITDA (x)	P/E (x)
12/19	70.1	11.7	25.5	N/A	N/A	N/A
12/20e	98.1	26.9	38.3	2.4	7.5	11.5
12/21e	116.1	34.1	46.6	3.0	6.1	9.1
12/22e	150.3	53.0	71.2	4.6	4.0	5.9

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## Organic growth to 98koz in FY23 and >100koz in FY25

Following the acquisition of Amur Zoloto by Kopy Goldfields (reverse takeover) in September 2020, Kopy is now a gold producer with FY20 production of 53koz gold equivalent. It has set out a plan to grow production to around 98koz in FY23 and just over 100koz by FY25 by spending US\$130m in capex over that period. The growth profile should be fully funded by cash from operations and available debt and is supported by 1.2Moz in gold reserves. With 1.8Moz of gold resources, the Krasny project (49% owned by Kopy) offers longer-term growth and value upside.

## Pro-forma FY19 EBITDA US\$25.0m (H120: US\$16.1m)

The combined group generated pro-forma FY19 EBITDA of US\$25.0m and pro-forma net profit of US\$8.8m. In H120 Amur Zoloto produced 23.3koz of gold at all in sustaining costs (AISC) of US\$1,049/oz. That gave revenue of US\$44.2m, pro-forma group EBITDA of US\$16.1m and pro-forma net profit of US\$8.2m.

## Valuation: Cash flows underpin value proposition

Our discounted free cash flow to equity (DCF) valuation of Kopy, at our long-term real gold price forecast of US\$1,524/oz and 10% discount rate, is US\$295m or US\$0.33/share (SEK2.76/share). However, in the current market environment many listed gold companies are pricing in longer-term real gold prices closer to spot (currently US\$1,855/oz). Running a sensitivity at a flat real gold price of US\$1,700/oz (ie a nominal price of US\$1,700/oz rising by inflation) would give us a DCF valuation of SEK2.98/share and at US\$1,900/oz that rises to SEK3.73/share, significantly above the current share price. Looking at EV/EBITDA multiples for comparable Russian gold companies and applying the peer group's FY22e EV/EBITDA multiple of 5.2x to FY22e Kopy EBITDA of US\$71.2m would suggest a valuation of US\$368m (equivalent to SEK\$2.98/share after deducting net debt). Kopy Goldfields is looking to enhance its appeal to investors through a review of its dividend policy, environmental, social and corporate governance (ESG) reporting and a potential listing on the Nasdaq Nordic main market.

25 January 2021

Price **SEK2.26**

Market cap **SEK2,009m**

SEK8.30:US\$

Pro-forma net debt (US\$m) at June 2020 47

Shares in issue 889m

Free float 12%

Code KOPY

Primary exchange NASDAQ First North

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs 11.3 (9.2) 99.1

Rel (local) 4.8 (18.2) 73.0

52-week high/low SEK3.03 SEK0.59

### Business description

Following the reverse takeover of Kopy Goldfields by Amur Zoloto in September 2020, the new Kopy boasts production of >50koz of gold a year from two hard rock mines and a number of smaller placer deposits. Kopy also retains a 49% interest in the Krasny project and 100% of the Maly Patom exploration licences.

### Next event

FY20 results March 2021

### Analyst

Alison Turner +44 (0)20 3077 5700

[mining@edisongroup.com](mailto:mining@edisongroup.com)

[Edison profile page](#)

**Kopy Goldfields is a research client of Edison Investment Research Limited**

## Investment summary

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### Company description: 52koz of gold growing to 100koz

In September 2020, the acquisition of Amur Zoloto by Kopy Goldfields (reverse takeover) was completed. Amur Zoloto is a Russian gold company with two producing hard rock and several placer mines. In 2019 Amur Zoloto produced 52koz of gold at AISC of US\$1,030/oz. In H120 Amur Zoloto produced 23.3koz of gold at an AISC of US\$1,049/oz and in H2 it produced a further 28.5koz taking full-year 2020 gold production to 51.8koz and gold equivalent production to 53.1koz. We forecast FY20 AISC of US\$1,047/oz. Kopy has set out a plan to increase production to around 98koz of gold by FY23 and over 100koz by FY25 by spending US\$130m to expand underground production and the processing plant at Yubileyniy, develop the Malyutka heap leach project and undertake exploration.

Kopy also retains its 49% interest in the 1.8Moz Krasny deposit, where a July 2019 concept study suggested potential production of up to 110koz pa in a 3Mtpa development scenario. Potential production from Krasny would be in addition to the 100koz organic growth plan. Kopy also holds substantial exploration ground at Maly Patom.

### Financials: Pro-forma H120 EBITDA of US\$16.1m

One of the key strengths of the business combination with Amur Zoloto is that it has transformed Kopy into a producing and strongly EBITDA positive listed gold company. In 2019 Amur Zoloto produced 52koz of gold, generating US\$70m in revenue. Pro-forma, this would have given the combined group FY19 EBITDA of US\$25.0m and pro-forma net profit of US\$8.8m. In H120 Amur Zoloto produced 23.3koz of gold at an AISC of US\$1,049/oz. That gave revenue of US\$44.2m, pro-forma group EBITDA of US\$16.1m and pro-forma net profit of US\$8.2m.

In FY20 we forecast pro-forma EBITDA of US\$38.3m and PBT of US\$26.9m. Beyond FY20 we forecast production growth to 98koz by FY23, which sees our forecast Kopy group EBITDA rise to US\$82.0m in FY23 and PBT to US\$62.4m. Our forecasts do not take into account any potential production from Krasny.

### Valuation: DCFE of SEK2.76/share with upside potential

In the three months before the announcement of the Amur Zoloto transaction, Kopy Goldfields' volume weighted average price (VWAP) was SEK0.95/share and 782.2m Kopy Goldfields shares were issued to Amur Zoloto (implying a total consideration of SEK743m (US\$77.8m) for the Amur Zoloto assets within the transaction based on VWAP). Since then, Kopy Goldfields' share price has more than doubled to SEK2.26/share.

Our DCFE valuation of Kopy at our long-term real gold price of US\$1,524/oz and 10% discount rate is US\$295m or US\$0.33/share (SEK2.76/share). However, in the current market environment many listed gold companies are pricing in longer-term real gold prices closer to spot (currently US\$1,850/oz). Running a sensitivity at a flat real gold price of US\$1,700/oz – equivalent to a nominal price of US\$1,700/oz rising by inflation – with an unchanged discount rate would give us a DCFE valuation of SEK2.98/share and at US\$1,900/oz that rises to SEK3.73/share.

We have also considered the valuation of Kopy against Russian gold peers – our FY22e EV/EBITDA ratio for Kopy of 4.3x compares to the peer group average of 5.2x. Applying that 5.2x ratio to our forecast FY22 Kopy EBITDA forecast of US\$71.2m suggests a valuation for Kopy of US\$368m, which equates to SEK2.98/share after adjusting for net debt of US\$48m.

## Sensitivities: Gold price and low free float

Our analysis suggests Kopy will need to draw down an additional US\$15m in debt in FY20 and FY21, taking net debt to US\$55.7m in FY21 – a very manageable 1.2x EBITDA. Running a sensitivity analysis on the gold price, we believe net debt levels would remain manageable at less than US\$75m even at a gold price of US\$1,300/oz (versus the current gold price of US\$1,855/oz) and, as such, we would not expect Kopy to require any further equity funding to deliver the planned organic growth. It would also have the flexibility to alter the pace of capex if needed.

In addition to the more generic risks of operating in Russia, investors should consider that after the reverse takeover, the two former owners of Amur Zoloto now hold 88% of Kopy. Kopy is considering listing on the Nasdaq Nordic main market. If that were pursued it would require meeting a number of additional listing criteria including increased ESG reporting. That would enhance Kopy Goldfields' appeal to more institutional investors.

## Company overview

The acquisition of Amur Zoloto (a Russian gold company with three producing mines) by Kopy Goldfields (a gold exploration company focused on Russia and the CIS) in a reverse takeover completed on 9 September 2020, transforming Kopy into an EBITDA-positive gold producer (pro-forma H120 EBITDA of US\$16.1m) with significant growth optionality. The acquired Amur Zoloto assets comprise two producing hard-rock mines (Yubileyniy and Perevalnoye), a number of smaller placer deposits and a heap leach project (Malyutka). In FY20 the mines produced 53koz of gold equivalent. In addition, Kopy retains its 49% share in the 1.8Moz Krasny project, also in Russia, and 100% of the Maly Potom exploration project.

### Exhibit 1: Location of Kopy Goldfields' mineral assets



Source: Kopy Goldfields

## Amur Zoloto: Producing mines and growth options

The former Amur Zoloto mineral assets are in the Khabarovsk region in the central part of the Russian Far East, about 1,150km north of the city of Khabarovsk, comprising a number of developing and operating gold mines, as well as exploration assets including:

- The Perevalnoye open pit mine and concentration plant, which produced 30koz of gold in 2020.
- The Yubileyniy complex, which comprises the Krasivoe underground mine and processing plant with capacity of 130ktpa (2020 production of 15koz) with plans to increase this to 250ktpa by the end of FY21, then to 400ktpa.
- A number of small placer operations (2020 production of 7koz).

- The Malyutka development project, which will comprise an open pit mine and heap leach facility.

In the half year to June 2020, the mines produced 23.3koz of gold at an AISC of US\$1,049/oz. In H2 the mines produced 28.5koz of gold, taking full-year gold production to 51.8koz and gold equivalent production to 53.1koz. Kopy plans to grow gold production from these assets to >100koz by 2025 (Kopy press release, 19 October 2020).

## Amur Zoloto reserves and resources

In October 2020, Kopy Goldfields released a competent persons report (CPR) on the Amur Zoloto Mineral Assets prepared by SRK Consulting, which reports mineral resources and reserves in compliance with the JORC code (2012).

Exhibit 2 below summarises Amur Zoloto's hard rock mineral resources, which total 1.78Moz of gold (1.47Moz measured and indicated and 0.3Moz of inferred gold resources). By-product silver is also present totalling 3.3Moz measured, indicated and inferred (45koz gold equivalent at current spot prices). In addition, the placer assets add 80koz of measured and indicated and 80koz of inferred gold resources.

<b>Exhibit 2: Amur Zoloto hard rock gold resources (JORC, 2012)</b>			
	Tonnes, Mt	Grade Au, g/t	Content Au, koz
Perevalnoye - measured and indicated	3.00	2.9	282
Yubileyniy - measured and indicated	3.7	6.5	777
Yubileyniy - inferred	1.7	5.6	308
Malyutka - measured and indicated	9.2	1.4	411
Total measured and indicated	15.9	2.9	1470
Total inferred	1.7	5.64	308

Source: SRK Consulting CPR, September 2020. Measured and indicated resources are inclusive of reserves.

Exhibit 3 below summarises Amur Zoloto's hard rock mineral reserves, which total 1.16Moz. The placer assets add a further 25koz of reserves.

Based on mineral reserves, the life of mine at Perevalnoye runs to 2025/2026 and Kopy is undertaking exploration to extend the life of mine. Yubileyniy is a long-life asset, which even at an increased production rate could produce until beyond 2029 based on current reserves.

<b>Exhibit 3: Amur Zoloto hard rock gold reserves (JORC, 2012)</b>			
	Tonnes, Mt	Grade Au, g/t	Content Au, koz
Perevalnoye - probable	1.4	3.3	162
Yubileyniy - probable	3.1	6.3	640
Malyutka- probable	9.3	1.2	360
Total hard rock probable reserves	13.8	2.6	1,162

Source: SRK Consulting CPR, September 2020

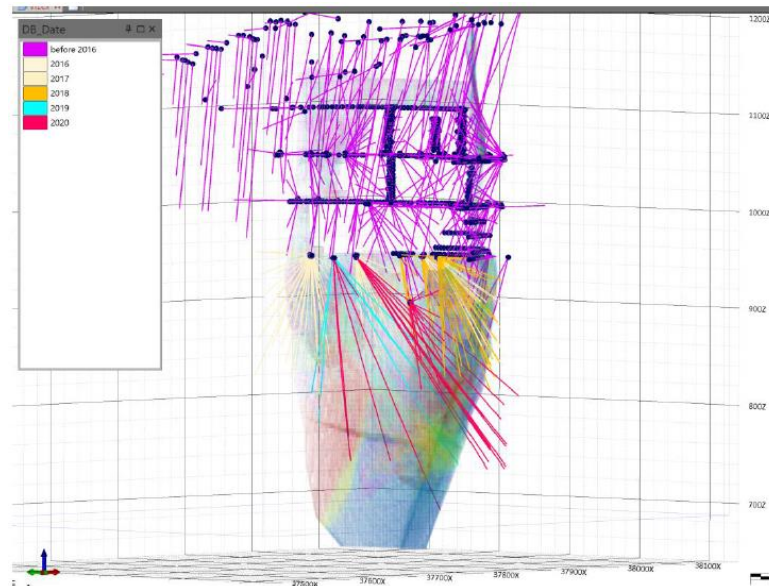
## Yubileyniy: Mining and processing

Krasivoe is a high-grade, underground gold mine that feeds the nearby Yubileyniy processing facility. The mine started production in 2004, initially using open-pit methods, then switched to underground mining in 2010. The mine was closed in 2012 after a fire in the processing plant but re-opened in 2015. The Krasivoe mine is accessed by audits and the mining method is sub-level open stoping.

The Krasivoe deposit comprises sub-vertical arc-shape mineralised zones that extend along strike for some 300m and below surface to a depth of some 450m. The gold occurs in association with pyrite in metasomatised quartz and sericite-quartz zones, within granodiorite porphyries. The surface of the orebody lies at 1200m above sea level (ASL) and has been explored to a depth of 450m below surface. The orebody above 800m ASL comprises two ore shoots intersected by faults. The average thickness of each shoot is just under 8m, ranging from 20m in the centre, thinning to 1m at the flanks. Geological exploration work carried out in 2019 and 2020 showed that below

800m ASL, two ore bodies are combined into one with a thickness of up to 40m. Material below 750m ASL has been categorised as inferred. The deposit remains open at depth.

#### Exhibit 4: Krasivoe deposit block model and exploration stages



Source: SRK Consulting CPR, September 2020

The plant has a design crushing capacity of 130 ktpa and a gravity and flotation section. The plant produces gravity and flotation concentrates that are processed further by leaching. Yubileyniy sells its production in the form of gold doré bars. A second gravity and flotation line is planned to be commissioned to increase capacity to 250ktpa, followed by a further extension to 400ktpa.

Based on current reserves, the life of mine would run to 2029. However, Kopy's management team is confident that inferred resources below 750m ASL will continue to support production at Yubileyniy well beyond that date and, given that all indications are of a continuity of the orebody at similar grades below that level, we tend to agree. In our financial modelling we have assumed a further two years of production at Yubileyniy, which assumes a 40% conversion from inferred resources to reserves.

## Perevalnoye mining and processing

Mining from the Perevalnoye open pit began in 2015 and the processing plant was commissioned in 2017. The plant produces gravity and flotation concentrates that are trucked to the Yubileyniy facility for leaching.

The facility produces concentrate that is leached at Yubileyniy. Ore is mined from the Brekchiyevalaya and Priyatnoe pits and from 2021 to 2023 will also be mined from an underground mine below the open pit at Brekchiyevalaya.

A heap leach plant to process lower-grade 'halo' ore is planned to be operating from 2021 producing 6koz per year for four years.

Based on current reserves, production at Perevalnoye would cease in 2024, but exploration on near-mine targets is being undertaken seeking to extend the life of mine.

## The Malyutka project

Gold recovery at Malyutka is proposed to be via heap leaching, with 9.3Mt of ore reserves mined over a six-year life at an average grade of 1.2g/t and recovery of 65%. The company's capital markets update presentation (October 2020) shows first production in 2023.

Over the life of mine Malyutka is expected to produce a total of 230koz of gold at cash operating costs of around US\$700/oz.

## Production, cost and capex forecasts

We have based our forecasts for future production, costs and capex on the September 2020 SRK Consulting CPR for Amur Zoloto, which is aligned to the production growth and capex plans presented by Kopy. However, we have made two key changes in our production forecasts relative to the production profile envisaged in the CPR:

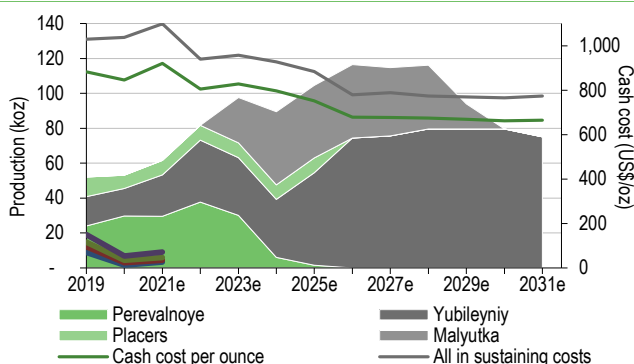
- We have assumed a further two full years of production at Yubileyniy at the end of the reserve life, taking the life of mine to 2031 to reflect the strong likelihood that inferred resources below 750m ASL will be added to the mining inventory (our forecast of an additional two years' life implies a 40% resource to reserve conversion rate – likely a conservative assumption).
- Given the 55koz of total placer resources not included in reserves, we have assumed the placer operations continue to produce at 8–9koz per year until 2025 (versus 2022 in the CPR).

The chart below reflects our production forecasts for the existing Kopy Goldfields mines and the Malyutka project (but excluding potential future production from Krasny). We forecast production growing from 52koz of gold in FY20 to 98koz in FY23 after the start of production at Malyutka. Thereafter, our forecasts see production decrease slightly in 2024 as Perevalnoye nears the end of its life, but then increase to 104koz in FY25 as full ramp up of Malyutka and the expansion of Yubileyniy replace lost production at Perevalnoye. Kopy is seeking to extend the life of mine at Perevalnoye, but this would depend on exploration success.

Our forecasts see cash costs per ounce remain around current levels, between US\$800/oz and US\$900/oz until FY24 (H120 US\$806/oz) but then decline to just below US\$700/oz by FY26 as Yubileyniy ramps up to 400ktpa and the higher-cost placer mines cease production. Our forecast site AISCs (excluding corporate overheads) decline from US\$1,047/oz in FY20 to US\$779/oz by FY26.

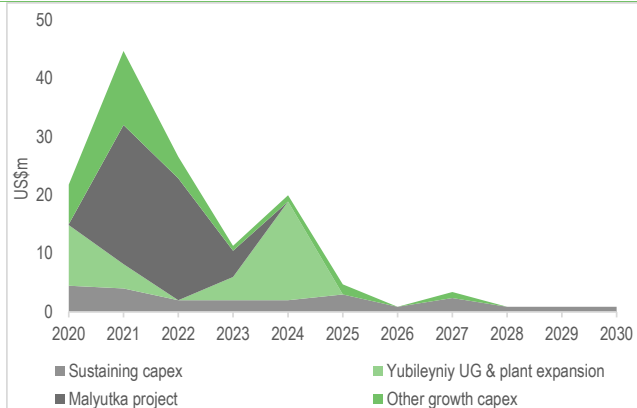
Between FY20 and FY25, the growth programme will require capital expenditure of US\$130m (per Kopy press release, 27 October 2020 based on the SRK CPR of September 2020). Of this, US\$93m will be spent in FY20–FY22 with peak capital expenditure of US\$44.7m in FY21.

**Exhibit 5: Forecast production (koz) and costs (US\$/oz)**



Source: Edison Investment Research

**Exhibit 6: Forecast capex**



Source: Edison Investment Research

## Krasny (49% JV share)

Before the acquisition of Amur Zoloto, the Krasny project formed the cornerstone of Kopy Goldfields' portfolio. Exploration on the property has been undertaken since 2010, when Krasny was acquired through a Russian state auction. In 2014, the company entered a joint venture

agreement with Russian gold producer GV Gold over the Krasny project, whereby GV Gold earned into 51%, leaving Kopy with a 49% interest in the joint venture.

In April 2020, Kopy approached GV Gold regarding a possible consolidation of ownership of Krasny, but no agreement was reached. GV Gold is a Russian gold producer that achieved 2019 production of 260koz, putting it in the top 10 of Russian gold producers. GV Gold's stated strategic objective is to be among the top five gold producers of the Russian federation through organic growth and M&A.

The Krasny project comprises 31km<sup>2</sup> in the Bodaibo area of the Irkutsk region of Russia, 75km from the city of Bodaibo. The project comprises two resource areas, Krasny and Vostochny, which have gold resources totalling 1.8Moz at 1.7g/t.

**Exhibit 7: Krasny resources (JORC, 2012)**

	Measured and indicated		
	Tonnes, Mt	Grade Au, g/t	Content Au, koz
Krasny indicated	7.5	1.2	291
Krasny inferred	18.5	2.0	1,202
Vostochny inferred	6.7	1.6	339
<b>Total</b>	<b>32.7</b>	<b>1.7</b>	<b>1,832</b>

Source: Micon, August 2018

In June 2019, AMC Consultants completed a scoping study examining seven development options for the Krasny/Vostochny project. At that time, with Kopy Goldfields a standalone exploration and development company, the recommended production option was a 1Mtpa opencast mine at Krasny transitioning to an underground mine at Krasny, supplemented by ore from Vostochny opencast. That option would have required just US\$66m of upfront capex (US\$107m capex over the life of mine). However, the alternative development option, which maximised the value of the project, was the development of a 3Mtpa opencast mine at a capital cost of US\$150m. Following the combination with Amur Zoloto, we would expect that any future production decision would be likely to follow a development path more akin to this larger-scale scenario. At a gold price of US\$1,300/oz and discount rate of 6%, AMC Consultants calculated a pre-tax NPV of US\$104m for the 1Mtpa Krasny + Vostochny scenario but that rose to US\$301m in the 3Mtpa Krasny opencast scenario.

**Exhibit 8: Key Krasny development scenarios (from 2019 scoping study)**

	1Mtpa Krasny + Vostochny	3Mtpa Krasny opencast
Capex (US\$m)	107	150
Life of Mine(yrs)	16	12
Annual production (koz)	47	110
Operating cash costs (US\$/oz)	1,100	930
Pre-tax NPV @ \$1300/oz gold price and 6% discount rate (US\$m)	104	301
Attributable to Kopy Goldfields (49%)	51	147

Source: AMC Consultants, Krasny Project Scoping Study, June 2019

Given the stage of development of the project as well as the uncertainty over how the joint venture partners may decide to proceed with it, we have elected to use a resource-multiple approach in valuing Krasny at this stage. Within our valuation of Kopy Goldfields, we value Krasny using a peer group of comparable emerging market gold development companies, with gold resources at concept study/PFS phase, which gives us an average multiple of US\$24.8/oz. Applying this multiple to Kopy's 0.9Moz attributable share of Krasny gold resources gives us a valuation of US\$22.2m for Kopy's share of Krasny.

**Exhibit 9: Comparable gold company resource multiples**

Company	Location	EV (US\$m)	Stage	Resources (Moz)	EV/oz
Charaat Gold	Armenia and Kyrgyz Republic	281	Production/development/PFS*	10.1	27.8
Condor Gold	Nicaragua	79	PFS	2.1	37.6
GoldX	Guyana	126	PEA/concept study	10.5	12.0
Lumina	Ecuador	230	PEA/concept study	17.1	13.5
Newcore	Ghana	38	PEA/concept study	1.2	31.3
Orezone Gold	Burkina Faso	210	Feasibility/development	6.2	34.0
Rio2	Chile	111	PFS	6.4	17.4
Average					24.8

Source: Refinitiv, Company presentations and websites for resources. Note: \*We include Charaat as its largest asset is pre-feasibility. Priced on 21 January 2021.

As projects are progressed from concept study to the feasibility phase, the market recognition of value tends to increase markedly (see our report, [Gold stars and black holes](#)). Advancing Kopy to the feasibility phase could thus provide longer-term value upside for Kopy investors.

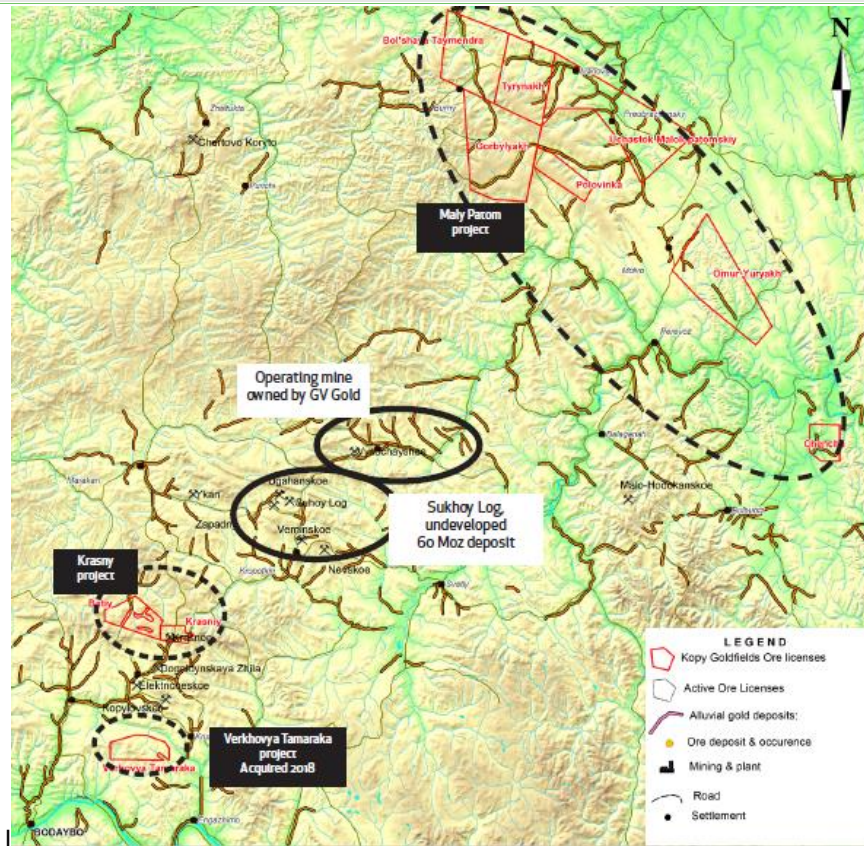
We understand from Kopy's management that active discussions are underway with its joint venture partners to determine the next steps for the Krasny project. The development of Krasny is not included in our Kopy group production and financial forecasts (other than the near-term JV costs). Krasny thus offers further upside for Kopy both in terms of future production and longer-term group valuation potential.

## Maly Patom

The Maly Patom project covers a total area of 1,940 km<sup>2</sup> to the north of Bodaibo. Kopy's licences for bedrock gold prospecting, exploration and production in the Maly Patom project are valid to 2037, with extension options. The area boasts a long history of alluvial gold mining, with most of the river valleys hosting alluvial gold and placer miners have reported pristine gold grains in the area, which indicates the existence of bedrock sources of alluvial gold nearby. However, no serious and consistent bedrock gold exploration has been conducted in the area to date.

The geology and age of the rock in the area is similar to that of Sukhoy Log, with stratigraphy, lithology and structural setting favourable for primary gold mineralisations. There have been numerous reports from the area of secondary gold halo, zone and points of gold mineralisation, as well as many grab samples with gold.



**Exhibit 10: Location of Maly Patom project**


Source: Company Description, May 2020

The 2019 exploration activities at Maly Patom, which focused on three of 20+ previously identified gold anomalies, saw several gold anomalous areas identified and sulphide mineralisations discovered, albeit not at commercial gold grades. Following the 2019 drill programme, Kopy CEO Mikhail Damrin commented: 'With the results we received, we are even more confident about the exploration potential of the area. New information will let us better target and plan further explorations at Maly Patom' (Kopy Goldfields press release, 3 February 2020).

## Management, shareholders and corporate governance

Following the acquisition of Amur Zoloto by Kopy Goldfields (reverse takeover), previous Amur Zoloto shareholders HC Alliance Mining Group and Lexor Group hold 88% of Kopy Goldfields shares. HC Alliance Mining is beneficially owned by Musa Bazhaev, Deni Bazhaev and Arsen Idrisov. Lexor Group is beneficially controlled by Magomed Bazhaev. Together this group of shareholders has the potential to exercise a high degree of control over the company. Mitigating this, Kopy Goldfields has a majority independent board structure.

Kopy Goldfields is reviewing the possibility of a Nasdaq Nordic Main Board listing, which should allow it to attract more institutional investor interest. In preparation for such a transition, Kopy has already appointed an ERM consultancy and initiated a full ESG review. Kopy is also reviewing the group's dividend policy.

### Exhibit 11: Key shareholders

	Shares (m)	%
HC Alliance Mining Group	587.4	66.1
Lexor Group	194.8	21.9
Tord Cederlund	12.0	1.4
Other shareholders	94.8	10.7
Total	889.1	100.0

Source: Kopy Goldfields

## Management team

Kopy Goldfields' management team is led by Mikhail Damrin (CEO), Tim Karlsson (CFO) and Alexander Sutyagin (COO). Mikhail holds an MSc degree in mechanical engineering (Russia), a BSc degree in mining engineering (Russia) and an MBA degree (UK). In 2007 and 2008, Mikhail worked for Central Asia Gold as the project manager responsible for corporate development and planning. He previously held top management positions at West Siberian Resources and Vostok Nafta Investments and is a Russian citizen. CFO Tim Karlsson holds a MSc degree in business (Sweden) and language and business studies in Russia and Germany. Over 2005 to 2011, Tim worked for KPMG Sweden as an authorised public accountant then joined Kopy Goldfields in 2011. He is a Swedish citizen. COO Alexander Sutyagin has extensive experience in the Russian oil and gas and mining sectors including at JSC Alliance Oil Company, Alliance Management, Amur Gold and Russian Platinum.

In addition to COO Alexander Sutyagin, the team in Russia includes Alexander Polonyankin (head of strategic development), Pavel Korol (Head of Corporate Finance) and Dr Evgeny Bozhko (chief geologist).

## Board

The board of Kopy Goldfields has six members:

- Independent non-executive chairman, Kjell Carlsson. A mechanical engineer by training and a Swedish citizen with a career spanning senior management positions with Sandvik, Atlas Copco and ABB.
- Four additional independent non-executives, Tord Cederlund, Andreas Forsell, Eric Forss and Johan Österling.
- One non-executive director associated with major shareholder HC Alliance Mining, Arsen Idrisov.

## Edison gold price outlook

In our last note on the gold price (see [The gold rush](#), published on 11 June 2020), we argued that the recent sharp increases in the total US monetary base might be expected to support a (nominal) gold price of US\$1,892/oz and potentially as high as US\$3,000/oz. While there is a historically strong and statistically significant correlation of 0.909 between the gold price and the total US monetary base from 1967 to 2018, there is very little visibility as to how, or to what extent, the total US monetary base may be expected to evolve. In the four months (to November 2020), the US monetary base was expanding at an average rate of approximately US\$98bn per month, which would equate to an expected increase in the gold price (using the historical correlation) of approximately US\$391/oz per year. Anecdotally, the total US monetary base may probably be expected to continue to increase until the COVID-19 crisis has been managed, then flatten off for a discrete period until a period of tapering is attempted by the Federal Reserve (in a similar fashion to the aftermath of the global financial crisis). However, neither the extent of any increases nor the extent of any subsequent tapering nor the timing of either is easy to judge. As a result, our strategy

(see our June 2020 note on Endeavour Mining, [Maiden fully consolidated valuation](#)) is to maintain a flat, nominal gold price of US\$1,892/oz from FY22 through to FY26, with flat real prices thereafter at US\$1,524/oz in real terms – we model all gold companies in real terms. For FY21 we use the current spot price of US\$1,855/oz. The resultant real and nominal forecasts are set out in Exhibit 12 below. Our Kopy Goldfields forecasts and DCFE valuation are based on the real gold prices presented here.

<b>Exhibit 12: Edison gold price forecast (real and nominal US\$/oz)</b>									
	2021	2022	2023	2024	2025	2026	2027	2028	2029
Gold price (real US\$/oz)	1,855	1,819	1,749	1,681	1,617	1,554	1,524	1,524	1,524
Gold price (nominal US\$/oz)	1,855	1,892	1,892	1,892	1,892	1,892	1,968	2,046	2,128

Source: Edison Investment Research

## Sensitivities

### Political risk

All of Kopy's assets are in Russia, exposing Kopy to the risks associated with the jurisdiction, including potential political risk, labour disputes, risks relating to permits or property rights, and changes to monetary or taxation policies. Russia has a long-established mining sector and is a significant producer of gold, nickel, diamonds and iron ore.

### Operational risks

Kopy operates two hard rock mines and a number of placer mines in Russia. Risks associated with the operations of these mines include: COVID-19-related disruptions; severe weather effects (the extreme continental climate prevailing at most Kopy Goldfields assets is characterised by high yearly temperatures ranging from -60°C to +40°C; the average annual temperature is -6.4°C and temperatures are above 0°C for only about 60–70 days per year); transport (there are no summer roads to the districts and supplies are generally transported by truck along ice roads during the winter and air freighted during the summer); safety (including relating to underground mining); environmental (including relating to heap leaching and cyanidation); and labour.

### Gold price risk

The company generates nearly 100% of its revenues from the sale of gold (with a very small amount of silver by product). Other than the approximately 24koz of deliveries required to repay the US\$31m Amur Zoloto contract liability (for which the price was fixed in September 2018), the company's production is unhedged and it is thus exposed to gold price risk.

However, gold price risk is mitigated by the company's strong operating cash margins, with AISCs below US\$1,050/oz compared to the current gold price of US\$1,900/oz.

While our analysis suggests some risk to the company's ability to fund the planned capex programme if the gold price falls below US\$1,300/oz, we note Kopy would also have the flexibility to delay capex if necessary and, as such, we see minimal risk that the company would need to consider equity funding to deliver the planned expansion.

### Currency risk

Kopy Goldfields' revenue is determined by the US dollar gold price but costs are predominantly Russian rouble-denominated as 100% of the current operations are in Russia. This exposes Kopy to the risk that a strengthening Russian rouble could cause costs to increase in US dollar terms. Conversely, Kopy would stand to benefit from any weakening of the rouble.

## Kopy is controlled by its major shareholders, who own 88%

Together HC Alliance Mining and Lexor Group (formerly the shareholders of Amur Zoloto) hold 88% of the shares of Kopy. These shareholders can thus exert significant control over Kopy and there is a risk they may direct the company in a way contrary to the best interests of minorities. Partially mitigating this risk, Kopy Goldfields has a majority independent board structure. Kopy Goldfields is investigating the possibility of a Nasdaq Nordic main market listing in the future. The company is also strengthening ESG reporting and has appointed consultants to undertake a review.

## Valuation

Based on our DCFE per-share valuation methodology, we value Kopy Goldfields at US\$0.33 per share (SEK2.76/share) at our long-term real gold price forecast of US\$1,524/oz. However, running a sensitivity analysis at a US\$1,700/oz flat real gold price (see Exhibit 13) gives a valuation of SEK2.98/share and at US\$1,900/oz that rises to SEK3.73/share – significantly above the current share price. Alternatively, applying the peer group comparable FY22 EV/EBITDA multiple of 5.2x to our forecast FY22 Kopy EBITDA of US\$71.2m would suggest a valuation for Kopy of US\$368m (equivalent to SEK2.98/ share after adjusting for net debt).

In the three months before the announcement of the Amur Zoloto transaction on 29 May 2020, Kopy Goldfields' VWAP was SEK0.95/share and 782.2m Kopy Goldfields shares were issued to Amur Zoloto (implying a total consideration of SEK743m (US\$77.8m) for the Amur Zoloto assets within the transaction based on VWAP). Since then, Kopy Goldfields' share price has more than doubled to SEK2.26/share.

## Valuation methodology

We value Kopy Goldfields based on a DCFE, which calculates the net present value of the maximum *potential dividend* (or rather total free cash flow to equity per share) each year, discounted at our standard 10% discount rate and using our standard gold price deck, as detailed earlier in this report. Dividend flow for the purposes of valuation (ie, free cash flow to equity per share) is calculated as:

- free cash flow from the Yubileyniy, Perevalnoye and placer mines and the Malyutka project based on the assumptions discussed earlier in this report;
- less corporate overheads;
- less interest, debt and contract liability repayments (but adding any debt drawdowns);
- plus our US\$22.2m resource-based valuation of Krasny (see page 8) and a valuation for Maly Patom based on historical costs of US\$3m, which are included in cash flows for valuation purposes as though realised in FY21; and
- divided by the number of shares in issue (to which we forecast no change over the period).

## DCF valuation at the Edison gold price

Based on our gold price deck described earlier in this report (long-term real gold price of US\$1,524/oz) and using a 10% real discount rate, we value Kopy at US\$0.33/share (SEK2.76/share).

**Exhibit 13: DCFE valuation of Kopy**

	2021*	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Free cash flow to equity excl Krasny (US\$m)	12	21	32	26	41	63	67	82	75	50	46
Value of Krasny and Maly Patom (US\$m)	25										
Free cash flow to equity incl Krasny (US\$m)	38	21	32	26	41	63	67	82	75	50	46
Sum of DCFE (US\$m)	295										
Shares in issue (m)	889	889	889	889	889	889	889	889	889	889	889
FCFE per share (US\$)	0.04	0.02	0.04	0.03	0.05	0.07	0.08	0.09	0.08	0.06	0.05
FCFE per share (SEK)	0.35	0.20	0.30	0.25	0.38	0.59	0.62	0.76	0.70	0.47	0.43
Equity discount rate	10%										
DCF/share (US\$)	0.33										
DCF/share (SEK)	2.76										

Source: Edison Investment Research. Note: \*2021 FCFE includes closing 2020 forecast cash.

## Sensitivity analysis: Gold price and discount rate

The table below demonstrates the sensitivity of the base-case discount dividend valuation to gold price and discount rate assumptions. At a flat real long-term gold price of US\$1,500/share and 10% discount rate, the discounted dividend valuation of Kopy would be SEK2.22 per share, but this rises to SEK2.98 per share at \$1,700/oz flat real gold price (ie a US\$1,700 nominal gold price rising by inflation) and to SEK3.73/share at US\$1,900/oz – well above the current share price. In the current market conditions, many listed gold companies do appear to be pricing in longer-term real gold prices closer to spot (currently US\$1,855/oz). This sensitivity analysis does not consider any hedging arrangements the company may have in place to limit downside risk.

**Exhibit 14: Sensitivity of Kopy valuation (SEK per share) to gold price and discount rate**

SEK/share		Gold price – real (US\$/oz)			
		1,300	1,500	1,700	1,900
Discount rate	6%	1.88	2.83	3.78	4.73
	8%	1.65	2.50	3.35	4.19
	10%	1.46	2.22	2.98	3.73
	12%	1.30	1.98	2.66	3.34

Source: Edison Investment Research

## Comparable multiples valuation

We have considered a comparable group of four listed Russian gold producers: Polyus, Polymetal, Petropavlosk and Auriant Mining.

Our comparative valuation considers two key metrics:

- Enterprise value/production.
- Enterprise value/EBITDA.

We use latest reported net debt and the current market cap based on share prices as of 21 January 2021.

**Exhibit 15: Peer group comparable valuation metrics**

	EV (US\$m)	Last 12 months production (koz)*	EV production (US\$/oz)	EV/EBITDA (x) FY20**	EV/EBITDA (x) FY21**	EV/EBITDA (x) FY22**
Polyus	29,839	2,857	10,444	8.0	6.7	6.7
Polymetal	12,475	1,555	8,023	7.4	6.3	5.9
Petropavlosk	2,200	596	3,691	5.9	4.3	3.8
Auriant Mining	132	31	4,248	4.3	4.3	4.2
Average			6,602	6.4	5.4	5.2
Kopy	309	50	6,231	9.1	6.6	4.3

Source: Company reports\* for the 12 months to September 2020. \*\*Based on Edison Investment Research EBITDA forecasts for Kopy and Auriant and Refinitiv consensus for other comparable companies. Priced at close on 21 Jan 2021.

Applying the peer group FY22 EV/ EBITDA multiple of 5.2x to our forecast FY22 Kopy Goldfields EBITDA of US\$71.2m would suggest a valuation for Kopy Goldfields of US\$368m. After deducting Kopy pro-forma net debt of US\$48m, that would imply a valuation of SEK2.98/share.

## Financials

### Earnings

Given all company revenues are US-dollar denominated (and costs largely rouble denominated) and that Amur Zoloto's historical financial statements have been presented in US dollars, we have modelled future earnings and cash flows in US dollar terms. However, we have converted all historical and forecast figures into SEK on the end of this report. As the transaction is structured as a reverse takeover of Kopy Goldfields by Amur Zoloto, our financials present historical earnings for Amur Zoloto to FY19 and pro-forma group forecasts from FY20.

In FY19 Amur Zoloto generated US\$25.5m in EBITDA (US\$25.0m pro-forma including Kopy Goldfields) and made a net profit of US\$9.2m (US\$8.8m pro-forma).

In FY20 we forecast pro-forma EBITDA of US\$38.3m and PBT of US\$26.9m.

Beyond FY20, our forecast production growth to 98koz in FY23 then to 105koz in FY25 drives a significant increase in EBITDA. Over FY21 and FY22, we expect to see a minor benefit from sales of gold inventory following a period of inventory build up to 2019 (company description, published 23 June 2020). We forecast Kopy group EBITDA of US\$82.0m in FY23 and PBT of US\$62.4m.

**Exhibit 16: Income statement key metrics (US\$m)**

	FY18	FY19	FY20e	FY21e	FY22e	FY23e	FY24e	2025e	2026e	2027e	2028e	2029e	2030e	2031e
Gold production	48	52	52	62	82	98	90	105	117	115	116	94	80	75
Gold sales	Not disclosed	Not disclosed	55	63	83	98	90	105	117	115	116	94	80	75
All in sustaining costs	Not disclosed	1,030	1,047	1,099	939	957	927	884	779	789	774	769	765	768
Revenue	60.0	70.1	98.1	116.1	150.3	176.4	161.9	180.5	181.1	174.8	177.0	143.1	121.2	114.5
Depreciation (and non-cash adjustments)	(14.5)	(10.2)	(6.0)	(8.5)	(13.7)	(15.5)	(14.9)	(15.6)	(14.1)	(12.2)	(10.9)	(9.5)	(8.3)	(7.2)
Cost of Sales	(32.0)	(36.6)	(49.4)	(59.1)	(68.7)	(85.9)	(75.5)	(84.5)	(84.9)	(83.1)	(84.0)	(65.4)	(54.0)	(49.8)
Gross profit	13.6	23.3	42.7	48.5	68.0	75.0	71.5	80.4	82.2	79.5	82.1	68.2	58.9	57.5
General and Admin	(6.1)	(6.6)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)
Share of results of JV			(1.4)	(1.4)	(1.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating expenses	(1.4)	(1.5)	(1.5)	(1.5)	(1.5)	(1.0)	(1.0)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Operating Profit	6.2	15.3	32.3	38.1	57.6	66.5	63.0	72.4	74.2	71.5	74.1	60.2	50.9	49.5
EBITDA	20.6	25.5	38.3	46.6	71.2	82.0	77.9	88.0	88.3	83.7	85.0	69.7	59.2	56.7
Net finance income (costs)	(4.5)	(3.5)	(5.5)	(4.0)	(4.6)	(4.2)	(2.5)	(1.4)	(0.2)	0.2	0.2	0.2	0.2	0.2
Profit before tax	1.7	11.7	26.9	34.1	53.0	62.4	60.4	71.0	74.0	71.7	74.3	60.4	51.1	49.6
Tax	(0.5)	(2.6)	(5.9)	(7.5)	(11.7)	(13.7)	(13.3)	(15.6)	(16.3)	(15.8)	(16.3)	(13.3)	(11.2)	(10.9)
Net profit	1.2	9.2	20.9	26.6	41.3	48.7	47.1	55.4	57.7	55.9	57.9	47.1	39.9	38.7
Shares in issue	Not disclosed	Not disclosed	886	889	889	889	889	889	889	889	889	889	889	889
Net profit per share (c)			2.4	3.0	4.6	5.5	5.3	6.2	6.5	6.3	6.5	5.3	4.5	4.4

Source: Kopy - Company Description June 2020, Edison Investment Research forecasts. Note: FY18 and FY19 figures are historical financials as reported by Amur Zoloto on a standalone basis (as Amur Zoloto is the acquiror in the reverse takeover). Figures from FY20 are for the combined new Kopy Goldfields group.

### Cash flow and funding

On 31 December 2019, the combined Amur Zoloto Kopy Group had pro-forma net debt totalling US\$47.9m (US\$43.6m Amur Zoloto and US\$4.3m Kopy Goldfields) comprising:

- **A US\$31.3m (approximately RUB1,939m) Amur Zoloto contract liability.** This relates to a September 2018 advance sale of approximately 23koz of gold by Amur Zoloto at the then prevailing gold price and carrying a 6.45% interest rate. Repayment of this facility will be made through the delivery of physical gold to the counterparty and we understand that those deliveries are scheduled to take place between September 2023 and 2025. In our financial modelling within revenue (and in cash from operations) we reflect the ounces of gold delivered under the contract multiplied by an assumed gold price of US\$1,200/oz, while in cash from

funding we reflect the repayment of the US\$31.3m as a cash from financing outflow between FY23 and FY25.

- **Other Amur Zoloto debt and lease liabilities of US\$12.7m.**
- **Kopy Goldfields debt of US\$5m** (SEK46.6m) carrying interest of 11.75% year and repayable by September 2022.
- **Group cash of US\$1.1m** (\$0.4m Amur Zoloto and \$0.7m Kopy).

By June 2020 net debt had fallen very slightly to US\$47m (Kopy Goldfields presentation, Oct 2020).

The table below summarises cash flow key metrics from FY20–FY25 and resultant net debt movement. Our forecasts assume the group can draw down an additional US\$15m in debt in FY20 and FY21 and no further equity contributions are needed to fund growth in the base case. Forecast net debt rises to US\$55.7m in FY21, 1.2x EBITDA. From FY23 we expect Kopy Goldfields to become cash positive, ending FY23 with net cash of US\$14.4m.

**Exhibit 17: Free cash-flow key metrics (US\$m)**

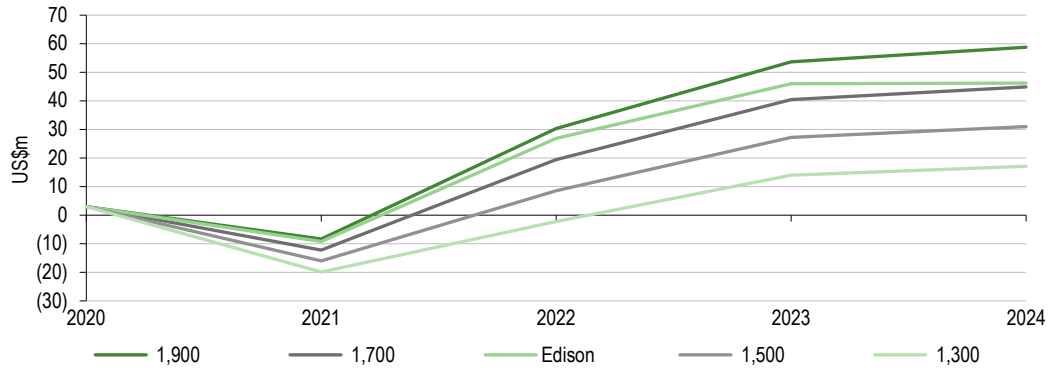
	FY20e	FY21e	FY22e	FY23e	FY24e	FY25e
EBITDA	38.3	46.6	71.2	82.0	77.9	88.0
Tax and interest paid	(8.6)	(9.5)	(13.9)	(17.9)	(15.8)	(17.0)
Net change in working capital	(3.5)	(0.5)	(3.9)	(7.2)	3.8	(5.8)
Cash from operations	26.2	36.6	53.4	57.0	65.9	65.2
Capex	(21.8)	(44.7)	(26.6)	(11.3)	(20.0)	(4.7)
Free cash flow	4.4	(8.1)	26.8	45.7	45.9	60.5
Net proceeds from (repayment of) borrowings	5.0	10.0	(7.0)	(13.3)	(19.5)	(19.5)
Net change in cash	10.1	2.6	19.8	32.4	26.4	41.0
Closing cash	10.5	13.1	32.9	65.3	91.7	132.7
Net (debt)/cash	(46.3)	(55.7)	(31.3)	14.4	60.3	120.8

Source: Edison Investment Research

We have undertaken a sensitivity analysis on free cash flow and net debt in different gold price scenarios. In our view, given the strong EBITDA and operating cash flow generation of the company, it should readily be able to support a further US\$25–35m in debt funding (so net debt could rise to US\$72–82m) before any further equity funding would be required. In its capital markets day presentation (27 October 2020), Kopy noted that the capex programme is already ‘fully funded by long-term bank debt’. The company’s FY20 results should provide us with further insight into the company’s committed debt facilities.

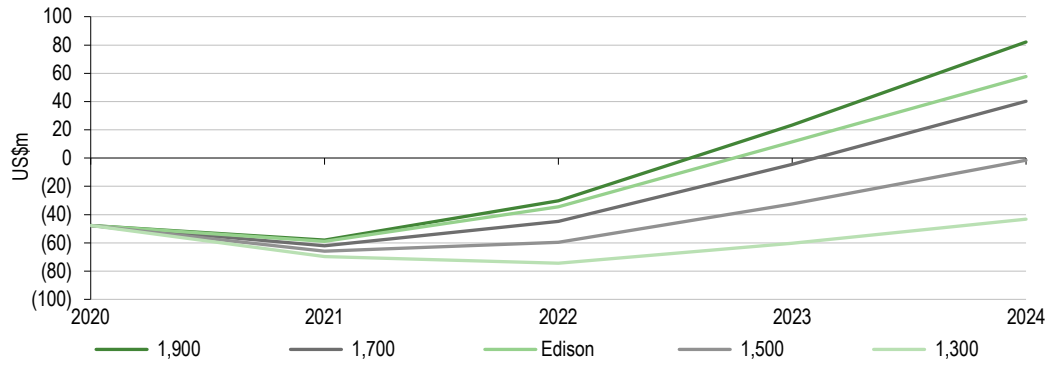
Our analysis suggests any pressure on the funding of the capex programme using debt alone would only occur at a gold price below US\$1,300/oz (significantly below the current gold price of US\$1,8550/oz). The company uses ‘various hedging instruments to mitigate the risk of gold price fluctuations’ (company description, June 2020). Kopy would also have the flexibility to alter the pace of capex if needed. Taken together, these factors significantly mitigate any funding risk in relation to the capital programme. This analysis does not consider potential future development of the Krasny project.

**Exhibit 18: FCF sensitivity to gold price**



Source: Edison Investment Research

**Exhibit 19: Net debt sensitivity to gold price**



Source: Edison Investment Research



**Exhibit 20: Financial summary**

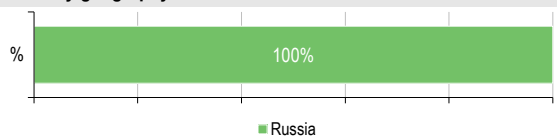
	\$'m	2018	2019	2020	2021	2022	2023e	2024e	2025e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>									
Revenue		60.0	70.1	98.1	116.1	150.3	176.4	161.9	180.5
Cost of Sales		(46.4)	(46.8)	(55.4)	(67.6)	(82.4)	(101.4)	(90.4)	(100.1)
Gross Profit		13.6	23.3	42.7	48.5	68.0	75.0	71.5	80.4
EBITDA		20.6	25.5	38.3	46.6	71.2	82.0	77.9	88.0
Operating Profit (before amort. and except.)		6.2	15.3	32.3	38.1	57.6	66.5	63.0	72.4
Exceptionals		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share-based payments		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported operating profit		6.2	15.3	32.3	38.1	57.6	66.5	63.0	72.4
Net Interest		(4.5)	(3.5)	(5.5)	(4.0)	(4.6)	(4.1)	(2.5)	(1.4)
Joint ventures & associates (post tax)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		1.7	11.7	26.9	34.1	53.0	62.4	60.4	71.0
Profit Before Tax (reported)		1.7	11.7	26.9	34.1	53.0	62.4	60.4	71.0
Reported tax		(0.5)	(2.6)	(5.9)	(7.5)	(11.7)	(13.7)	(13.3)	(15.6)
Profit After Tax (norm)		1.2	9.2	20.9	26.6	41.3	48.7	47.1	55.4
Profit After Tax (reported)		1.2	9.2	20.9	26.6	41.3	48.7	47.1	55.4
Minority interests		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)		1.2	9.2	20.9	26.6	41.3	48.7	47.1	55.4
Net income (reported)		1.2	9.2	20.9	26.6	41.3	48.7	47.1	55.4
Average Number of Shares Outstanding (m)		N/A	N/A	886	889	889	889	889	889
EPS - basic normalised (c)		N/M	N/M	2.4	3.0	4.6	5.5	5.3	6.2
EPS - normalised (c)		N/M	N/M	2.4	3.0	4.6	5.5	5.3	6.2
EPS - basic reported (c)		N/M	N/M	2.4	3.0	4.6	5.5	5.3	6.2
Dividend per share (c)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue growth (%)		N/A	16.8	39.9	18.4	29.4	17.4	(8.2)	11.5
Gross Margin (%)		22.7	33.2	43.5	41.8	45.2	42.5	44.1	44.5
EBITDA Margin (%)		34.4	36.4	39.0	40.1	47.4	46.5	48.1	48.8
Normalised Operating Margin		10.3	21.8	32.9	32.8	38.3	37.7	38.9	40.1
<b>BALANCE SHEET</b>									
Fixed Assets		55.7	63.8	100.3	136.5	144.4	140.2	145.3	134.4
Intangible Assets		4.9	5.3	7.1	7.1	7.1	7.1	7.1	7.1
Tangible Assets		46.1	43.6	59.5	95.7	108.6	104.4	109.5	98.5
Investments & other		4.7	14.9	33.8	33.8	28.8	28.8	28.8	28.8
Current Assets		33.8	48.9	64.1	69.2	99.9	143.1	163.4	212.1
Stocks		28.6	43.4	48.4	50.9	61.8	72.5	66.5	74.2
Debtors		2.5	3.5	3.6	3.6	3.6	3.6	3.6	3.6
Cash & cash equivalents		0.9	0.4	10.5	13.1	32.9	65.3	91.7	132.7
Other		1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Current Liabilities		(9.8)	(25.1)	(26.9)	(28.9)	(30.8)	(34.4)	(24.2)	(26.1)
Creditors		(5.9)	(8.4)	(10.2)	(12.1)	(14.1)	(17.6)	(15.5)	(17.4)
Tax payable		(0.7)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
Short term borrowings & contract liability		(3.1)	(12.9)	(12.9)	(12.9)	(12.9)	(12.9)	(4.9)	(4.9)
Other		(0.0)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
Long Term Liabilities		(37.9)	(35.7)	(48.4)	(60.5)	(55.8)	(42.6)	(31.1)	(11.6)
Long term borrowings & contract liability		(35.7)	(31.1)	(43.8)	(55.9)	(51.3)	(38.0)	(26.5)	(7.0)
Other long term liabilities		(2.2)	(4.6)	(4.6)	(4.6)	(4.6)	(4.6)	(4.6)	(4.6)
Net Assets		41.7	51.8	89.1	116.3	157.7	206.3	253.4	308.8
Minority interests		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity		41.7	51.8	89.1	116.3	157.7	206.3	253.4	308.8
<b>CASH FLOW</b>									
EBITDA		20.6	25.5	38.3	46.6	71.2	82.0	77.9	88.0
Working capital		13.8	(17.8)	(3.5)	(0.5)	(3.9)	(7.2)	3.8	(5.8)
Exceptional & other		(0.1)	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax		(0.6)	(2.7)	(5.9)	(7.5)	(11.7)	(13.7)	(13.3)	(15.6)
Net operating cash flow		33.8	7.0	28.9	38.6	55.7	61.1	68.4	66.6
Capex		(4.6)	(2.9)	(21.8)	(44.7)	(26.6)	(11.3)	(20.0)	(4.7)
Acquisitions/disposals		0.0	0.0	(4.3)	0.0	0.0	0.0	0.0	0.0
Net interest		(2.5)	0.0	(2.7)	(2.0)	(2.2)	(4.1)	(2.5)	(1.4)
Equity financing		0.0	0.0	0.0	0.7	0.0	0.0	0.0	0.0
Dividends		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Cash Flow		26.7	4.2	0.1	(7.4)	26.8	45.7	45.9	60.5
Opening net debt/(cash)		64.6	37.9	43.6	46.3	55.7	31.3	(14.4)	(60.3)
FX		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-cash movements		0.0	9.8	2.8	2.1	2.3	0.0	0.0	0.0
Closing net debt/(cash)		37.9	43.6	46.3	55.7	31.3	(14.4)	(60.3)	(120.8)

Source: Company data, Edison Investment Research. Note: FY18 and FY19 figures are historical financials as reported by Amur Zoloto on a standalone basis (as Amur Zoloto is the acquirer in the reverse takeover). Figures from FY20 are for the combined new Kopy Goldfields group.

**Exhibit 21: Financial summary**

	SEK'm	2018	2019	2020	2021	2022	2023e	2024e	2025e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>									
Revenue		522.3	663.3	904.6	964.0	1,247.6	1,464.2	1,343.7	1,498.3
Cost of Sales		(403.9)	(442.9)	(510.9)	(561.2)	(683.5)	(841.5)	(750.5)	(831.0)
Gross Profit		118.4	220.4	393.7	402.8	564.1	622.8	593.2	667.3
EBITDA		179.6	241.1	353.1	387.0	591.2	681.0	646.4	730.7
Operating Profit (before amort. and except.)		53.7	144.4	297.8	316.5	477.7	552.2	522.6	600.9
Exceptionals		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share-based payments		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported operating profit		53.7	144.4	297.8	316.5	477.7	552.2	522.6	600.9
Net Interest		(38.9)	(33.5)	(50.3)	(33.5)	(38.0)	(34.4)	(21.0)	(11.4)
Joint ventures & associates (post tax)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		14.8	110.9	247.6	283.0	439.7	517.8	501.6	589.5
Profit Before Tax (reported)		14.8	110.9	247.6	283.0	439.7	517.8	501.6	589.5
Reported tax		(4.2)	(24.2)	(54.5)	(62.3)	(96.7)	(113.9)	(110.3)	(129.7)
Profit After Tax (norm)		10.5	86.7	193.1	220.7	343.0	403.9	391.2	459.8
Profit After Tax (reported)		10.5	86.7	193.1	220.7	343.0	403.9	391.2	459.8
Minority interests		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)		10.5	86.7	193.1	220.7	343.0	403.9	391.2	459.8
Net income (reported)		10.5	86.7	193.1	220.7	343.0	403.9	391.2	459.8
Average Number of Shares Outstanding (m)		N/A	N/A	886	889	889	889	889	889
EPS - basic normalised (SEK)		N/M	N/M	0.20	0.25	0.39	0.45	0.44	0.52
EPS - normalised (SEK)		N/M	N/M	0.20	0.25	0.39	0.45	0.44	0.52
EPS - basic reported (SEK)		N/M	N/M	0.20	0.25	0.39	0.45	0.44	0.52
Dividend per share (c)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue growth (%)		NA	27.0	36.4	6.6	29.4	17.4	(-8.2)	11.5
Gross Margin (%)		22.7	33.2	40.8	41.5	41.4	38.4	40.3	40.1
EBITDA Margin (%)		18.2	32.5	36.3	39.9	43.8	42.6	44.5	44.6
Normalised Operating Margin		10.3	21.8	30.2	32.8	33.9	33.2	34.7	35.3
<b>BALANCE SHEET</b>									
Fixed Assets		456	594	832	1,133	1,199	1,164	1,206	1,115
Intangible Assets		40	49	59	59	59	59	59	59
Tangible Assets		378	406	494	794	901	866	909	818
Investments & other		38	139	280	280	239	239	239	239
Current Assets		277	455	532	574	829	1,187	1,357	1,760
Stocks		235	405	402	423	513	602	552	616
Debtors		21	32	30	30	30	30	30	30
Cash & cash equivalents		7	4	87	109	273	542	761	1,101
Other		14	15	13	13	13	13	13	13
Current Liabilities		(80)	(234)	(223)	(240)	(256)	(285)	(201)	(216)
Creditors		(49)	(78)	(84)	(101)	(117)	(146)	(129)	(144)
Tax payable		(6)	(11)	(10)	(10)	(10)	(10)	(10)	(10)
Short term borrowings & contract liability		(26)	(120)	(107)	(107)	(107)	(107)	(41)	(41)
Other		(0)	(25)	(22)	(22)	(22)	(22)	(22)	(22)
Long Term Liabilities		(311)	(333)	(402)	(502)	(464)	(353)	(258)	(96)
Long term borrowings & contract liability		(293)	(290)	(364)	(464)	(425)	(315)	(220)	(58)
Other long term liabilities		(18)	(43)	(38)	(38)	(38)	(38)	(38)	(38)
Net Assets		342	483	739	966	1,309	1,712	2,104	2,563
Minority interests		0	0	0	0	0	0	0	0
Shareholders' equity		342	483	739	966	1,309	1,712	2,104	2,563
<b>CASH FLOW</b>									
EBITDA		180	241	353	387	591	681	646	731
Working capital		120	(168)	(32)	(4)	(32)	(60)	32	(48)
Exceptional & other		(1)	19	0	0	0	0	0	0
Tax		(5)	(26)	(54)	(62)	(97)	(114)	(110)	(130)
Net operating cash flow		294	66	267	320	462	507	568	553
Capex		(40)	(27)	(201)	(371)	(221)	(94)	(166)	(39)
Acquisitions/disposals		0	0	(40)	0	0	0	0	0
Net interest		(22)	0	(25)	(16)	(19)	(34)	(21)	(11)
Equity financing		0	0	0	5	0	0	0	0
Dividends		0	0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0	0
Net Cash Flow		232	39	1	(62)	223	379	381	502
Opening net debt/(cash)		562	330	412	426	463	259	(120)	(501)
FX		0	29	(10)	(43)	0	0	0	(0)
Other non-cash movements		0	93	25	17	19	0	0	0
Closing net debt/(cash)		330	412	426	463	259	(120)	(501)	(1,003)

Source: Company data, Edison Investment Research. Note: FY18 and FY19 figures are historical US\$ financials as reported by Amur Zoloto on a standalone basis (as Amur Zoloto is the acquirer in the reverse takeover), which we have converted to SEK at an average exchange rate of SEK8.70/US\$ and closing exchange rate of SEK8.20/US\$ for FY18, and average exchange rate of SEK9.46/US\$ and closing exchange rate of SEK9.32/US\$ for FY19. Figures from FY20 are Edison forecasts for the combined new Kopy Goldfields group converted to SEK at average exchange rate of SEK9.22/US\$ for FY20 and closing exchange rate of SEK8.30/US\$ with the rate of SEK8.30/US\$ applied consistently from FY21.

<b>Contact details</b> Skeppargatan 27, 114 52 Stockholm, Sweden www.kopygoldfields.com	<b>Revenue by geography</b>  <p>A horizontal bar chart with a single green bar representing 100% of the revenue from Russia. The y-axis is labeled with a percentage sign (%). The bar is labeled '100%' and 'Russia' below it.</p>												
<b>Management team</b>													
<b>CEO: Mikhail Damrin</b> Mikhail holds an MSc degree in mechanical engineering (Russia), a BSc degree in Mining engineering (Russia) and an MBA degree (UK). During 2007 and 2008, Mikhail worked for Central Asia Gold as project manager responsible for corporate development and planning. He previously held top management positions at West Siberian Resources and Vostok Nafta Investments.	<b>Chairman: Kjell Carlsson</b> Kjell Carlsson is a mechanical engineer by training and a Swedish Citizen with a career spanning senior management positions with Sandvik, Atlas Copco and ABB.												
<b>CFO: Tim Karlsson</b> Tim holds a MSc degree in Business (Sweden) and language and business studies in Russia and Germany. Over 2005 to 2011, Tim worked for KPMG Sweden as authorised public accountant.	<b>COO: Alexander Sutyagin</b> Alexander Sutyagin has extensive experience in the Russian oil and gas and mining sectors including at JSC Alliance Oil Company, Alliance Management, Amur Gold and Russian Platinum.												
<table border="1"> <thead> <tr> <th data-bbox="146 734 1129 779">Principal shareholders</th> <th data-bbox="1129 734 1442 779"> (%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="146 779 1129 813">Alliance Mining Group</td> <td data-bbox="1129 779 1442 813">66.1</td> </tr> <tr> <td data-bbox="146 813 1129 846">Lexus Group SA</td> <td data-bbox="1129 813 1442 846">21.9</td> </tr> <tr> <td data-bbox="146 846 1129 880">Tord Cederlund</td> <td data-bbox="1129 846 1442 880">1.4</td> </tr> <tr> <td data-bbox="146 880 1129 913">KGK Holding Aktiebolag</td> <td data-bbox="1129 880 1442 913">1.2</td> </tr> <tr> <td data-bbox="146 913 1129 931">UBS Switzerland AG, W8IMY</td> <td data-bbox="1129 913 1442 931">0.8</td> </tr> </tbody> </table>		Principal shareholders	(%)	Alliance Mining Group	66.1	Lexus Group SA	21.9	Tord Cederlund	1.4	KGK Holding Aktiebolag	1.2	UBS Switzerland AG, W8IMY	0.8
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Frankfurt +49 (0)69 78 8076 960  
Schumannstrasse 34b  
60325 Frankfurt  
Germany

London +44 (0)20 3077 5700  
280 High Holborn  
London, WC1V 7EE  
United Kingdom

New York +1 646 653 7026  
1185 Avenue of the Americas  
3rd Floor, New York, NY 10036  
United States of America

Sydney +61 (0)2 8249 8342  
Level 4, Office 1205  
95 Pitt Street, Sydney  
NSW 2000, Australia