

Invitation to subscribe for shares in  
**KOPY GOLDFIELDS AB (PUBL)**



## IMPORTANT INFORMATION

### INFORMATION TO INVESTORS

This Information Memorandum (the "Information Memorandum") has been prepared in connection with the Rights Issue in Kopy Goldfields AB (publ). The Rights Issue (as defined below) is made pursuant to applicable exemptions in the Swedish Financial Instruments Trading Act (Sw. lagen (1991:980) om handel med finansiella instrument). The Rights Issue (as defined below) will be made by means of this Information Memorandum which has been prepared by Kopy Goldfields AB (publ). The Information Memorandum is available in electronic form on the Company's website [www.kopygoldfields.com](http://www.kopygoldfields.com), Stockholm Corporate Finance's website [www.stockholmcorp.se](http://www.stockholmcorp.se) and on Aqurat's website [www.aqurat.se](http://www.aqurat.se). This Information Memorandum is not a prospectus and has not been approved by the Swedish Financial Supervisory Authority (Sw. Finansinspektionen).

The subscription rights, the paid subscribed shares ("BTA") and the new shares to be offered in the Rights Issue have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States of America (the "U.S." or the "United States") or under any securities law or local law in Canada and may not, in absence of registration or applicable exemption from registration be offered for sale or subscription, or be transferred in the U.S. or Canada, or to citizens or persons resident in such jurisdictions, or to or under commission by or for the benefit of U.S. Persons as defined in Regulation S in the Securities Act.

The Rights Issue is, further, not directed to any person whose participation requires further Information Memorandums, prospectuses, registration or other actions than required under Swedish law. The Information Memorandum, application for subscription forms and any other documents related to the Rights Issue may not be distributed in or into the U.S., Canada, Australia, New Zealand, South Africa, Hong Kong or Japan or any jurisdiction where the distribution or the Rights Issue would require an action according to the previous sentence, or would constitute a breach against laws or regulations in such jurisdiction. An application for subscription for new shares indirectly or directly in breach of the above may be deemed invalid.

An investment in the Company's shares is associated with certain risks; refer in particular to "Risk factors" below. In making a decision to invest in the Company's shares, an investor must rely on his or her own assessment of the Company, and the terms of the Rights Issue, including the merits and risks involved, not relying solely on the information contained in this Information Memorandum. Neither the publication nor the distribution of the Information Memorandum does mean that the information contained in the Information Memorandum is up to date as of any time after the date of this Information Memorandum, or that the Company's business, results or financial position has remained unchanged after this date.

No person is or has been authorised by the Company to give any information or to make any representation or warranty in connection with the Rights Issue other than contained in this Information Memorandum and, if given or made, such information, representation or warranty may not be relied upon as having been authorised by the Company and the Company accepts no liability with respect to any such information, representation or warranty. Further, no representation or warranty, expressed or implied, is made by any member of

the board of directors of the Company or, except for what follows from applicable law and regulations, anybody else as to the correctness and/or completeness of any of the information contained in this Information Memorandum.

Any dispute arising from this Information Memorandum, the Rights Issue or other legal matters related thereto shall be settled exclusively by a Swedish court of law and resolved in accordance with Swedish law without reference to any of its choice of law principles. The district court of Stockholm (Sw. Stockholms tingsrätt) shall be the court of first instance. The Information Memorandum has been prepared in English. It should also be noted that an investor bringing court action in connection with the information disclosed in this Information Memorandum may be obliged to pay for a translation of the Information Memorandum.

### FORWARD-LOOKING INFORMATION AND MARKET INFORMATION

This Information Memorandum contains certain forward-looking statements reflecting the Company's current view of future events and financial and operational performance. Such forward-looking statements are associated with both known and unknown risks and circumstances beyond the Company's control. All statements in this Information Memorandum other than statements of historical or current facts or circumstances are forward-looking statements. Forward-looking statements are made in several sections of the Information Memorandum and can be identified by the use of terms or expressions such as "may", "could", "should", "anticipated", "estimated", "likely", "forecasted", "plans to", "aims to", or conjugations of such terms or similar terms. The "Risk factors" section below contains a description of some but not all factors that may cause the Company's future earnings and development to deviate significantly from those expressed or implied in any forward-looking statement. The forward-looking statements only apply as of the date of this Information Memorandum. The Company have no intent or obligation to publish updated forward-looking statements or any other information contained in this Information Memorandum based on new information, future events etc. other than required by applicable law, regulation or regulatory framework. This Information Memorandum contains certain information regarding the market and the industry in which the Company operates and its position in relation to its competitors which may be based on third party information as well as the Company's estimates based on third party information. The Company has accurately reproduced such third party information and, as far as the Company's board of directors is aware, no details have been omitted in a manner that would make the reproduced information inaccurate or misleading. However, the Company has not independently verified the correctness or completeness of any third party information and therefore the Company cannot guarantee its correctness or completeness.

### PRESENTATION OF FINANCIAL INFORMATION

Some amounts and percentages stated in the Information Memorandum have been rounded off and may therefore not always correctly add up. Other than when expressly stated in the Information Memorandum, no information in the Information Memorandum has been examined or audited by the Company's auditors.

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## Selected definitions and abbreviations

<b>"Kopy Goldfields"/"the Company"/"Kopy"</b>	refers to Kopy Goldfields AB (publ), reg. no. 556723-6335, a Swedish public limited liability company, and subsidiaries, depending on context, unless otherwise stated.
<b>"First North"</b>	refers to Nasdaq First North.
<b>"Rights Issue"</b>	refers to the offering of new shares in the Company as described in the Information Memorandum.
<b>"Information Memorandum"</b>	refers to this information memorandum.
<b>"SEK"/"KSEK"/"MSEK"</b>	refers to Swedish krona/thousand Swedish kronor/million Swedish kronor.
<b>"RUB"/"MRUB"</b>	refers to Russian rubles/million Russian rubles.
<b>"USD"/"MUSD"</b>	refers to US dollar/million US dollars.

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## Terms of the Rights Issue in brief

<b>Preferential rights for existing shareholders</b>	Shareholders registered owning shares in Kopy Goldfields have the preferential right to subscribe for one (1) new share for three (3) existing shares owned on record date.
<b>Subscription rights</b>	Shareholders in Kopy Goldfields receive one (1) subscription right for each, on the record date, owned share. Three (3) subscription rights are required to subscribe for one (1) new share.
<b>Subscription price</b>	1.00 SEK per share.
<b>Record date</b>	September 21, 2016.
<b>Subscription period</b>	September 26, 2016 to October 10, 2016.
<b>Last day of trading in shares entitling participation in the Rights Issue</b>	September 19, 2016.
<b>Trading in subscription rights</b>	September 26, 2016 to October 6, 2016.
<b>Trading with BTA</b>	September 26, 2016 until the Rights Issue has been registered with the Swedish companies' registration office.
<b>Subscription without preferential right</b>	Applications for subscription can also be done without preferential rights. Such application shall be made during the subscription period.
<b>Payment for shares subscribed without preferential rights</b>	In accordance with distributed contract note.



# RISK FACTORS

An investment in shares, paid subscribed shares (Sw. *Betald Tecknad Aktie*, abbrev. *BTA*) or subscription rights involves risk-taking. Below is a description of a number of risks that may have an effect on the operations and future development of the Company. The order in which these risks are presented is not intended to indicate their likelihood of occurrence, significance or potential effect on the Company's operations, performance or financial position. The description of risk factors is not exhaustive and contains only examples of such risk factors which an investor should consider together with the other information provided in this Information Memorandum.

Thus, further risk factors that are currently not known or not considered to be significant for the moment could also influence the Company's operation, performance and financial position. The value of an investment in the Company may be materially affected if any of the below risks materializes. Investors should make their own assessment of the significance of the below risk factors and other potential risk factors for the Company's operations and future development.

This Information Memorandum also contains forward-looking statements that are subject to future events, risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of many different factors, including but not limited to the risks described below and elsewhere in this Information Memorandum.

## RISKS RELATED TO THE COMPANY AND THE INDUSTRY

### RISKS RELATED TO MACROECONOMIC FACTORS

A negative outlook for the world economy and disruptions on the global capital markets may affect, for example, the Company's operations and may make the possibilities to finance the Company more difficult in the future. The Company is exposed to the general market environment such as supply and demand, inflation and interest rate fluctuations, upswings and downturns and the will to invest, etc. These factors are outside the Company's control and may have a negative effect on the Company's business, financial position and profits in the future.

### VOLATILITY IN GOLD PRICE

A decline in the gold price as an effect of reduced demand, increased supply, fluctuations in the US dollar or other macroeconomic factors, could negatively affect the Company's future revenue, income and financial position. Fluctuations in the official exchange rate of the Russian ruble, Euro and US dollar affects directly and indirectly the value of assets and liabilities.

### INSURANCE

The insurance industry is not yet developed in Russia and several forms of insurance protection common in more economically developed countries are not yet available in Russia at equivalent terms. This makes the Company more exposed to risks related to accidents or other unforeseen events that could negatively impact the Company's financial position.

### RISKS RELATED TO RUSSIA

To operate in Russia is subject to a number of political, legal and economic factors that may affect the Company's operations and financial position. The Company sees the following risks as the biggest challenges in operating in Russia: International capital flows can be hampered by global financial difficulties. Changes in inflation may affect the Company's financial position. Inflation in Russia has historically been high, compared to Western standards. For 2015,

the inflation rate in Russia measured in average consumer prices was 15.5 percent according to the Worldwide Inflation Data. Continued high or rising inflation may affect the Company's income and financial position negatively. The relation between Russia and the EU and/or the USA may be worsened and the current sanctions may be extended. The Company is, as of today, not affected by the sanctions but do monitor the development. Conflicts in the Russian federal system, including illegal or profit making state events may develop uncertainty in the daily operations. Crime and corruption and the use of illegal or unacceptable business methods. The Company is dependent on the approval of state and local authorities which may be a time consuming process. Changes in laws, which currently prevent the nationalization of international assets, may have a negative effect on the Company's operations. The risk that Russia would not accept decisions in a foreign court of law and pursue issues to local arbitration. Russia's infrastructure is to some extent underdeveloped and may impair or delay the Company's operations or lead to increased costs. The tax and legal system in Russia is subject to frequent changes and are thereby difficult to anticipate. Furthermore, the Russian tax system is subject to different interpretations on federal and local level.

### GEOLOGICAL RISK

Gold exploration is associated with high risk. All estimates of recoverable mineral resources in the ground is largely based on probabilities. Estimates of mineral resources and ore reserves is based on extensive test drilling, statistical analysis and model studies and remains theoretical in nature up until verification by industrial mining. Methodology is lacking to determine the exact amount of gold available with certainty, and the shape of a potential ore body and its distribution. The exact amount of gold is known only when the gold has been extracted from the gold deposit. Data relating to mineral resources and ore reserves as presented by the Company, and by others, should be seen against this background and therefore can deviate from actual outcome.

### TECHNICAL RISKS

Technical risks can arise from the exploration of mineral deposits, which could lead to interruptions in exploration work and negatively affect the Company. Lack of or delay of advanced drilling equipment or rental of equipment could lead to increased costs and delay in the growth of the Company.

### ENVIRONMENTAL RISK

If exploration and production is made using incorrect technical and chemical equipment environmental risks may arise in the Company, which may delay the Company's operations and also increase the cost of exploration which may affect the financial position of the Company. Environmental requirements and claims regarding counterparty costs may be raised against the Company which may delay other work or increase the costs for the Company. Currently, the Company

does not have any material asset retirement obligations. However, a change in the governing laws may impose more strict requirements regarding asset retirement procedures, which could lead to increased costs for the Company.

#### **LICENSE MANAGEMENT**

Delays may occur in the exploration work, with the result that the Company may have to renew the licenses, which may lead to delays in the start of production, possibly affecting the Company's financial position negatively. The Company may experience delays in its fulfillment of obligations in newly acquired licenses which may affect the Company's financial position negatively.

#### **USEFUL LIFE OF THE DEPOSITS**

The useful life and bearing capacity of a mine depends on a number of factors such as metal prices, mineral resource, finance costs, etc. An unforeseen negative development of any of these parameters may negatively affect the Company's result and financial position. There is a risk that the ore reserves may change in the future, depending on changes in production costs, process recovery or product price.

#### **SUPPLIERS**

To a large extent, the Company is dependent on third parties and local suppliers for certain services, access to equipment and assistance with construction. If the delivery or execution of such services are delayed or impaired, the Company's operations may be affected negatively, along with the Company's income and financial position.

#### **RISKS RELATED TO ACQUISITIONS**

The acquisition of licenses is part of the Company's strategy. All acquisitions and divestments are associated with risks and uncertainty. While the Company believes it is in a favorable position to make a fair assessment of development opportunities and risks associated with exploration and production licenses, there can be no guarantee that the expected potential of acquired licenses in terms of value creation for the Company will ultimately be realized. In addition, it should be noted that some of the Company's Russian subsidiaries were established before they were acquired by the Company and that the history of the shares in these companies therefore is not entirely transparent. Hence, it cannot be excluded that the title to shares in these subsidiaries might be challenged based on historical grounds, for example due to actual or alleged deficiencies in the formation of the company, payment of the charter capital or previous share transfers. Since the Company acquired these subsidiaries more than eight years ago and no claims have been made, this risk is considered limited.

#### **LITIGATIONS AND DISPUTES**

During the ordinary course of business the Company may become involved in proceedings. Such proceedings may involve claims for payment and/or correction of work as well as other possible consequences connected to failure in providing products or services. Moreover, the Company may be subject to outstanding payment from customers, suppliers or partners as well as other situations which could force the Company to take legal actions. It cannot be excluded that the Company could be involved in material proceedings going forward which could have a significant effect on the Company's business, financial position and profitability.

#### **DEPENDENCE ON QUALIFIED PERSONNEL**

The Company's development is to a great extent dependent on existing management and organization and their ability to recruit and retain experienced personnel for the future operations. The workforce in the Bodaibo area may be attracted to move to bigger cities, which can make it difficult to recruit competent personnel. Moreover, the Company is dependent on new hiring and retaining certain skilled personnel to continue its growth and to reach future success. If the Company cannot maintain its ability to attract skilled personnel it may have an adverse impact on the Company's business, financial position and profits in the future.

#### **ACCIDENTS**

Mining and exploration is a more accident-prone industry than many others. As such, the Company's employees are exposed to risks regarding accidents while working. In addition to this, mining and exploration work is also exposed to the possibilities of natural disasters. In the event of a serious accident or natural disaster, the Company's income or financial position may be significantly negatively impacted.

#### **REPORTING PROCESSES**

The Company's management processes and internal controls reporting may suffer, unless its subsidiaries follow the established processes for reporting to the parent company, since the reporting of financial data must be reliable and timely reported.

#### **RISK RELATED TO THE PARENT COMPANY**

The Company's financial position depends on the subsidiaries contractual and legal possibilities to recognize and settle intra group balances. A reduction of these possibilities can have a negative effect on the Company's financial position and operating result.

#### **CURRENCY RISKS**

Kopy Goldfields has significant costs, assets and liabilities in Russian rubles (RUB), US dollars and Euro, which creates a currency exposure in the income statement, balance sheet and cash flow statement. In dealing with currency risks, Kopy Goldfields separates transaction exposure and translation exposure.

##### *Transaction exposure*

The transactions in the Russian subsidiaries are predominantly in their functional currency, RUB. The existing transaction exposure primarily relates to when the parent company forwards loans to the subsidiaries, which normally is done in USD, and historically also in RUB. The currency risk related to the ruble denominated loans is therefore concentrated to the Swedish parent company.

##### *Translation exposure*

The net income in the Russian subsidiaries and the value of the parent company's net investment in these are affected by changes in exchange rates, which affects the consolidated balance sheet and income statement when translated to SEK.

#### **INTEREST-RATE RISKS**

Kopy Goldfields is to a relatively small extent exposed to interest rate risk, since the Company currently not has any loan financing. The discount interest rate and the fair value of certain balance sheet items are however affected by changes in the underlying interest. Interest income and cost is also affected by changes in interest rates.

**FINANCING RISKS*****Need for additional capital***

The Company may in the future require additional capital. This may take place through the issuance of shares, other equity instruments or debt instruments, or by obtaining other external financing. It cannot be guaranteed that the Company will be able to obtain financing or that such financing can be obtained on terms and conditions advantageous for the Company or without considerable dilution for the shareholders. The failure to obtain additional financing at the right time may result in the Company being forced to postpone, decrease, or terminate business operations and investments or to sell assets. It cannot be guaranteed that such sale of assets can take place on terms and conditions that are advantageous to the Company.

***Liquidity risk***

The liquidity risk is that the Company cannot meet its short term payment obligations due to lack of cash funds or illiquid cash reserves. Since the Company is expected to show negative cash flow from operations during the next several years, the Company must continue to raise external capital or to find joint venture partners/buyers to be able to continue to develop the operations and to meet future obligations.

***Re-financing risk***

The re-financing risk is the risk that the Company cannot finance its outstanding liabilities on acceptable terms, or at all, at a given point in time. Since the Company has no outstanding financial debt, the re-financing risk is considered limited.

**RISKS RELATED TO THE SECURITIES AND THE RIGHTS ISSUE****LIMITED LIQUIDITY OF THE COMPANY'S SHARE**

Even though the Company fulfils the listing requirements of First North, there may in the future, at times, be insufficient trading volume in the share. The distance between the sell and purchase price may from time to time be significant, making it difficult for a shareholder to sell shares at a moment, and to a price, deemed appropriate.

**FALL IN STOCK MARKET**

An investment in the Company is related to risk. There are no guarantees for the share price to increase. The market could fall for many reasons; for example, an interest rate increase, political changes, currency changes and a deteriorating business cycle globally or locally. Psychological factors affect the market.

**NO PREVIOUS DIVIDENDS**

It shall be noted that for the next several years, the only way of obtaining any return on the investment for an investor in the Company's shares is a possible capital gain, since the Company does not plan to distribute any dividends within the next several years.

**FLUCTUATIONS IN SHARE PRICE FOR THE COMPANY'S SHARE**

The Company's share price may in the future fluctuate significantly, partly as a result of quarterly variations in the results, the general economic situation and changes in capital market interest in the Company. In addition, the stock market in general could react with price and volume fluctuations which are not necessarily related or proportionate to operational results of individual companies.

**NON-SECURED SUBSCRIPTION AND GUARANTEE AGREEMENTS**

Some existing shareholders have committed to subscribe for shares in the Rights Issue. These subscription agreements amount to 2.1 percent of the Rights Issue. The Company has also entered into guarantee agreements with guarantors, external investors, which amount to 77.9 percent of the Rights Issue. The guarantors have undertaken, if and to the extent that less than 80 percent of the shares in the Rights Issue are subscribed for with or without preferential rights, to subscribe for any shares not subscribed for up to 80 percent of the shares in the Rights Issue. The Company has not demanded that the subscription committers and guarantors must ensure all their undertakings by deposit of cash, pledges of securities, the presentation of bank guarantee or otherwise. Those who entered into such agreements are aware that agreements involve a legally binding obligation against the Company and promising to maintain the necessary resources available to fulfill entered agreements. However, there is a risk that one or more of those who have entered agreements cannot fulfill them, which could have a negative effect on the Company's ability to successfully implement the Rights Issue. For further information please refer to the section "Legal issues and additional information".

**NEW ISSUES**

In order to, inter alia, raise capital or enable acquisitions the Company may in the future issue additional shares or share related instruments. Such issues may decrease the proportional ownership and share of voting power as well as profit per share of the shareholders in the Company. Moreover, such issues may adversely affect the market price of the shares.

**FIRST NORTH**

The Company's shares are listed on Nasdaq First North. First North is an MTF (multilateral trading facility), i.e. not a regulated marketplace. Companies with shares listed on First North are not obliged or forced to comply with the same rules as companies with shares traded on a regulated marketplace, but to less extensive rules and regulations. Such rules and regulations are preferably adapted for smaller and growth companies, why an investment in a company listed on First North may imply more risk than an investment in a company with shares traded on a regulated marketplace.

# INVITATION TO SUBSCRIBE FOR SHARES IN KOPY GOLDFIELDS AB (PUBL)

The board of Kopy Goldfields decided on September 13, 2016, with authorization from the AGM on May 26, 2016, to issue shares with preferential rights for shareholders of the Company (the Rights Issue). Those who are registered as shareholders on the record date September 21, 2016, have the preferential right to subscribe for one (1) new share for each three (3) existing shares at a subscription price of 1.00 SEK per share. Subscription for shares with preferential rights shall be made through simultaneous cash payment. Applications for subscription of shares can also be made without subscription rights, see the section "Terms and Conditions".

In the Rights issue, the share capital may increase by a maximum of 7,591,693.55 SEK (to a maximum of 30,366,773.82 SEK) by issuing a maximum of 19,966,514 new shares (to a maximum of 79,866,055 shares). The Rights Issue would bring approximately MSEK 20 to Kopy Goldfields before transaction costs, estimated at MSEK 3.3, including guarantee compensation representing about MSEK 1.4. The dilution for shareholders who are not using their subscription right in connection with the Rights Issue will, upon full subscription, be approximately 25 percent.

Subscription and guarantee agreements of 80 percent, equivalent to MSEK 16, of the Rights Issue have been obtained from existing shareholders and external investors. Subscription commitments from existing shareholders, which receive no compensation, amount to 2.1 percent, representing approximately MSEK 0.4 of the Rights Issue. Guarantee agreements amount to 77.9 percent of the Rights Issue, representing approximately MSEK 15.6. External guarantors will receive a cash compensation from Kopy Goldfields equivalent to nine percent of the guaranteed amount. Guarantee reimbursement thus amounts to a total of approximately MSEK 1.4. The subscription price is deemed, by the board of Kopy Goldfields, to be according to market terms. Brokerage commission will not be charged.

## THE BOARD OF DIRECTOR'S INSURANCE OF LIABILITY

The board of directors of Kopy Goldfields AB (publ) is responsible for the contents of this Information Memorandum. Information on the members of the board of directors is to be found under the "Board of directors, senior management and auditors" section. The board of directors hereby assures that all relevant precautions have been taken into account to secure that the information provided in this Information Memorandum, to the best of its knowledge, conform with actual conditions and that nothing that could affect its importance has been left out.

With background of above, existing shareholders, public and institutional investors are invited to subscribe for shares in Kopy Goldfields under the terms of the Information Memorandum.

Stockholm, September 23, 2016  
Kopy Goldfields AB (publ)  
Board of Directors

## BACKGROUND AND REASONS

Kopy Goldfields is a Swedish public junior gold exploration company operating in Lena Goldfields, in the Irkutsk region of Russia. For over 150 years, alluvial gold (riverbed gold) has been produced in the area, with a total production of over 30 Moz, in the Lena Goldfields only. So far, alluvial production has been dominant but over the recent years, gold production from deposits in bedrock has gradually increased in relation to alluvial production. Today, the area hosts one of the largest undeveloped gold deposits in the world with an estimated 60 Moz of reserves; Sukhoy Log. The Company focuses on developing bedrock deposits and is currently working on 12 licenses in the area of Lena Goldfields. Six of the licenses are geographically located only 40 to 75 km from the area's main town Bodaibo, while six licenses are located on a distance of 200 – 300 km from Bodaibo. All licenses are served by a public road and have a history of alluvial production.

The Company's 12 licenses are grouped into three projects: Krasny, Kopylovskoye and Northern Territories. The Northern territories is a greenfield area with high potential and a geology similar to Sukhoy Log, and the Kopylovskoye project has 749 koz of resources and reserves in accordance with Russian GKZ classification. The Krasny project is a joint venture agreement between the Company and the major Russian gold producer GV Gold, entered in 2014. Under the agreement, GV Gold earned a 51% interest in the Krasny Project by paying Kopy Goldfields MUSD 1 in cash and by financing 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 was MUSD 6 and was financed by GV Gold in full.

On March 30, 2016, the mineral reserve report for the Krasny deposit, prepared in accordance with the Russian Statutory Reserve Committee reporting regulations, was formally approved by the Russian Federal Agency on Subsoil Usage. The report classifies the Krasny mineralization to be a deposit with total ore reserves in the C2 category of 6,317 ktons with an average grade of 1.55 g/t, which makes 9,767 kg of gold (314 koz). The report was based on geological data acquired before January 2015 and did not include the 2015 and 2016 drill results and covers the Central Upper mineralization only. This was an important milestone, as the Company, due to the report, now have a legal right to produce gold from Krasny and hence became a pioneer gold discoverer. Following the GKZ reserve approval, the Company received an additional consideration of MUSD 2 from GV Gold in accordance with the terms in the joint venture agreement.

In parallel with the GKZ reporting, in Q1 2016, the Company announced a new scoping study for Krasny done by Irgiredmet, one of the top mining engineering companies in Russia. This study was based on the exploration results until and including Stage 2 of the exploration program. The study evaluated gold production from the Upper structure only and confirmed feasibility of Krasny mine development, yet another milestone towards production.

By the end of May 2016, the Company announced an updated JORC mineral resource estimate for the Krasny deposit, covering both the Upper and Lower mineralization of the Krasny deposit and exploration data acquired until January 2016. The updated estimate was issued by Micon International Co Limited and showed 955,000 oz of gold in total, whereof 288,000 oz of Indicated mineral resources (7,848,000 tons of ore at an average grade of 1.141 g/t Au) and 667,000 oz of Inferred mineral resources (12,324,000 tons at an average grade of 1.682 g/t Au) within an economically minable open pit. The report was based on a gold price of 1,200 USD/oz. This resource

estimation increased the quality of gold resources, and Indicated resources now represent 30% of the total mineral resources reported, compared to 15% in the previous JORC report from 2013. The resource estimation is also more reliable and robust as it is based on more drilling information and reflect the current market conditions. Despite a significant drop in the gold price between 2013 and 2016, Krasny proves to be a solid 1 Moz gold deposit.

The joint venture Krasny project with GV Gold is developing successfully. GV Gold is an experienced and reliable partner to develop the Krasny project with towards production and Kopy Goldfields bring competence and experience of running prospecting and exploration activities to the joint venture. The Krasny gold project has showed results strong enough to justify the start of feasibility studies and with the current activities proceeding in accordance to plan, the formal decision to move Krasny into mine construction is expected to be taken in early 2017. The Company also sees a lot of potential to further increase resources in Krasny along the strike, to the depth and within parallel mineralized structures, with results from the current exploration confirming these assumptions. Following the recent positive updates for the Krasny project, it is the Company's intention to maintain the 49% stake in the joint venture.

Kopy Goldfields and GV Gold will during the autumn 2016 jointly finance a part of the continuous development of the Krasny deposit. The board assess that the existing operating capital is not sufficient to cover the needs of the Company for the next twelve months if the Company shall maintain the 49% ownership in the joint venture.

Against this background, the board of directors decided on 13 September 2016, with authorization from the AGM on May 26, 2016, to issue new shares with preferential rights for shareholders of the Company (the Rights Issue).

The proceeds are intended to provide the Company with funds to finance part of the development of the Krasny-project towards start of gold production together with GV Gold. It is the opinion of the board that the operating capital, after the completion of the Rights Issue, is sufficient to cover the needs of Kopy Goldfields for the next twelve months as of the date of the Information Memorandum. Depending on the outcome of the ongoing exploration and feasibility studies, however, it cannot be excluded that further capitalizations will be needed to maintain the ownership in Krasny. The formal decision to move Krasny Central into construction is planned for early 2017, which may also lead to the need for further capital contributions to Krasny as part of a capital expenditure budget being approved for the development of a mine for gold production.

The proceeds from the Rights Issue, if fully subscribed, will amount to approximately MSEK 20 before transaction costs, estimated to about MSEK 3.3, which, in order of priority, is planned to be spent on exploration and feasibility studies at Krasny (MSEK 9), exploration on other licenses (MSEK 3) and other needed working capital for current management and administrative costs (MSEK 4.7).

The Rights Issue has, to 80.0 percent, been secured via subscription and guarantee agreements from existing shareholders and external investors. The board looks forward to including new investors of Kopy Goldfields willing to participate in the Rights Issue, thus interested in joining and contributing to the development of the Company.

Stockholm September 23, 2016  
Board of directors Kopy Goldfields AB (publ)



## A WORD FROM THE CEO



### DEAR SHAREHOLDERS,

Kopy Goldfields is currently going through one of the most exciting stages of its development and at the same time, the gold mining industry is recovering from the recent recession.

Firstly, we have a good and steady progress with the Krasny project. We have come a long way since 2010, when we bid and won the auction for the Krasny license, from prospecting to the initial JORC resource report in 2012,

then through exploration (in cooperation with GV Gold since 2014) to the recent Russian reserve report and JORC resource update. Every step built up our confidence with the project, and exploration results were always better than we expected. This year we finalize exploration and move to feasibility studies. On top of the 955 koz of gold within Krasny Central, reported in May 2016, we now see strong evidence for a further resource increase. During this season, we target our exploration activities on the Lower Mineralization of Krasny Central, which has been out of exploration scope since 2012. From the drilling results we see confirmations that the Lower Mineralizations extends further along the strike both on the Western and the Eastern flanks, outside the initial model from 2012. On the western extension it also comes closer to the surface. Mineralization is still open to depth on most of our drill profiles. All these facts support our expectation that we have a bigger deposit than the existing 1 Moz, only within Krasny Central.

In addition, this year we have confirmed a satellite gold mineralization within the Krasny North structure, which is located within 3–4 km from Krasny Central but still within the same license boundaries and thus makes a part of the total Krasny project. For more details, please refer to our recent press releases with operational updates. If it proves to be minable, Krasny North will make an excellent supplement to Krasny Central by sharing its infrastructure, mill, personnel and mining equipment. If all goes well, we will be able to report initial resources for Krasny North within a year. On top of Krasny North, we constantly review other possibilities to increase gold resources around Krasny.

We continue with feasibility studies on Krasny Central. This year we are focusing on mineral processing tests in order to finalize the flow chart for gold ore processing. We reported a continuous increase of gold recovery though the last two tests and expect to finalize the current test within six months. So far, all economic evaluations of future gold mining on Krasny that we have undertaken, returned positive NPV results for mine development. Most gold mining projects that fail do so due to either gold grade deterioration or poor gold recovery. Our partners from GV Gold have a strong record of successful mining operations and we value their reliable and detailed approach towards mineral processing studies.

I am very pleased about our relations with GV Gold. In GV Gold, we have found a solid and reliable production partner for the Krasny project who has several mines in operation and honors all the assumed commitments. As a partner, GV Gold brings stability and certainty into the project along with deep experience of developing profitable gold mines in Russia. Kopy Goldfields' team brings competence and experience of running prospecting and exploration activities. We

believe that our expertise complements our partner's knowledge and we see this as a good ground for successful partnership development going forward.

Assuming all the current activities proceed according to plan, we expect to make the decision to move Krasny Central into construction by early 2017. This decision will make a tremendous impact on our company's development since it will trigger the countdown to the start of the Krasny gold production. Having GV Gold as a partner in Krasny, we are confident that the project will be financed into production, whether we share it pro-rata or not. In addition to deciding on Krasny bedrock gold production, in early 2017 we may also make a decision regarding development of prior alluvial gold production within the Krasny area, which can support the cash flow and cover part of the development costs.

Secondly, on top of Krasny, we have commenced some operations on the Northern Territories and Kopylovskoye projects during this year.

The Northern territories is a project with geology very similar to Sukhoy Log, which is a 60 Moz, still undeveloped, state owned deposit which privatization is announced to take place by the end of this year. The total area of the Northern Territory project is 1,852 km<sup>2</sup> (182,500 ha) and the area is known for a long history of successful alluvial mining. Within our bedrock licenses there are still a lot of operating alluvial mines, which directly indicates for existence of the bedrock sources of alluvial gold nearby. No consistent bedrock gold exploration has been conducted within this license area to date. This year we commenced a prospecting program on the project which includes covering the whole area with a geochemical stream sedimentary survey. This will allow us to identify geochemical anomalies for gold and map them. The 2016 exploration program will generate 20 – 26 targets (each target covering approximately 10 sq km and potentially representing one deposit) for the next stage exploration. We believe that during 3 years we have very good chances to identify 2–5 gold bedrock deposits, each above 1 Moz gold.

Within the Kopylovskoye project, we target to renew exploration and mining permits for the license in order to update and extend the license terms and run a bulk sample test to confirm grades and volume of mineralization. The work is ongoing and we have filed all necessary documents and expect to have the relevant permits and extended license terms in place during the coming months.

Last but not least, we see that the markets are improving. The gold mining industry has passed the bottom of the down turn and is quickly recovering. Both gold price and stock index of gold mining companies have increased significantly since the beginning of this year. The Russian investment climate is slowly improving, as well as the image of Russia among the European countries. In addition, the recent ruble devaluation put Russia among the leaders of low mining costs jurisdictions and strongly supports any production projects, with an expected influx of foreign investments into the area to follow.

The proceeds from the current share issue will be used primarily for the Krasny project and it will enable us to maintain our pro-rata stake in the joint venture. Putting it all together, we see that this share issue gives an excellent opportunity to invest in a gold project well on its way to production; with significantly reduced exploration risks and still with a lot of potential for value increase.

With best regards  
Mikhail Damrin  
CEO

# TERMS AND CONDITIONS

## PREFERENTIAL SUBSCRIPTION RIGHTS

Shareholders of Kopy Goldfields AB (publ) (referred to below as "Kopy Goldfields") on the record date of September 21, 2016 have preferential rights to subscribe for shares in the Rights Issue in relation to their previous holdings. Three (3) shares held on the record date carry entitlement to subscribe for one (1) new share at a price of SEK 1 per share.

## SUBSCRIPTION RIGHTS ("TR")

Shareholders of Kopy Goldfields will receive one (1) subscription right for each (1) share held. Three (3) subscription rights are required to subscribe for one (1) new share.

## SUBSCRIPTION PRICE

The subscription price is SEK 1 per share. No brokerage commission will be charged.

## RECORD DATE

The record date with Euroclear Sweden AB (referred to below as "Euroclear") for the right to participate in the Rights Issue is September 21, 2016. The final date for trading in the Kopy Goldfield's share with the right to participate in the Rights Issue is September 19, 2016. The first date for trading in the Kopy Goldfield's share without the right to participate in the Rights Issue is September 20, 2016.

## SUBSCRIPTION PERIOD

Subscription of shares with subscription rights will take place during the period from and including September 26, 2016 up to and including October 10, 2016. Upon expiry of the subscription period, unexercised subscription rights will lapse and become worthless. Unexercised subscription rights will be removed from the respective shareholders' securities account without Euroclear providing any separate notification.

## TRADING IN SUBSCRIPTION RIGHTS

Subscription rights will be traded on First North during the period from and including September 26, 2016 up to and including October 6, 2016. Shareholders are to directly contact their bank or other brokerage company with the requisite permit to purchase and sell subscription rights. Subscription rights acquired during the trading period stated above carry the same rights to subscribe for new shares during the subscription period as the subscription rights that shareholders receive based on their holdings in the Company on the record date. Received subscription rights must either be used for subscription not later than October 10, 2016 or sold not later than October 6, 2016 in order to avoid becoming worthless.

## ISSUE STATEMENTS AND APPLICATION FORMS

### *Directly registered shareholders*

A pre-printed issue statement with an attached payment form, special application form, letter from the board, information folder and application form for subscription without subscription rights will be sent to registered shareholders and representatives of shareholders, who on the record date of September 21, 2016 are registered in the shareholders' register maintained by Euroclear on behalf of the Company. Information will be available for download on the Company's website [www.kopygoldfields.com](http://www.kopygoldfields.com) and on Aqurat Fondkommission's website [www.aqurat.se](http://www.aqurat.se). Persons included in the special list of pledge

holders, etc. maintained in connection with the shareholders' register will not receive any information and will be informed separately. Securities notification stating the registration of subscription rights on the shareholders' securities account will not be sent out.

## SUBSCRIPTION WITH PREFERENTIAL RIGHTS

Subscription with preferential rights is to take place by a simultaneous cash payment being made not later than October 10, 2016. Subscription by payment takes place either by using the pre-printed payment form attached to the issue statement or using the payment form attached to the special application form according to the following two options:

### 1) Issue statement – pre-printed payment form

If all subscription rights received on the record date are utilised for subscription, only the pre-printed payment form is to be used for subscription by cash payment. The special application form is not to be used in this case.

### 2) Special application form

If a different number of subscription rights than that stated on the pre-printed issue statement is to be utilised for subscription, for example, by acquiring or divesting subscription rights, the special application form (Sw. Särskild anmälningsedel) is to be used for subscription by cash payment. On this application form, shareholders are to state the number of subscription rights to be utilised, the number of shares subscribed for and the amount to be paid. If payment is made other than by using the attached payment form, a securities account is to be provided as reference. Incomplete or incorrectly completed application forms may be disregarded. Special application forms are available from Aqurat Fondkommission at the telephone number stated below. Completed application forms are to be sent or faxed, along with payment, to the address/number below, and must have been received by Aqurat Fondkommission not later than 3:00 p.m. on October 10, 2016. Applications are binding.

Aqurat Fondkommission AB

Re: Kopy Goldfields

Box 7461

SE-103 92 Stockholm

Fax: +46 8 684 05 801

Phone: +46 8 684 05 800

Email: [info@aqurat.se](mailto:info@aqurat.se) (scanned application form)

### *Nominee-registered shareholders*

Shareholders whose holdings in Kopy Goldfields are nominee-registered at a bank or other nominee will not receive an issue statement, but will receive a letter from the board and information folder. Subscription and payment is to take place in accordance with the instructions from the nominee.

## SUBSCRIPTION WITHOUT PREFERENTIAL RIGHTS

If not all shares are subscribed for with preferential rights, the board, within the framework of the highest amount of the Rights Issue, is to decide how shares for subscription without preferential rights are to be allotted, and in which case allotment will take place in the following order:

- i) Allotment to subscribers who have subscribed for shares with subscription rights, regardless of whether such a subscrib

er was a shareholder on the record date, and also in the event of oversubscription, is to take place on a pro rata basis in relation to the number of subscription rights that such subscribers utilised to subscribe for shares. If this is not possible, allotment is to take place by drawing lots.

- ii) Allotment to subscribers who have subscribed for shares without subscription rights, and also in the event of oversubscription, is to take place on a pro rata basis in relation to their subscription. If this is not possible, allotment is to take place by drawing lots.
- iii) Guarantors are to be allotted shares on a pro rata basis in relation to what is stated in the guarantee.

Applications to subscribe for shares without preferential rights are to be made using the "Subscription without subscription rights" application form (Sw. Anmälningssedel för teckning utan företräde), which can be downloaded from [www.aqurat.se](http://www.aqurat.se).

Nominee-registered shareholders are to apply for subscription of shares without preferential rights to the respective nominee and in accordance with instructions from the nominee, or if the holding is registered with several nominees, from each of these. Note that applicants with a depository account subject to specific rules on securities transactions, for example, an investment savings account (ISK) or an endowment insurance account (KF), must check with their bank or other nominee that the acquisition of securities within the framework of the Rights Issue is possible. In such a case, applications are to be made in agreement with the bank/ brokerage company.

Incomplete or incorrectly completed application forms may be discarded. Only one (1) "Subscription without subscription rights" application form may be submitted. If more than one such application forms are submitted, only the most recently received form will be taken into consideration, and other such application forms will thus be discarded. Application forms must have been received by Aqurat Fondkommission AB not later than 3:00 p.m. on October 10, 2016. Applications are binding.

#### **ALLOTMENT FOR SUBSCRIPTION WITHOUT PREFERENTIAL RIGHTS**

Decisions regarding a possible allotment of shares for subscription without preferential rights are to be made by submitting the allotment decision in the form of a contract note. Payment is to be made by bank giro in accordance with the instructions provided on the contract note. Please note that it is not possible to withdraw the amount from the stated securities account or depository account. If payment is not made on time, the shares may be transferred to another party. Should the selling price for such a transfer be lower than the price specified in the Rights Issue, the party to whom the shares were originally allotted may be required to pay the entire difference or a portion thereof. Those who have not been allotted shares will not be notified.

#### **SHAREHOLDERS RESIDING ABROAD**

Shareholders residing outside Sweden (not including shareholders residing in the USA, Australia, Hong Kong, Japan, Canada, New Zealand, and South Africa) who are entitled to subscribe for shares in the Rights Issue may contact Aqurat Fondkommission at the aforementioned telephone number for information regarding subscription and payment. Due to restrictions in the securities legislation in the USA, Australia, Hong Kong, Japan, Canada, New Zealand, and South Africa, subscription rights will not be offered to shareholders with registered addresses in any of these countries. Accordingly, the offer to subscribe for shares in Kopy Goldfields will not be directed to shareholders in these countries.

#### **PAID SUBSCRIBED SHARES**

Subscription by payment is to be registered with Euroclear as soon as possible, normally a few banking days after payment is made. Thereafter, the subscriber will receive a securities notification indicating that paid subscribed shares (referred to as "BTA" in Swedish) have been registered in the subscriber's securities account. Subscribed shares are to be entered as paid subscribed shares in the securities account until such time as the Rights Issue has been registered with the Swedish Companies Registration Office.

According to the Swedish Companies Act, a portion of the Rights Issue may be registered with the Swedish Companies Act under certain circumstances. If the option of partial registration is exercised for the Rights Issue in question, additional series of paid subscribed shares will be issued, upon which the first series will be designated as "BTA 1" with Euroclear. BTA 1 will be assimilated into ordinary shares as soon as the initial partial registration has occurred. A second series of paid subscribed shares (designated as "BTA 2") will be issued for subscription at such a time that the issued shares cannot be included in the initial partial registration and will be assimilated into ordinary shares as soon as the Rights Issue is finally registered, which is expected to occur in the week starting October 24, 2016. Shareholders whose holdings are registered in a custody account with a bank or securities brokerage company will receive information from their respective nominee.

#### **TRADING IN PAID SUBSCRIBED SHARES**

Paid subscribed shares will be traded on First North from September 26, 2016 until the date on which the Rights Issue is registered with the Swedish Companies Registration Office. In the event that partial registration of the Rights Issue takes place and several series of paid subscribed shares are issued, these series will not be traded on First North at the same time. Subscribed shares are to be entered as paid subscribed shares in the securities account until such time as the Rights Issue has been registered with the Swedish Companies Registration Office, which is expected to take place in the week starting October 24, 2016.

#### **DELIVERY OF SHARES**

As soon as the Rights Issue has been registered with the Swedish Companies Registration Office, which is expected to take place in the week starting October 24, 2016, the paid subscribed shares will be assimilated into ordinary shares without any notice from Euroclear.

#### **ANNOUNCEMENT OF OUTCOME OF THE RIGHTS ISSUE**

The Company will announce the outcome of the Rights Issue via a press release as soon as possible after the end of the subscription period, announcement is expected to take place in the week starting October 10, 2016.

#### **APPLICABLE LEGISLATION**

The shares are issued under the Swedish Companies Act (2005:551) and are governed by Swedish law.

#### **RIGHT TO DIVIDENDS ON NEW SHARES**

The newly issued shares carry a right to dividends for the first time on the record date for the dividend that occurs immediately after the share issue has been registered. Payment of dividends will be administered by Euroclear, or for nominee registered shareholdings, in accordance with the procedures of the individual nominee.

**SHAREHOLDERS' REGISTER**

The Company is a CSD-registered company with Euroclear. The Company's shareholders' register, containing information about shareholders, is maintained by Euroclear, address Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden.

**SHAREHOLDER RIGHTS**

Shareholder rights pertaining to profit distribution, voting rights, preferential rights in new share issues, etc. are governed by the Company's Articles of Association, which are available on the Company's website, and by the Swedish Companies Act (2005:551).

**SUBSCRIPTION AND GUARANTEE AGREEMENTS**

Subscription and guarantee agreements of 80 percent, equivalent to MSEK 16, of the Rights Issue have been obtained from existing shareholders and external investors. Subscription commitments from existing shareholders, which receive no compensation, amount to 2.1 percent, representing approximately MSEK 0.4 of the Rights Issue. Guarantee agreements amount to 77.9 percent of the Rights Issue, representing approximately MSEK 15.6. Compensation to guarantors are paid as a cash payment from Kopy Goldfields equivalent to nine percent of the guaranteed amount.

**TRADING IN THE SHARE**

The shares in Kopy Goldfields are listed on First North. The shares are traded under the ticker KOPY and ISIN code SE0002245548. The new shares will be admitted to trading in conjunction with the assimilation of paid subscribed shares into ordinary shares.

**DILUTION**

Upon full subscription of the rights issue, the number of shares in Company will increase from 59,899,541 to maximum 79,866,055, corresponding to a dilution effect of approximately 25 per cent (calculated as the number of new shares as a result of the Rights Issue divided by the total number of shares in the Company after the fully subscribed Rights Issue).

**OTHER**

The board of the Company reserves the right to extend the subscription period and payment period. Subscriptions of new shares, with or without the support of subscription rights, are binding. In the event that the amount paid by a subscriber for the new shares is too high, the Company will arrange for the excess amount to be repaid. Amounts under SEK 100 will not be repaid. Stockholm Corporate Finance AB ("SCF") is financial adviser to the Company in relation to the Rights Issue and has advised the Company when drafting this Information Memorandum. Since all information in this Information Memorandum is based on information provided by the Company, SCF excludes themselves from all liability in relation to investors in the Company, as well as to other direct and/or indirect consequences following investment decisions and/or other decisions, which are fully or partly based on information contained in this Information Memorandum. Aqurat Fondkommission AB acts as issuer agent in relation to the Rights Issue.

Core samples from the Krasny deposit





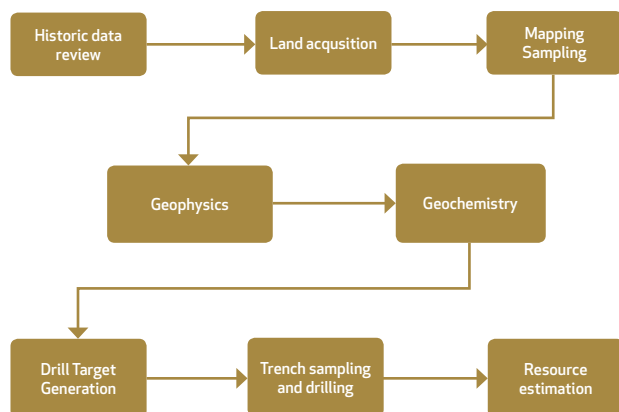
# EXPLORATION

## EXPLORATION METHODS

The exploration of Kopy Goldfields' license areas at Lena Goldfields is conducted in several stages and methods such as studying historical data, electric and magnetic surveys, soil sampling, trench sampling, drilling, analysing, evaluating and modelling, each of which requires great experience and knowledge for correct interpretation. The goal is to identify the gold deposits with the highest potential for future development into mineral reserves - ultimately resulting in gold production.

Some of the license areas controlled by Kopy Goldfields in Lena Goldfields were subject to some bedrock exploration by Soviet geologists in the 1960'-80's and exploration work after acquiring a new licence typically starts by reviewing this data. The next step is to locate geological anomalies and get a first indication of a mineralization. Airborne surveys are good for covering large areas. Once these have been located, the next step is soil sampling and electric-magnetic surveys. These steps are relatively cheap as they do not require soil and rock movements. The next step is trenching to evaluate the gold anomaly at the surface. The topsoil is removed, a ditch is excavated and trench samples are taken along the line drawn along the floor of the ditch. Along this line, geologist use saws for cutting out mineral samples. These samples are then sent for analysis.

### EXPLORATION PROCESS



## RC-DRILLING/CORE-DRILLING

If surface samples indicate gold contents above common cut-off grades, the next step is drilling to evaluate the mineralization to depth. RC stands for Reverse Circulation and entails rock fragments – drill cuttings – being blown upwards, using compressed air in such a way that no contamination or mixing up of the samples can take place. The drill cuttings are chartered and sampled for chemical analysis. Core drilling is a method where you collect a core from the drill hole in order to analyse the grade, geology and structure of the mineralization.

## EVALUATION

As a rule of thumb, only one out of a hundred gold mineralizations identified ends up being a producing mine. The exploration process involves many phases, and costs increase as the project approaches a potential production start-up. Once the exploration work is completed, the deposit is evaluated to determine whether the technical and economical preconditions exist for starting a new mine.

## REPORTING ACCORDING TO JORC AND GKZ

Kopy Goldfields has decided to report all new mineral resources within the international JORC Code (Australasian Joint Ore Reserves Committee), which is sponsored by the Australian mining industry and its professional organisations. Resources are also reported according to GKZ rules, the Russian mineral reporting standard. JORC and GKZ reports, although using similar basic geological principals of resource calculation, are drafted under different framework and reporting procedures and therefore usually provide different estimations of resources and particularly reserves, which in turn means that the outcome from the JORC report will not necessarily be the same as from the GKZ report. Developing and filing a GKZ report is a statutory responsibility for a Russian mineral producer to enable mineral production. When accepted by the Russian authorities, the GKZ report creates rights and obligations for a Russian producer in terms of minimum annual production levels, mine life expectation and is also used as a basis for calculation of various taxes and commitments. The JORC-report is a globally accepted standard of reporting mineral resources and as such, the JORC-figures may be used when communicating with investors, banks or other international stakeholders.



# FROM EXPLORATION TO MINING IN RUSSIA

## CLASSIFICATION OF MINERAL RESOURCES

Kopy Goldfields' operations consist of exploring for the presence of gold within areas for which the Company holds licenses for gold exploration and production. The operations are conducted according to clearly defined methods. Through collecting samples and analyses, a clearer picture is gradually created of the presence of gold within a specific area. The end result is a three-dimensional model of a gold bearing ore body, the content of which can be calculated through measuring gold concentrations in the ore and calculations of the volumes. As exploration work continues and develops, knowledge about a deposit grows. In general, the amount of accuracy increases with the density of holes drilled. The end result of a project is thus an estimation of the deposit that is as accurate as today's technology, knowledge and methodology allows for. A finalized exploration report, conducted according to a generally accepted standard, constitutes the basis for a decision whether profitable production is possible. Gold deposits that have been confirmed according to an accepted standard are often considered as providing enough security to be granted bank loans in order to finance acquisitions or production plants, and may be highly valued even before production has been initiated. Exploration activities are conducted in several stages, with a decision taken to proceed or not with further explorations after each stage. International classification systems (for example JORC, NI 43 101 and SAMREC) provide guidelines and a clearly defined reporting system, in which a competent person is responsible for the final results. These reports are based on the transparency, competency and relevancy of the competent person as well as the operations and process that are being evaluated. The Russian system leaves less scope for professional estimations, being more based on a detailed and objective description of how the process should be conducted. It includes specifications for exploration methods, calculations of the mineral resources and reporting. All approvals of calculations of mineral resources and ore reserves in Russia are made by GKZ, which is the state authorities dealing with natural resources and reserves. On the regional level GKZ is represented by its branches, TKZ, which deals with the majority of deposits in Russia.

## MINERAL RESOURCES AND ORE RESERVES

The Russian system uses a distinct system to classify a mineralization according to a number of qualities and characteristics. There are three main categories and seven sub-categories:

- Explored reserves and resources (A, B and C1)

- Examined reserves and resources (C2)
- Forecasted resources (P1, P2 and P3)

When deciding on commencing mining operations, normally the categories A, B, C1 and C2 are taken into consideration. This means that these categories could be roughly compared to the international system when it comes to measured and indicated ore reserves. The international system is based on a similar system, in which the categories "inferred", "indicated" and "measured" refer to certainty in the mineral resource estimations. When resources appear to be minable under current financial market, legal restrictions and proven technology, they are classified as an "ore reserve", which, in turn, can be divided into "probable" and "proven".

## LEGAL FRAMEWORK

In accordance with the Constitution of the Russian Federation, mining and mining rights are joint competence of Russian Federation and its constituent bodies. As a result, the mining legislation comprises federal legislative acts and regional legislative acts. The most important of the federal legislative acts are:

- the Subsoil Law
- the Law on Dangerous Production Facilities
- the Law on Precious Metals and Precious Stones

The competence pertaining to mining and mining rights is divided between federal and regional authorities, as envisaged by the legislation. Legislative acts promulgated by regional authorities cannot contradict the federal ones.

## DESIGNATED USAGE

Pursuant to Article 6 of the Subsoil Law, subsoil areas are granted for geological study, exploration of natural resources, extraction of natural resources, construction and exploitation of subsoil facilities.

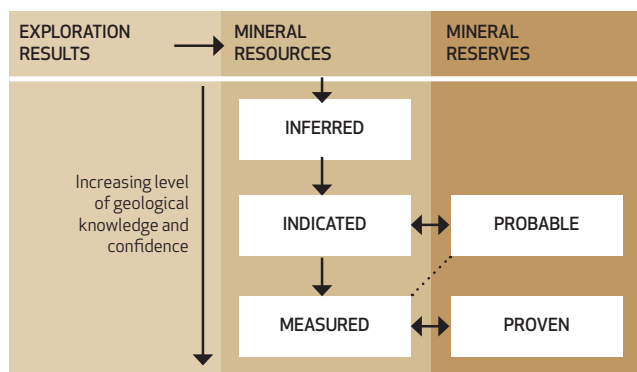
## HOLDERS OF MINING RIGHTS

As a general rule, both Russian and foreign individuals and legal entities (joint ventures) can be holders of mining rights unless otherwise stipulated by the federal laws.

## TERMS OF MINING RIGHTS

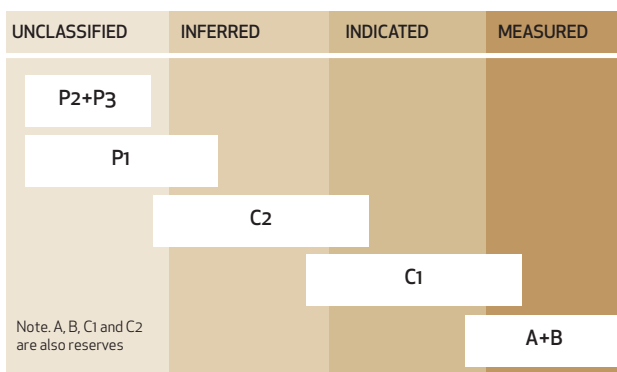
Terms of mining rights differ based on the type of mining rights and type of deposit; for instance, mining rights for extraction of natural resources can be granted for a term specified in the technical and economical substantiation concerning the particular mining area.

### BASIC WESTERN APPROACH FOR MINERAL RESOURCE CLASSIFICATION



Consideration of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the "modifying factors")

### RECONCILIATION OF RUSSIAN AND INTERNATIONAL REPORTING SYSTEMS



**GROUNDINGS FOR PROVISION OF MINING RIGHTS**

The Subsoil Law enumerates various grounds for provision of mining rights, including:

- Decision of the Government of the Russian Federation
- Mining auction
- Succession in interest – for legal entities (joint ventures)
- Production-sharing agreements

The most important document which evidences the existence of mining rights is the license. The license is issued by statutory authorities and is supplemented by the mining terms and conditions or contract. The mining terms and conditions cannot contravene the provisions of the license. Licenses can be suspended, revoked or limited if a holder of mining rights (the license-holder) violates the Subsoil Law or requirements or obligations set forth in the license or, as the case may be, in the mining terms and conditions and the contract. Suspension, revocation or limitation of the license can be challenged either in court or administrative proceedings.

**INDUSTRIAL SAFETY AND DANGEROUS PRODUCTION FACILITIES**

Both the Subsoil Law and the Law on Dangerous Production Facilities impose quite stringent requirements and obligations on the holders of mining rights. In most cases, gold mines, areas and occurrences are qualified as dangerous production facilities. Hence, the requirements and obligations thereunder are applicable to the holders of mining rights for gold mining areas and gold occurrences. Holders of mining rights for gold mining areas and gold occurrences are supposed to have the following documents:

- Development plan approved by relevant statutory authorities
- Insurance contract (policy) which covers liability arising out of, or in connection with, potential harm to life and health of people, their property and the environment
- Documents proving employees' qualification in the sphere of industrial safety
- Documents on inclusion of dangerous production facilities in the State Register of Dangerous Production Facilities
- Documents proving the personnel engaged in works on the dangerous production facilities is equipped with the required individual and collective protective gear and equipment

**GOLD REFINING**

The Law on Precious Metals and Precious Stones directs that extract-

ed and produced precious metals shall be placed for gold refining to legal entities certified by the Government of the Russian Federation. However, holders of mining rights remain owners of precious metals and precious stones placed for gold refining unless otherwise agreed with gold refining companies.

**LAW ON STRATEGIC DEPOSITS**

In 2008, Russia introduced legislation relating to strategically and nationally important industries and assets, including certain mineral resources. A gold deposit of over 50 tonnes is considered to be of national significance, and thus falls within this legislative framework. The Act means among other things that only Russian companies can hold these assets and that the authorities have certain rights relating to a strategic resource and the companies that exploit it, including appointing directors. The government may deny a foreign investor in a Russian company to develop a strategic deposit, in exchange for reimbursement of costs incurred according to a particular model.

**THE SYSTEM OF TAXES AND PAYMENTS**

The Subsoil Law delineates the system of taxes and payments for the mining industry. The system includes:

- Natural Resources Extraction Tax (NRET) and other taxes, as provided by the Tax Code
- Regular mining payments
- Non-recurrent mining payments

**NATURAL RESOURCES EXTRACTION TAX (NRET)**

Legal entities and sole entrepreneurs – users of subsoil resources – shall be considered as taxpayers. Extracted natural resources shall be considered as the object of taxation. The tax base is to be determined by the taxpayer with regard to every type of extracted natural resource, generally, as the value of extracted natural resources. The tax period of NRET is one calendar month. Tax rates depend on the type of the mineral resource. For gold, the current applicable tax rate is six per cent. The quantity and value of the extracted natural resources is determined directly (through the application of measurement means and devices) or indirectly (by means of calculations, by the data on the content of extracted natural resource in a natural raw material (waste, lost rock) extracted from subsoil). Regular mining payments may refer to annual payments for license holders regarding subsoil use for purposes of search, assessment and exploration, and water tax for the use of water on the license areas.



# FEASIBILITY STUDIES

## FEASIBILITY STUDIES IN PREPARATION OF MINE CONSTRUCTION

The devil is in the details. This is certainly true of a mining project, where the quality of the preparations will decide whether or not it has a potential to be developed into a profitable mine. Preparations include scoping and feasibility studies, which, if they confirm expectations, will lead to permitting, equipment procurement, construction and production.

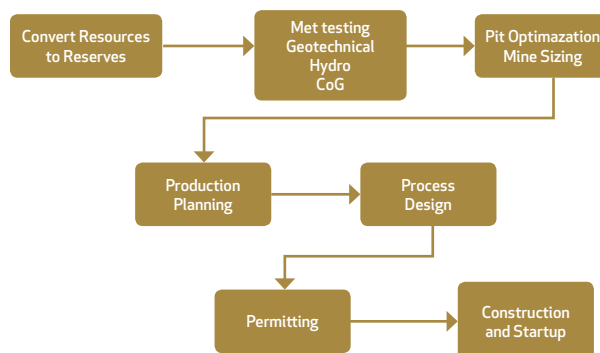
Many types of detailed geological data are required to begin the evaluation of a mineral deposit - and the data must be accurate, detailed, complete and consistent. Estimations of a mining project are typically conducted in three stages; scoping studies, prefeasibility studies and feasibility studies. The basic reason for these is to decide whether the project has a potential to become profitable, with each stage being based on more and more detailed information about the mineralization and lower uncertainty of modelling results. Each study is followed by a decision point whether to proceed further or not. Some feasibility studies are also called "bankable" if they also address a number of issues to which banks and credit lending institutes require an answer to before they finance a project. The definition of a scoping study is that it is "a study that includes an economic analysis of the potential viability of mineral resources taken at an early stage of the project prior to the completion of a preliminary feasibility study". On industry average basis, scope of error of the scoping study calculations is usually about 40%. When a successful scoping study has been finalised, it will be followed by the feasibility studies. By the time a decision is made to proceed with a pre-feasibility study, a preliminary mineral resource report has been finalised and as well as an orebody model, demonstrating its shape, tons and grade. Feasibility studies include technical investigations, ore calculations, processing tests, environmental studies and permissions, assessments of market conditions - as well as an estimation of necessary investments and operational costs. They involve the use of metrics and data specific to each project. 3 D-images are used to analyse how the holes have been drilled and what they reveal about the structure of the deposit - and what that implies for the future mining of the deposit. Geological data and interpretations form the basis of the entire evaluation process

by delineating the mineralization, estimating the resource, and providing essential information for the mine and processing design. Scope of error of the feasibility study calculations is usually about 15 %. The final feasibility study is usually based on the most attractive alternative for the project development as previously determined. The aim of the study is to remove all significant uncertainties and to present the relevant information with back up material in a concise and accessible way. The final feasibility study has a number of key objectives, including:

- to demonstrate within a reasonable confidence that the project can be constructed and operated with profit in a technically sound and economically viable manner
- to provide a basis for detailed design and construction of the mine
- to enable the raising of finance for the project from banks or other sources
- to optimise the project for best use of the mineral, capital and human resources

Other aspects to be considered include waste disposal and infrastructure requirements, power and water supply as well as internal roads and plant infrastructure.

## MINE DEVELOPMENT PROCESS





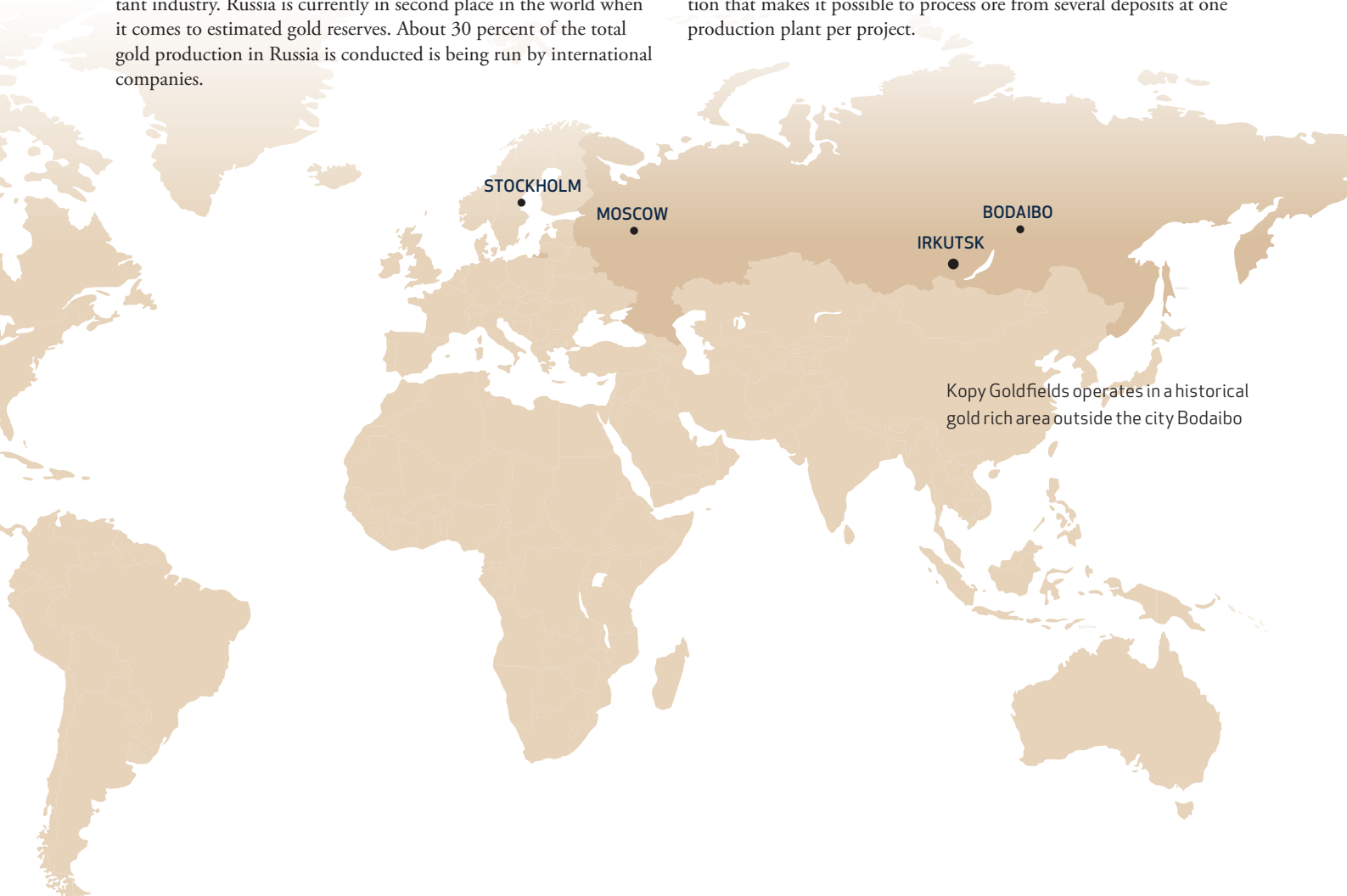
# GEOGRAPHICAL FOCUS

## LENA GOLDFIELDS

The Company's projects are located in Lena Goldfields, near the city of Bodaibo, in the Irkutsk region of Russia. Bodaibo is located approximately 900 km northeast of Irkutsk. Gold has been mined in the Bodaibo area for more than 150 years, and placer production was conducted as early as in the 1840s. Since then the region has steadily been producing around 0.25 Moz of alluvial gold per year. In early 2000 production of bedrock gold was established but a major part of the area still remains unexplored for bedrock gold. Lena Goldfields has shown a 42 % growth in gold production during the last five years. In 2015, 710 koz of gold was produced of which 50 % was alluvial. The area around Bodaibo includes a number of world class bedrock gold deposits, such as Vysochaishiy (2.9 Moz), Verninskoye (3.8 Moz), Chertovo Koryto (2.4 Moz) and Sukhoy Log, the latter with over 60 Moz in estimated gold resources. Bodaibo became the regional center for alluvial gold production during the late 19th century, and the gold mining industry is still the area's most important industry. Russia is currently in second place in the world when it comes to estimated gold reserves. About 30 percent of the total gold production in Russia is conducted is being run by international companies.

## LOCAL INFRASTRUCTURE

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



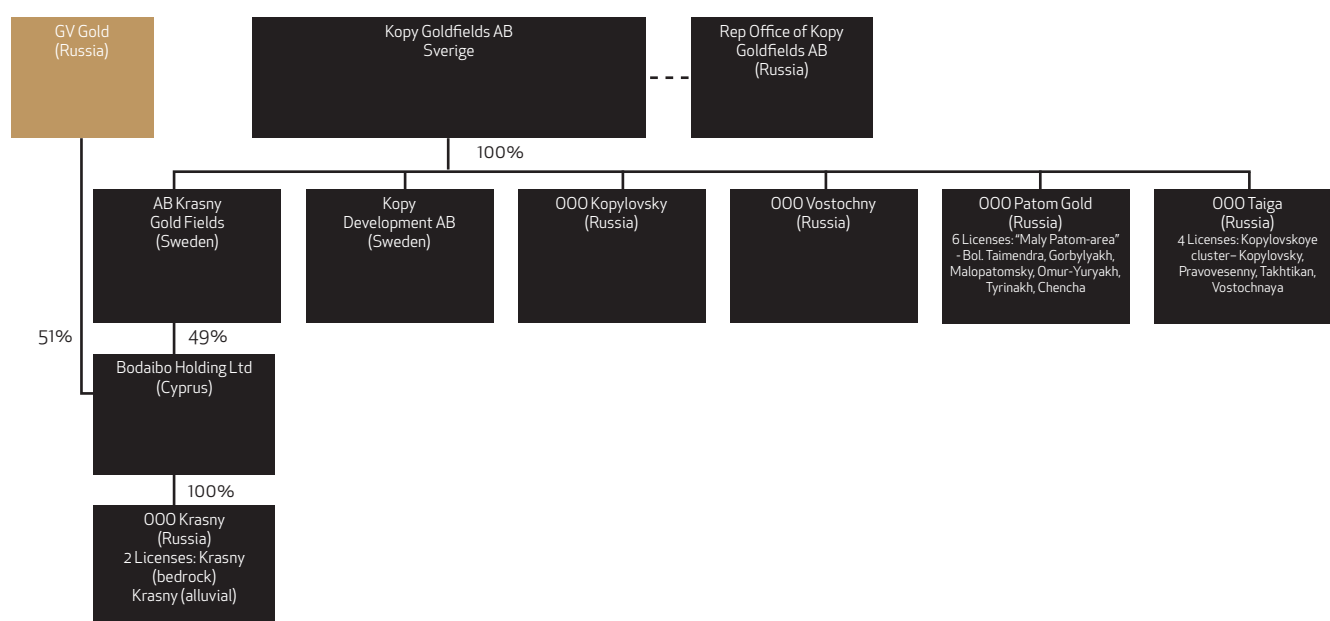
# ABOUT KOPY GOLDFIELDS

## THE COMPANY

Kopy Goldfields AB (publ) is a Swedish public junior gold exploration company, listed on Nasdaq First North, Stockholm. The Company was established in 2007 after having acquired a gold deposit with the name Kopylovskoye. The Company currently holds eleven gold bedrock exploration- and production licenses and one alluvial license, covering a total of 1,963 sq km. The target is to start gold production at the Krasny licence, 49% held by the company, in 2019 in cooperation with the Russian gold company GV Gold.

Kopy Goldfields AB (publ) 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. All Russian subsidiaries are domiciled in Bodaibo, in the Irkutsk region in Russia. All subsidiaries are so called Limited Liability Companies (LLC). Each of the subsidiaries is the owner of different gold exploration and production licenses. The Kopy Goldfields Group has the following structure



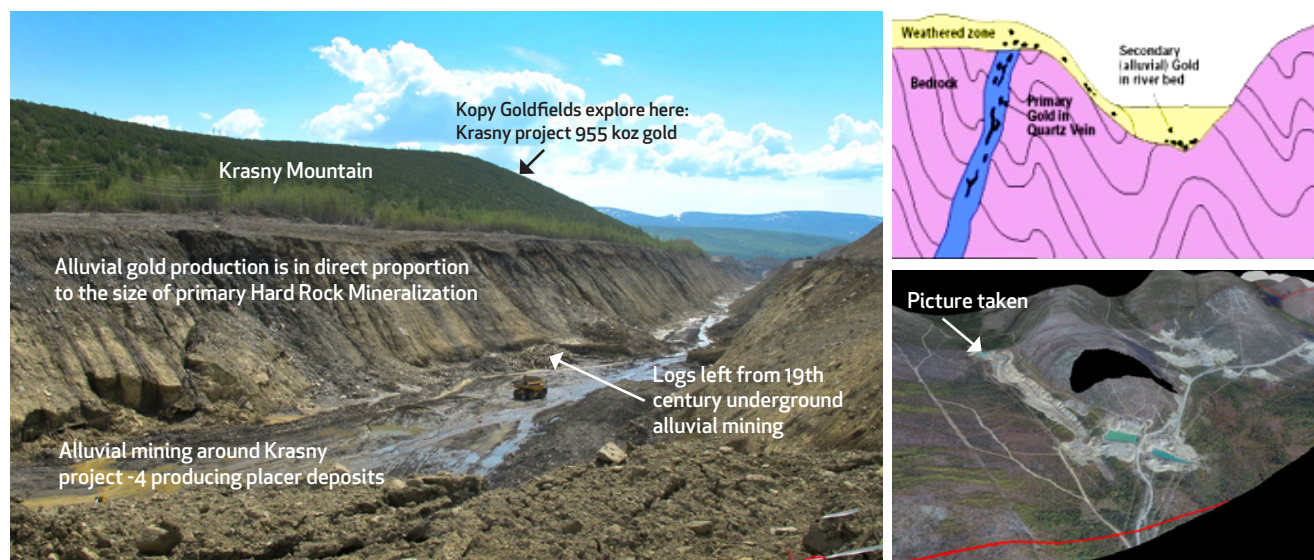
## VISION, STRATEGY AND TARGETS

Kopy Goldfields' vision is to become a world-class exploration company with focus on Lena Goldfields, 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 gold mining in Lena Goldfields in the Bodaibo area of the Irkutsk region 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 strategy is illustrated below. The target for Kopy Goldfields is to become a near-term gold producer in cooperation with a producing partner under a joint venture agreement.



## WE LOOK FOR BEDROCK SOURCES OF PLACER GOLD (KRASNY DEPOSIT)



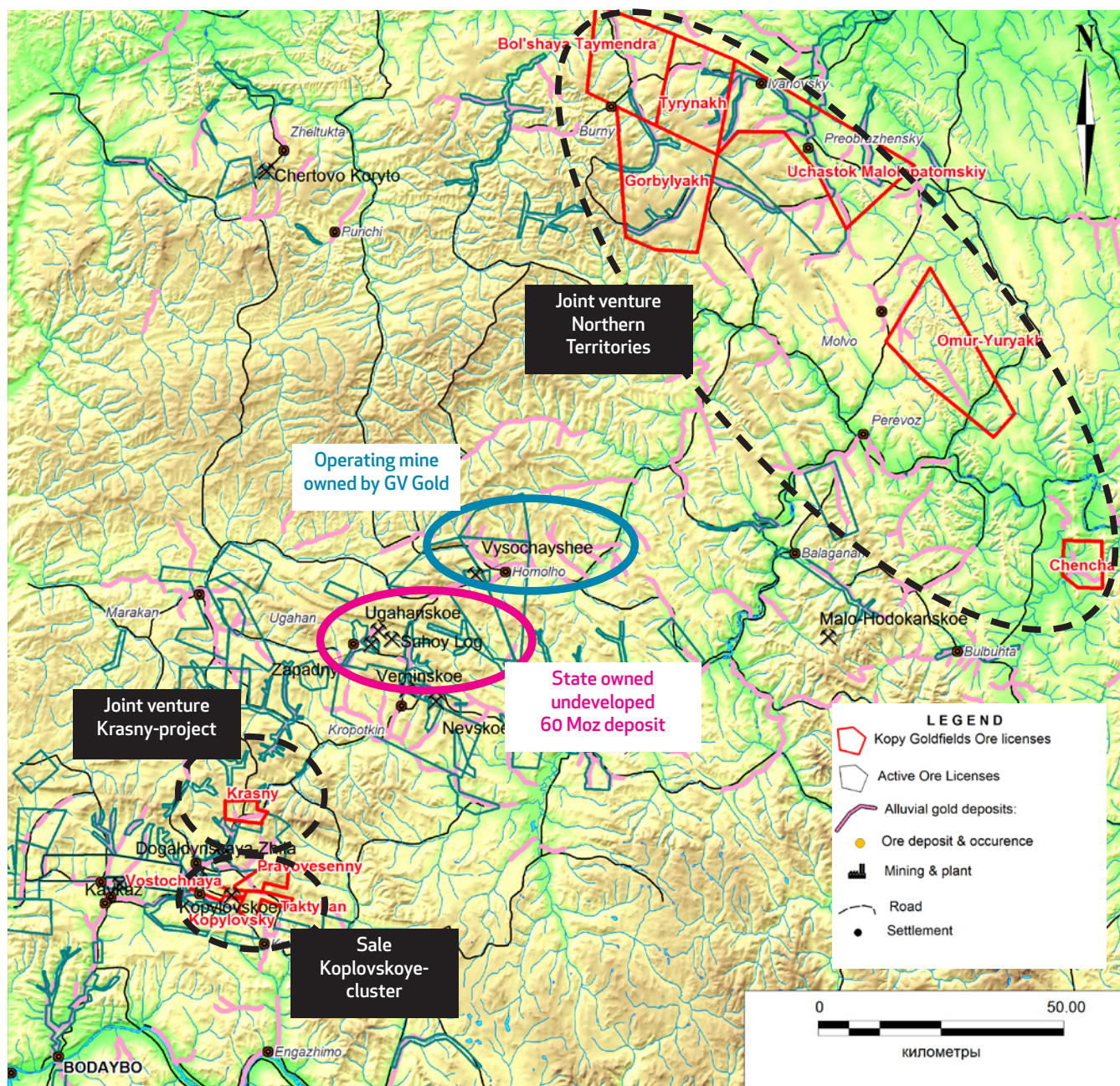
## CURRENT PROJECTS IN BRIEF

The Company has a diversified portfolio of exploration targets in different stages. All licenses have been grouped into a portfolio consisting of 3 projects; Krasny, Kopylovskoye-cluster and the Northern Territories. The flagship project, Krasny, consists of 2 licenses (Krasny; both Alluvial and Bedrock license, please see license table for further information) with a total area of 31 km<sup>2</sup>. The Kopylovskoye-cluster includes 4 licenses (Kopylovskoye, Pravovesenny, Takhtykan and Vostochnaya) with a total area of 80 km<sup>2</sup>. The Northern Territories is split into 6 licenses (Tyrynakh, Bolshaya Taimendra,

Gorbylyakh, Omur-Yuryakh, Chench, Malo-Patomsky) with a total area of 1 852 km<sup>2</sup>. Six 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 kilometers. The infrastructure is reasonably developed with small villages, electricity and federal roads to the deposits. The six licenses, all acquired during 2012, which make together the Northern Territories project, are geographically located on a distance of 200 – 300 km from Bodaibo, are all served by a public road and have a history of alluvial production.

License	Acquired	Mineral resources according to JORC ('000)*	Mineral resources according to GKZ ('000)*	Valid until:	Ownership Kopy Goldfields AB	License area
Kopylovskoye	2007	JORC: Indicated: 37koz@1.31 g/t Inferred: 80koz@1.07 g/t Signed by SRK Consulting 2010	C1+C2: 332 koz P1: 417 koz	2020	100 %	1,5 sq km
Krasny (Bedrock)	2010	JORC: Indicated: 288 koz@1.14 g/t Inferred: 667 koz@1.68 g/t Signed by Micon 2016	C2: 314 koz P1: 233 koz	2035	49 %	31 sq km
Krasny (Alluvial)	2015		P2: 1 koz	2030	49 %	2.46 sq km (within the bedrock license)
Pravovesenniy	2010		P3: 64 koz	2030	100 %	35 sq km
Vostochnaya	2010		P2: 161 koz	2035	100 %	13 sq km
Takhtykan	2011		P3: 161koz	2035	100 %	31 sq km
Tyrynakh	2012		P3: 578 koz	2037	100%	250 sq km
Bolshaya Taimendra	2012		P3: 578 koz	2037	100%	289 sq km
Gorbylyakh	2012		P3: 578 koz	2037	100%	417 sq km
Omur-Yuryakh	2012		P3: 160 koz	2037	100%	365 sq km
Chench	2012		P3: 321 koz	2037	100%	71 sq km
Malo-Patomsky	2012		P3: 578 koz	2037	100%	460 sq km
<b>Total</b>		<b>JORC:</b> Indicated: 325 koz Inferred: 747 koz	<b>Russian:</b> C1+C2: 646 koz P1-P3: 3,830 koz			<b>1,963 sq km</b>





### KOPY GOLDFIELD'S PROJECTS IN LENA GOLDFIELDS

All deposits are located up to 150 km from Sukhoi 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.



# HISTORY

The key events in the history of the Company are listed below:

## 2006

Central Asia Gold AB (CAG) acquires OOO Kopylovsky and the Kopylovskoye license.

## 2007

Kopylovskoye AB is founded as a subsidiary to CAG and becomes the owner of OOO Kopylovsky.

## 2008

Acquisition of the Prodolny and Kavkaz licenses. Exploration activities for the Kopylovskoye project commenced. Kopylovskoye is distributed to CAG's shareholders and becomes an independent company.

## 2009

Exploration and development work continues following positive results from an evaluation made by SRK Consulting.

## 2010

Acquisition of the Krasny, Pravovesenny and Vostochnaya licenses. The company is listed on Nasdaq First North Stockholm.

## 2011

Acquisition of the Takhtykan license. The company changes name to Kopy Goldfields AB. The company publishes its first international mineral resource report in accordance with JORC for the Kopylovskoye deposit. Eldorado Gold Corp becomes a major shareholder in Kopy Goldfields after investing MSEK 29 in the company. The Krasny license shows substantial gold contents and grades.

## 2012

Acquisition of the Purpolskaya and Verkhnyaya Orlovka licenses as well as six licenses in the Maly-Patom area of Lena Goldfields, covering a total area of 1,852 km<sup>2</sup> (i.e. the "Northern Territories"). The company reports an international mineral resource report according to JORC for Krasny.

## 2013

Updated JORC report for Krasny. A scoping study for Krasny

indicates favourable conditions for open pit mining of 60 koz gold/year during 18 years. Two licenses, Kavkaz and Prodolny, are sold for MRUB 50 in cash, confirming the possibilities to commercialise the licences, as well as the ability to repatriate cash from Russia. A letter of intent is signed with the Russian gold producer GV Gold regarding the Krasny license.

## 2014

Two licenses, Purpolskaya and Verkhnyaya Orlovka, are returned to the Russian state as they are considered as being too early in the exploration stage. A joint venture is formed with GV Gold to take Krasny to production. According to the agreement, GV Gold invests MUSD 9 for 51 percent of the licenses. Step 1 of a new, joint exploration program on Krasny is initiated.

## 2015

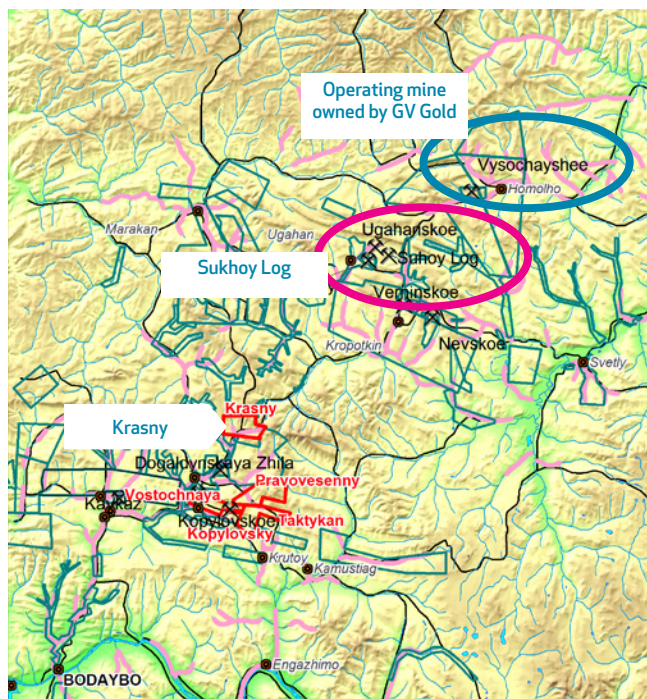
Step 2 of the joint exploration program for Krasny. The drilling is performed June-September 2015. The results from step 1 and 2 are used for mineral resource reports according to GKZ and JORC, as well as for production planning. Decision to initiate Feasibility studies and to explore the Lower Structure of Krasny as well. Test results from metallurgical processing tests indicate that the same technology can be used for both the oxidised ore and the primary ore with an estimated gold recovery of 90 % for the primary ore and 78-79 % for the oxidised ore.

## 2016

In February a substantial gold mineralization in the lower structure of Krasny is confirmed. The GKZ authorities in Irkutsk formally approve a GKZ report, confirming gold reserves of 9.7 tons (314 koz) in the C2 category. The Company receives an additional consideration of MUSD 2 according to the agreement with GV Gold. In May, an updated JORC report is issued, based on the exploration data acquired until January 2016, covering both upper and lower mineralization of Krasny. It shows 288,000 oz of Indicated mineral resources and 667,000 oz of Inferred mineral resources within an economically mineable open pit. The same month, a scoping study performed by the Irgiredmet engineering consultancy group is issued, confirming feasibility in the Krasny mine development. Feasibility studies are commenced and a new exploration program, Step 3, targeting the Lower structure, starts.



Krasny is Kopy Goldfields' most exciting gold project to date. Intense exploration drilling has been performed at the site since the autumn 2014 after a joint venture agreement had been signed with GV Gold to develop the promising gold mineralization together. Located in the vast expanse of the Patom Highland in the Bodaibo area of Irkutsk region of Russia and 75 kilometres from the city of Bodaibo, Krasny sits on an area of 31 square kilometres. The area is known for its alluvial gold production with four active placers within, or neighbouring, the license area. Kopy Goldfields' Krasny license is valid for 25 years and provide rights for bedrock gold prospecting, exploration and production.



The Krasny project is located in a gold rich lithological and stratigraphical area. It is characterized by intensive geochemical gold anomalies and rich alluvial gold deposits in the streams. The Krasny deposit is localized within the Upper Riphean Vacha suite in the form of a single discontinuous-continuous mineralized zone consisting of two saddle-shaped groups of vein-veinlet-disseminated quartz sulphide gold ore bodies (upper and lower), one put upon another one. The mineralized zone is confined to the axial part of the main structure of the ore occurrence - the Rudnaya anticline. The anticline represents an oblique overfold of the southeast strike with the axial surface dipping at 70-85° northeast. The limbs are composed of bands of alternating sandstone and phyllites up to 60m thick. The southern limb dips northeast at 85°, and the northern limb dips northeast as well at 45-75°. Within the Krasny deposit, the mineralized zone is traced in trenches and boreholes from the

The upper group of the ore bodies is about 900m long; the vertical span of the mineralization is 210-305m; the lower group is 1620m long, and the vertical span of the mineralization is 180-280m. The total span of the mineralization studied in boreholes is 430m (elevation 110-580m) the length along the strike is 1,620m. The intensity of mineralization correlates directly with the degree of occurrence of quartz-sulphide veinletting and imposition of other hydrothermal-metasomatic alterations. Meanwhile, the quartz content in the mineralized zone does not exceed 2-3%. The morphological type of mineralization is mineralized zones-beds with veinlet-disseminated quartz-sulphide mineralization with the total sulphide quantity up to 3-3.5%. Hosting ore bodies are presented by alteration of carboniferous quartz-sericite schists, siltstone and sandstone of the Vacha suite. The main mineral type of ore is quartz low-sulphide (pyrite).

In the summer 2014, the Company entered into a joint venture agreement with the Russian gold producer GV Gold over the Krasny project. Under the agreement, GV Gold earned a 51% interest in the Krasny Project by paying the Company MUS\$ 1 in cash and by financing an infill 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 was MUS\$ 6 and was financed by GV Gold in full. The exploration program was developed in two stages and targeted the Upper Mineralization of the Krasny deposit closest to the surface and limited to the depth of 200 meters. In April 2016, following a formal approval of a mineral reserve report for the Krasny deposit by the Russian GKZ authorities in Irkutsk, Kopy Goldfields received a further MUS\$ 2 in a conditional consideration cash payment from GV Gold.

During the first stage, exploration activities were aimed at confirming the existing model of the Krasny Central Upper mineralization to the depth of approximately 200 meters. The total budget for Stage 1 was estimated at MUSD 3, which was paid upon the signing of the joint venture contract. Exploration drilling was started in July 2014 and successfully completed on schedule by the end of November the same year. In total, 51 drill holes were completed, amounting to 7,916 meters of core drilling, while 1,712 meters of exploration trenches were also developed. In addition, three core holes covering a total of 582 meters were completed with the aim of collecting rock to run metallurgical processing tests. In February 2015, two bulk samples of 1,000 kg each were sent to the Igiredmet Engineering Company in Irkutsk, Russia, for metallurgical processing tests. The results were received in November 2015 with a recommendation for similar processing technology for both the oxidized and primary





rock with a projected total recovery of 90% for the primary ore and 75% for the oxidized ore. During December 2015 – March 2016, a second mineral-processing test based on new samples for the oxidized part of the Upper mineralization was carried out. The gold recovery via gravitation-flotation-leaching process totalled 78-79%, which is hence better than the previous results of 75%.

#### STAGE 2, AIMED AT PLANNING GOLD PRODUCTION

Following the successful completion of Stage 1, GV Gold contributed the next MUS\$ 3 for Stage 2 in March 2015 into the Joint Venture. The following spring, a preliminary production model was drawn up based on available data in order to find the most optimal production scenario. Based on this, the Stage 2 exploration program was revised according to the updated scenario. The main objective of this stage was to collect information, as well as to plan for gold production on the Krasny license. The stage 2 drilling was commenced on June 10, 2015 and finalized on September 18 the same year. Overall, 49 drill holes were completed, totalling 7,551 meters of core drilling. The drilling results confirmed and developed the geological model for Krasny deposit. Following completion of the Stage 2 exploration activities, an additional expansion drilling program was initiated on December 14, 2015 with the target of adding extra resources along the strike, but also filling in some blind spots between the drilling profiles left after the previous drilling. This program was finalized on February 25, 2016 and included 16 drill holes and a total of 3,504 meters of core drilling.

In December 2015, the technological mapping of the Upper mineralization within Krasny was initiated with the target to clarify the volume of the oxidized and primary ores to use as basis for modelling a production schedule and forecasting economic results.

The final results from the assay testing were delivered in March 2016, confirming expectations of content and grade in the Upper mineralization. The Lower Mineralization was also tested, showing grades above 2 g/ton and indicating an extra 20-23 tons of minable gold at the deposit, in addition to the 9 tons from the Upper Mineralization previously mapped out. This could extend the life of the mine from the expected 8-9 years to 14-15 years.

#### STAGE 3, EXPLORATION AND FEASIBILITY STUDIES

The third stage drilling of the exploration program was commenced in April 2016, and includes a range of exploration and feasibility activities:

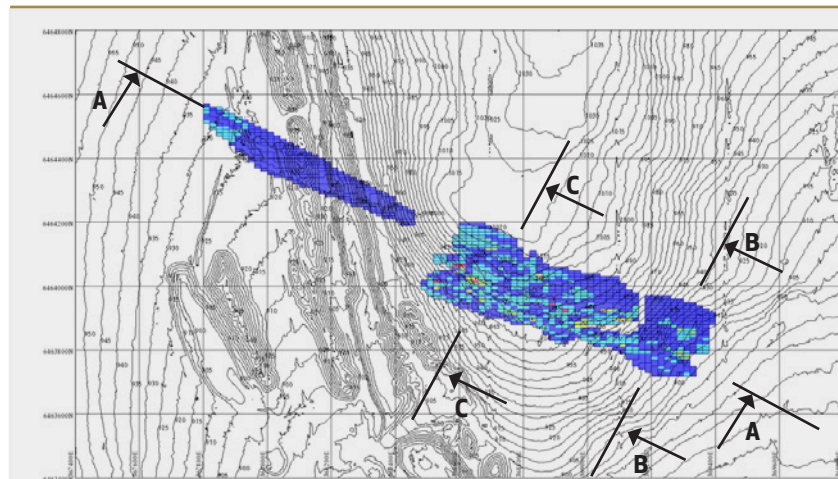
- Upgrade category and increase volume of gold resources
- Finalize and approve mineral processing technology
- Proceed with engineering and geotechnical studies for rock properties and infrastructure positioning on site
- Evaluate potential for alluvial gold production

By the end of August 2016, 37 drill holes, accounting for 9,052 meters of core drilling, had been completed, as well as 1,886 meters of trench sampling. In total, 9,216 fire assay tests for gold had been received. Most of the drilling has been focused on collecting core samples for the final bulk mineral processing study in order to develop the final mineral processing flow chart.

Since these holes were drilled within the Central part of the Krasny deposit and mostly within the Upper structure, they have increased the density of drilling within the area of the previously approved Russian GKZ reserves, which in turn will lead to an update of the Russian reserves into a higher reserve category in the future.

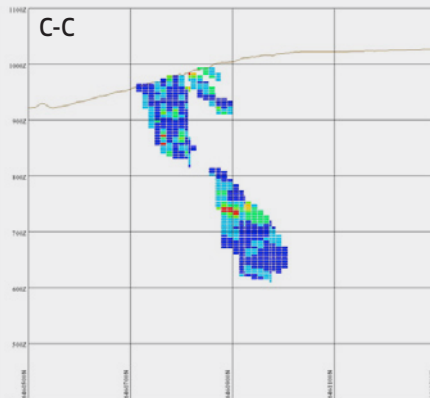
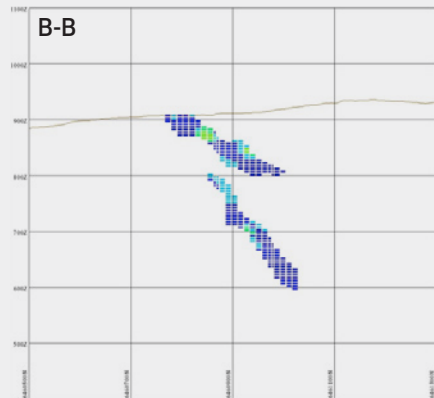
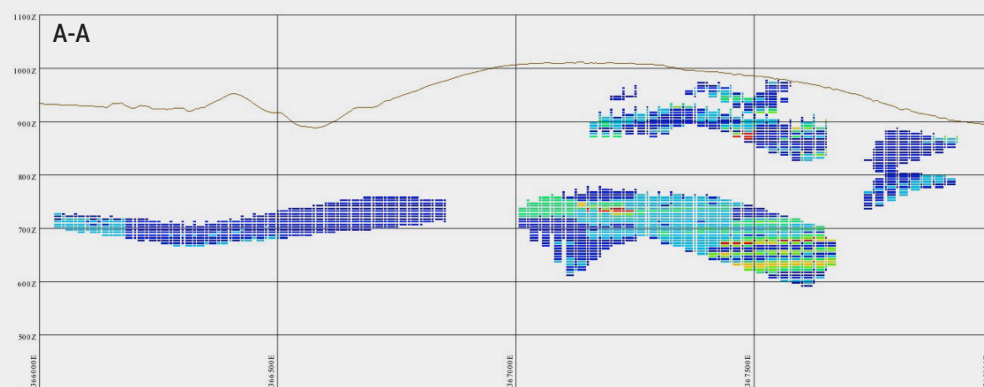
The exploration results also confirm the modelling of the Lower structure mineralization, with new high grade intervals being discovered. From the drilling results there are confirmations that the Lower Mineralizations extends further along the strike both on the Western and the Eastern flanks outside the initial model of 2012. On the western extension it also comes closer to the surface. Mineralization is still open to depth on most of the drill profiles. All these facts support the expectation that the Krasny Central deposit could be bigger than just 1 Moz.

During the current exploration program a satellite gold mineralization within the Krasny North structure has been confirmed, which is located within 3-4 km from the Krasny Central. This mineralization is within the borders of the same Krasny license and makes a part of the bigger Krasny project. Krasny North has potential to become a supplement to the Krasny Central by sharing its infrastructure, mill, personnel and mining equipment.



Block model for the Krasny mineralization, plan view

Block model for the Krasny mineralization.  
Cross section along A-A,  
along the strike



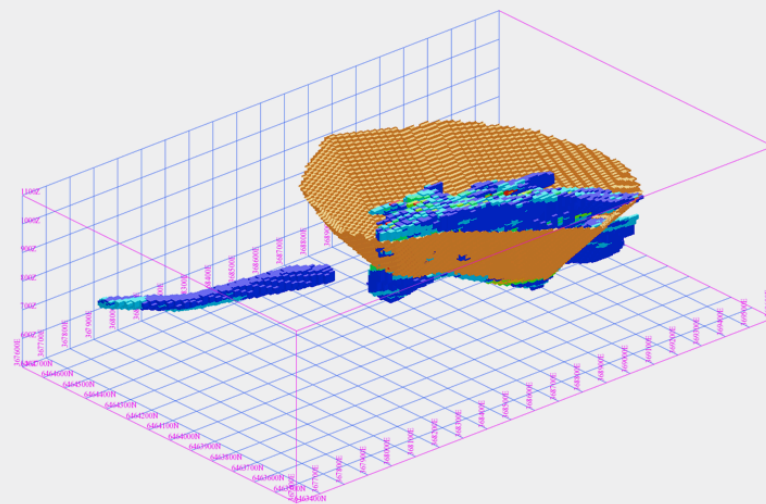
Block model for the Krasny mineralization. Cross section along B-B and C-C, perpendicular to the strike

#### OPTIMIZED OPEN PIT SHELL FOR THE KRASNY MINERALIZATION

Orange color shows the boundaries of the optimal final open pit shell. Mineralization outside the boundaries has not been included in the recent JORC resource estimation.

#### LEGEND

- Block model cells with gold grade 0-1.0 g/t
- Block model cells with gold grade 1.0-2.0 g/t
- Block model cells with gold grade 2.0-3.0 g/t
- Block model cells with gold grade 3.0-4.0 g/t
- Block model cells with gold grade 4.0-5.0 g/t
- Block model cells with gold grade above 5.0 g/t
- Contour lines
- Boundary of the earth surface in the cross sections





### MINERAL RESERVE REPORTS ACCORDING TO GKZ AND JORC

On December 28, 2015, a mineral reserve report for the Upper Mineralization of the Krasny deposit was completed and filed with the Russian GKZ authorities in Irkutsk. On March 30, 2016, the report was formally approved by the Federal Agency on Subsoil Usage (subsidiary of the Russian Ministry on Natural Resources) in Krasnoyarsk. The report classifies the Krasny mineralization to be a deposit with total ore reserves under the C2 category of 6,317 ktons with an average grade of 1.55 gr/t, that makes 9,767 kg of gold (314 koz). The report recommends the deposit for pilot gold production.

In parallel to the GKZ report, a report on mineral resources in accordance with the JORC provisions was developed by Micon International Co Limited. Micon is a world leading mineral industry consulting company with offices in Toronto and Vancouver (Canada) and in Norwich (United Kingdom). Micon has previously been involved in other projects in the Bodaibo area and is therefore familiar with the local geology. The JORC report was announced in May 2016, showing 288,000 oz of Indicated mineral resources (7,848,000 tons of ore at an average grade of 1.141 g/t Au) and 667,000 oz of Inferred mineral resources (12,324,000 tons at an average grade of 1.682 g/t Au) within an economically minable open pit. The resource estimation increases the quality of gold resources, with Indicated resources representing 30% of the total mineral resources reported, compared to 15% in the previous JORC report from 2013. The current estimation does not include the drill results acquired since January 2016.

While the previous resource estimate was based on 15,297 meters of core drilling, 1,362 meters of trench sampling and one mineral processing test; the current JORC estimate is the result of totally 31,195 meters of core drilling, 2,822 meters of trench sampling and 4 mineral processing tests. During the 2015 mineral processing test,

it was discovered that the Krasny deposit has two types of ore – oxidized and primary – with different gold recovery ratios, which is now reflected in the new resource estimation. In addition, the previous resource estimate was based on an assumption of a gold price of 1,670 USD/oz, while the current estimate is based on the market price of 1,200 USD/oz.

### SCOPING STUDY

In May 2016, a new positive scoping study was announced for the Krasny gold project, confirming the feasibility of the Krasny mine development with a total undiscounted free cash flow of USD 94 million at a fixed gold price of 1,100 USD/oz and estimated total production costs of 475 USD/oz.

The scoping study was performed by Irgiredmet engineering company during January - March 2016 and included all exploration results including Stage 2 of the exploration program. The study evaluated financial results of gold production from the Upper structure only and did not include any development of the Lower structure - thus leaving the upside from gold production of the Lower structure for the future. It was used as an external justification for moving the Upper gold structure into Feasibility studies.

### FEASIBILITY STUDIES DURING 2016/2017

During 2016/2017, the Krasny project will move into Pre/Feasibility Studies, equipment procurement, construction and commissioning. In January 2016, the PreFeasibility study was commenced, starting with the detailed Scoping study calculations. With a possible increase of the mine and plant capacity, the first gold production is expected in 2019, which will be further reviewed during the detailed Feasibility study later this year. The formal decision to proceed to mine development will be taken early 2017.

Table 1. Mineral Resource Statement for the Krasny Gold Deposit, Irkutsk Region, Russia, Micon International, May 23, 2016\*

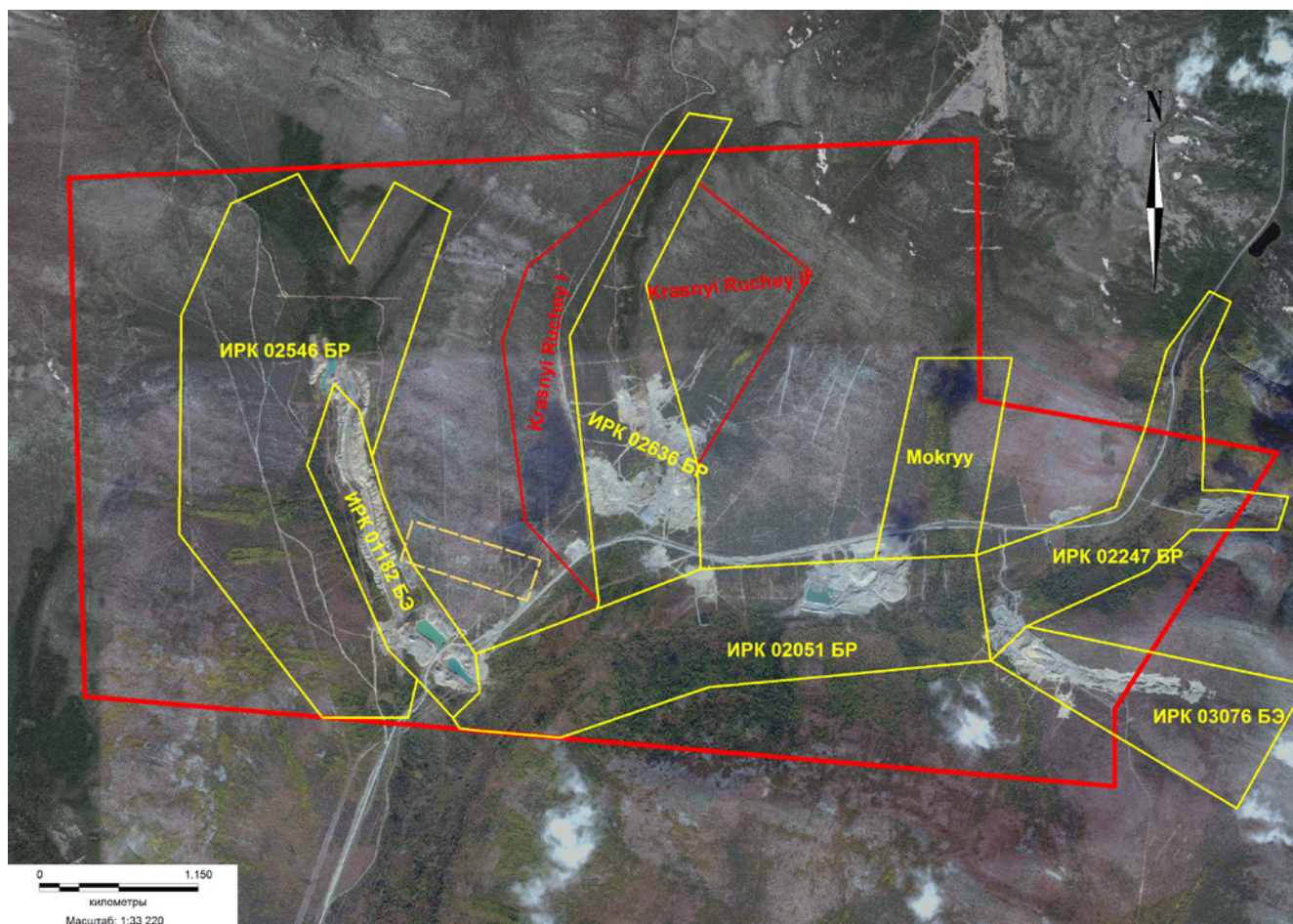
Category	Ore (kt)	Au grade (g/t)	Au (kg)	Au (koz)
Indicated	7 848	1,141	8 958	288
Inferred	12 324	1,682	20 732	667

#### \*NOTES:

- Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves estimate;
- Resources stated as contained within a potentially economically minable open pit stated above a 0.4g/t Au cut-off for the oxide ore and above 0.3g/t Au cut-off for the primary ore;
- Pit optimization is based on an assumed gold price of \$1,200/oz, metallurgical

recovery of 90% for primary ore and 79% for oxide ore. Used cost values are \$2.36/m<sup>3</sup> for waste mining, \$1.10/t for ore mining and a processing and G&A cost is \$7.95/t;

- Mineral resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding;
- Mineral resource tonnage and grade are reported as diluted to reflect a potentially minable bench height of 10 m.



Red lines: boundary of Kopy Goldfields' licenses (Krasny bedrock and Krasny alluvial)

Yellow lines: boundary of other alluvial licenses within the Krasny bedrock license

### POTENTIAL FOR ALLUVIAL GOLD PRODUCTION

In July 2015, LLC Krasny, the Russian joint venture company, acquired an alluvial gold license. The license area includes two separate blocs, "Ruchey Krasny 1" and "Ruchey Krasny 2" and is located within the contour of the Krasny bedrock gold license, already held by LLC Krasny, where bedrock exploration activities are currently being conducted. The Krasny Ruchey license provides the right to explore and produce placer gold for 15 years. In addition to LLC Krasny, three more companies participated in the auction and the final acquisition price totalled KRUB 280 (approximately KUSD 5), which was paid by LLC Krasny. The alluvial project will be developed on a merit basis. If alluvial production from the Krasny Ruchey license area proves to be profitable, the alluvial gold will be produced in parallel with development of the Krasny bedrock mining operations so that they create synergies in terms of stripping operations. LLC Krasny does not need to run the placer mining itself since there is a number of alluvial producers in the area that can serve as operator of the project. In addition, GV Gold has both equipment and experience of alluvial mining in the area.

### EXPECTED OUTCOME OF THE 2016 EXPLORATION PROGRAM

A successful completion of Stage 3 of the exploration program will achieve the following targets:

- An increase of resources by drilling the Krasny Central Upper and Lower mineralization along the strike and testing the Krasny North Mineralization.
- An upgrade of the Krasny Central Upper and Lower Mineralization into higher categories
- A finalized mineral processing flow chart and updated financial production model
- A basis for decision to move the Krasny project into construction and equipment procurement during 2017
- A completed exploration to allow for decision on placer gold production

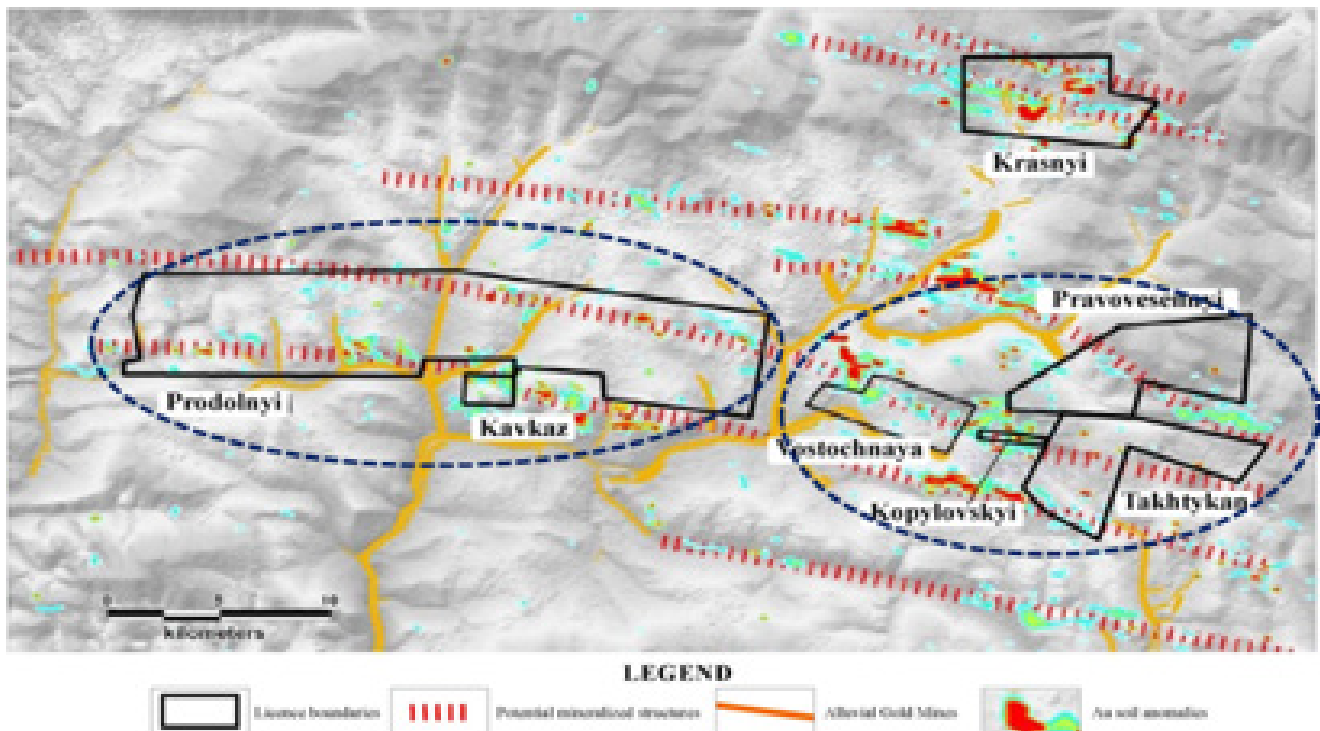
# PROJECTS KOPYLOVSKOYE

Kopylovskoye was Kopy Goldfields' first project – and also lent the company its name. The Kopylovskoye gold bedrock prospect was acquired by the company at the end of 2006 - early 2007. Historically, approximately 1.75 Moz of alluvial gold has been mined immediately west of Kopylovskoye. After the acquisition, Kopy Goldfields' team of geologist prepared a comprehensive exploration program for Kopylovskoye project. The program was focused on exploring the mineralization at depth and outside the contour of proven reserves with target to prove a deposit above 1 Moz of gold.

Kopy Goldfields reported the first mineral resource within the JORC Code for the Kopylovskoye project in 2011, signed by SRK Consulting. It showed 117 koz of Indicated and Inferred resources (in total 717 koz Russian GKZ C1+C2+P1 gold resources). The mineral resource estimation showed 37 koz of Indicated resources at an average grade of 1.31 g/t gold and 80 koz of Inferred resources at an average grade of 1.07 g/t gold. The estimation is based on trench samples, core-drilling and RC- drilling along a strike of around 1 km and down to maximum 180 meter; totally 6.8 km of drilling. The mineralization is open along the strike and to the depth. Today, the Kopylovskoye cluster includes the licences for Kopylovskoye, Pravovesenny, Takhtykan and Vostochnaya, covering a total area of 80 km<sup>2</sup>. The Kopylovskoye-license has an area of 1.5 km<sup>2</sup> and the license terms are valid until year 2020 allowing both exploration and

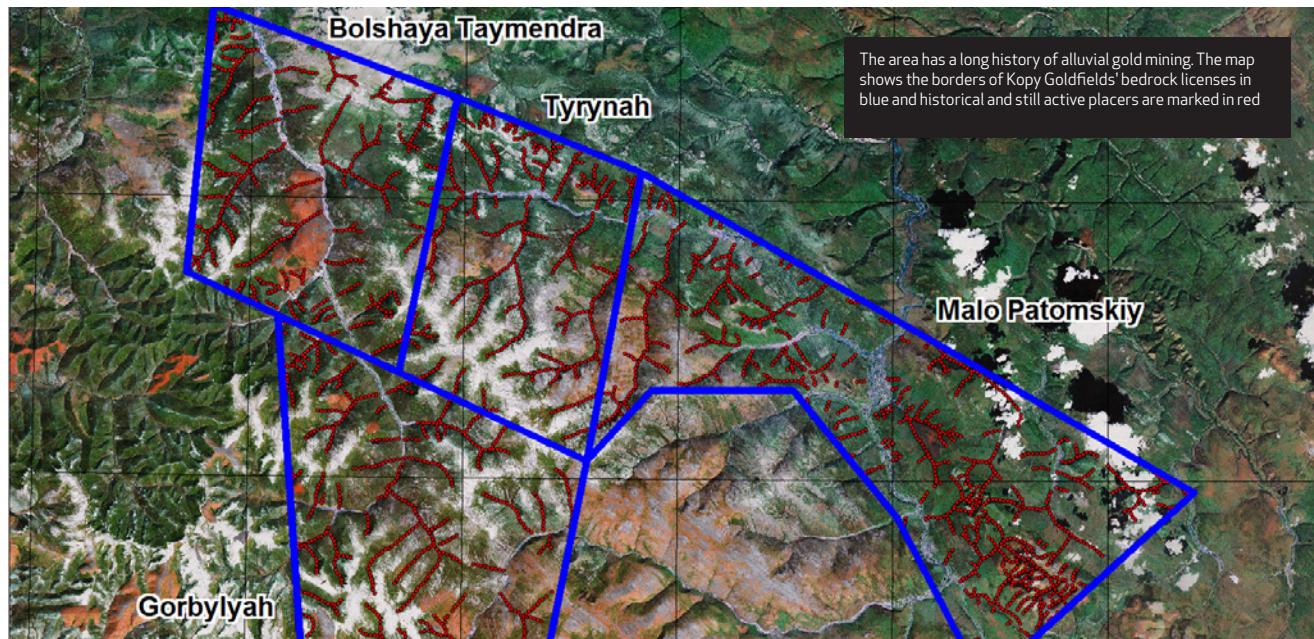
production. The resource potential is estimated at 1 Moz of gold and the licenses are valid through to 2020-2035 with possibilities for further extensions. Since 2011, the Kopylovskoye project was put on hold and no significant explorations were carried out.

During 2016, the Company targets to renew exploration and mining permits for Kopylovskoye project in order to update and extend the license terms and run a bulk sample test to confirm historic grades and volume of mineralization. All necessary documents have been filed and the relevant permits and extended license terms are expected during the autumn 2016. The Company's goal for the Kopylovskoye cluster is to find a partner or form joint ventures to continue mapping out the promising cluster. This would mean that the development process could be speeded up.





# PROJECTS THE NORTHERN TERRITORIES



The Northern Territories, located to the north of Bodaibo, covers a total area of 1,852 km<sup>2</sup> (182,500 ha), split into six properties acquired in the end of year 2012. Kopy Goldfields' licences for bedrock gold prospecting, exploration and production is valid for 25 years, with extension options. The area is located in the Patomo-Nechersky gold district within Lena Goldfields with a 100-year history of successful alluvial gold mining and with many active mining projects of this type still going on. A majority of the river valleys in this part host alluvial gold deposits and placer miners have reported pristine gold grains in the area, which indicates the existence of bedrock sources of alluvial gold nearby. No serious and consistent bedrock gold exploration, however, has been conducted in the area to date.

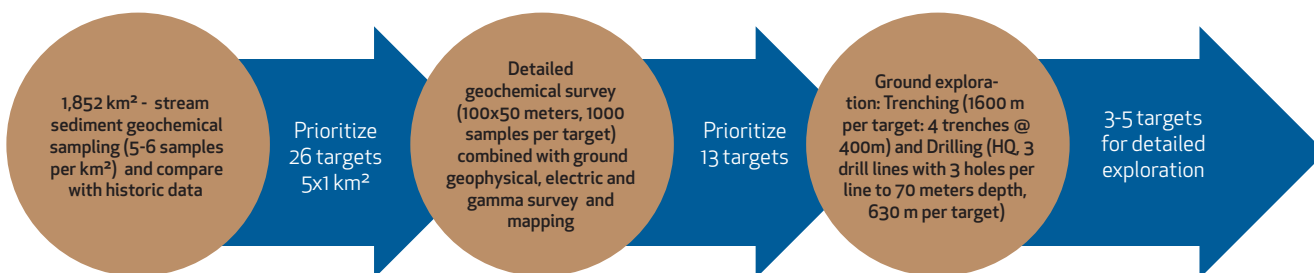
The general geological opinion is that there is a high potential of elephant gold discoveries in the license area. The geology and age of the rock in the area is similar to that of Sukhoy Log, with stratigraphy, lithology and structural setting favourable for primary gold mineralizations. There have been numerous reports from the area of secondary gold halo, zone and points of gold mineralization, as well as many grab samples with gold. Based on the known deposits in the area with similar characteristics, the Company is looking for strike extensions of above 500 meters and steep ore bodies with a thickness of 30 meters and upwards. Mineralizations consist of gold-sulphide, disseminated and veinlet-disseminated in black shale complexes.

## EXPLORATION APPROACH

During the review of the historic exploration data and maps of the licences, 23 targets were identified based on a combination of geochemical anomalies, vicinity of alluvial mines, grab samples with gold and high concentration of pathfinder elements. Kopy Goldfields' has prepared an exploration program for the project and the exploration approach includes covering the whole area with initial survey and further step-by-step target prioritization in order to reduce the whole area to 3-5 high potential targets, with at least 1 Moz resources each. By the end of the program, outlined below, the company intends to report initial JORC Inferred resources for 3-5 targets.

During 2016, stage 1 of the exploration program was commenced

### Exploration approach Northern Territories





with the target of covering the total licence area with a systematic and modern method for exploration to identify and prioritize multiple targets. The plan for the year is to collect approximately 5,000 stream sediment samples, which will cover the total 1,852 km<sup>2</sup> license area with a density of 6 samples per square km. The samples will be analyzed for a number of chemical elements, including gold. This will make it possible to identify geochemical anomalies for gold and map them. The new anomalies will then be compared with the existing ones, which have already been mapped based on historic data to test, and validate both. With this step, new targets potentially missed in the past years will be covered

The 2016 exploration program is performed by the company “Prikladnaya Geology” from Krasnoyarsk, which has also provided drilling services to the Krasny project during 2011-2016. The program will generate 20-26 targets (each target covering approximately 10 sq. km and representing one potential deposit) for next stage of exploration,

**THE FOLLOWING STAGES OF THE PROGRAM INCLUDE:**

- Run detailed geochemical survey (100x50 meters, 1,000 samples per target, potential target size 5x1 km) combined with ground geophysical, electric and gamma survey and mapping for previously prioritized 26 targets and further reduce them to 13 targets on a merit basis
- Run ground exploration: trenching (total 1,600 meters per target: 4 trenches 400 m each) and drilling, 3 drill lines with

- 3 holes per line to 70 meters’ depth, (in total 630 meters per target) and preliminary technological testing for 13 targets
- Prioritize and make recommendations for further detailed exploration at 3-5 targets.
- Run mineral processing tests, topography survey and mineralogy tests for 3-5 targets followed by JORC gold resource estimation reports similar to what was issued in 2013 for Krasny

Following completion of the exploration program above for the Northern Territories, the Company plans to be able to report some 900 - 2,000 koz of gold resources for 3-5 targets. The target deposit is above 1 Moz gold. Following the proposed exploration scope, the Company plans to be able to report for 3-5 deposits with interim resources of some 300+ koz Inferred per deposit (based on the confirmed strike and depth extension of mineralization representing only part of future resources per deposit and limited by the amount of drilling along the strike and to depth).

Stage 1 of the prospecting program on the Northern Territories project is developing according to plan. By mid-August 2016, the Company had covered 2/3 of the 1,852 km<sup>2</sup> license area with stream sediment survey. Two batches for a total of 2,902 samples have been sent to the lab. The Company plans to finalize the program by October 2016 and have all results by the end of the year. The general goal for the Northern Territories project is to find a partner or form joint ventures to continue mapping out the promising cluster. This would mean that the proposed exploration program could be finalized within three years.



# MARKET OVERVIEW

Kopy Goldfields AB (publ) is a public junior Swedish gold exploration company active in Russia. The Company is affected by developments in the gold price as this affects the value of the Company's licenses and future cash flows. The Company is also dependent on the development of the Russian economy as it affects the prices of products and services the Company consume in Russia. The prices of these goods and services have risen in line with the inflation in Russia but the Company can take advantage of the Russian ruble depreciation, and Kopy Goldfield's costs in Swedish kronor have actually fallen.

## MARKET DEVELOPMENT OF GOLD

Gold is a popular precious metal for investment purposes due to several reasons. One reason is that gold, throughout history, has been used as a substitute for money, which has led to many central banks still holding large reserves of gold. Because of this, gold is still a significant part of the economic system and is considered a very stable asset class that protects the owner against inflation, turbulent stock markets and other uncertainties in the financial system.

The price of gold is determined by supply and demand, but because gold can be reused and production holds long lead times, for example, opening a mine can take several years, demand plays a bigger role than the supply on the price development. Demand for gold is driven by several factors, but in general it can be said that the price correlates negatively with factors such as the stock market's rise and fall in inflation. After rising prices for almost a decade, the price of gold reached its peak in late 2011 with a price of scarce 1 900 USD/oz. After 2011 the price has been decreasing, however, during the latest months, a rebound has occurred. As of mid-September 2016, the price of gold was around 1,320 USD/oz.

The general gold price decline since 2011 has affected the mining companies' values, which in turn has affected gold exploration companies' shares. In the long term, there is potential for the rise in the price of gold, among other things because of a possible slowdown in China's economy.

## MARKET DEVELOPMENT IN RUSSIA

Russia's anticipated economic recovery has been delayed, and the country continues to adjust to an adverse external environment of lower oil prices and international sanctions. In 2015, the conse-

quences of these twin shocks caused real GDP to contract 3.7 percent. The adjustment to the worsening external environment caused an estimated 10 percent drop in gross domestic income, which had a negative effect on consumer demand and discouraged investment. Thus far, the government's policy response has facilitated Russia's economic adjustment. Thanks to the Central Bank's flexible exchange rate policy, the exchange rate alignment improved which supported the economic transition. Due to the flexible exchange rate, the fiscal impact of the adjustment was less severe for Russia than it was for other oil exporters, though a fiscal consolidation plan remains necessary. Moreover, the depreciation has presented Russia with an opportunity for a broad-based improvement in Russia's international competitiveness and to transform its export profile by diversifying away from primary commodities.

The World Bank<sup>1</sup> expects that the Russian economy faces a long journey to recovery. While the conditions that pushed Russia's economy into recession may be gradually abating, the World Bank's current baseline scenario anticipates a further contraction of 1.9 percent in 2016, before growth is expected to resume at a modest rate of 1.1 percent in 2017. Meanwhile, the continuing recession is projected to partially reverse Russia's recent progress in alleviating poverty and promoting shared prosperity. The World Bank emphasizes that risks to Russia's economic outlook are tilted to the downside. The economy faces strong headwinds from an uncertain global recovery. Russia's longer-term growth path will depend on the strength of its structural reforms. Economic reforms designed to bolster investor confidence could, according to the World Bank, greatly enhance Russia's long-term growth prospects. Administrative barriers to doing business, high transportation and logistics costs, and the perception of an uneven playing field all discourage investment, particularly in the non-resource sectors.

The Russian ruble has declined in value against other currencies during the recent years. The Russian ruble has weakened by about 10 percent against the Swedish krona, and by about 11 percent against the US dollar, during 2016. During 2015, the fall towards the Swedish krona was about 18 percent and in 2014 the ruble depreciated by almost 31 percent. The weakened ruble has led to companies that have their revenues and funding in other currencies (than ruble), and costs in rubles, have experienced a decline in the cost of its operations in Russia.

Goldprice development from 2007 until 2016-09-16 in USD and RUB



## SELECTED FINANCIAL INFORMATION

The selected financial information below related to the financial years 2015 and 2016 has been derived from the audited consolidated financial statements for 2015 and the unaudited half year report January – June 2016. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as adopted by the EU.

### CONDENSED CONSOLIDATED INCOME STATEMENT

KSEK	Jan – Jun		Jan – Dec
	2016	2015	2015
Net turnover	0	0	0
Other revenue	1 369	2 730	6 977
<b>Total revenue</b>	<b>1 369</b>	<b>2 730</b>	<b>6 977</b>
Work performed by the company for its own use and capitalized	60	429	1 418
Other external costs	-4 012	-3 700	-6 077
Personnel costs	-2 257	-2 582	-5 122
Result from Joint Ventures	1 453	3 579	-138
Depreciation and write-downs of intangible and fixed assets	-32	-136	-58
<b>Total operating expenses</b>	<b>-4 848</b>	<b>-2 839</b>	<b>-11 395</b>
<b>Operating result</b>	<b>-3 419</b>	<b>320</b>	<b>-3 000</b>
Financial items	161	-190	-756
<b>Result after financial items</b>	<b>-3 258</b>	<b>130</b>	<b>-3 756</b>
Tax	-21	9	13
<b>NET INCOME FOR THE PERIOD</b>	<b>-3 279</b>	<b>139</b>	<b>-3 743</b>

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	Jan – Jun		Jan – Dec
	2016	2015	2015
Net income for the period	-3 279	139	-3 743
Items that may be reclassified subsequently to profit or loss			
Translation differences on foreign operations	9 247	3 190	-10 080
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>5 968</b>	<b>3 329</b>	<b>-13 823</b>



## CONDENSED CONSOLIDATED BALANCE SHEET

KSEK	Jun 30 2016	Dec 31 2015	Jun 30 2015
<b>ASSETS</b>			
<i>Non-current assets</i>			
<i>Intangible fixed assets</i>			
Exploration licenses and evaluation work	21 398	18 419	22 026
<i>Tangible fixed assets</i>			
Buildings and Machinery and equipment	1 732	2 143	3 156
<i>Financial fixed assets</i>			
Joint Ventures	73 168	65 349	77 300
<b>Total non-current assets</b>	<b>96 298</b>	<b>85 911</b>	<b>102 482</b>
<i>Current assets</i>			
Inventory	119	88	357
Receivables	1 460	17 117	14 485
Cash & cash equivalents	9 141	1 381	2 708
<b>Total current assets</b>	<b>10 720</b>	<b>18 586</b>	<b>17 550</b>
<b>TOTAL ASSETS</b>	<b>107 018</b>	<b>104 497</b>	<b>120 032</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>102 310</b>	<b>93 347</b>	<b>110 501</b>
<b>Deferred Tax</b>	<b>2 667</b>	<b>2 294</b>	<b>3 001</b>
<b>Total current liabilities</b>	<b>2 041</b>	<b>8 856</b>	<b>6 530</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>107 018</b>	<b>104 497</b>	<b>120 032</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

KSEK	Jan – Jun		Jan – Dec
	2016	2015	2015
Cash flow from operating activities	-5 236	-5 967	-9 455
Cash flow from investing activities	16 445	-469	-1 563
Cash flow from financing activities	-3 485	8 017	11 317
<b>Cash flow for the period</b>	<b>7 724</b>	<b>1 581</b>	<b>299</b>
Cash at the beginning of the period	1 381	1 111	1 111
Exchange differences on cash	36	16	-29
<b>Cash at the end of the period</b>	<b>9 141</b>	<b>2 708</b>	<b>1 381</b>

## KEY RATIOS

	Jan – Jun		Jan – Dec
	2016	2015	2015
EBITDA, MSEK	-3 059	413	-3 010
Equity/Asset Ratio, %	95.6	92.1	89.3
Return on Equity, %	-3.4	0.1	-3.9
Return on total capital, %	-2.9	0.3	-2.8
Investments in exploration work and licenses, MSEK	0.1	0.6	2.7
Average number of employees	6	9	8

## DATA PER SHARE

	Jan – Jun		Jan – Dec
	2016	2015	2015
Earnings per share before and after dilution*, SEK	-0.06	0.00	-0.07
Equity per share (SEK)	1.71	2.03	1.71
Share price at the end of the period, SEK	1.66	0.525	0.735
Market capitalization, MSEK	99.4	28.6	40.0
Average number of shares before and after dilution*	58 490 950	48 538 357	51 515 950
Number of shares at the end of the period*	59 899 541	54 444 996	54 444 996

\*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 2015.

**KEY RATIO DEFINITIONS****EBITDA**

Result before interest, tax, depreciation and write-downs.

**Equity/Asset ratio**

Equity divided by total assets at the end of the period.

**Return on equity**

Result after tax divided by the average of the opening and closing equity for the period.

**Return on total capital**

Operating result plus financial income divided by the average of the opening and closing total assets for the period.

**Equity per share**

Equity at the period end divided by number of shares at the end of the period.

**Earnings per share**

Result after tax divided by average number of shares during the period.

**FINANCIAL POSITION**

As of June 30, 2016 the Company did not have any interest bearing liabilities. At the same time cash and cash equivalents amounted to MSEK 9.1, which means that the interest bearing net liability was negative (net receivable) and amounted to MSEK 9.1 as of June 30, 2016. Equity, including accumulated losses, amounted to

MSEK 102.3 as of June 30, 2016 which corresponds to an equity/asset ratio of 95.6 per cent. The table below shows the equity and net liability of the Company as of June 30, 2016. Note that the Net indebtedness as per June 30, 2016 is negative (net receivable).

Equity and indebtedness, MSEK	As of June 30, 2016
<b>Total current liabilities</b>	<b>2.0</b>
Against guarantee	0.0
Against security	0.0
Unsecured credits	2.0
<b>Total non-current liabilities<sup>1)</sup></b>	<b>2.7</b>
Against guarantee	0.0
Against security	0.0
Unsecured credits	2.7
<b>Equity (excl. losses carried forward)</b>	<b>261.4</b>
Share capital	22.8
Restricted reserves	0.0
Other reserves	238.7
<b>Total capitalization (excl. losses carried forward)</b>	<b>266.1</b>

Net indebtedness, MSEK	As of June 30, 2016
A. Cash	0.0
B. Cash equivalents	9.1
C. Quickly realizable securities	0.0
<b>D. Total liquidity (A+B+C)</b>	<b>9.1</b>
<b>E. Current financial receivables</b>	<b>0.0</b>
F. Current bank debt	0.0
G. Current portion of non-current liabilities	0.0
H. Other current liabilities	2.0
<b>I. Total current liabilities (F+G+H)</b>	<b>2.0</b>
<b>J. Net current indebtedness (I-E-D)</b>	<b>-7.1</b>
K. Non-current bank loans	0.0
L. Issued bonds	0.0
M. Other non-current loans <sup>1)</sup>	2.7
<b>N. Total non-current liabilities (K+L+M)</b>	<b>2.7</b>
<b>O. Net indebtedness (J+N)</b>	<b>-4.4</b>

<sup>1)</sup> The amount relates to deferred tax.

**FINANCIAL RESOURCES AND OPERATING CAPITAL**

As described elsewhere in this Information Memorandum, the Company is part in a joint venture regarding the Krasny license. The joint venture is planning a capital contribution to finalize the ongoing feasibility studies and exploration program. As of June 30, 2016, Kopy Goldfields' cash and cash equivalents amounted to MSEK 9.1. The board assess that the existing operating capital is not sufficient to cover the needs of the Company for the next twelve months if the Company shall maintain the 49% ownership in the joint venture.

The Company has therefore a need for working capital in order to continue with exploration and feasibility studies in the joint venture with GV Gold for the Krasny field, for some minor exploration activities on the other licenses and for general corporate purposes. Against this background, the board of directors has decided, with support of the authorization approved by the annual general meeting on May 26, 2016, to issue shares with preferential rights for shareholders of the Company.

The proceeds from the Rights Issue, if fully subscribed, may provide the Company with approximately MSEK 20 before transaction costs, estimated to about MSEK 3.3, which, in order of priority, is planned to be spent on exploration and feasibility studies at Krasny (MSEK 9), exploration on other licenses (MSEK 3) and other needed working capital for current management and administrative costs (MSEK 4.7).

It is the opinion of the board that the operating capital, after the completion of the Rights Issue, is sufficient to cover the needs of Kopy Goldfields for the next twelve months as of the date of the Information Memorandum. Depending on the outcome of the ongoing exploration and feasibility studies, however, it cannot be excluded that further capitalizations will be needed to maintain the ownership in Krasny. The formal decision to move Krasny Central into construction is planned for early 2017, which may also lead to the need for further capital contributions to Krasny as part of a capital expenditure budget being approved for the development of a mine for gold production.

**INVESTMENT COMMITMENTS**

The Company does not have any ongoing investments and has no other commitments for future investments, other than those required under the terms and conditions of the exploration- and production licenses.

**SIGNIFICANT CHANGES IN THE COMPANY'S POSITION**

There have been no significant changes in the Company's financial position or position on the market after August 25, 2016 when the Company published its interim report for the period January 1 – June 30, 2016.



# SHARE CAPITAL AND OWNERSHIP

## THE SHARE AND SHARE CAPITAL

The share capital of Kopy Goldfields amounts to 22,775,080.27 SEK allocated on 59 899 541 fully issued and paid shares. The quota value of the shares is 0.38 SEK. All shares participate equally in Company's assets, net income and potential surplus in a liquidation. All shares have the same voting rights at a general meeting and each shareholder is entitled to vote for the full number of shares owned or represented at a general meeting. All shares also give the same preferential right to subscribe for share in an issue of new shares in Kopy Goldfields unless the general meeting, or the board under an authorization from a general meeting, resolves to deviate from the preferential rights of the shareholders. The existing shares are denominated in Swedish krona, SEK, and the new shares will be denominated in SEK. The existing shares are not and have not been subject to an offer which is given pursuant to a compulsory requirement to give an offer, redemption right or

redemption obligation. There have been no public offers to acquire the shares of the Company during the current or previous financial year. Euroclear Sweden AB is the central securities depository (CSD) and clearing organisation for the shares in accordance with the Central Securities Depositories and Financial Instruments Accounts Act (Sw. lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument). Hence, no share certificates are issued and any transfers of shares are made electronically. The ISIN-code for the Company's shares is SE0002245548. All shares are freely transferable. According to the articles of association the minimum share capital shall be 22,000,000 SEK and the maximum share capital shall be 88,000,000 SEK and the minimum number of shares shall be 59,500,000 and the maximum number of shares shall be 238,000,000.

The table below shows changes in the share capital since the inception of the Company

Year	Event	Change in number of shares	Subscription price, SEK	Quota value, SEK	Change in share capital, SEK	Total share capital, SEK	Total number of shares
2007	Company formation	10 000	10.00	10.00	100 000	100 000	10 000
2007	Share issue	125 010	280.00	10.00	1 250 100	1 350 100	135 010
2007	Share issue	740 000	144.11	10.00	7 400 000	8 750 100	875 010
2007	Share issue	124 990	280.00	10.00	1 249 900	10 000 000	1 000 000
2008	Share split 1:849	848 000 000		0.01	0	10 000 000	849 000 000
2009	Reverse share split 1:100	-840 510 000		1.1779	0	10 000 000	8 490 000
2009	Reduction of share capital	0		0.0589	-9 500 000	500 000	8 490 000
2009	Rights issue	195 270 000	0.10	0.0589	11 500 000	12 000 000	203 760 000
2009	Directed share issue	6 834 450	0.10	0.0589	402 500	12 402 500	210 594 450
2010	Rights issue	84 407 580	0.29	0.0589	4 971 000	17 373 500	295 002 030
2010	Exercise of warrants	73 161 345	0.32	0.0589	4 308 678	21 682 178	368 163 375
2010	Reverse share split 1:100	-364 481 742		5.89		21 682 178	3 681 633
2010	Rights issue	2 945 304	22.00	5.89	17 345 728	39 027 905	6 626 937
2011	Exercise of warrants	256	25.00	5.89	1 508	39 029 413	6 627 193
2011	Directed share issue	1 700 000	10.00	5.89	10 011 780	49 041 193	8 327 193
2011	Directed share issue	1 000 000	12.00	5.89	5 889 283	54 930 476	9 327 193
2012	Reduction of share capital			3.48	-22 500 000	32 430 476	9 327 193
2012	Rights issue	6 995 394	3.80	3.48	24 322 855	56 753 331	16 322 587
2012	Rights issue	6 529 034	3.80	3.48	22 701 330	79 454 661	22 851 621
2013	Reduction of share capital			0.88	-59 454 661	20 000 000	22 851 621
2013	Rights issue	7 394 636	1.50	0.88	6 471 870	26 471 870	30 246 257
2013	Bonus issue			2.63	53 028 130	79 500 000	30 246 257
2013	Reduction of share capital			0.66	-59 500 000	20 000 000	30 246 257
2014	Exercise of warrants	963	4.00	0.66	637	20 000 637	30 247 220
2015	Reduction of share capital			0.38	-8 500 000	11 500 637	30 247 220
2015	Rights issue	24 197 776	0.45	0.38	9 200 509	20 701 146	54 444 996
2016	Conversion of loan	5 454 545	0.55	0.38	2 073 934	22 775 080	59 899 541
2016	The Rights Issue <sup>2)</sup>	19 966 514	1.00	0.38	7 591 693	30 366 774	79 866 055

<sup>2)</sup> Maximum number of shares under the Share Issue

**OWNERSHIP STRUCTURE PRIOR TO THE RIGHTS ISSUE**

The number of shareholders by 31 August, 2016 were 5423 in total, and the ten largest shareholders are presented below

Shareholder	Holdings prior the Offering	
	Shares/votes	Percent
KGK Holding AB	6,111,488	10.2
Novatelligence AB	5,672,596	9.5
Försäkringsaktiebolaget, Avanza Pension	5,587,743	9.3
UBS Switzerland AG/Clients account	3,902,646	6.5
Nordnet Pensionsförsäkring AB	1,200,085	2.0
ROBUR Försäkring	852,322	1.4
CBLDN-Saxo Bank A/S	811,193	1.4
Danielsson, Anders	750,100	1.2
Olsson, Tord	540,000	0.9
Handelsbanken Liv	539,778	0.9
Other shareholders	33,931,590	56.6
<b>Total</b>	<b>59,899,541</b>	<b>100</b>

**RIGHTS ASSOCIATED WITH THE SHARES**

The Company's shares are issued in accordance with Swedish law and the shareholders' rights related to the shares may only be modified or altered in accordance with the Swedish Companies Act. The Company only has one class of shares. Shareholders are entitled to vote for their full number of shares and each share entitles to one vote at shareholders' meetings.

**AUTHORIZATION**

At the annual general meeting on May 26, 2016 the Company's board was authorized to, until the next annual general meeting, with or without deviation from the preferential rights of the shareholders, at one or more occasions, resolve to issue shares, warrants, convertible and or a combination thereof. The number of shares to be issued, or to issue through the exercise of warrants or convertible bonds issued pursuant to the authorization, but prior to any re-calculation under the terms of these, is limited to maximum 20,000,000. The purpose of the authorization is, inter alia, to strengthen the Company's overall financial position, broaden its ownership base and to enable financing of acquisitions, parts of companies or other assets that the board deems to be of value for the Company. Deviation from the shareholders' preferential rights is to take place when a new issue, due to time, business or similar considerations are more favorable for the Company. Payment may be made in cash, in kind or set-off. The authorization has been utilized by the board for the Rights Issue, which can lead to issuance of maximum 19,966,514 shares.

**DIVIDEND POLICY**

The primary objective is to add value for the Company's shareholders and employees by running a profitable business with growth. This is to be achieved through increased exploration activities in

order to add gold mineral resources and reserves, through the development of discoveries and through the acquisition of gold assets thereby increasing the Company's mineral resources and reserves and start production in the long run and thus in turn its cash flow and result. The total return to shareholders over time is expected to be attributable more to the increase in share price than to dividends received.

**LISTING ON FIRST NORTH**

The abbreviation for the share is KOPY and the company is listed on Nasdaq First North in Stockholm since August 2010. When listing on First North, all companies are required to engage a Certified Adviser (CA) in connection with the application process. The Certified Adviser is obliged to guide the Company in the process and to monitor that the Company is in compliance with the rules and regulations, both during the application process as well as when traded on Nasdaq First North. The Company has engaged Aqurat Fondkommission AB as Certified Adviser.

**WARRANTS FOR THE BOARD OF DIRECTORS**

The Annual General Meeting 2014 resolved upon an incentive program for the board as a part of the board remuneration, through issuance of maximum 650,000 warrants. The warrants were acquired by the board members at market price and have no transfer restrictions. After recalculation following the share issue in January 2015, each warrant entitles the holder to subscribe for 1.02 new shares in the Company at a subscription price of SEK 1.57 per share. The subscription period runs from June 1, 2015 until December 31, 2016. The number of warrants issued amount to 520,000 in total, which means that the share capital can be increased by SEK 201 669 at maximum.

# BOARD OF DIRECTORS, SENIOR MANAGEMENT AND AUDITORS

This section contains selected information regarding board of directors, senior management and auditors. As far as the board of directors is aware, there have not been any arrangements or understandings with major shareholders, customers, suppliers or others pursuant to which a board member, senior management or auditor have been appointed or elected other than as disclosed in this section. Kopy Goldfields is listed on First North, and companies listed on First North are not obliged to comply with the Swedish Corporate Governance Code ("the Code"). The Company does not employ the Code at present, but will gradually apply the Code to where it is deemed relevant for the Company and the shareholders.

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The board of directors is responsible for the Company's strategy and targets; to approve budgets and business plans; approve costs and investments; and major corporate changes within Kopy Goldfields. The board of directors also appoints the CEO and determines the remuneration and other terms for the CEO.

## COMPOSITION OF THE BOARD OF DIRECTORS

Kopy Goldfields' board of directors consists of three members, of which Kjell Carlsson is the chairman. The members of the board are presented in detail below. The board of directors is elected until next annual general meeting. All shareholdings are including family and privately-held companies.

## BOARD OF DIRECTORS



### KJELL CARLSSON

Position: Chairman of the board and board member since 2010.

Born: 1951, Swedish citizen.

Education: Master of science in mechanical engineering.

Work experience: Senior management positions with Sandvik; Atlas Copco and ABB.

Other assignments: Board member of Appalto AB; Board member of Kopy development AB; Board member of AB Krasny Gold Fields; Board member of Euromaint Rail AB; Board member of Bruzaholms Bruk AB.

Relinquished assignments: CEO and Board member of Sandvik Mining and Construction Tools AB; chairman of the Board of AB Sandvik KPS; Board member of Monitoring Control Center MCC AB and Sandvik Mining and Construction Sverige AB; partner in Ingenjörssfirma C.J. Carlsson HB.

Shareholding in Kopy Goldfields: 96 000

Warrants in Kopy Goldfields: 260 000



### JOHAN ÖSTERLING

Position: Board member since 2011.

Born: 1946, Swedish citizen.

Education: Swedish LLM (Master in Law) and BA (economics).

Work experience: Partner, Foyen Law Firm.

Other assignments: Board member of Dragon Mining Sverige AB; Chairman of the Board of Fahlia AB, Göthes AB, and Penclic AB; Chairman of the board of Kilimanjaro Gold AB; Board member of AB Surditt; Chairman of the board of ByggBag AB; Chairman of the board of JE Österling Förvaltning AB; Chairman of the board of Hydropulsor AB (publ).

Relinquished assignments: Nomor AB (publ); Bofors Bruk AB; Hedera Group AB.

Shareholding in Kopy Goldfields: 500 000

Warrants in Kopy Goldfields: 130 000



### ANDREAS FORSSELL

Position: Board member since 2011.

Born: 1971, Swedish citizen.

Education: MBA degree.

Work experience: CEO, Crown Energy; CEO, Tomsk Refining AB.

Other assignments: Board member of Andreas Forssell AB; Board member of AB Krasny Gold Fields; Board member of Crown Energy Iraq AB.

Relinquished assignments: External CEO Tomsk Refining AB; Board member of Tomsk Konsult AB; Board member of Play on TV Europe AB (bankruptcy closed November 21, 2015).

Shareholding in Kopy Goldfields: 126 000

Warrants in Kopy Goldfields: 130 000



## SENIOR MANAGEMENT TEAM



### MIKHAIL DAMRIN

Position: CEO since 2009.

Born: 1970, Russian citizen.

Education: Master of science in mechanical engineering, Moscow Technical University; Bachelor's degree in mining technology, Tomsk Polytechnical University; Bachelor's degree in international finance, Russian Academy of Foreign Trade; MBA, Cranfield University, bachelor degree in open pit mining engineering

Work experience: Business development and M&A manager of Central Asia Gold; senior management positions with West Siberian Resources and with Vostok Nafta Investment Ltd.

Other assignments: Board member of LLC Krasny.

Relinquished assignments: -

Shareholding in Kopy Goldfields: 196 681

Warrants in Kopy Goldfields: -



### TIM CARLSSON

Position: CFO, Vice President since 2011.

Born: 1979, Swedish citizen.

Education: Master's Degree in Business Administration, Linköping University, Sweden. Business Studies, Eberhart Karls Universität in Tübingen, Germany. Russian studies, Herzen University in St Petersburg, Russia.

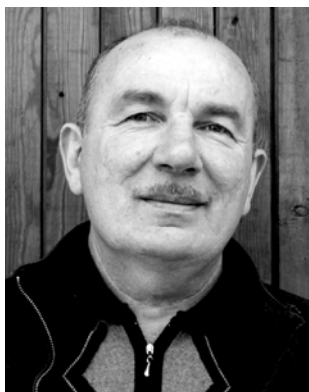
Work experience: Authorized Public Accountant, KPMG Sweden.

Other assignments: Board member of LLC Krasny.

Relinquished assignments: Board member of Brf Oxen Mindre 22.

Shareholding in Kopy Goldfields: 600 000

Warrants in Kopy Goldfields: -



### ALEXANDER VAMBOLDT

Position: Chief operational officer since 2011.

Born: 1957, Russian citizen.

Education: Geologist and Mining engineer, Krasnoyarsk Institute of Non-Ferrous Metals; Master degree

Work experience: Executive director with GUAM S.a.r.l. in Guinea with responsibility for placer gold prospecting and exploration; director of Minusinsk Exploration Expedition with responsibility for placer gold production at the Beika deposit in the Republic of Khakasia; manager of MAVAX S.a.r.l. in Guinea, with responsibility for bedrock gold exploration planning and development; director of OOO Tardan Gold with responsibility for construction and management of an open pit gold mine and processing plant. Other assignments: Expert with the GKZ-authorities (Russian Statutory Committee on Reserves) in Krasnoyarsk.

Relinquished assignments: -

Shareholding in Kopy Goldfields: -

Warrants in Kopy Goldfields: -



### DR. EVGENY BOZHKO

Position: Chief Exploration Geologist, joined The Company as Project Geologist in 2010.

Born: 1968, Russian citizen.

Education: PhD in geological and mineralogical science. Master Degree in Prospecting and Exploration Geology from Voronej State University (Russia).

Work experience: 1990-2000 geologist positions with various projects in Yakutia, lecturer with Voronej State University, 2000-2010 Various Senior Geologist/Chief geologist positions within Africa exploration and mining companies.

Other assignments: -

Relinquished assignments: -

Shareholding in Kopy Goldfields: -

Warrants in Kopy Goldfields: -

## AUDITORS

The Company's auditor is the publicly authorized audit firm Ernst & Young AB with Per Hedström as the responsible auditor. The auditor was elected at the annual general meeting on May 26, 2016. The postal address of Ernst & Young AB is P.O. Box 7850, 103 99 Stockholm, Sweden and the visiting address is Jakobsbergsgatan 24, 111 44 Stockholm, Sverige. Per Hedström is an authorized public accountant a member of Far.

# LEGAL ISSUES AND ADDITIONAL INFORMATION

## INCORPORATION AND LEGAL FORM OF BUSINESS

Kopy Goldfields AB (publ), with corporate registration number 556723-6335, was registered at Swedish Companies Registration Office on February 14, 2007. The Company's legal form of business entity is limited liability company and is regulated by the Swedish Companies Act (Sw. aktiebolagslagen (2005:551)). The provisions in the articles of association are not more far-reaching than those in the Companies Act as far as it comes to changing the shareholder rights. The shares in the Company are freely transferrable. Kopy Goldfields AB (publ) 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. All Russian subsidiaries are domiciled in Bodaibo, a city in the Irkutsk region in Russia. All subsidiaries are so called Limited Liability Companies (LLC). Each of the subsidiaries is the owner of different gold exploration and production licenses. The parent company is responsible for the group strategy and manages the subsidiaries, while performing intra-group functions such as financing, external information, financial reporting and the management of certain agreements. The parent company has its registered office in Stockholm, while the subsidiaries have offices in Moscow, Russia and Bodaibo, Russia, where the Company's geologists and exploration teams are employed. The average number of employees for the 2015 financial year was 8, including temporarily hired employees. The registered office of the board is in Stockholm. The address of the head office is Skeppargatan 27, 114 52 Stockholm. Kopy Goldfields AB (publ) main business is gold exploration as well as other activities compatible therewith. Please refer to the full articles of association, under section "Articles of association" for more information about the Company.

## SIGNIFICANT AGREEMENTS

The Company entered into a joint venture with the Russian gold producer GV Gold in 2014. GV Gold acquired 51% of the shares in the Cyprus entity Bodaibo Holding, which is the 100% owner of the Russian entity LLC Krasny that holds the Krasny bedrock and alluvial

licenses. Kopy Goldfields holds 49% of the shares in Bodaibo Holding. The parties have agreed on a shareholder's agreement stipulating the responsibilities between the parties.

## DISPUTES AND LEGAL MATTERS

There are no known material disputes or legal matters at the time of publication of the Information Memorandum.

## AUDITORS

The Company's auditor is the publicly authorized audit firm Ernst & Young AB with Per Hedström as the responsible auditor. The auditor was elected at the annual general meeting on May 26, 2016. The postal address of Ernst & Young AB is P.O. Box 7850, 103 99 Stockholm, Sweden and the visiting address is Jakobsbergsgatan 24, 111 44 Stockholm, Sverige. Per Hedström is an authorized public accountant a member of Far.

## SUBSCRIPTION AND GUARANTEE AGREEMENTS

Subscription agreements and guarantee commitments of 80 percent, equivalent to MSEK 16, of the Rights Issue have been obtained from existing shareholders and external investors. Subscription commitments from existing shareholders, which receive no compensation, amount to 2.1 percent, representing approximately MSEK 0,4 of the Rights Issue. Guarantee agreements amount to 77.9 percent of the Rights Issue, representing approximately MSEK 15,6. The guarantors have undertaken, if and to the extent that less than 80 percent of the shares in the Rights Issue are subscribed for with or without preferential rights, to subscribe for any shares not subscribed for up to 80 percent of the shares in the Rights Issue. External guarantors will receive a cash compensation from Kopy Goldfields equivalent to nine percent of the guaranteed amount. Guarantee reimbursement thus amounts to a total of approximately MSEK 1.4. All agreements were entered into during September 2016. The agreements are not secured by a pledge, blocked funds or any similar arrangement. Documentation related to the subscription and guarantee agreements are available at Kopy Goldfields. Subscription and guarantee agreements are stated below.

Name	Subscription commitment		Issue guarantee		Total commitment		Percent (%)
	Number of shares	Amount (SEK)	Number of shares	Amount (SEK)	Number of shares	Amount (SEK)	
Dala Tillväxt Holding AB	150 000	150 000	0	0	150 000	150 000	0,75%
Tim Carlsson	150 000	150 000	0	0	150 000	150 000	0,75%
Mikhail Damrin	50 000	50 000	0	0	50 000	50 000	0,25%
Andreas Forssell AB	42 000	42 000	0	0	42 000	42 000	0,21%
Kjell Carlsson	32 000	32 000	0	0	32 000	32 000	0,16%
Gerhard Dal	0	0	2 500 000	2 500 000	2 500 000	2 500 000	12,52%
Jens Miöen	0	0	2 200 000	2 200 000	2 200 000	2 200 000	11,02%
LMK Venture Partners AB	0	0	1 500 000	1 500 000	1 500 000	1 500 000	7,51%
Hemo Spray & Pump AB	0	0	1 349 211	1 349 211	1 349 211	1 349 211	6,76%
Göran Månsson	0	0	1 000 000	1 000 000	1 000 000	1 000 000	5,01%
Falvir AB	0	0	1 000 000	1 000 000	1 000 000	1 000 000	5,01%
Dag Rolander	0	0	1 000 000	1 000 000	1 000 000	1 000 000	5,01%
Nordic Emotion Group AB	0	0	750 000	750 000	750 000	750 000	3,76%
Mikgor AB	0	0	750 000	750 000	750 000	750 000	3,76%
Largor AB	0	0	750 000	750 000	750 000	750 000	3,76%
Creocacus AB	0	0	750 000	750 000	750 000	750 000	3,76%
Niclas Löwgren	0	0	500 000	500 000	500 000	500 000	2,50%
Michael Mattsson	0	0	500 000	500 000	500 000	500 000	2,50%
Ehsan Ashrafi	0	0	500 000	500 000	500 000	500 000	2,50%
Lilla Kopparberg AB	0	0	500 000	500 000	500 000	500 000	2,50%
<b>TOTAL</b>	<b>424 000</b>	<b>424 000</b>	<b>15 549 211</b>	<b>15 549 211</b>	<b>15 973 211</b>	<b>15 973 211</b>	<b>80,00%</b>

## ADVISERS

Stockholm Corporate Finance AB ("SCF") is financial adviser to the Company in relation to the Rights Issue and has advised the Company when drafting this Information Memorandum. Since all information in this Information Memorandum is based on information provided by the Company, SCF excludes themselves from all liability in relation to investors in the Company, as well as to other direct and/or indirect consequences following investment decisions and/or other decisions, which are fully or partly based on information contained in this Information Memorandum. Aqurat Fondkommission AB acts as issuer agent in relation to the Rights Issue.

## POSSIBLE CONFLICTS OF INTEREST

SCF and Aqurat Fondkommission AB has an agreed in advance compensation for their services in connection with the Rights Issue. In addition to that, there is no financial or other relevant interest in the Rights Issue.

## CERTIFIED ADVISER

The Company has appointed Aqurat Fondkommission AB as Certified Adviser on First North. Aqurat Fondkommission AB owns no shares in the Company.



# ARTICLES OF ASSOCIATION

## § 1 COMPANY NAME

The company name is Kopy Goldfields AB (publ).

## § 2 REGISTERED OFFICE

The registered head office of the company is in the municipality of Stockholm, Stockholm county.

## § 3 OBJECTS OF THE COMPANY

The objects of the company shall be to pursue production and / or exploration of minerals, in own name, via subsidiaries or through smaller partnership and with that compatible operations.

## § 4 SHARE CAPITAL

The share capital shall be not less than SEK 22,000,000 and not more than SEK 88,000,000.

## § 5 AMOUNT OF SHARES

The amount of shares shall be not less than 59,500,000 and not more than 238,000,000.

## § 6 BOARD OF DIRECTORS AND COMPANY AUDITORS

The board of directors shall consist of not less than 3 and not more than 8 members.

The company shall have 1 – 2 auditors, with not more than 2 deputy auditors, or an registered auditing company.

## § 7 CONVENING OF SHAREHOLDERS' MEETING

Notice of general meeting of shareholders shall be published in the Official Swedish Gazette (Sw: Post- och Inrikes Tidningar) as well as at the company's website. At the time of the notice, an announcement with information that the notice has been issued shall be published in Svenska Dagbladet.

## § 8 OPENING OF SHAREHOLDERS' MEETING

The chairman of the board, or a person so appointed by the board, is to open the shareholders' meeting and preside over its proceedings until a chairman has been elected for the meeting.

## § 9 ANNUAL GENERAL MEETING

The annual general meeting shall be held annually within 6 months after the end of the financial year.

The following business shall be considered at the annual general meeting:

- 1) Election of chairman of the meeting;
- 2) Drawing up and approval of the voting list;
- 3) Approval of the agenda;
- 4) Election of one or two persons to certify the minutes;
- 5) Determination of whether the meeting was duly convened;
- 6) Presentation of the submitted annual report and auditors' report and, where applicable, the consolidated annual report and the auditors' report for the group;
- 7) Resolutions
  - a) regarding the adoption of the income statement and balance sheet and, where applicable, the consolidated income statement and balance sheet
  - b) regarding allocation of profit or loss in accordance with the adopted balance sheet
  - c) regarding the discharge from liability of the board members and, where applicable, of the managing director
- 8) Determination of fees for the board and, where applicable, for the auditors;
- 9) Election of the board and, where applicable, an auditing company or auditors and possible deputy auditors;
- 10) Other matters which rest upon the meeting according to the Swedish Companies Act or the company's articles of association

## § 10 FINANCIAL YEAR

The company's financial year shall be 0101--1231.

## § 11 RIGHT TO PARTICIPATE IN SHAREHOLDERS' MEETINGS

Shareholders wishing to attend to a shareholders' meeting shall to the company give notice of participation and number of assistants before 4.00 p.m. on the day specified in the notice of the shareholders' meeting. That day may not be a Sunday, Bank Holiday, Saturday, Midsummer Night's Eve, Christmas Eve or New Years Eve and may not fall earlier than on the fifth weekday prior to the meeting. Proxies do not need to give notice of number of assistants. Number of assistants may not be more than two.

## § 12 RECONCILIATION ACCOUNT

The company's shares shall be registered in a central securities depository register in accordance with the Swedish Financial Instruments Accounts Act (1998:1479).

## DOCUMENTS INCORPORATED BY REFERENCE

Investors should examine all the information incorporated in this Information Memorandum by reference. The following documents are part of this Information Memorandum by reference; the audited consolidated financial statement for 2015 and the unaudited half year report January – June 2016. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as adopted by the EU. The information to which reference is made, shall be read as part of the Information Memorandum. Information is available at the Company's website, [www.kopygoldfields.com](http://www.kopygoldfields.com) or can be obtained from the Company. The address of the Company is at the section "Addresses".

# WORD LIST

Word	Explanation		
<b>Alluvial gold</b>	Mineralization in the river bed on ground level	<b>JORC</b>	Code – recognized standard set by the Australian Joint Ore Reserve Commit (JORC) for calculation of mineral resources.
<b>Enrichment</b>	Concentration of a constituent of a mixture to be processed	<b>Measured mineral recourse</b>	The part of the mineral resource that has high geological knowledge and confidence.
<b>Enrichment plant</b>	Plant for processing.	<b>Leaching</b>	Chemical dissolution of metals for selective extraction from the leachate.
<b>Core drilling</b>	A drilling method to examine the rock core, which is used partly in connection with exploration, i.e. searching for minerals worth mining.	<b>Lena Goldfields</b>	The name of gold-producing area 150 years ago, which lies between the rivers Lena and Vitim in Irkutsk region. Geographical coincides with the northern part of Bodaibo area.
<b>Chips</b>	Fine-grained drill cuttings samples (chips) of bedrock that is obtained from RC drilling	<b>Mineral resources</b>	The proportion of mineralized ring which quantity, grade, shape and physical characteristics are known in the borehole and analysis and allows a satisfactory interpretation of the geological picture of the mineralization must be continuous (be related). Mineral resources must meet reasonable demands to be extracted economically. An estimate of the measured and indicated mineral resource is sufficient to serve as the basis of a preliminary feasibility study and can be the basis for significant development and expansion decisions.
<b>Cut-off</b>	The lowest mineral content where the deposit is mined.	<b>Mineralization</b>	Natural concentration of minerals in the bedrock.
<b>Diamant drilling</b>	Drilling method to drill the cores of rock, including core drilling	<b>Open pit</b>	A place where mining deposits are shallow and where mining takes place in open day.
<b>Deposit</b>	The presence of mineralization.	<b>Ore Reserve</b>	Is part of a mineral resource in which economic extraction demonstrated by at least a preliminary feasibility study and could be economic mined.
<b>Doré bars</b>	Non-refined gold bullion containing mostly silver and gold.	<b>Measured mineral resources</b>	The part of the ore reserve of high geological knowledge and confidence.
<b>ETF</b>	Exchange traded fund	<b>Quartz</b>	Quartz is a mineral composed of silica, SiO <sub>2</sub> . The colour is white or transparent.
<b>Exchange</b>	The percentage of the amount of a particular metal in a raw material extracted in the enrichment process.	<b>RAB-drilling</b>	Rotary air blast drilling rig/Technique, which is a drilling technology for exploration.
<b>Exploration</b>	Search for economic mining ores and minerals.	<b>RC-drilling</b>	A drilling method used primarily in connection with exploration that is searching for mineral deposits. RC is an abbreviation of Reverse Circulation.
<b>Fault</b>	The crust formation, which raised, lowered or moved sideways.	<b>Russian GKZ reserves</b>	The Russian State Commission on Mineral Reserves. Responsible for register and approve mineral resources and ore reserves.
<b>Feasibility Study</b>	Feasibility and profitability study which forms the basis for decisions on mining investment.	<b>Recovery</b>	Percentage of a mineral in a material that can be extracted from the enrichment process
<b>Flotation</b>	Part of the enrichment process in which chemicals are used to significantly increase the concentration of valuable minerals.	<b>Troy ounce (oz)</b>	1 oz = 31,304 gram. Measure for gold
<b>Geochemistry</b>	Science of metals and other chemical substances on their natural behaviour in the environment.		
<b>Geophysics</b>	Study of soil physics properties. Magnetic and electrical measurements and gravity measurements are some geophysical methods of exploration.		
<b>Gravimetric</b>	Separation method based on the various minerals that has different weight.		
<b>Indicated mineral resource</b>	The part of the mineral resource that has less geological knowledge and confidence than inferred and measured.		
<b>Inferred mineral resource</b>	The part of the mineral resource that have little geological knowledge and confidence. Inferred mineral resource may not be added up with the reserves or measured and indicated resources, and may nor be the basis for economic evaluations.		



# ADDRESSES

## THE COMPANY

Kopy Goldfields AB (publ)  
Skeppargatan 27  
SE-114 52 Stockholm  
Website: [www.kopygoldfields.com](http://www.kopygoldfields.com)

## FINANCIAL ADVISER

Stockholm Corporate Finance AB  
Birger Jarlsgatan 32 A  
SE-114 29 Stockholm  
Visiting address: Engelbrektsplan 1  
Website: [www.stockholmcorp.se](http://www.stockholmcorp.se)

## ISSUING AGENT

Aqurat FK AB  
SE-103 92 Stockholm  
Visiting address: Kungsgatan 58  
Telephone: +46 (8) 684 05 800  
Website: [www.aqurat.se](http://www.aqurat.se)

## AUDITOR

Ernst & Young AB  
Jakobsbergsgatan 24  
Box 7850  
103 99 Stockholm  
Telephone: +46 (8) 520 590 00  
Website: [www.ey.com/se](http://www.ey.com/se)

## CENTRAL SECURITIES DEPOSITARY

Euroclear Sweden AB  
Box 191  
101 23 Stockholm  
[www.euroclear.com](http://www.euroclear.com)