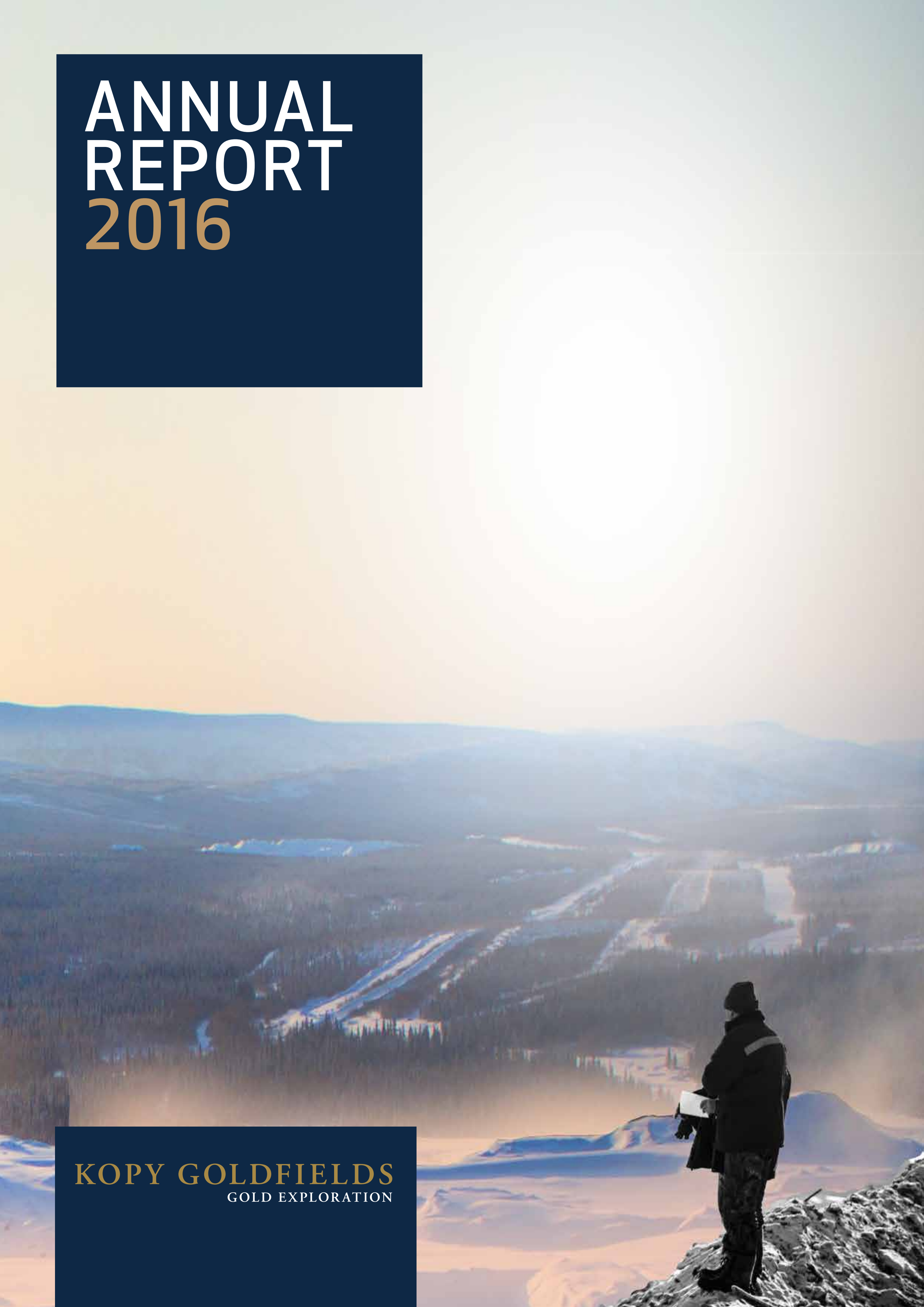
ANNUAL REPORT 2016



KOPY GOLDFIELDS
GOLD EXPLORATION

About Kopy Goldfields AB

Kopy Goldfields AB (publ), listed at NASDAQ First North in Stockholm, is a gold exploration company operating in one of the most gold rich areas in the world; Lena Goldfields, located in the Irkutsk area of Russia. The company currently holds twelve bedrock exploration- and production licenses and one alluvial license, covering a total area of 2,049 sq km, of which the Krasny and the Batiy licenses are 49 per cent held by the company. The target is to start gold production at Krasny in 2020 in cooperation with co-owner GV Gold

This English Annual Report is a translation of the Swedish Annual Report for 2016.
If any discrepancies exist in the translation, the Swedish language version shall prevail.
The translated English Annual Report has not been audited by the Company's auditors.

CELEBRATING OUR 10TH ANNIVERSARY

In 2017, the Swedish gold exploration company Kopy Goldfields celebrates its 10th anniversary. The company was founded in 2007 with the aim of exploiting the rich bedrock gold deposits of Lena Goldfields, located in the Irkutsk region of Russia.

Combining the skills and knowledge of Russian geologists with an efficient, Swedish organization, we strive to create a world-class exploration company. Our business model is based on using our expertise in identifying high potential areas, while cooperating with partners to develop them into production.

Kopy Goldfields is currently going through one of the most exciting stages so far, with major development of all three projects – Krasny, Northern Territories and Kopylovskoye – during the year. During 2016, this was reflected in a growing number of shareholders and rising share price. Meanwhile, the area has enjoyed increased attention since the world's largest gold reserve Sukhoy Log, part of Lena Goldfields and formerly state-owned , was sold at an auction in January 2017

CONTENT

The cover page shows a great view from the top of the Krasny license

YEAR IN BRIEF

955 koz

Mineral Resource Report under JORC published in May 2016 for the Krasny license

SCOPING STUDY

confirms feasibility of a Krasny mine

2 MUSD

Additional consideration received in April.

18 838 m

95 drill holes and 18,838 meters of core drilling during 2016

166 %

Oversubscribed share issue in November

+55 %

Development of the Kopy Goldfields share during 2016

THE YEAR IN BRIEF

- **Continued progress from the Joint Venture with GV Gold**

  In March 2016, the Russian authorities formally approved a mineral reserve report for the Krasny deposit, prepared in accordance with the Russian GKZ regulations. The report confirmed gold reserves of 9.767 tons (314 koz) in the C2 category and the project was recommended for development into production. The Krasny was classified as a "gold deposit" and the Company was graded as a "pioneer discoverer". Following this and in accordance with the joint venture-agreement, GV Gold paid an additional consideration of USD 2 million to Kopy Goldfields.

  In May 2016, a new positive scoping study was announced for the Krasny deposit. The study was included the exploration results until November 2015 and evaluated gold production from the Upper structure only. It confirmed feasibility of 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.

  In May 2016, a JORC mineral resource update was published for the Krasny deposit. The updated mineral resource estimate was based on the exploration data acquired until January 2016 and covered both the Upper and Lower mineralization. It shows 955,000 oz of Indicated and Inferred mineral resources within an economically minable open pit.

  Stage 3 of the exploration program was approved in April 2016 and completed in February 2017. 100 core holes were drilled in total, accounting for 19,622 meters of core drilling, and 1,965 meters of trench sampling; 21,822 fire assay tests for gold were received. The results will be included in the new JORC mineral resource update that will be published in Q2 2017.

  In 2016, a satellite gold mineralization - Krasny North – was discovered, located within 3-4 km from the Krasny Central. Krasny North is expected to be a valuable supplement to the Krasny Central development by adding gold resources to process at a limited capital cost to mine. The Krasny North mineralization will be covered by the coming JORC resource update.

- **Repaid loans and oversubscribed share issue**

  In April 2016, a short term loan of SEK 3.3 million was repaid and in February, another short term loan of SEK 3 million was converted into 5,454,545 new shares. The Company is debt free.

  In November 2016, a share issue with preferential rights for existing shareholders was completed, in which 19,966,513 shares were subscribed and SEK 20.0 million was raised. The share issue was subscribed to 166.4%, whereof 91.5% of the shares were subscribed by shareholders using their preferential rights.

- **The Kopy Goldfields share showed positive development**

  Kopy Goldfields' share price increased by 55 percent during 2016 and the turnover velocity increased to 246% compared to 223% during 2015. The number of shareholders increased by 31 % to an amount of 5,551 as per December 31, 2016.

Key figures 2016

	2016	2015	2014	2013	2012
Earnings per share, SEK	–0,08	–0,07	0,37	–2,27	–1,01
Equity/Asset ratio, %	95.7	89.3	90.8	88.7	92.8
Investments in exploration and evaluation work, KSEK	1 913	2 672	1 859	19 376	34 321
Investments in licenses, KSEK				18	2 268
Investments into Joint Ventures	8 626				
Average number of employees	6	8	14	38	62

KOPY GOLDFIELDS IN BRIEF

Kopy Goldfields is a Swedish public junior gold exploration company operating in Lena Goldfields in Russia. The company develops bedrock gold deposits, currently holding 13 licences grouped into three projects: Krasny, Kopylovskoye and Northern Territories. Northern Territories is a greenfield area, the Kopylovskoye project has 749 koz of resources and reserves in accordance with Russian GKZ classification, while the Krasny project, a joint venture with the major Russian gold producer GV Gold, has entered into pre-feasibility studies.

VISION AND STRATEGY

Kopy Goldfield's vision is to become a world-class gold exploration company with focus on Lena Goldfields, Russia. Our strategy to achieve this is to:

- Identify and acquire high potential projects with good infrastructure in Lena Goldfields in Irkutsk region of Russia
- Develop the projects into mining operations in cooperation, or under joint venture agreements, with major international or Russian national producers to maximize shareholders' returns
- Maintain a pipeline of bedrock exploration projects at different stages
- Attract and retain strong international and Russian geological expertise
- Combine Russian geologic knowledge and science with international management, "best industry practices" and modern technology in order to identify and explore mineral deposits in a cost-efficient way
- Establish a small but efficient organization with the right competencies in exploration and mining
- Build-up professional and friendly relations with regional authorities and communities in order to support the company's growth and development
- Develop exploration and mining activities in a safe and environmental friendly way in compliance with Russian and international industry standards
- Maintain a 49% stake in the Krasny joint venture project

IDENTIFY TARGET AREA → GET LICENSE → PROSPECT & EXPLORE → CASH-IN OR FARM-OUT

BUSINESS CONCEPT Our 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.

All licenses are located in Lena Goldfields - one of the most gold rich and underexplored areas of the world

1,1 Moz

of mineral resources under JORC including 100% of the Krasny license

13

exploration and production licenses

2,049

2,049 km² exploration area.

HISTORY

The company was founded in 2007 as Kopylovskoye AB, a subsidiary of Central Asia Gold AB. One year later, it became an independent company. In 2009, exploration and development work was initiated at the Kopylovskoye, Prodolny and Kavkaz licenses following positive results from an evaluation made by SRK Consulting.

In 2010, the company acquired the Krasny, Pravovesenny and Vostochnaya licenses. The share was listed on Nasdaq First North Stockholm and the name of the company changed to Kopy Goldfields AB a year later. The company published its first international mineral resource report in accordance with JORC for the Kopylovskoye deposit in 2011. Eldorado Gold Corp became a major shareholder in Kopy Goldfields the same year after investing 29 MSEK in the company. The Krasny license showed substantial gold contents and grades.

In 2012, a number of licenses were acquired, including six in the Maly-Patom area of Lena Goldfields, covering a total area of 1,852 km2 (i.e. the ”Northern Territories”). Meanwhile, the company reported an international mineral resource report according to JORC for Krasny.

A scoping study for Krasny was published in 2013, and in the same year a letter of intent was signed with the Russian gold producer GV Gold regarding the Krasny license. In 2014, the two companies formed a joint venture to take the promising deposit to production. A new, joint exploration program was initiated.

Step 2 of the joint exploration program for Krasny was commenced in 2015. The object of the step 1 and 2 programs was to collect information for mineral resource reports according to GKZ and JORC, as well as for production planning. The same year, the company decided to initiate Feasibility studies. 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.

In February 2016, a substantial gold mineralization in the lower structure was confirmed. The GKZ authorities in Irkutsk formally approved a GKZ report, confirming gold reserves of 9.7 tons (314 koz) in the C2 category. The company received an additional consideration of 2 MUSD according to the agreement with GV Gold. In May, an updated JORC report was issued, based on the exploration data acquired until January 2016, covering both the upper and lower mineralization of Krasny. It showed 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 were commenced and a new exploration program, Step 3, was carried out during 2016, which will result in an updated JORC report in 2017.

WORDS FROM THE CEO

THE RIGHT INDUSTRY - AT THE RIGHT TIME

This year, we are celebrating our tenth anniversary. We do this against a background of favourable gold market conditions and with major progress recorded in all three projects in 2016. This creates good opportunities for reaching the goal we set out; i.e. to identify and acquire high potential projects in the Lena Goldfields area and develop these into mining operations in cooperation with established producers. After further successful studies conducted at our flagship project Krasny during the year, gold production is now estimated to start in 2020. Meanwhile, we continue to evaluate potential new projects.

Growing fears about the political stability in the world benefited the gold price during the year; it ended 2016 more than 8 per cent higher than the year before and continued to rise in the first months of 2017. Meanwhile, global gold demand rose by 2 per cent in 2016 to reach 4,309 tonnes, the highest level since 2013, according to statistics from the World Gold Council.

This resulted in return of worldwide interest in gold exploration activities. Consequently, in combination with the progress we have made in our projects, our share price increased by another 55 per cent in 2016, after a 71 per cent hike in 2017. Meanwhile, the number of shareholders increased by 32 per cent.

Krasny moving towards production

Our flagship Krasny project, developed in cooperation with our joint venture partner Russian gold producer GV Gold, is steadily moving towards production. The 2016 activities primarily targeted the Upper structure of the deposit, for which we proved Russian GKZ reserves and issued a detailed scoping study, while proceeding with further exploration along the strike. We also initiated work on the processing flow chart, as well as a PFS report (an investment justification report, roughly the Russian equivalent of a pre-feasibility report). The processing flow chart will be finalized during the spring 2017, while the PFS report, planned for Q2 2017, will serve as basis for taking the formal decision of mine construction start.

In parallel, we continued exploring the Lower structure to estimate the scope of the mineralization and to upgrade the resources. During the year, we issued an updated JORC resource statement covering both the Upper and Lower structures.

With the strong exploration results from 2016, we see a potential for a further resource increase on top of the reported 955 koz of gold in May 2016. The new JORC resource report is expected during Q2 this year. All economic evaluations of gold mining at Krasny that we have undertaken so far have indicated positive results for mine development. We are now focusing on how to get the maximum outcome of the project.

In 2016, we were also happy to confirm a satellite gold mineralization within the Krasny North structure, located within 3-4 km from Krasny Central and with a potential for shared infrastructure, mill, personnel and mining equipment. Meanwhile, we are constantly reviewing other possibilities to increase gold resources around Krasny. In January 2017, we acquired a new license bordering Krasny and where see a potential to locate another mineralization.

Expanded exploration at Northern Territories and Kopylovskoye

In 2016, we also expanded our exploration activities at the Northern Territories and Kopylovskoye projects. The Northern territories project is very similar in geology to the legendary 60 Moz Sukhoy Log deposit, sold by the Russian state in January 2017. By a common geological opinion, our license area has a high potential for elephant gold discoveries. The area is well known for successful alluvial mining. Within our bedrock licences, there are several running alluvial mines, indicating the existence of bedrock sources nearby. In 2016, we completed stream sediment survey. Based on these, we have identified 20+ prospective clusters, including 11 priority areas, for more detailed exploration. We are very excited with the results and we clearly see an exploration potential of the area that may conceal several Sukhoy Log type deposits.

Within the Kopylovskoye project, our work last year was focused

on a renewal of exploration and mining permits for the license. By the end of the year, we received a statutory approval for pilot mining operations that allows us to mine 150,000 tons of ore during the next two years. With this in place, we will advance negotiations about test gold operations at the project already this year.

Sale of Sukhoy Log

Interest in the Bodaibo area is expected to increase markedly following the sale of the Sukhoy Log deposit in January 2017. The bid for one of the world's biggest undeveloped gold deposits with approximately 1,953 tons (62.8 Moz) of gold reserves plus 799 tons (25.7 Moz) of gold resources, was won by a joint venture between Polyus Gold, a Russian major gold producer, and Rostekh, a Russian state owned multi-industry company.

We believe that this event marks the start of a new period in the development of the Bodaibo area. Sukhoy Log's annual gold production is expected at 56-60 tons of gold per year, which is three times more than the total current gold production in the area. Exploitation of the deposit will provide a significant improvement of the local infrastructure with new roads, electricity lines, mining service providers, transportation, etc. This in turn will lead to a reduction of the mining costs in the area. We also anticipate that the Bodaibo region in general will become more visible and familiar for big international companies providing mining services and as such, it is likely that the valuation of all mining and exploration assets within Bodaibo will appreciate.

Evaluating new projects

As Krasny moves towards production and test gold operations at Kopylovskoye is under way, we will now continue to evaluate potential new projects in the highly interesting Bodaibo area.

From now on, it will also be easier to take part in our journey. In October 2016 - as part of a process of improving our communication with the financial market and our shareholders - we were proud to launch a new and more user-friendly website. I recommend a visit to www.kopygoldfields.com for further information on our operations.

Together with my colleagues, I will continue to do my best for the company. On behalf of Kopy Goldfields AB, I wish to thank you for your interest and support of the company.

Stockholm in May 2017
Mikhail Damrin
CEO Kopy Goldfields

LENA GOLDFIELDS
GOLDEN HISTORY WITH HIGH FUTURE POTENTIAL

Kopy Goldfields' operations are concentrated to Lena Goldfields in the Irkutsk area of Russia. Lena Goldfields has a long history associated with gold. So far, alluvial production has been dominant with bedrock production initiated only some ten years ago. In total, more than 40 million ounces of gold has been produced in Lena Goldfields to date. And large parts of the area still remain to be explored.

The regional centre of the Lena Goldfields area is the city of Bodaibo, located approximately 880 kilometres north east of Irkutsk. The Irkutsk region is bigger than France, but has a population of only 2.5 million people. Despite its remote location, the city of Bodaibo with its population of 16,000 people has long been a thriving society with much of its activities focused on gold.

HISTORY

The gold rush began in the 19th century, when the massive goldfields that lined the river Lena attracted gold pioneers from both Russia and abroad. The jointly owned Russian-British company "The Lena Gold Mining Joint Stock Company" was the principal owner of the majority of the goldfields in the region and one of the most profitable enterprises in the Russian Empire.

Alluvial gold production has been conducted in the area ever since the 1840s and the region has steadily been producing around 0.25 Moz of alluvial gold per year. But previous exploration work has also shown that the Bodaibo area hosts several world-class bedrock gold deposits, including Vysochaishiy (2.9 Moz) Verninskoye (3.8 Moz), Chertovo Koryto (2.4 Moz) and Sukhoy Log, the latter being the largest undeveloped gold deposit in the world with some 60 Moz of reserves.

In the 1970's, there were Soviet ambitions to exploit the bedrock deposits in Lena Goldfields and ambitious exploration work was carried out. Since the collapse of the Soviet Union, however, the Russian state has focused on producing oil and gas instead of exploiting its mineral reserves.

At the moment, Russia is in second place when it comes to estimated gold reserves in the world, with about 30 per cent of the total Russian gold production being conducted by international companies.

INFRASTRUCTURE

Bodaibo is a lively city of more than 16,000 citizens with schools, colleges, hospital and other service facilities. Over the decades, good mining infrastructure has been developed in the region, including an airport, federal year-round roads from Bodaibo to the main gold production sites, a hydro-electric power plant on the Mamakan River and connection to the Russian national electric power grid. Most of Kopy Goldfields' projects in Lena Goldfields are within a distance of 6 km from the federal road and national electric power grid.

SUKHOI LOG
ONE OF THE WORLD'S LARGEST GOLD RESERVES

With estimated reserves of some 1,953 tons of gold (62.8 million Troy ounces), Sukhoy Log in the Irkutsk region of Russia is one of the world's largest untapped deposits of gold. In January 2017, the right to develop the formerly state owned deposit, which is located next to Kopy Goldfields' project areas in Lena Goldfields, was sold to a joint venture.

HISTORY

Sukhoy Log – the name means "dry valley" – was discovered in 1961 and intensively explored in the 1970's. Many internal reports were written and a few papers published in Russia, but little was known of the deposit abroad because of former official secrecy restrictions. But the exploration for –and discovery of – the Sukhoy Log deposit was in fact the culmination of many years of study and development of the Lena Goldfields by several generations of geologists and miners. The deposit is entirely "blind", i.e. has no surface outcrop, and was discovered only by geologists using new ways of geochemical prospecting. Intensive exploration started in 1971 and was completed in 1977. The work included 209.6 km of diamond core drilling in 846 drill holes, 11.7 km of underground drives, 61 raises, 1,546 m of which were in ore, 110.3 km of trenches, 13,000 channel samples, three bulk samples of 150 t, 800 t and 980 t – and many tens of thousands of assays for gold.

In addition to the Sukhoy Log deposit, several smaller gold deposits of the same type were discovered in the region, including Verminsky, Vysochaishy and Ugakhan.

The two major underground drives of the 1970's programme were re-opened in 1995, and provided direct access to – and observation of – a large part of the interior of the orebody for the feasibility study that was conducted in 1995-96 by Star Mining Corporation, Sydney, Australia.

SOLD IN AUCTION JAN 2017

In January 2017, the right to develop Sukhoi Log was sold to a joint venture of miner Polyus and state conglomerate Rostec. The joint venture, SL Zoloto, acquired the deposit for 9.4 billion roubles (158 million USD), compared with the starting bid price of 8.6 billion roubles. Polyus is the largest gold producer in Russia and one of the top ten gold miners globally by ounces produced. It also holds the fourth largest mineral resources base in the world.

SL Zoloto intends to conduct additional exploration works and a feasibility study, which is expected to last for approximately three to four years, supported by international mining and engineering consultants. Based on the results of the study, the company will evaluate options to initiate construction activities at Sukhoy Log. CAPEX is estimated at 90-100 billion roubles with development costs of some 4 -5 billion USD.

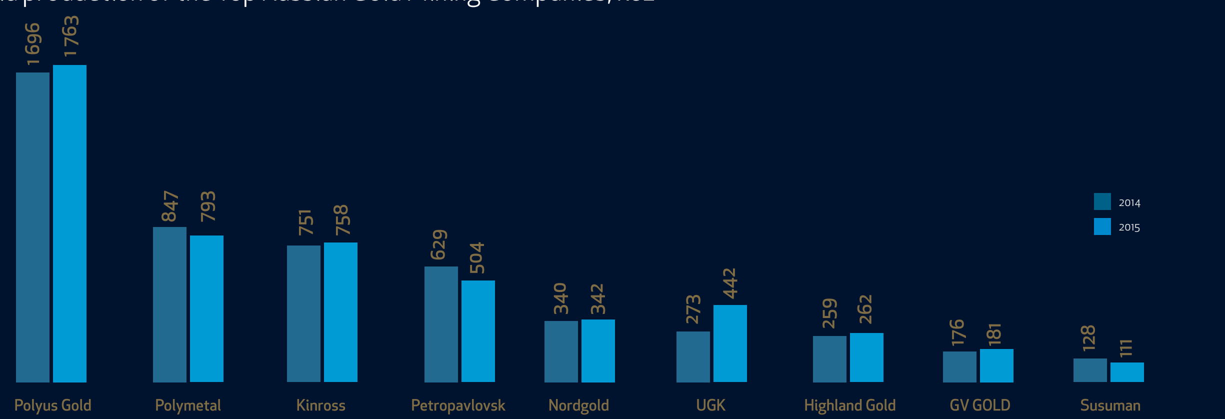
The development of such a large project is expected to have a significant impact on the social and economic development of the Irkutsk region, where Sukhoy Log is based, with considerable investments in infrastructure, etc.

LOCATION AND GEOLOGY

The area covers 105,000 km2 and lies between 57 and 60 degrees North latitude, approximately 900 kilometres south of the Arctic circle. The region comprises a broad, subcircular topographic dome approximately 350 km in diameter, termed the Patom Highland, rising to more than 1,800 meters. It is partly encircled by the Vitim and Lena Rivers. The deep alluvial and colluvial deposits in most channels and river valleys result from long periods of gentle drainage and glacial erosion. The major high-level landforms developed during several episodes of Pleisticene ice-sheet erosion, a late phase of trunk valley glaciation, lengthy periods of periglacial erosion and several phases of interglacial warm climate chemical erosion.

The regional geological setting of Sukhoy Log and the Lena Goldfield is that of a complex folded sedimentary sequence at the exposed northeast end of the Akitkar Foldbelt and the included Olokit Zone, parts of which extend into the western side of the goldfield.

Gold production of the Top Russian Gold Mining Companies, koz



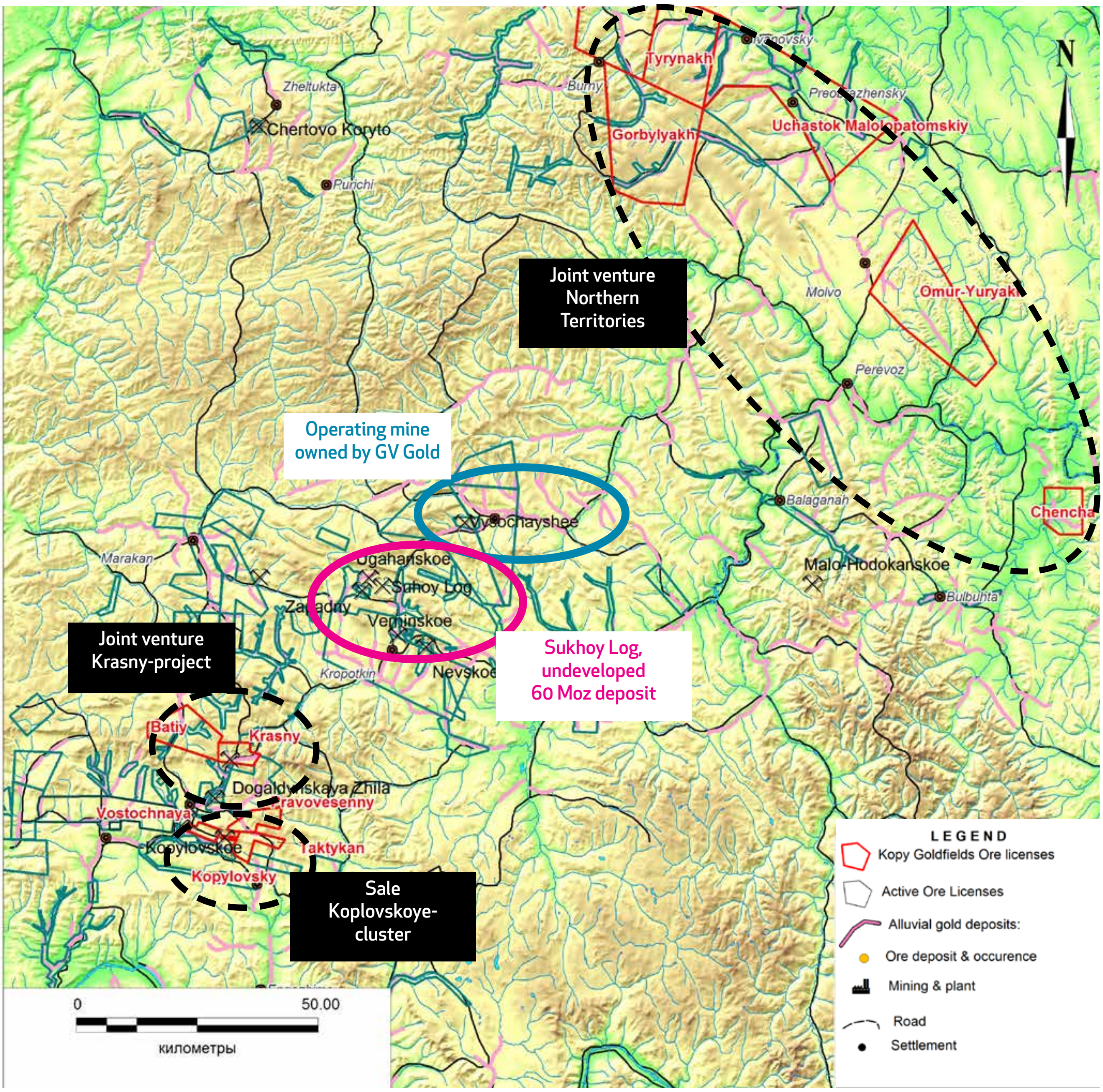
Source: Official data of the companies
Note: Only the output of the deposits located in the territory of the Russian Federation was taken into account

EXPLORATION PROJECTS IN DIFFERENT STAGES

Kopy Goldfields has a diversified portfolio of exploration targets in different stages. The licenses have been grouped into a portfolio consisting of three projects: Krasny, Kopylovskoye and the Northern Territories.

The flagship project, Krasny, consists of three licenses (Krasny bedrock; Krasny alluvial, and Batiy bedrock) with a total area of 117 km2. The Kopylovskoye-project includes four licenses (Kopylovskoye, Pravovesenny, Takhtykan and Vostochnaya), with a total area of 80 km2. The Northern Territories includes six licenses (Tyrynakh, Bolshaya Taimendra, Gorbylyakh, Omur-Yuryakh, Chencha, Malo-Patomsky), with a total area of 1,852 km2.

The Krasny and Kopylovksoye-projects are geographically concentrated within a 20 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 fairly developed with water supply, 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 gravel and seasonal roads and have a history of alluvial production. All deposits are located not more than 150 km from Sukhoy Log.



KOPY GOLDFIELD'S PROJECTS IN LENA GOLDFIELDS

Kopy Goldfields has developed a diversified portfolio of exploration licenses in Lena Goldfields. Within each license, one or several exploration programs may be conducted in parallell, with focus on projects with the highest potential.




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)
Batiy	2017		P3: 322 koz	2024	49 %	86 sq km
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
Chencha	2012		P3: 321 koz	2037	100%	71 sq km
Malo-Patomsky	2012		P3: 578 koz	2037	100%	460 sq km
Total		**JORC: Indicated: 325 koz Inferred: 747 koz**	**Russian: C1+C2: 646 koz P1-P3: 4,152 koz**			**2,049 sq km**

EXPLORATION STRATEGY

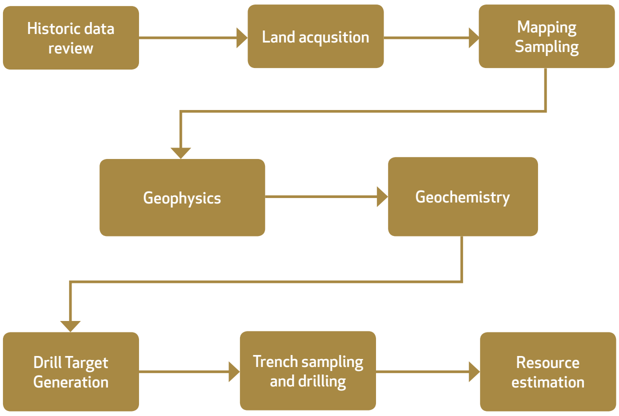
Kopy Goldfields' operations consist of exploring for the presence of minable gold within areas for which the company holds licenses for gold exploration and production. The objective is to identify the gold deposits with the highest potential for future development into mineral reserves – ultimately resulting in gold production

Kopy Goldfields' exploration work is conducted in several stages and based on methods such as studying historical data, development of geological maps, electric and magnetic surveys, soil sampling, trench sampling, drilling, analysing, mineral processing studies, evaluating and modelling, each of which requires great experience and knowledge for correct interpretation.

Most 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. Exploration work after acquiring a new licence typically starts by reviewing this data. The next step is to locate geological anomalies as a first indication of a mineralization. Airborne surveys are sometimes used 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 to identify gold content.

EXPLORATION PROCESS



DRILLING AND EVALUATION

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.

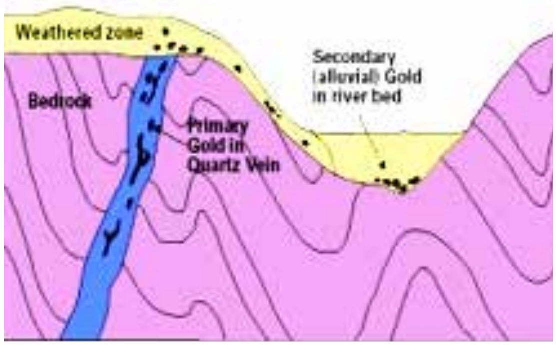
As a rule of thumb, only one out of a hundred gold mineralizations identified ends up being a producing mine. The exploration process involves many phases, and costs increase as the project approaches a potential production start-up. Once the exploration work is completed, the deposit is evaluated to 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. This 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 and mine life expectation. It is also used as a basis for calculation of various taxes and duties. 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

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



The picture above visualizes how bedrock gold goes into the riverbed

FAVOURABLE CONDITIONS FOR GOLD MINING ACTIVITIES IN RUSSIA

Russia has a strong mining tradition and is known for highly skilled mining specialists. It is also estimated to have the second largest minable gold reserves in the world. Gold mining, however, is not regarded as a strategic industry in Russia and international companies currently account for some 30 per cent of the gold production. The five largest gold producing companies are also international, with the recent devaluation of the rouble and favourable tax legislation creating an attractive framework.

CLASSIFICATION OF MINERAL RESOURCES

The mining and tax legislation climate in Russia is favourable – it only takes 6-12 months in average to get production permits. Meanwhile, production costs are low as a result of a good supply of local expertise, combined with comparatively cheap electricity and fuel.

Production costs in terms of USD have also been significantly reduced by the devaluation of the Russian rouble in recent years, with the currency falling to a record low against the US dollar in 2016. Russia is ranked as the lowest cost gold producer in the world in 2016. Meanwhile, the gold price in Russian roubles has climbed to a record high.

Cash cost for companies comparable to Kopy Goldfields, operating in Lena Goldfields, amount to 500-600 USD/oz.

Most exploration data in Russia goes back to the 1960-70s and new exploration data collected with modern technology is limited to brown field projects. The known gold deposits are not exploited to their full potential and large areas of Russia remain to be explored.

DETAILED SYSTEM FOR EXPLORATION AND MINING

The Russian system for conducting exploration and mining operations is based on a detailed and objective description of how the process should be conducted, leaving less scope for professional estimations. It includes specifications for exploration methods, calculations of 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 major deposits. 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 mineralizations 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).

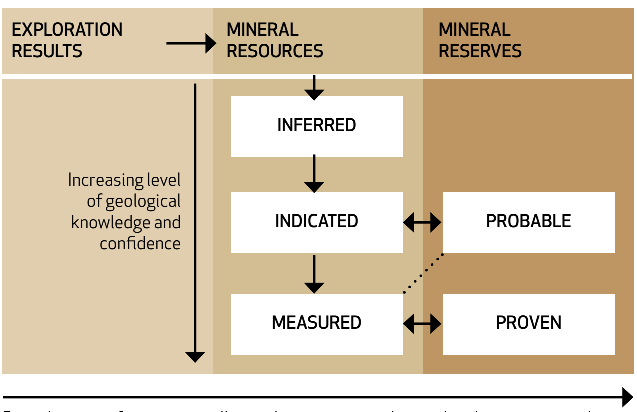
When deciding on commencing mining operations, normally the categories A, B, C1 and C2 are taken into consideration. This means that these categories could be roughly compared to the international system when it comes to measured and indicated ore reserves.

LEGAL FRAMEWORK

Mining legislation in Russia comprises federal legislative acts and regional legislative acts. As a general rule, both Russian and foreign individuals as well as legal entities (joint ventures) can be holders of mining rights. 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 of reserves 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 Russian 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.

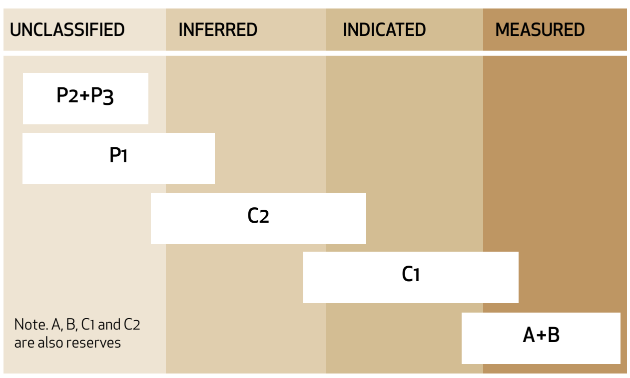
Read more about conducting exploration and mining activities in Russia on our web site www.kopygoldfields.com

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



FEASIBILITY STUDIES IN PREPARATION OF MINE CONSTRUCTION

Developing a deposit into a mine requires a great amount of knowledge, investments and, not least, detailed analysis ahead of each step to ensure the future potential and profitability of the project. Studies of a mining project are typically conducted in three stages: scoping studies, pre-feasibility studies and feasibility studies. Each of these stages is followed by a decision whether or not to proceed. The Krasny project is currently being evaluated in a pre-feasibility study, with a decision on construction start expected Q2 2017, when the project will move into the feasibility stage.

In May 2016, Kopy Goldfields announced an updated JORC mineral resource estimate for the Krasny deposit, showing 955 koz of gold resources, The mineral resource estimate was prepared by geological and mining consultancy group Micon International in accordance with the JORC Code (Australasian Joint Ore Reserves Committee). This is an international code according to which Kopy Goldfields reports all new mineral resources.

The evaluation of the Krasny deposit continued during 2016 and the first months of 2017, with an update expected Q2 2017. Since October 2016, as part of a pre-feasibility study, an investment justification report is in the process of being drafted and is expected to be finalized during Q2 2017. This will be followed by a decision whether to start preparing for gold production at Krasny. The update will include information on the new, north area of Krasny, as well as more detailed information on the central part.

QUALITY OF PREPARATIONS IS ESSENTIAL

Scoping and feasibility studies will decide whether or not a project has a potential to be developed into a profitable mine. They analyse all aspects of a project; including the estimated amount of mineral, costs for exploiting it (type of mine and mining methods required to extract the mineral) and marketing potential. The quality and detail of analysis increase from scoping to feasibility studies, continuously increasing the accuracy of forecasting. If they confirm expectations, the feasibility study will lead to permitting, equipment procurement, construction and production. 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.

Many types of detailed geological data are required to begin the evaluation of a mineral deposit. The data must be accurate, detailed, complete and consistent, with each stage being based on more and more detailed information about the mineralization and lower uncertainty of modelling results.

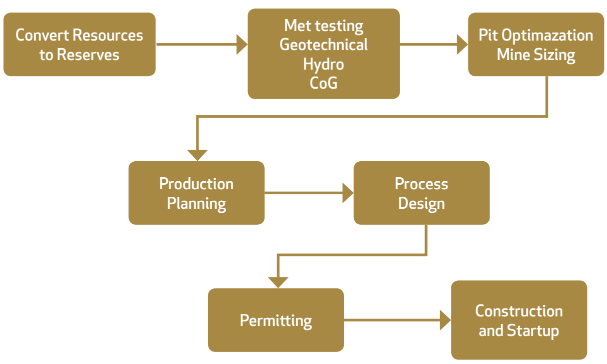
The definition of a scoping study is that it is “a study that includes an economic analysis of the potential viability of mineral resources taken at an early stage of the project prior to the completion of a preliminary feasibility study”. On industry average basis, accuracy of the scoping study calculations is usually about 40 per cent.

3-D IMAGES USED TO ANALYSE THE DEPOSIT

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 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. Accuracy of the feasibility study calculations is usually about 15 per cent.

MINE DEVELOPMENT PROCESS



OPTIMISING THE PROJECT

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 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, such power and water supply as well as internal roads and plant infrastructure.

3D MODEL OF THE KRASNY MINERALIZATION WITH OPTIMISED OPEN PIT

The investment justification report, which we are currently finalising for the Krasny project, will address the mine development of the Krasny Upper structure (all gold mineralisation from surface to the depth of about 200 meters). It is based on the geological data as of November 15, 2016 and includes the recent processing flow chart recommendation. The report will include geological review of the Krasny mineralisation, pit optimisation and production scheduling, a review of mining equipment to use, a direct calculation of the operational costs, a direct calculation of the capital costs, financial modelling and a layout of the infrastructure. It will be a summary of the existing information on the Krasny project and include recommendation to develop the project into construction.

PROJECT KRASNY
IMPORTANT STEPS TOWARDS PRODUCTION

In 2016, important steps were taken in the process of bringing Kopy Goldfield's flagship gold project Krasny towards production. Activities primarily focused on developing the upper structure of the deposit, proving Russian GKZ reserves and issuing a detailed scoping study. Meanwhile, a PFS (investment justification) report was initiated. The report is expected to be released Q2 2017 and will serve as basis for taking the formal decision of mine construction start. During the year, a satellite gold mineralization within the Krasny North structure was discovered.

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 provides rights for bedrock gold prospecting, exploration and production.

GEOLOGY AND MINERALIZATION

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 exploration line 14 (northwest) to the exploration line 58 (southeast) at 1,725m. It is discontinuous-continuous lens-shaped or lens-shaped band-like in plan and saddle-shaped and lens shaped in section, with bends, bulges, splits and thinning out. The thickness is up to 20-80m at the flanks and up to 160-200m at the central part. The contours of the ore bodies have no clear boundaries and are defined on the basis of core and channel sampling results only. The oxidation zone is developed to the depth of 20-100m. The upper group of the ore bodies is about 900m long; the vertical span of the mineralization is 210-305m; the lower group is 1,620 m 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 veinleting 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 alternation of carboniferous quartz-sericite schists, siltstone and sandstone of the Vacha suite. The main mineral type of ore is quartz low-sulphide (pyrite).

JOINT VENTURE WITH GV GOLD

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 MUSD 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 MUSD 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 MUSD 2 in a conditional consideration cash payment from GV Gold.

STAGE 1, EXPLORATION TO CONFIRM EXISTING MODEL

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 Irgiredmet 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 MUSD 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

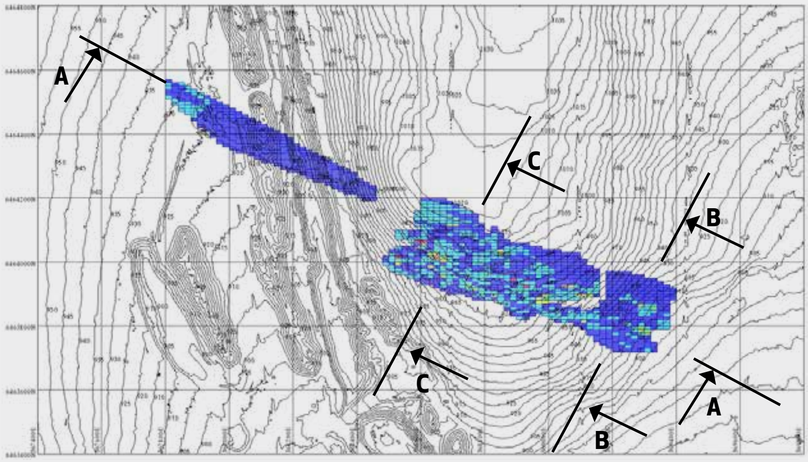
The third stage drilling of the exploration program was commenced in April 2016, and includes a range of exploration and feasibility activities:

- 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

The Stage 3 program was completed in February 2017 with a total of 100 core holes drilled, accounting for 19,622 meters of core drilling. In addition, 1,965 meters of trench sampling was performed and 21,822 fire assay tests for gold received. Most of the drilling was focused on the Central part of the Krasny deposit and within the Upper structure, with the target to upgrade the quality of the gold resources from Inferred to Indicated. 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 both the initial model of 2012 and the reported JORC resources in 2016. On the western extension it also comes closer to the surface. The 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.

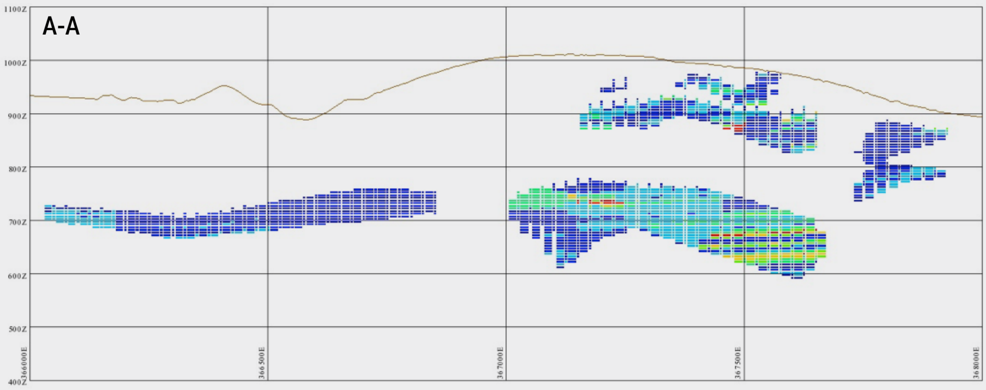
During 2016, a satellite gold mineralization within the Krasny North structure was confirmed, which is located within 3-4 km from the Krasny Central. This mineralization is within the borders of the same Krasny license and makes part of the bigger Krasny project. So far, the Krasny North mineralization has been confirmed in Profiles 176, 180, 186 and 191 for a total strike of 600 meters and for 150 meters down dip and the mineralization is still open along strike and to depth. Krasny North will be further explored within the scope of the Stage 4 exploration program 2017. Krasny North will make an excellent supplement to the Krasny Central development by adding gold resources at limited capital costs to mine. The Krasny North mineralization will be covered by the new JORC resource update currently under way.

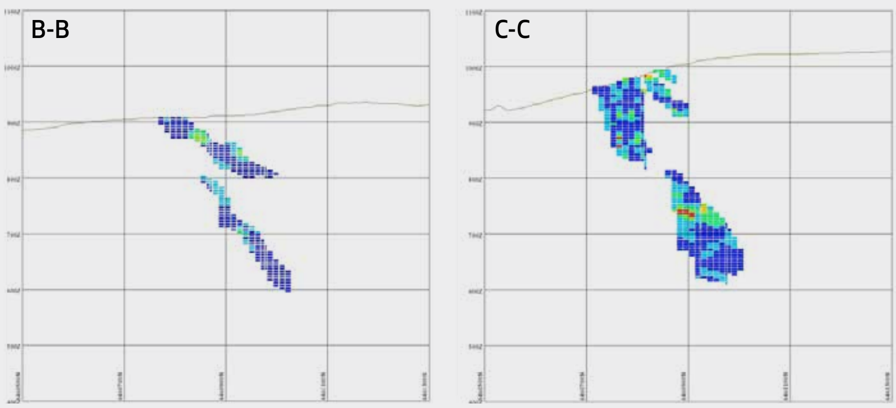
A processing test of a bulk sample representing the mineralized ore (oxidized, primary and transition) of the Upper structure, was commenced in October 2016 and the results are expected during Q2 2017. The outcome of the test will be the mineral processing flow chart, which will make the basis for the mill design development.



Block model for the Krasny mineralization, plan view

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

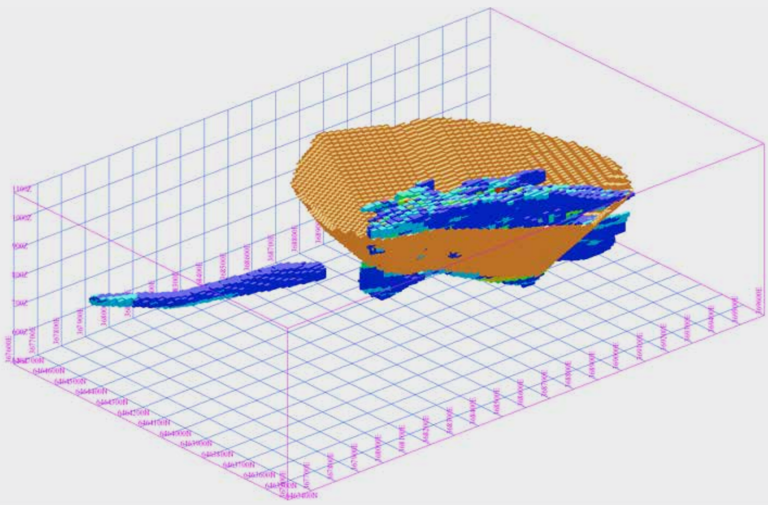




Block model for the Krasny mineralization. Cross section along B-B and C-C, perpendicular to the strike

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

The Investment justification report which was started in October 2016 by TOMS Engineering is under way. The report will include the drafting of a detailed mining plan and production schedule, justification of the mill capacity, infrastructure layout, detailed CAPEX for mill and pit construction, detailed calculation of OPEX and a NPV-model for gold production. The report will focus on development of the Upper mineralization only and will be used as a basis for taking decision to commence the Krasny mine development. The final report is expected in Q2 2017. In parallel with the Investment justification report, the TOMS Engineering firm is developing a Scoping study for the development of the Lower Mineralization. It will review both open pit and underground mining possibilities and will recommend the most economic and feasible approach. The report is expected during Q2 2017.

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, which 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 new JORC estimate is the result of totally 31,195 meters of core drilling, 2,822 meters of trench sampling and four 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

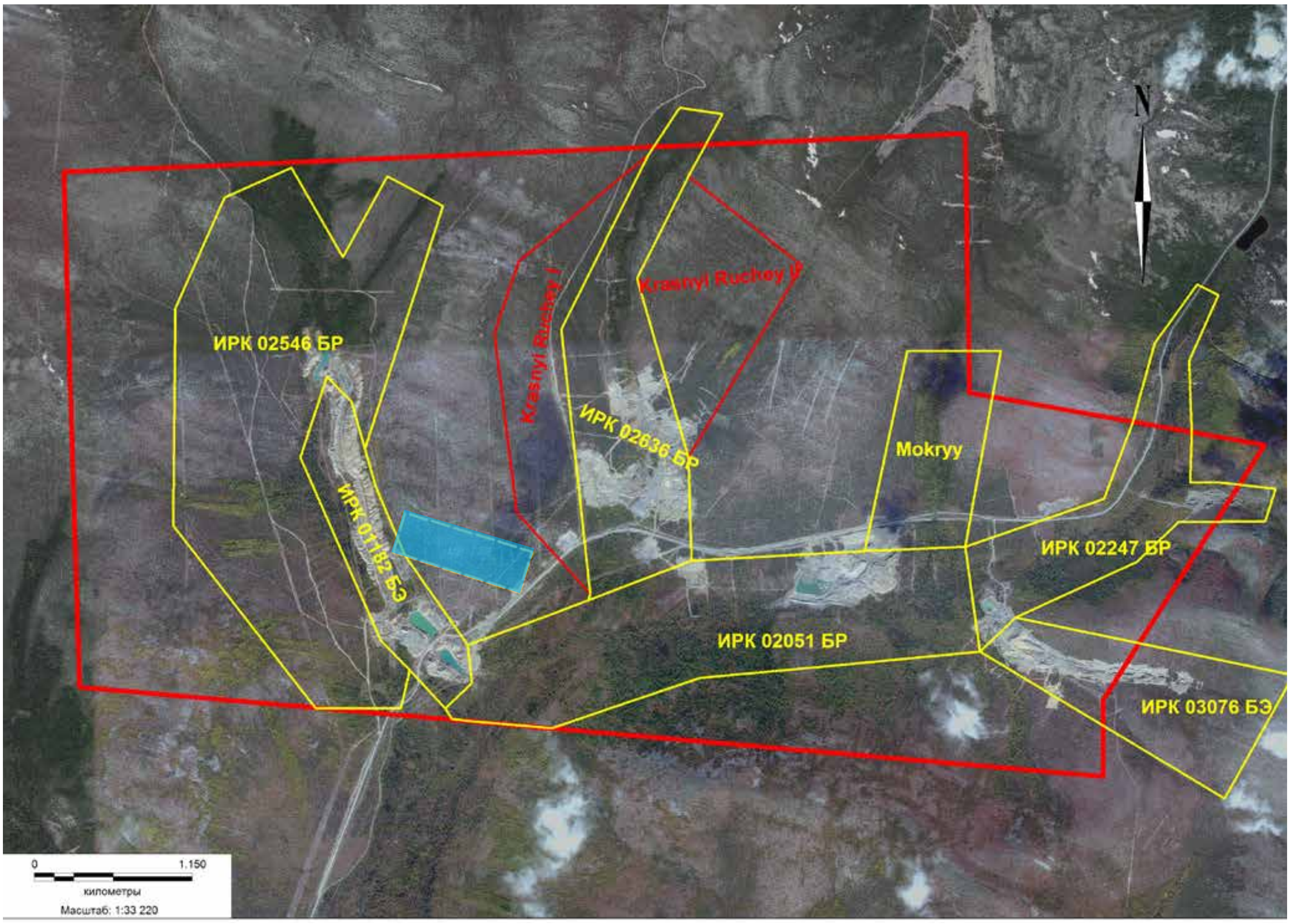
During 2016/2017, the Krasny project moved into Pre/Feasibility studies, equipment procurement, construction and commissioning. In January 2016, the Pre-/Feasibility study was commenced, starting with the detailed Scoping study calculations. With a possible increase of the mine and plant capacity, the first gold production is expected in 2020, which will be further reviewed during the detailed Feasibility study later this year. The formal decision to proceed to mine development will be taken the first half of 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/m³ 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. Blue square marks the location of the Krasny Central deposit

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.

Exploration drilling for alluvial gold within the Krasny alluvial license was completed in October 2016. In total, 440 meters were drilled, accounting for 107 holes with an average depth of 4 meters. An exploration report covering these activities is under way and the decision whether to develop the alluvial project is expected in 2017.

MAJOR EVENTS AT KRASNY IN 2016

- **March 30, 2016** - formal approval of a mineral reserve report for the Krasny deposit in accordance with the Russian GKZ regulations, confirming gold reserves of 9.767 tons (314 koz) in the C2 category. The project was recommended for development into production.
- **May 2016** - new positive scoping study was announced for the Krasny deposit, confirming 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.
- **May 2016** - a JORC mineral resource update was announced for the Krasny deposit issued by Micon International Co Limited and was based on the exploration data acquired until January 2016 and covering both the Upper and Lower mineralization. It shows 955,000 oz of Indicated and Inferred mineral resources within a profitable open pit.
- **May 2016 – February 2017** - following the positive scoping study results and the strong JORC resource report, Stage 3 of the exploration and development program on the Krasny project was performed. It included 19,600 meters of core drilling. Based on the new drill results, the Lower mineralization was extended along the strike by 480 meters beyond the boundary of the 2016 JORC resource statement and is still left open.
- **A new mineralization on Krasny discovered** - Krasny North. The mineralization, located 4 km to the north from the Krasny Central deposit, will be included into the new JORC resource update in 2017.

EXPLORATION ON KRASNY

TARGETS FOR 2017
- Finalize development of the processing flow chart
- Finalize Investment justification Report and take decision to develop Krasny project into construction start. Commence detailed engineering design for the Krasny mine.
- Increase resources by drilling Krasny Upper and Lower mineralization along the strike. Issue initial resource statement for the Krasny North Mineralization
- Finalize scoping study for the Lower Mineralization and proceed with in-fill drilling within the Lower mineralization to upgrade from Inferred into Indicated categories
- Update the JORC resource report

EXPLORATION ACTIVITIES 2016
- Mineral resource report under the JORC-code published
- Mineral processing flow chart commenced
- Investment justification report commenced
- 95 drill holes
- 18,838 meters of core drilling
- 1,965 meters of exploration trenches

EXPLORATION ACTIVITIES 2015
- Mineral reserve report under the GKZ-regulations
- Mineral resource report under the JORC-code commenced
- Metallurgical processing tests
- Hydrological tests
- 49 drill holes
- 7,551 meters of core drilling

EXPLORATION ACTIVITIES 2014
- 51 drill holes
- 7,916 meters of core drilling
- 1,712 meters of exploration trenches
- Engineering and metallurgical processing tests initiated

EXPLORATION ACTIVITIES 2013
- Scoping study report published
- Updated mineral resource estimation, see table to the left [ta bort struken text!]
- 1,695 meters of core drilling
- 195 meters of exploration trenches

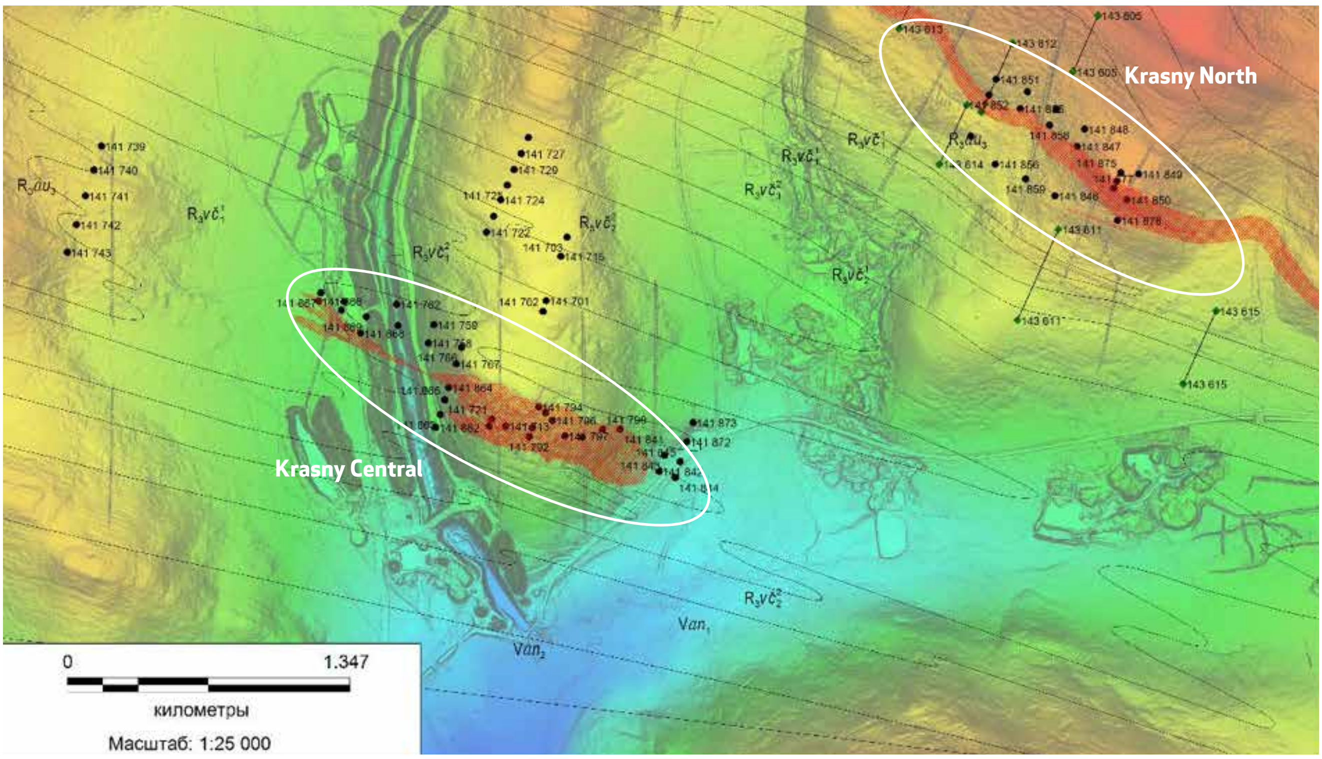
EXPLORATION ACTIVITIES 2012
- A mineral resource estimate within JORC Code
- 11,030 meters of core drilling
- 1,161 meters of exploration trenches

EXPLORATION ACTIVITIES 2011
- Design of exploration activities
- Commence field activities and analysis
- Krasny exploration memo 2011
- 2,572 meters of core drilling

EXPLORATION ACTIVITIES 2010
- Recognizance geological mapping of 100 km
- 100 km of exploration trenches
- Review and digitalize historic exploration data
- Prepare and communicate exploration plan

HISTORICAL EXPLORATION
- Detailed geochemical and geophysical survey of 1:25000 scale
- 14,723 meters of core drilling
- 110,797 meters of exploration trenches
- 130 meters of underground shifts

Map of the 2017 Stage 4 exploration program for the Krasny deposit.
Locations of new drill holes are marked with black dots and trenches are marked with green dots



PROJECT KOPYLOVSKOYE

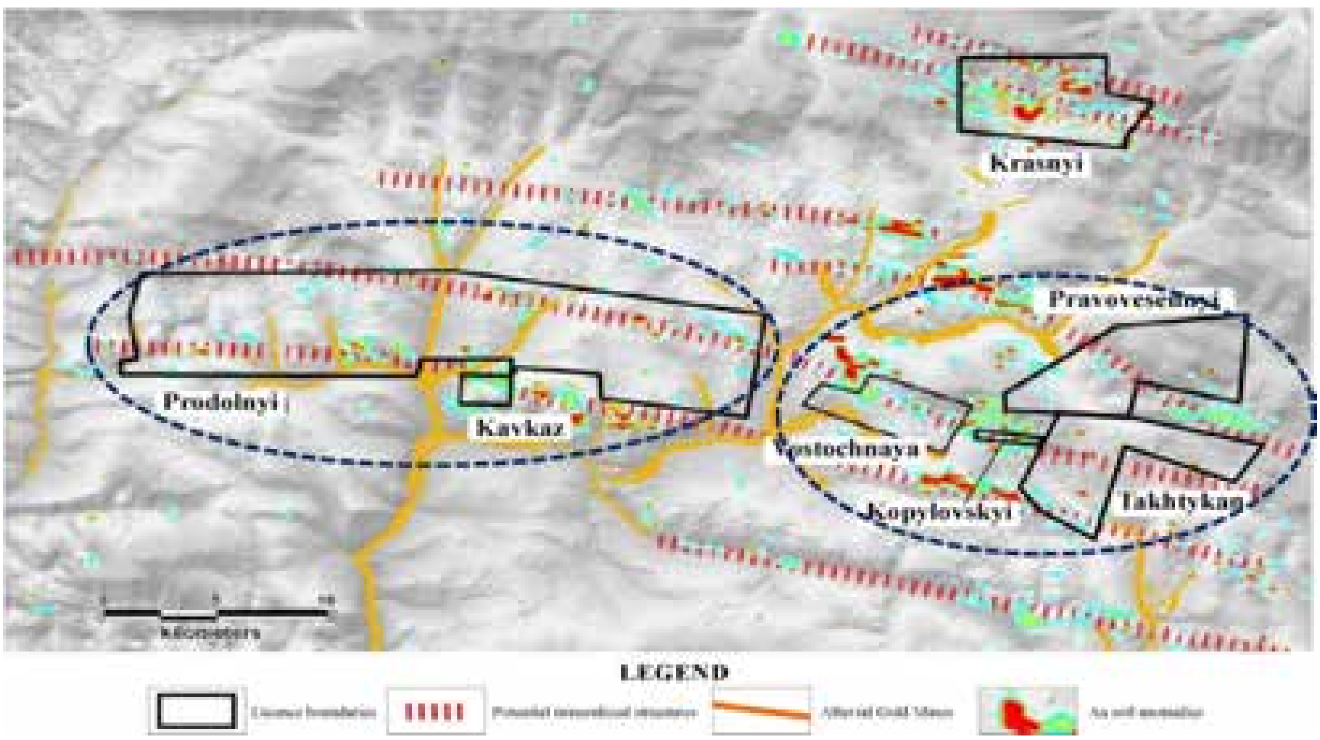
Kopylovskoye was Kopy Goldfields' first project – and also lent the company its name. The Kopylovskoye gold bedrock prospect was acquired by the company at the end of 2006 - early 2007. Historically, approximately 1.75 Moz of alluvial gold has been mined immediately west of Kopylovskoye. After the acquisition, 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 km². 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.

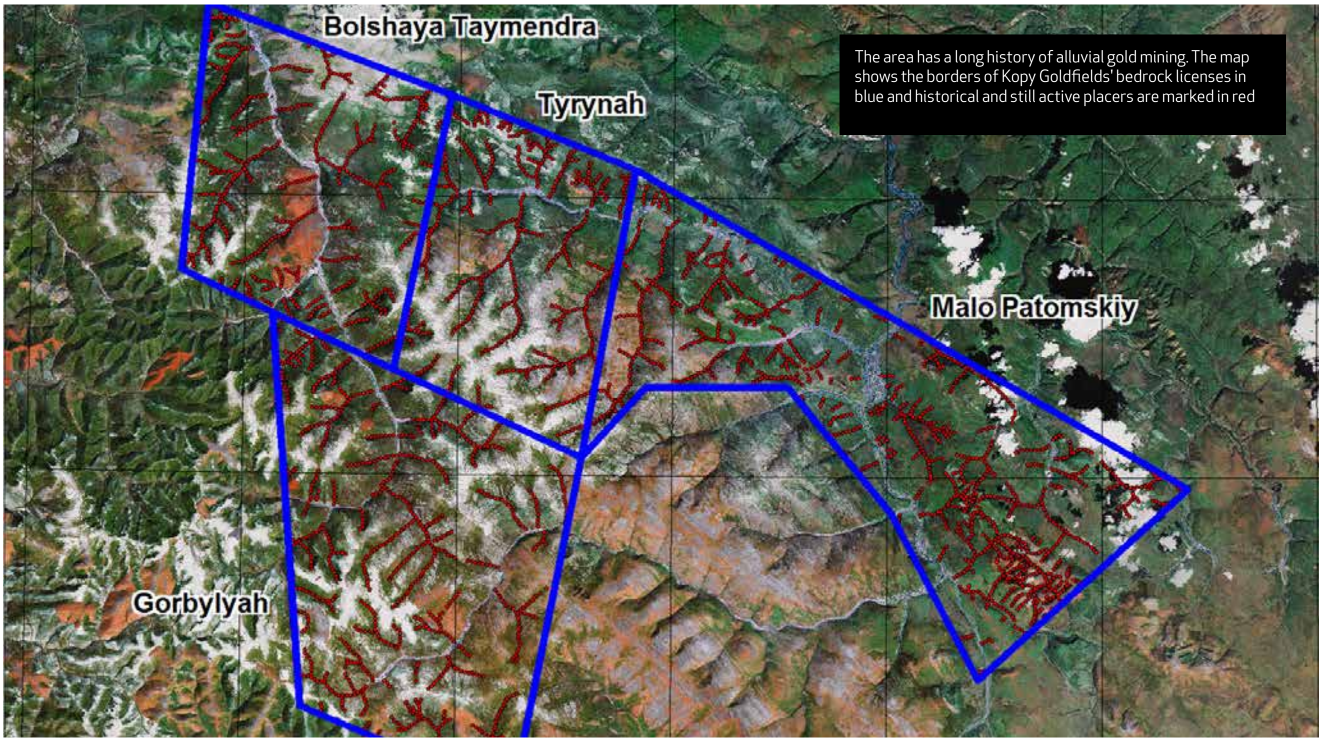
In 2016, a statutory approval for pilot mining operations was received, which allows the company to mine 150,000 tons of ore during the next two years. The company is now proceeding with environmental and safety permitting to commence test mining operations, with the target to start with bulk sample testing already in summer 2017 in cooperation with a partner. The plan is either to sell the project for cash if the market allows, or to develop pilot mining with a partner.

MAJOR EVENTS AT KOPYLOVSKOYE IN 2016:

- Renewed exploration and mining permits
- Statutory approval for pilot mining operations - negotiations with several potential pilot production partners are being held with the target to commence pilot gold production during 2017



PROJECT THE NORTHERN TERRITORIES



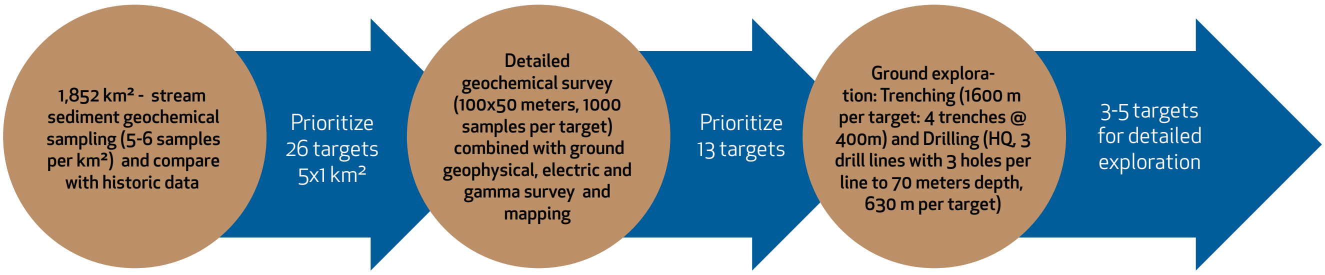
The Northern Territories, located to the north of Bodaibo, covers a total area of 1,852 km² (182,500 ha), split into six properties that were acquired at the end of year 2012. Kopy Goldfields' licences for bedrock gold prospecting, exploration and production is valid for 25 years, with extension options. 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, preliminary 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.

Exploration approach Northern Territories



Based on characteristics of major gold deposits within Lena Goldfields (Sukhoy Log, Verninskoye, Vysochaishy) with similar geology to the area, the following exploration parameters are expected for the Northern Terriotories project:

- Strike extension of gold mineralization: from 500 meters; steep ore bodies with thickness from 30 meters
- Type of gold mineralization: gold sulfide, disseminated and veinlet-disseminated in black shale complexes
- Average gold grade: around 2 g/t
-

During 2016, stage 1 of the exploration program was commenced with the target of covering the total licence area with a systematic and modern method for exploration to identify and prioritize multiple targets during the first year of field operations. The plan was to verify historic data and to identify new clusters for the next stage of exploration. Initially, the whole area of 1,852 sq km was covered with a stream sediment survey with a density of 5-6 samples per square km. Stream sediment survey is not supposed to give a detailed information of gold anomalies, but is cheap and often applied to big areas as an initial prospective tool. With a limited exploration budget, it provided the opportunity to cover the total license area with a systematic survey. The 2016 field operations were performed by the company "Prikladnaya Geology" from Krasnoyarsk, which also provided drilling services to the Krasny project during 2011-2016.

All exploration activities for the Northern Territories project were finalized both on time and below budget. In total, 5,380 samples were collected and all samples were analysed, both for gold and 24 other chemical elements. The collected geochemical data was then used to develop geochemical maps of gold and concomitant elements distribution. A statistical review of the identified anomalies based on gold and pathfinder elements was completed. Further, multiplicative anomalies were identified and mapped for every license area. These anomalies, the result of 2016 exploration activities, were compared with historic exploration data existing before 2016. Comparing the historic and the new exploration results, we selected 23 exploration clusters for more detailed Stage 2 follow up explorations with total exploration area of 243 sq km. Thus, the total area for the next exploration step has been significantly reduced.

THE FOLLOWING STAGES OF THE PROGRAM INCLUDE:

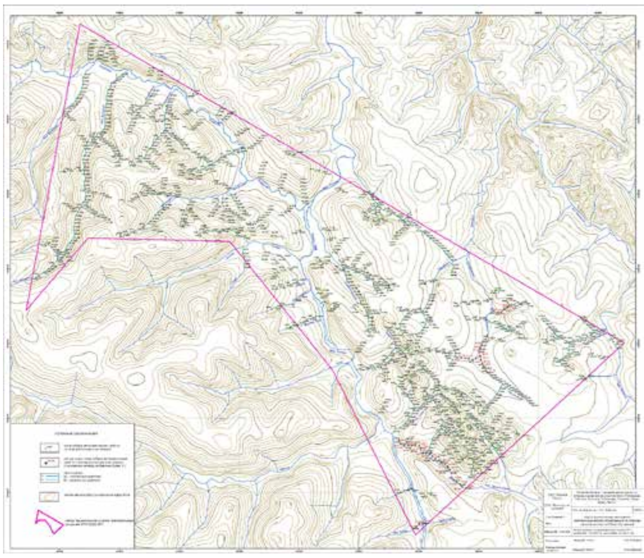
- Run detailed geochemical survey (100x50 meters, 1,000 samples per target, potential target size 5x1 km) combined with ground geophysical, electric and gamma survey and mapping for previously prioritized 26 targets and further reduce them to 13 targets on a merit basis
- Run ground exploration: trenching (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 this exploration program 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).

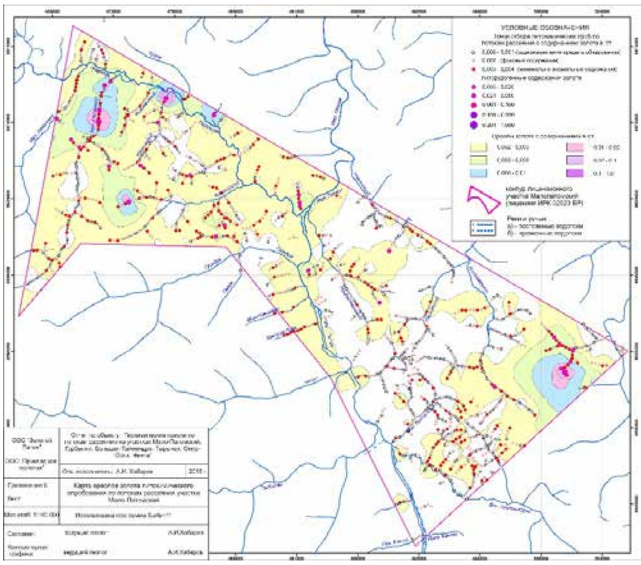
The general goal for the Northern Territories project is to find a partner or form joint ventures to continue mapping out the promising cluster. This would mean that the proposed exploration program could be finalized within three years.

MAJOR EVENTS AT NORTHERN TERRITORIES IN 2016:

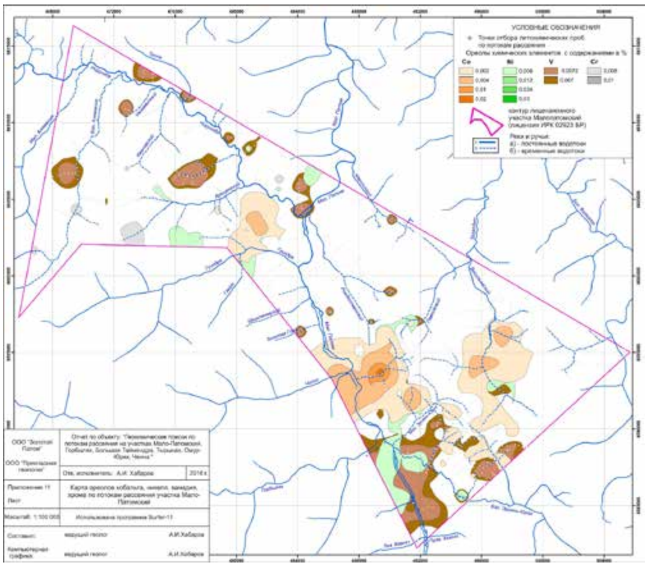
- The 2016 exploration program on the Northern Territories was finalized - 5,380 stream sediment samples were collected, processed and analysed.
- A great exploration potential is confirmed - 23 clusters for more detailed exploration have been identified.



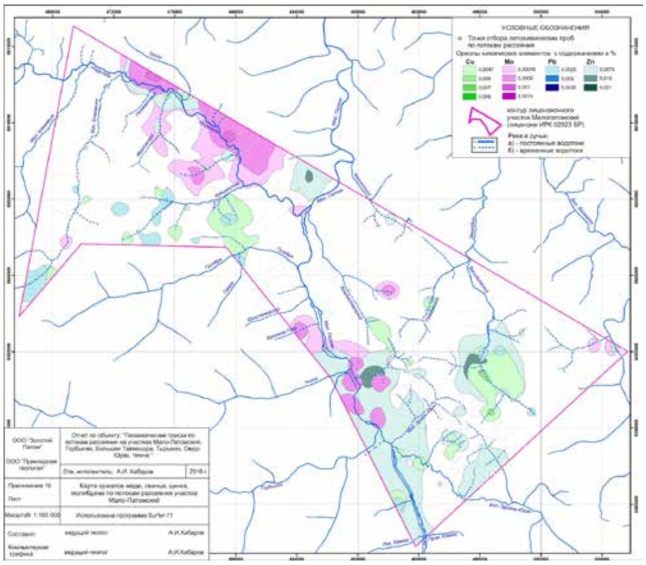
1353 samples collected and analyzed



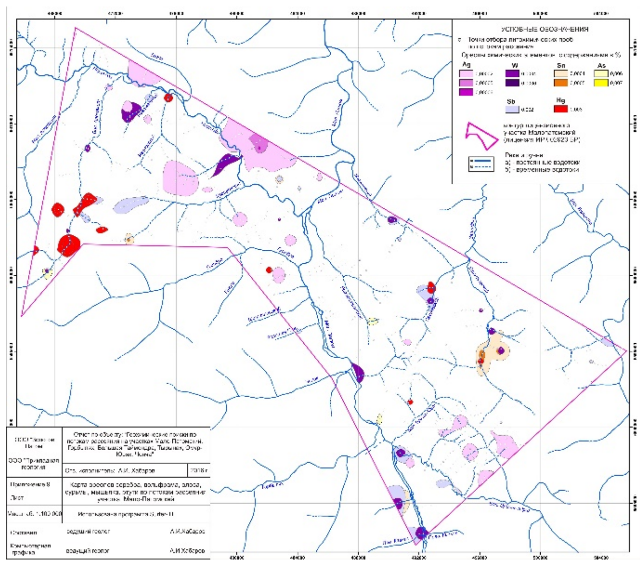
Au anomalies



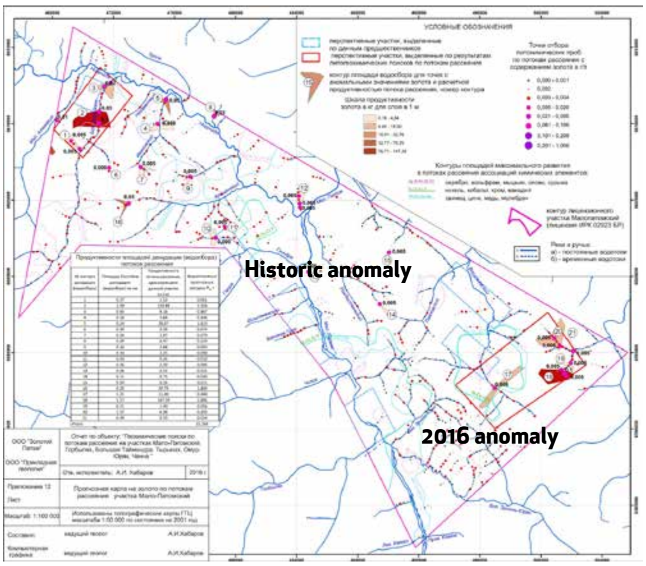
Ag, W, Sn, As, Sb, Hg anomalies



Cu, Mo, Pb, Zn anomalies



Co, Ni, V, Cr anomalies



Prospective gold targets

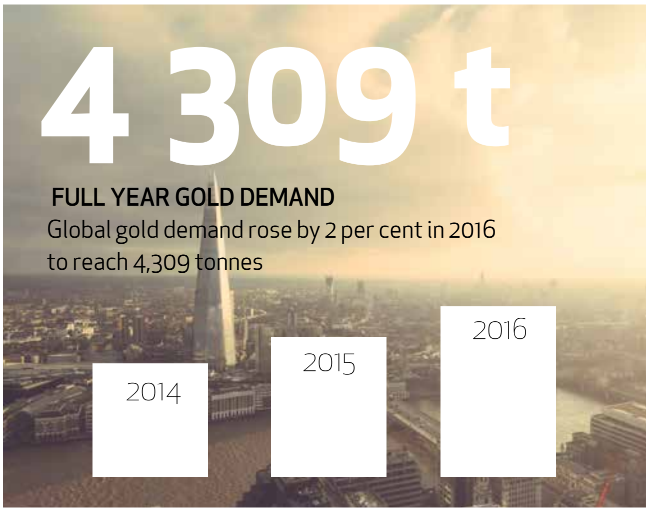
GOLD MARKET
GLOBAL POLITICAL UNREST BENEFITS GOLD

Growing fears about the political stability in the world benefited the gold price during the year; it ended 2016 more than 8 per cent higher than the year before and continued to rise in the first months of 2017. Meanwhile, global gold demand rose by 2 per cent in 2016 to reach 4,309 tonnes, the highest level since 2013, according to statistics from the World Gold Council.

From a geopolitical perspective, 2016 was one of the most tumultuous years in the recent past. The Brexit vote, Donald Trump's Presidential victory, unrest in the Muslim societies and a rise in anti-establishment feeling had a profound impact not just on politics, but also on markets.

The rise in gold demand was largely driven by inflows into gold-backed Exchange Traded Funds (ETFs) of 532 tonnes, the second-highest year on record, as investors responded to concerns over future monetary policy, geopolitical uncertainty and negative interest rates. Declines in jewellery and central bank purchases, however, offset this growth. Annual bar and coin demand was broadly stable at 1,029.2t, helped by a Q4 surge – it was, in fact, China's strongest quarter for bar and coin demand since Q2 2013.

God prize finished the year up 8%

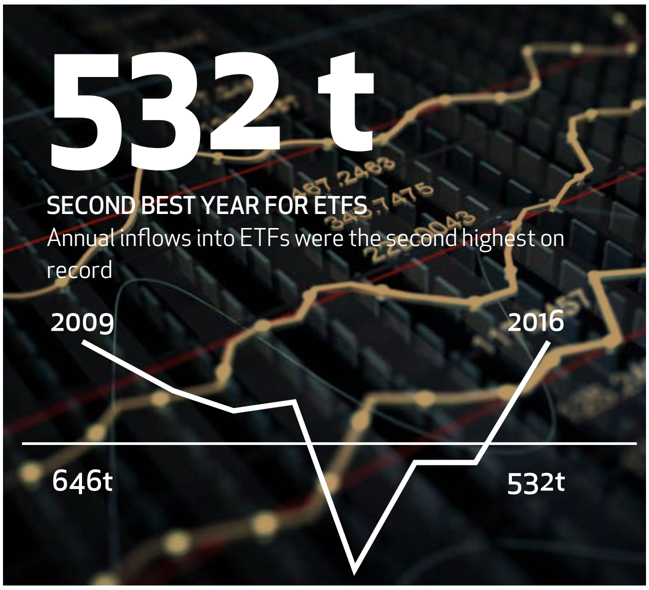


CENTRAL BANKS CONTINUE THEIR NET PURCHASES

Meanwhile, 2016 saw a 7-year low for jewellery demand. Regulatory and fiscal hurdles in India and China's softening economy contributed to the weakness in the sector. A barrage of policy initiatives aimed at purging India of black money and instilling greater transparency rocked India's economy last year, including its gold market. The announcement that the India's two highest-denomination banknotes would cease to be legal tender rocked the gold ma https://beddeb-301310b6a9af99-c5ca0775dec2b65b538654c8f83dc83d.ssl.cf3.rackcdn.com/sites/default/files/800x600_price.png rket in the last few months of 2016 and the short-term outlook remains unsettled. Trends remain positive in a longer perspective, according to World

Goldprice development from January 2007 until April 2017 in USD and RUB

[1] www.worldbank.org



Gold Council, driven by rising incomes, a fast-growing middle class and a number of positive domestic policy measures.

Net purchases form central banks were 33 per cent lower than 2015, due in part to increased pressure on FX reserves. Despite this, 2016 was the 7th consecutive year of net purchases by central banks. Central bankers in aggregate have been net buyers of gold for almost a decade, not least the Central Bank of the Republic of Turkey, which allocates 13-15 per cent of its total reserves to gold.

GOLD – A RARE METAL

Gold is rare - and demand for this precious metal has remained solid throughout the centuries. Today, we buy gold in many different shapes, from jewellery to investment instruments and inside high-tech objects, like mobile phones. Many investors, especially in times of financial and political turbulence, turn to gold as a safe haven.

Today, there are some 170,000 metric tonnes of gold in existence above ground, according to recent estimates. If every single ounce of this gold should be placed next to each other, the resulting cube of pure gold would only measure 20 metres in any direction. Gold differs from many other assets in the way that it is almost indestructible, which means that all gold that has ever been produced, still exists.

The demand for gold occurs in many geographies and sectors. Around 60 per cent of today's gold becomes jewellery, where India and China with their expanding economic power have been at the forefront of consumption in recent times. But jewellery creates just one source of demand; investment, central bank reserves and the technology sector are all significant.

PRODUCTION AROUND THE GLOBE

Gold mining companies operate on every continent of the globe, except for the Antarctic. The vast majority of the world's gold has been mined in the modern, post-war era and as the industry has evolved, it has also diversified. A greater number of countries have emerged as gold producers over recent decades, which means mine supply has become less geographically concentrated and therefore, overall, more stable.

The annual total supply of gold has averaged around 4,000t over the last 10 years. Mining is not the only way in which gold is supplied to the market, however. Total mine supply – which is the sum of mine production and net producer hedging – accounts for two thirds of the total supply. Recycled gold accounts for the remaining third.

South Africa was the dominant gold producer during the 20th century, accounting for 70 per cent of the total gold production in the world in the 1970's. This has changed radically – China was the largest producer in the world in 2015, accounting for around 14 per cent of the total production with Russia being the third largest producer the same year. Asia as a whole produces 23 per cent of all newly-mined gold. Central and South America produce around 17 per cent of the total, with North America supplying around 16 per cent. Around 19 per cent of production comes from Africa and 14 per cent from the CIS region.

Gold production experience long lead times and new mines take up more than ten years to come on stream. That means mining output is relatively inelastic, unable to respond quickly to a change in price outlook. Even a sustained price rally does not translate easily into increased production.

Around 60 per cent of today's gold becomes jewellery

STAFF OF SKILLED GEOLOGISTS AND MINING PROFESSIONALS

Bodaibo is situated in a mining dominated area in Russia. This means that many young people choose professions linked to mining and exploration. The universities of Tomsk, Krasnoyarsk, Magadan and Irkutsk supply the company with highly skilled geologists and seasonal workers.

The company is a small employer in the area, but is focusing on creating interesting job opportunities in order to attract and retain the best possible employees. This includes offering competitive wages and personal development opportunities with training. During low season, the company supports education for employees.

Kopy Goldfields strives to keep costs down, and therefore only keep key members of staff on the permanent payroll.

RECRUITING IN THE AREA

The company seeks to recruit staff from the nearby area. However, some of the company's employees come from other regions and stay on-site in purpose-built accommodation during the time of their shift. In addition, the company has an office and a dormitory in the city of Bodaibo.
Kopy Goldfields' core values are Commitment, Responsibility and Excellence. When recruiting, it is of great importance to the company that potential employees share these values.

FOCUS ON HEALTH AND SAFETY

All staff receives health and safety training as part of the initial introduction process. Job-specific training is then provided within each workplace. Health and safety monitoring as well as internal inspections of working environments are regularly undertaken to ensure compliance with Russian regulatory requirements. Regular medical reviews are organised in Bodaibo. The company is also seeking to go beyond this by bringing its projects in line with international best practice.

ENVIRONMENTAL GOALS

Kopy Goldfields' goal is to manage the environmental impact of its operations in accordance with international best practice.

The operations of the company in Russia across the full project lifecycle are performed in accordance with Russian regulatory requirements. All projects are subject to rigorous permitting requirements by the Russian authorities.

The State Mining and Technical Supervisory Body is reviewing Kopy Goldfields' operations on a regular basis. The result, so far, is that existing procedures have been found in compliance with the requirements of the Environmental and Safety regulations.

LOW AIR OR WATER POLLUTION IMPACT

Emissions from the company's operations are managed in strict compliance with Russian regulatory requirements. Monitoring data at all sites has identified no air or water quality impact. Kopy Goldfields utilizes electricity supplied from hydropower. As a result, the only significant emissions from the operations emanate from trucks and other vehicles.

REGULATIONS AND FULFILMENTS

- "On Air Protection" (edition as of 27.12.2009) Federal Law dd. 04.05.1999
- No 96-FL Adopted by the State Duma of the Federal Council of the Russian Federation
- "On Environmental Protection" Federal law dd. 10.01.2002 No 7-FL (adopted by the State Duma of the Federal Council of the Russian Federation on 20.12.2001)

Article 16. Payment for Negative Environmental Impact.

- "On Production and Consumption Waste" Federal Law dd. 24.06.1998 No 89-FL Safety requirements to exploration (PB 08-37-2005)

THE SHARE

Trading in shares
The ticker symbol for the share is KOPY and the Company has been listed on NASDAQ First North in Stockholm since August 2010. During 2016, the total number of shares traded amounted to 157,637,839, with a total value of MSEK 238.0. The corresponding number of shares traded during 2015, was 98,291,611 with a total value of MSEK 72.3. Share turnover in the Kopy Goldfields-share – a measure of the share's liquidity – amounted to 246 (223) percent during the period, compared with 53 (58) percent for First North over the same period. On average, 623,074 (391,600) shares were traded daily with a value of SEK 940,572 (288,052) daily. The average difference between the buy and sell price during the year was 1.68 (4.16) percent.

Share price trend
Kopy Goldfields' share price on the NASDAQ First North in Stockholm increased by 55.1 percent during 2016 (70.9 percent in 2015) and closed at SEK 1.14 at the end of the year. The highest price paid for the share during the year was SEK 2.24 on March 22, 2016 and the lowest was SEK 0.725, paid on two different days, January 7 and 11. The average price was SEK 1.41. During 2016, the First North base metal index, to which Kopy Goldfields belongs, increased by 4.78 percent.

Kopy Goldfields' total market capitalization amounted to MSEK 91.0 as of December 31, 2016 (MSEK 40.0 as of December 31, 2015), while the average market capitalization in April 2017 amounted to approximately MSEK 105.

Share capital
Kopy Goldfields' share capital amounted to SEK 30,366,773 (20,701,146) on December 31, 2016, allocated among a total of 79,866,054 (54,444,996) shares with a quota value of SEK 0.38 per share. One hundred percent of the shares were registered on NASDAQ First North in Stockholm. All the shares have equal voting rights and equal rights to a share in the Company's capital and profits.

Ownership structure
The number of shareholders at the end of the year amounted to 5,551 (4,222 at the end of 2015) and the five largest shareholders are presented below.

Shareholder	Number of shares	(%)
KGK Holding AB	8,148,650	10.2%
Novatelligence AB	8,018,671	10.0%
Försäkringsbolaget Avanza Pension	6,271,469	7.9%
UBS Switzerland AG /Clients Account	5,203,208	6.5%
Swedbank Försäkring	1,145,254	1.4%
Other shareholders	51,078,802	64.0%
Total number of shares	**79,866,054**	**100.0%**

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 that add mineral resources and ore reserves to the asset base by developing deposits and acquiring mineral resources. The company prepares the deposits for production, thereby laying the groundwork for cash flow and earnings. The total return to shareholders over time is expected to be attributable more to the increase in share price than to dividends received.

The Board of Directors recommends that no dividend be paid for the 2016 financial year.

Share issue
In February 2016, a short-term loan of MSEK 3 was converted into shares. In total, 5,454,545 new shares were issued by converting a debt of SEK 2,999,999.75 at the subscription price of SEK 0.55 per share. The share capital increased by SEK 2,073,934.09 to SEK 22,775,080.27 and the number of shares after the issue amounted to 59,899,541.

On September 13, 2016, the Board resolved, with the authorization of the Annual General Meeting, to issue 19,966,513 new shares with preferential rights for existing shareholders. For each share held, the holder received one (1) subscription right, and three subscription rights entitled the holder to subscribe for one (1) new share at the subscription price of SEK 1.00 per share. The share issue, which was oversubscribed by 66.4% and injected MSEK 16.6 into the Company after issue expenses, ended in October 2016 and was registered in two stages in October and November 2016. The number of shares in Kopy Goldfields amounted to 79,886,054 shares at year-end and the new share capital amounts to SEK 30,366,733.44.

Warrants for the Board of Directors
The 2014 Annual General Meeting resolved on an incentive program for the Board through issuance of a maximum of 650,000 warrants. The warrants were acquired by the Board members at market price and the subscription period expired on December 31, 2016. After recalculation with respect to the share issue, each warrant entitled the holder to subscribe for 1.08 new shares in the Company at an exercise price of SEK 1.48 per share. No new shares were subscribed for through the program.

SHARE PRICE DEVELOPMENT DURING 2016

Share information Dec 31, 2016

Nasdaq First North Stockholm	KOPY
ISIN code	SE0002245548
Total number of shares	79,866,054

DIRECTORS' REPORT

The Board of Directors and the Chief Executive Officer of Kopy Goldfields AB (publ), 556723-6335, hereby submit the annual report for the financial year January 1 – December 31, 2016.

Group structure and background

Kopy Goldfields AB is a Swedish gold exploration company listed on NASDAQ First North.

Kopy Goldfields AB is the Swedish parent company and holds 100 percent of the Russian subsidiaries LLC Kopylovskoye, LLC Vostochny, LLC Patom Gold, LLC Taiga and LLC Nirungda Gold, the Swedish subsidiaries AB Krasny Gold Fields and Kopy Development AB, and 49 percent of the Cypriot subsidiary Bodaibo Holding Ltd with its associated Russian subsidiary LLC Krasny. The subsidiary LLC Nirungda Gold was established in late 2016 with the intention of being the owner of future newly acquired licenses. All Russian subsidiaries are domiciled in Bodaibo, a town in the Irkutsk region of Russia and are Limited Liability Companies (LLC). Each of these subsidiaries is the owner of different gold exploration and production licenses.

Vision and business concept

Kopy Goldfields' vision is to become a world-class exploration company focusing on the Lena Goldfields area in 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 the Lena Goldfields in Russia, prospect and explore them until the stage when they can either be sold out for cash or developed in cooperation with a partner. The aim of Kopy Goldfields' business is to start producing gold in close cooperation with a joint venture partner.

Operations

Kopy Goldfields is an exploration company and has not yet started extraction of gold as the projects have not yet reached production phase.

Kopy Goldfields is currently exploring within thirteen license areas having a total area of 2.049 km², with two bedrock licenses and an alluvial license together constituting the Krasny project, of which the Company owns 49 percent. All licenses are located within Lena Goldfields in the Irkutsk region of Siberia in Russia. There may be one or several exploratory drilling projects associated with each license. The licenses are all in different development stages and the Company is currently focusing on those that show the most obvious potential.

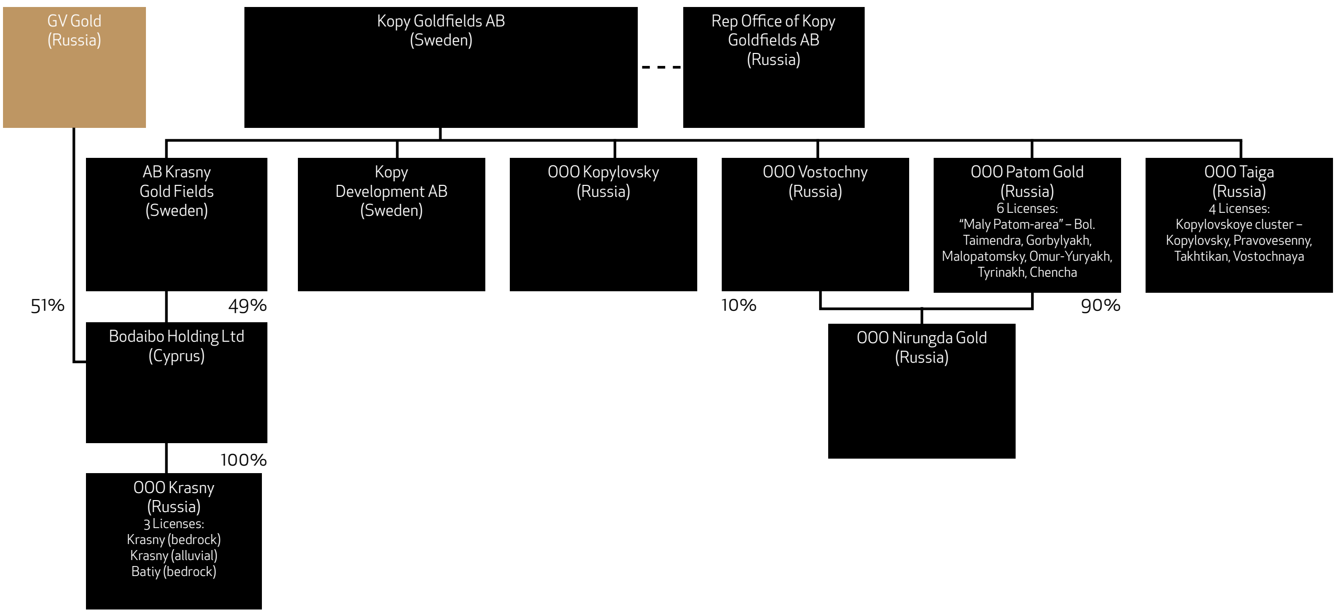
The Company focuses on the Artemovsky district of Lena Goldfields with 20 Moz of historic alluvial gold production. Seven of the licenses are geographically concentrated within a 40x20 km area, within 40 to 75 km of Bodaibo, the area's main town. The distance from the deposits to the main road is between one and ten km. The infrastructure is well developed with access to water and electricity and federal roads to the deposits. Six licenses, which form the "Northern Territories", all acquired in 2012, are geographically located 200–300 km from Bodaibo. They are all served by public roads and have a history of alluvial production. All projects are located up to 150 km from Sukhoy Log (60 Moz), which is the largest undeveloped gold deposit in Russia.

Kopy Goldfields currently holds one of the largest exploration areas in Lena Goldfields and has a diversified portfolio of exploration projects. The Company has identified several clusters to develop or divest, which are briefly presented below. In 2016, the Company focused most activities on the Krasny and Northern Territories projects, while exploration activities and expenditures on other projects were limited to statutory license reporting and upholding the terms of the licenses. For detailed information about the respective deposits and exploration activities, see the section "Project Krasny – Important Steps Toward Production" starting on page 18.

Krasny license

The Krasny license is the Company's main project. In March 2013, a mineral resource estimation according to the JORC Code was published, showing 1.37 Moz of indicated and inferred gold resources with an average grade of 1.59 g/t. The mineral resource estimate was signed by OOO Miramine and prepared in accordance with the 2004 JORC Code for reporting of mineral resources. This resource report covers the part of the Krasny mineralization that was drilled before 2013, and as such the resource estimation is limited to the most explored central part of the structure.

In the summer of 2014, Kopy Goldfields entered into a joint venture agreement with



the Russian gold producer GV Gold regarding the Krasny project. GV Gold is a Russian gold producer with production in the Bodaibo region. Under the agreement, GV Gold obtained a 51 percent interest in the Krasny Project by paying Kopy Goldfields MUSD 1 in cash and by financing a MUSD 6 in-fill exploration program followed by a reserve report in accordance with both the Russian GKZ classification and the international JORC Code. The agreement also included a contingent consideration of MUSD 2, which was received on April 21, 2016.

The exploration program was developed in several stages and primarily targeted the part of the Krasny deposit that is closer to the surface and limited to a depth of 200 meters. In Stage 1, the exploration activities aimed to confirm the existing model of the Krasny mineralization. The budget for Stage 1 was MUSD 3, which was paid upon signing of the joint venture contract.

Exploration activities were commenced in mid July 2014 and were completed on schedule by the end of November 2014. In total, 51 boreholes were drilled, amounting to 7,916 meters of core drilling, and 1,712 meters of exploration trenches were dug. In addition, three boreholes for a total of 582 meters were completed to collect ore on which to run metallurgical processing tests.

In February 2015, two bulk samples of 1,000 kg each were sent to Irgiredmet Engineering Company in Irkutsk, Russia for metallurgical bulk sample processing tests for gold recovery and the results were received in November 2015. The test results recommended similar processing technology for both the oxidized ore and primary rock with a projected total recovery of 90 percent for the primary rock and 75 percent for the oxidized ore. During December 2015 – March 2016, a second mineral processing test of the oxidized ore from the upper mineralization was conducted using a new sample of 640 kg. The test was performed by Irgiredmet, an engineering consultancy in Irkutsk, which performed all the previous mineral processing tests for Krasny. Gold recovery via the gravitation-flotation-leaching process was 78–79 percent (based on two experiments). This is better than the previous result of 75 percent that was published in December 2015.

Following the completion of Stage 1, GV Gold contributed MUSD 3 for Stage 2 in March 2015. During the spring of 2015, preliminary production modeling was done based on the figures on hand to find the optimal production scenario. Based on this, the Stage 2 exploration program was revised to fulfill this updated scenario.

Stage 1 of the exploration program was aimed primarily at verifying the previous resource estimation as well as the geological model, both of which were accomplished. In Stage 2, the main objective was instead to collect information and plan for gold production on the Krasny license.

The Stage 2 drilling commenced on June 10, 2015 and was completed on September 18, 2015. Overall, 49 boreholes were drilled totaling 7,551 meters of core drilling. The drilling results confirmed and improved the geological model for the Krasny deposit. Following completion of the Stage 2 exploration activities, an additional expansion drilling program was initiated on December 14, 2015 with the aim of adding extra resources along the strike but also filling in some blind spots between the drill profiles left after previous drilling. This program was finalized on February 25, 2016 and included 16 boreholes that accounted for 3,504 meters of core drilling. Based on the assay results, we can delineate the extension of the upper mineralization within the Krasny deposit along the strike.

In December 2015, a mineral reserve report was filed with the Russian GKZ authorities in Irkutsk for review and approval. The report was prepared in accordance with the Russian GKZ regulations and was formally approved by the authorities on March 30, 2016, confirming gold reserves of 9.7 tons (314 koz) in the C2 category.

In parallel with the GKZ report, a report on mineral resources in accordance with the JORC Code was prepared by Micon International Co Limited. The report was published on May 26, 2016 and showed 955,000 oz of assumed and indicated gold assets at a gold price of USD 1,200 per oz.

In July 2015, LLC Krasny, the Russian joint venture company, acquired an alluvial gold license. The license area includes two separate blocks – Ruchey Krasny 1 and Ruchey Krasny 2 – and is located within the boundaries of the Krasny bedrock gold license, already held by LLC Krasny, where the bedrock exploration activities are currently carried out. In January 2017, the joint venture company LLC Krasny was awarded a new bedrock license. The license, called "Batiy", has a license area of 86 km^2 and borders the northwestern section of the Krasny license. The new license was awarded without an auction procedure according to the "first come, first served" principle and entitles the holder to bedrock prospecting for seven years. The license is deemed to have great prospecting potential.

The 2016 exploration program, Stage 3, was approved in April 2016 and completed in February 2017. In this program, 100 boreholes were drilled for a total of 19,622 meters of core drilling, and 1,965 meters of exploration trenches were dug. In total, 21,822 analysis results were obtained for gold. Step 3 also contained alluvial gold exploration, which meant 440 meters of RAB drilling totaling 107 holes with an average depth of 4 meters per hole.

In 2016, a satellite mineralization called Northern Krasny was also discovered 3–4 km from the Central Krasny deposit. The mineralization in Northern Krasny was confirmed in four drill sections in 2016 and adds up to 600 meters in the strike direction at a depth of 150 meters. The mineralization is still open in the strike direction and at depth. The Company estimates that Northern Krasny will be an excellent supplement to Central Krasny and improve the economy of the project by adding gold resources at a limited extraction cost. The Northern Krasny mineralization will be included in the new update of the JORC mineral resources coming in Q2 2017.

Process tests of a sample of ore that are considered representative of the upper structure commenced in October 2016 and are ongoing. The results are expected in the second quarter of 2017. The test identified a possibility to increase the gold recovery by 1–2 percent.

In October 2016, TOMS Engineering was contracted to conduct an investment justification report for the Krasny project. The report will include the preparation of a detailed mining and production plan, justification of mill capacity, infrastructure layout, detailed CAPEX for mill and mine construction, detailed calculation of OPEX, and a NPV model for gold production. The report will focus on developing only the upper mineralization and will serve as a basis for deciding to begin the development of a Krasny mine. The final report is expected in the second quarter of 2017. In parallel with this report, TOMS Engineering will also conduct a scoping study regarding production of the lower mineralization. This preliminary study will consider both open-pit and underground mines to assess the most economical and profitable method. This report is expected in the second quarter of 2017.

The 2017 exploration program, Step 4, was decided on by Kopy Goldfields and GV

Gold in early 2017. It includes 18,855 meters of core drilling, 3,570 meters of exploration trenches, 13 km² of geochemical studies, and 30 km of electromagnetic and magnetic studies. The Step 4 drilling commenced in March 2017.

Maly Patom area

The area known as the Northern Territory covers an area of 1,852 km² (182,500 ha) and is divided into six licenses. The area is in the northeastern part of the Bodaibo region, about 250 km northeast of the city of Bodaibo. The area has a long history of successful alluvial gold extraction, and within the six bedrock licenses there are many active gold projects of this type still in operation. Most of the river valleys in this area have alluvial gold deposits and placer miners have reported pristine non-reformed gold grains in the area, which indicates the existence of bedrock sources of alluvial gold nearby. The geology and age of the rock in the area is like that of Sukhoy Log, with stratigraphy, lithology and structural setting favorable for primary gold mineralizations. There have been many observations of gold halos in the area with secondary gold, zones and points of gold mineralization, as well as pure occurrences taken manually by hand. However, more extensive gold prospecting in the bedrock has not been conducted in the area to date.

The first year with field work was 2016. In total, 5,380 samples were taken and analyzed for gold and 24 other chemical elements. The collected geochemical data was then used to develop a geochemical map of the distribution of gold and accompanying elements, after which a statistical review of the detected anomalies of the gold and guiding elements was performed. Multiplicative anomalies were then identified and mapped for each license. These anomalies, resulting from exploration in 2016, have since been compared with historical exploration data originating before 2016. Based on the work performed, 23 clusters with an area of 243 km² were selected for more detailed exploration in a second stage.

Kopylovskoye cluster

The Kopylovskoye cluster consists of four licenses: Kopylovskoye, Pravovesenny, Takhtykan and Vostochnaya. The Kopylovskoye license has an area of 1.5 km² and the license terms are valid until 2020, allowing both exploration and production. In June 2011, the Company announced a maiden mineral resource estimate according to the JORC Code for the Kopylovskoye license after approximately 6,800 meters of RC and core drilling. 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 mineralization is open in all directions.

In 2016, the Company obtained legal approval for pilot production, allowing the mining of 150,000 tons of ore over the next two years. We are now proceeding with environmental and safety authorization procedures to commence test mining with the goal of beginning bulk tests in the summer of 2017 together with a partner. The plan is to either sell the project for cash if the market allows, or to commence pilot production with a partner.

Ownership structure

The number of shareholders was 5,551 on December 31, 2016. The five largest shareholders were KGK Holding AB (10.2%), Novatelligence AB (10.0%), Försäkringsbolaget Avanza Pension (7.9%), UBS AG Clients Account (6.5%) and Swedbank Försäkring (1.4%).

The share

The Company's share has been listed on NASDAQ First North since August of 2010.

A short-term loan of MSEK 3.0 was converted into shares in February 2016, with 5,454,545 new shares being issued. The share capital increased by SEK 2,073,934 to SEK 22,775,080 and the number of shares after the issue amounted to 59,899,541.

On September 13, 2016, the Board resolved, with the authorization of the Annual General Meeting, to issue 19,966,513 new shares with preferential rights for existing shareholders. For each share held, the holder received one (1) subscription right, and three subscription rights entitled the holder to subscribe for one (1) new share at the subscription price of SEK 1.00 per share. The share issue, which was oversubscribed by 66.4% and injected MSEK 16.6 into the Company after issue expenses, ended in October 2016 and was registered in two stages in October and November 2016.

The number of outstanding shares as of December 31, 2016 amounted to 79,866,054 and the share capital amounted to SEK 30,366,733.44. All shares have equal voting rights and equal rights to share in the Company's capital and profits.

Earnings

Operating earnings amounted to MSEK -5.3 (-3.0), which is MSEK 2.3 lower than the prior year. The change is primarily due to the joint venture agreement that was signed in 2014 regarding the Krasny license. Under the agreement, the Company was entitled to a contingent consideration, and in 2015, other income of SEK 4.7 million was recognized for a revaluation of this contingent consideration. The change in operating profit compared with the previous year is attributable to higher operating expenses in 2016, with other external expenses amounting to MSEK -8.7 (-6.1), which is an increase of MSEK 2.6 from the previous year. Earnings from joint ventures amounted to MSEK 4.9 for 2016, while earnings for the previous year amounted to MSEK -0.1, an improvement of MSEK 5.0.

Earnings after financial items for the year amounted to MSEK -5.0 (-3.8) and earnings after tax amounted to MSEK -5.0 (-3.8). Net financial items for 2016 were MSEK 0.4 (-0.8), where the difference from last year is attributable to lower interest expenses and positive exchange rate effects in 2016.

Tax

Tax for the period amounted to MSEK 0 (0). Management's assessment is that the Group will not generate any profits from operating activities over the next few years. The Company does not capitalize deferred tax assets attributable to tax losses.

Earnings per share

Earnings per share amounted to SEK -0.08 (-0.07) for 2016. Equity per share amounted to SEK 1.52 (1.59).

Cash flow, liquidity and financial position

Cash flow from operating activities, before changes in working capital, amounted to MSEK -9.1 (-8.5). The change in working capital was MSEK -1.0 (-0.9). Cash flow from investing activities was MSEK 6.2 (-1.6), with the difference from the previous year mainly attributable to the contingent consideration of MUSD 2 (MSEK 16.2) received in April 2016, and the investment of MUSD 1.0 (MSEK 8.6) in the joint venture project transacted in autumn 2016. Cash flow from financing activities amounted to MSEK 13.1 (11.3). New shares were issued during the year worth MSEK 16.6, net of issue expenses, and MSEK 3.5 was paid on loans, including interest. During the preceding year, new shares were issued worth MSEK 8.0, net after issue expenses, and a short-term bridge loan of MSEK 3.3 was raised, explaining the difference between the years.

Interest-bearing liabilities amounted to MSEK 0 (6.3) at year-end. In February 2016, MSEK 3.0 was repaid by converting the loan into shares. After a contingent consideration of MUSD 2 in cash was received in April 2016, the remaining short-term loans of MSEK 3.3 were repaid. Consolidated cash and cash equivalents amounted to MSEK 10.7 (1.4) at year-end.

The equity/assets ratio amounted to 96 percent at year-end compared to 89 percent in the prior year. No dividend was paid to the shareholders during the year.

During full year 2016, the Russian ruble strengthened against the Swedish krona by 30.9 percent (-17.5 percent) and the euro strengthened by 4.8 percent (-3.8 percent). The statement of comprehensive income includes translation differences of MSEK 13.1 (-10.1) for the full year. See Note 4 for currency risks.

Equity

In February 2016, a short-term loan of MSEK 3 was converted into shares. In total, 5,454,545 new shares were issued by converting a debt of SEK 2,999,999.75 at the subscription price of SEK 0.55 per share. The share capital increased by SEK 2,073,934.09 to SEK 22,775,080.27 and the number of shares after the issue amounted to 59,899,541.

On September 13, 2016, the Board resolved, with the authorization of the Annual General Meeting, to issue 19,966,513 new shares with preferential rights for existing shareholders. The share issue, which was oversubscribed by 66.4% and injected MSEK 20.0 into the Company before issue expenses, ended in October 2016 and was registered in two stages in October and November 2016. The number of shares in Kopy Goldfields amounted to 79,886,054 shares at year-end and the new share capital amounts to SEK 30,366,733.44.

Investments

The Group's investments in exploration and evaluation amounted to MSEK 1.9 (2.7) during the year. No licenses were acquired during the period nor in the comparative year. Of the exploration activities, MSEK 1.6 (1.4) consisted of capitalized work for the Company's own use. The Group also invested MSEK 8.6 (0) in the joint venture project for the Krasny license. Investments in buildings, machinery and equipment amounted to MSEK 0.2 (0) in 2016.

Depreciation for the year amounted to MSEK 0.4 (0.5).

An impairment test of the Group's tangible and intangible assets was performed during the year. No impairment was identified.

Parent company

The Swedish parent is a holding company with no significant operational activity. The parent company supports the subsidiaries with financing, strategy decisions, etc.

Parent company earnings amounted to MSEK -11.0 (-9.8) and equity amounted to MSEK 121.0 (112.4) on December 31, 2016. Cash and cash equivalents amounted to MSEK 10.6 (1.2).

Environmental policy

All exploration activity in the Kopy Goldfields Group follows existing environmental regulations in the country where operations are conducted. There were no environmental accidents in 2016.

Personnel

The average number of full-time employees in the Kopy Goldfields Group was 6 (8) in 2016, of whom 1 (1) was female. At the start of the year the number of employees was 6 and at the end of the year the number was 6, of whom 5 men and 1 woman.

Work of the board

The Board consisted of three members in 2016. The Board held 11 minuted meetings and stayed in continuous contact with each other during the 2016 financial year. The Board also keeps in continuous contact with management. The Board paid special attention during the year to the joint venture agreement with GV Gold and monitoring the exploration activities.

The Board intends to gradually implement the Swedish Corporate Governance Code.

SIGNIFICANT RISKS AND UNCERTAINTIES

Market-related risks

Risks related to macroeconomic factors

A negative outlook for the world economy and disruptions on the global capital markets may affect the Company's operations and may make the possibilities to finance the Company more difficult in the future.

Volatility in gold price

The gold price may change due to reduced demand, changes in the US dollar or other macroeconomic factors, which may adversely affect the Company's operations and financial position. Fluctuations in the official exchange rate of the Russian ruble, euro and US dollar directly and indirectly affects 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 on equivalent terms.

Risks related to Russia

Operating in Russia subjects the Company to several political, legal and economic factors that may affect its operations and financial position. The Company sees the following risks as the biggest challenges to operating in Russia:

International capital flows can be hampered by global financial difficulties.

Changes in inflation may affect the Company's financial position.

Relations between Russia and the EU and/or the US may worsen and current sanctions may be extended. The Company is not currently affected by the sanctions but does monitor developments.

Conflicts in the Russian federal system, including illegal or lucrative state incidents, may lead to uncertainty in 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 does not accept the decisions of a foreign court of law and pursues issues in 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 is thereby difficult to anticipate. The Russian tax system is also subject to different interpretations on the federal, regional and local levels.

Risks related to the Company's operations

Geological risk

Gold exploration is associated with high risk. All estimates of recoverable mineral resources in the ground are largely based on probabilities. Estimates of mineral resources and ore reserves are based on extensive test drilling, statistical analyses and model studies and remain theoretical in nature until verified by industrial mining. There is no methodology for determining with certainty the exact amount of gold available or 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 viewed against this background and may therefore deviate from this.

Technical risk

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 delays in the growth of the Company.

Environmental risk

If incorrect technical or chemical equipment is used in exploration and production, environmental risks may arise that may delay the Company's operations and increase the cost of exploration, which may have a negative effect on the financial position of the Company. Environmental requirements and counterparty costs may be directed toward the Company, which may delay other work or increase the Company's costs. Currently, the Company does not have any material asset retirement obligations.

However, a change in the governing laws may impose stricter 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 must renew the production licenses, which may lead to delays in the start of production and which may affect the Company's financial position negatively. The Company may be late in meeting the obligations of newly acquired licenses, which may affect the Company's financial position negatively. In addition, breach of license obligations may result in license revocation, which may have a significantly negative effect on the Company's financial position.

Useful life of the deposits

The useful life and profitability of a deposit depends on several factors, such as metal prices, the size of the mineral resource, financing costs, etc. An unforeseen negative development in any of these parameters may negatively affect the Company's earnings and financial position. There is a risk that ore reserves may change in the future due to changes in production costs, processing yield or product price.

Suppliers

Dependence on third parties and local suppliers and their services, access to equipment and construction assistance may be delayed.

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 ruled out that ownership of 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 share capital or previous share transfers.

Dependence on qualified personnel

The Company's development is highly dependent on the existing management and organization and their ability to recruit and retain experienced personnel for future operations. The workforce, located in the Bodaibo area, may choose to move to bigger cities, which can make it difficult to recruit competent personnel.

Accidents

Mining and exploration is a more accident-prone industry than many others. As such, the Company's employees are exposed to occupational risks. Mining and exploration work is also exposed to potential natural disasters. A serious accident or natural disaster could have a significantly negative effect on the Company's earnings and financial position.

Reporting process

The Company's management processes and internal reporting controls may suffer if its subsidiaries do not follow established procedures for reporting to the parent company, since the reporting of financial data must be reliable and timely.

Risks 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 deterioration in these possibilities can have a negative effect on the Company's financial position and operating profit.

Financial risks

Currency risks

Kopy Goldfields has significant costs, assets and liabilities in Russian rubles (RUB), US dollars and euros, resulting in 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.

Translation exposure

Net income in the Russian subsidiaries and the value of the parent company's net investment in them are affected by exchange rate fluctuations, which in turn affect the consolidated balance sheet and income statement on translation to SEK.

Interest rate risk

Kopy Goldfields is to a relatively small extent exposed to interest rate risk, since the Company has only had a small amount of loan financing during the year with no loans payable at year-end. The discount rate and the assessed fair value of certain balance sheet items are however affected by changes in the underlying interest rate. Interest income and interest expenses are also affected by interest rate fluctuations.

Financing risks

Need for additional capital

The Company may in the future require additional capital. The capital may be acquired through the issuance of shares, other equity instruments or debt instruments, or by obtaining other external financing. There is no guarantee that the Company will be able to obtain financing or that the terms and conditions of such financing will be advantageous for the Company or without considerable dilution for the shareholders. 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. There is no guarantee that such sale of assets can be done on terms and conditions that are advantageous to the Company.

Liquidity risk

Liquidity risk is the risk that Kopy Goldfields 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 over the next several years, it must continue to raise external capital or to find joint venture partners or asset buyers to be able to continue to develop the business and meet future obligations.

Refinancing risk

Refinancing risk is the risk that Kopy Goldfields cannot refinance its outstanding liabilities on acceptable terms, or at all, at a given point in time. As the Company had no outstanding financial liabilities at year-end, refinancing risk is limited.

Share-related risk

Investing in shares is associated with risk and an investor may lose all or part of the value of the investment.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

The joint venture company OOO Krasny was awarded a new bedrock license in January 2017. The license is called "Batiy" and borders the Krasny license area. The new license was awarded without an auction procedure and is expected to have great prospecting potential.

OPERATIONAL OUTLOOK 2017

In 2017, the Company will focus on advancing the Krasny project to feasibility studies and mine construction to enable production by late 2020. The 2017 exploration and development program will be financed partially by the funds remaining in the joint venture company following completion of the 2016 exploration programs and partially by new investments from partners.

The Company will also proceed with the Kopylovskoye project. This project has Russian reserves approved, which facilitates production planning and joint venture agreements. Several Russian investors have shown interest in the Company.

To increase the potential for exploration, the Company will continue to evaluate new exploration areas within Lena Goldfields for potential acquisition. The focus will be on land that is within the most geologically advantageous areas for significant bedrock discoveries with established alluvial production.

GOING CONCERN

Exploration is a capital-intensive activity and as disclosed elsewhere in these financial statements the Company does not yet recognize any revenue. The Board estimates that the Company has sufficient working capital for 2017. However, depending on the results of ongoing exploration and feasibility studies, it cannot be ruled out that additional funding may be required to explore the Northern Territory, develop the Kopylovskoye project or maintain the participating interest in the Krasny project. The formal decision to commence construction of a mine at Central Krasny is planned to be taken in 2017, which may also lead to further capital injection requirements for Krasny. The Board estimates that this funding will primarily be either through the sale of assets or through share issues, possibly supplemented by loans and bridge financing. However, considering the assessed values of the Company's licenses, the Board believes the Company is a going concern.

FIVE YEAR SUMMARY

	2016	2015	2014	2013	2012
Earnings per share, SEK	-0.08	-0.07	0.37	-2.27	-1.01
Equity/assets ratio, %	95.7	89.3	90.8	88.7	92.8
Investments in intangible assets, MSEK	1.9	2.7	1.9	19.4	36.6
Investments in joint ventures	8.6	–	–	–	–

PROPOSED DISPOSITION OF EARNINGS

At the disposal of the annual general meeting:

SEK	
Share premium reserve	190,692,234
Fair value reserve	-6,828,278
Retained earnings	-82,216,744
Net income	-11,015,199
Total	**90,632,013**
The Board proposes that this amount be carried forward	90,632,013

CONSOLIDATED INCOME STATEMENT

KSEK	Note	2016	2015
Other operating income	6	2,611	6,977
Total revenue		**2,611**	**6,977**
Work performed by the company for its own use and capitalized		1,560	1,418
Operating expenses			
Other external costs	9	-8,722	-6,077
Personnel costs	10	-5,655	-5,122
Participation in associates and joint ventures	22	4,924	-138
Depreciation and amortization of tangible and intangible assets	8	-64	-58
Operating earnings		**-5,346**	**-3,000**
Earnings from financial items			
Financial income	12	577	60
Financial expenses	12	-195	-816
Earnings after financial items		**-4,964**	**-3,756**
Tax on earnings for the year	13	-10	13
Net income		**-4,974**	**-3,743**
Of which attributable to parent company shareholders		-4,974	-3,743
Earnings per share before and after dilution*	14	-0.08	-0.07
Average number of shares before and after dilution*		66,289,450	55,629,391

*Earnings per share before and after dilution as well as average number of shares before and after dilution were recalculated to reflect the share issues implemented in 2015 and 2016.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	2016	2015
Net income	-4,974	-3,743
Items that may be reclassified to profit or loss		
Translation differences on foreign operations	13,125	-10,080
Total comprehensive income	**8,151**	**-13,823**
Of which attributable to parent company shareholders	*8,151*	*-13,823*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

KSEK	Note	2016-12-31	2015-12-31
Assets			
Non-current assets			
Intangible assets			
Exploration licenses and evaluation work	15	26,336	18,419
		26,336	**18,419**
Property, plant and equipment			
Buildings	16	1,213	935
Machinery and equipment	17	503	1,208
		1,716	**2,143**
Financial assets			
Participations in associates and joint ventures	22	86,184	65,349
		86,184	**65,349**
Total non-current assets		**114,236**	**85,911**
Current assets			
Inventory	18	88	88
		88	**88**
Current receivables			
Trade receivables		303	102
Other receivables	19	972	16,864
Prepaid expenses	20	186	151
		1,461	**17,117**
Short-term investments			
Cash and cash equivalents		10,708	1,381
		10,708	**1,381**
Total current assets		**12,257**	**18,586**
Total assets		**126,493**	**104,497**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, CONT.

KSEK	Note	2016-12-31	2015-12-31
Equity			
Capital and reserves attributable to parent company shareholders			
Share capital	23	30,367	20,701
Other paid-in capital		287,985	278,067
Translation reserves		-33,177	-46,302
Retained earnings, incl. net income		-164,093	-159,119
Total equity		**121,082**	**93,347**
Non-current liabilities			
Deferred tax	13	3,013	2,294
Total non-current liabilities		**3,013**	**2,294**
Current liabilities			
Current liabilities, interest-bearing	24	–	6,300
Trade payables		171	735
Current tax payable		144	21
Other current liabilities		372	196
Accrued expenses and deferred income	25	1,711	1,604
Total current liabilities		**2,398**	**8,856**
Total equity and liabilities		**126,493**	**104,497**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KSEK	Share capital	Other paid-in capital	Translation reserves	Retained earnings	Total equity
Opening balance 2015	**20,001**	**270,751**	**-36,222**	**-155,376**	**99,153**
Other comprehensive income			-10,080		-10,080
Net income				-3,743	-3,743
Share capital reduction	-8,500	8,500			–
Share issue	9,201	1,688			10,889
Issue expenses		-2,872			-2,872
Closing balance 2015	**20,701**	**278,067**	**-46,302**	**-159,119**	**93,347**
Other comprehensive income			13,125		13,125
Net income				-4,974	-4,974
Conversion of debt	2,074	926			3,000
Share issue	7,592	12,375			19,967
Issue expenses		-3,383			-3,383
Closing balance 2016	**30,367**	**287,985**	**-33,177**	**-164,093**	**121,082**

The equity is fully attributable to the shareholders of Kopy Goldfields AB. Reserves fully consist of translation differences

CONSOLIDATED STATEMENT OF CASH FLOW

KSEK	Note	2016	2015
Operating activities			
Earnings after financial items[1]		-4,964	-3,756
Adjustment for non-cash items, etc.	26	-4,107	-4,771
Taxes paid		0	0
Cash flow from operating activities before changes in working capital		**-9,071**	**-8,527**
Cash flow from changes in working capital:			
Increase (-)/Decrease (+) in inventory		23	357
Increase (-)/Decrease (+) in current receivables		-902	3,875
Increase (+)/Decrease (-) in current liabilities		-73	-5,160
Cash flow from operating activities		**-10,023**	**-9,455**
Cash flow from investing activities			
Acquisition of property, plant and equipment		-181	–
Acquisition of intangible assets	15	-1,587	-2,254
Investment in joint venture		-8,626	–
Divestment of property, plant and equipment		411	691
Divestment of subsidiaries/licenses	27	16,201	–
Cash flow from investing activities		**6,218**	**-1,563**
Cash flow from financing activities			
Share issue		19,967	10,889
Issue expenses		-3,383	-2,872
Loans raised		–	3,300
Repayment of loans		-3,480	–
Cash flow from financing activities		**13,104**	**11,317**
Cash flow for the year		**9,299**	**299**
Cash and cash equivalents at start of year		1,381	1,111
Exchange rate difference in cash and cash equivalents		28	-29
Cash and cash equivalents at end of year		10,708	1,381
Supplementary cash flow disclosures			
Cash and cash equivalents			
The following subcomponents are included in cash and cash equivalents:			
Cash and bank balances		10,708	1,381

[1] Amount includes interest received of KSEK 4 (12) and interest paid of KSEK 278 (300)

INCOME STATEMENT, PARENT COMPANY

KSEK	Note	2016	2015
Revenue	7	3,820	3,327
Total revenue		**3,820**	**3,327**
Operating expenses			
Other external costs	9	-3,548	-3,857
Personnel costs	10	-4,095	-3,704
Depreciation and amortization of tangible and intangible assets	8	-64	-58
Total operating expenses		**-7,707**	**-7,619**
Operating earnings		**-3,887**	**-4,292**
Earnings from financial items			
Earnings from participations in Group companies	11	-4,866	-3,066
Earnings from other financial assets	7, 12	-2,293	-2,074
Interest income and similar income items	7, 12	497	60
Interest expenses and similar income items	12	-1,114	-474
Earnings after financial items		**-11,663**	**-9,846**
Appropriations		648	–
Earnings before tax		**-11,015**	**-9,846**
Income tax	13	–	–
Net income		**-11,015**	**-9,846**

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

KSEK	2016	2015
Net income	-11,015	-9,846
Other comprehensive income		
Translation differences	18	-31
Total comprehensive income	**-10,997**	**-9,877**

BALANCE SHEET, PARENT COMPANY

KSEK	Note	2016-12-31	2015-12-31
Assets			
Non-current assets			
Property, plant and equipment			
Machinery and equipment	17	24	58
		24	**58**
Financial assets			
Participations in Group companies	11, 21	119,237	119,237
Receivables from Group companies	12	0	0
		119,237	**119,237**
Total non-current assets		**119,261**	**119,295**
Current assets			
Current receivables			
Other receivables	19	497	152
Prepaid expenses and accrued income	20	119	87
Cash and bank balances		10,578	1,203
Total current assets		**11,194**	**1,442**
Total assets		**130,455**	**120,737**
Equity and liabilities			
Equity			
Restricted equity			
Share capital	23	30,367	20,701
Total restricted equity		**30,367**	**20,701**
Non-restricted equity			
Share premium reserve		190,692	180,774
Fair value reserve		-6,828	-6,846
Retained earnings, incl. net income		-93,232	-82,217
Total non-restricted equity		**90,632**	**91,711**
Total equity		**120,999**	**112,412**
Current liabilities			
Interest-bearing liabilities	24	–	3,000
Trade payables		92	644
Liabilities to Group companies	12	7,629	3,097
Other current liabilities		24	56
Accrued expenses and deferred income	25	1,711	1,528
Total current liabilities		**9,456**	**8,325**
Total equity and liabilities		**130,455**	**120,737**

CHANGES IN EQUITY, PARENT COMPANY

KSEK	Share capital	Unregistered share capital	Share premium reserve	Fair value reserve	Retained earnings incl. net income	Total equity
Closing balance 2014	**20,001**	**–**	**181,958**	**-6,815**	**-80,871**	**114,272**
Share capital reduction	-8,500				8,500	–
Share issue	9,201		1,688			10,889
Issue expenses			-2,872			-2,872
Other comprehensive income				-31		-31
Net income					-9,846	-9,846
Closing balance 2015	**20,701**	**–**	**180,774**	**-6,846**	**-82,217**	**112,412**
Conversion of debt	2,074		926			3,000
Share issue	7,592		12,375			19,967
Issue expenses			-3,383			-3,383
Other comprehensive income				18		18
Net income					-11,015	-11,015
Closing balance 2016	**30,367**	**–**	**190,692**	**-6,828**	**-93,232**	**120,999**

The fair value reserve relates to exchange differences on loans in foreign currency to subsidiaries.

CASH FLOW STATEMENTS, PARENT COMPANY

KSEK	Note	2016	2015
Cash flow from operating activities			
Earnings before tax[1]		-11,015	-9,846
Adjustment for non-cash items, etc.	26	3,798	1,892
Cash flow from operating activities before changes in working capital		**-7,217**	**-7,954**
Cash flow from changes in working capital:			
Increase (-)/Decrease (+) in current receivables		-377	213
Increase (+)/Decrease (-) in current liabilities		-401	-1,084
Cash flow from operating activities		**-7,995**	**-8,825**
Cash flow from investing activities			
Shareholder contributions		-1,046	-1,861
Acquisition of property, plant and equipment		-30	–
Loans to Group companies		-2,292	61
Cash flow from investing activities		**-3,368**	**-1,800**
Cash flow from financing activities			
Share issue		19,967	10,889
Issue expenses		-3,383	-2,872
Loans raised		12,780	2,970
Repaid loans		-8,626	–
Cash flow from financing activities		**20,738**	**10,987**
Cash flow for the year		**9,375**	**362**
Cash and cash equivalents at start of year		1,203	841
Cash and cash equivalents at end of year		10,578	1,203
Supplementary cash flow disclosures			
Cash and cash equivalents			
The following subcomponents are included in cash and cash equivalents:			
Cash and bank balances		10,578	1,203

[1] Amount includes interest received of KSEK 4 (12) and interest paid of KSEK 94 (300).

NOTES

Company information
Kopy Goldfields AB (publ) is a Swedish limited liability company domiciled and with its head office at Skeppargatan 27 in Stockholm, Sweden (corporate registration number 556723–6335). The Group's operations are focused on exploring for gold in the Bodaibo district of the Irkutsk region of Russia. The parent company's functional and reporting currency is SEK. The annual report for the year ending December 31, 2016 was approved for publication by the Board of Directors on May 8, 2017 and will be presented to the Annual General Meeting for adoption on May 30, 2017.

Accounting principles
The most significant accounting principles that have been applied when preparing the consolidated financial statements are described below. These principles are unchanged for all years presented, unless otherwise stated.

Basis of presentation
The consolidated financial statements are prepared on the historical cost basis and in accordance with International Financial Reporting Standards, IFRS, and the interpretations from the IFRS Interpretations Committee, as they have been adopted by the EU and in accordance with the Annual Accounts Act ("ÅRL") and the Swedish Accounting Standards Council's recommendation RFR 1, "Supplementary Accounting Rules for Consolidated Accounts".

The parent company has prepared its financial statements in accordance with the Annual Accounts Act (1995:1554) through the application of RFR 2 "Accounting for legal entities". In accordance with RFR 2 the parent company should apply all of the IFRSs that have been adopted by the EU to the extent possible within the framework of the Annual Accounts Act and taking the link between accounting and taxation into account. The recommendation specifies which exceptions and additions are to be made from IFRS.

Shares in subsidiaries are carried at cost unless otherwise stated.

The consolidated financial statements have been prepared in accordance with the purchase method and include the parent company and its subsidiaries.

Accounting in accordance with IFRS
The preparation of financial statements in accordance with IFRS requires the use of certain significant estimates for accounting purposes. It also requires management to make certain assessments in the application of the accounting principles of the Group. The areas that include a high degree of assessment, that are complex or areas where assumptions and estimates are essential to the consolidated accounts are set out below in Note 5 – Significant estimates and assessments for accounting purposes.

Application of new or amended standards
a) New and amended standards applied by the Group

No new or amended IFRS standards that went into effect as of January 1, 2016 have had any material impact on the Group's financial statements.

b) New standards, amendments and interpretations of existing standards that have not yet come into force and that have not been adopted early by the Group.

Several new standards and amendments to interpretations and existing standards took effect for financial years beginning after January 1, 2017 and were not applied when preparing the consolidated financial statements. None of these are expected to have a material impact on the consolidated financial statements except for the following:

IFRS 9 – Financial Instruments. The standard will replace IAS 39 – Financial Instruments: Recognition and Measurement, and addresses the classification and measurement of financial instruments and hedge accounting. The standard will apply to financial years commencing on January 1, 2018. The Group has yet to assess the full impact of IFRS 9.

IFRS 15 – Revenue from Contracts with Customers. The standard addresses the accounting of revenue from contracts and sales of certain non-financial assets. It will replace IAS 11 – Construction Contracts and IAS 18 – Revenue, along with related interpretations. The standard will apply to financial years commencing on January 1, 2018. The Group has not yet initiated production and thus does not recognize any net sales, so the new standard has not yet been evaluated.

IFRS 16 – Leases. The standard requires lessees to recognize assets and liabilities attributable to all leases, except for contracts shorter than 12 months or for small amounts. Accounting for the lessor will be essentially unchanged. The standard replaces IAS 17 – Leases, along with related interpretations. The standard will take effect on January 1, 2019. The Group has a very limited number of leases and has not yet evaluated the new standard. See Note 29 for more information.

Other changes in standards and interpretations are deemed to have no impact on the Group's accounting principles or financial position.

NOTE 1 BASIS OF CONSOLIDATION

Subsidiaries
Subsidiaries are all companies (including special purpose companies) where the Group is exposed, or has rights, to variable returns from its involvement with the entity and can use its influence to affect its returns. This usually follows from a shareholding that exceeds 50 percent of the shares' or participations' voting rights or where the Group, by agreement, exercises sole control. Subsidiaries are included in the consolidated financial statements as of the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated financial statements as of the date on which the controlling influence ceases.

When a business combination in effect is an acquisition of an exploration license that is not part of a business, the purchase price is allocated to the separate identifiable assets and liabilities based on their relative fair values at the acquisition date. Deferred tax is not accounted for in asset acquisitions.

The Company applies the purchase method when accounting for business combinations. The cost of an acquisition is the fair value of assets given as consideration, issued equity instruments and liabilities assumed at the date of acquisition. Up until 2009 expenses directly attributable to the acquisition are included in the cost of the acquisition. Identifiable acquired assets and assumed liabilities and contingent liabilities in a business combination are initially valued at fair value on the date of acquisition, regardless of any minority interest. Any excess in the cost of the acquisition over the fair value of identifiable acquired assets, assumed liabilities and contingent liabilities is recognized as goodwill. If the cost of the acquisition is less than the fair value of identifiable acquired assets, assumed liabilities and contingent liabilities, the difference is recognized immediately in the income statement.

Intra-Group transactions, balance sheet items and unrealized profits on transactions between Group companies are eliminated. Unrealized losses are also eliminated, but any losses are considered an indication of an impairment loss. The accounting principles for subsidiaries have, when needed, been adjusted to guarantee a consistent application of the accounting principles of the Group.

Joint ventures
A joint venture is a form of joint arrangement that arises when the parties that have joint control have rights to the net assets in an arrangement. Since August 2014, the Company has been party to a cooperation agreement regarding one of the Company's licenses. The Company owns 49 percent and after evaluating the terms of the agreement, the assessment was that there is joint control and that the joint arrangement is a joint venture, which is recognized using the equity method. This means that the carrying amounts for interests in the joint venture correspond to the Group's share of recognized equity in the joint venture, any goodwill and any other remaining fair value adjustments recognized at the acquisition date.

When subsidiaries are divested to joint ventures, the former stake in the subsidiary is adjusted to its fair value at the acquisition date. Any profit or loss is recognized in the income statement.

Shares of earnings in joint ventures, which is recognized in the income statements, comprises the Group's share of the joint venture's earnings after tax adjusted for any amortization, depreciation, impairment or other adjustments arising from any remaining fair value adjustments recognized at the acquisition date.

Joint ventures are recognized in the parent company according to the cost method.

Associates

All companies for which the Group has a significant but not controlling influence, which in general are shareholdings of 20-50 percent of the votes, are accounted for as associates. Investments in associates are recognized using the equity method and are initially valued at cost. Currently, the Group does not have any associates.

Segment reporting

Operating segments are reported in a way that corresponds to the internal reporting that is submitted to the chief operating decision-maker. The chief operating decision-maker is responsible for allocation of resources and assessment of the earnings of the operating segment. Within the Group this function has been identified as the chief executive officer (CEO).

All Kopy Goldfields' exploration activities are exposed to similar risks and possibilities and are conducted entirely within Russia, so the Company's operations are recognized within one operating segment.

Foreign currency translation

The functional currency for each entity within the Group is determined taking the economic environment where each entity operates into consideration. Local currency generally corresponds to functional currency in the respective country. Monetary assets and liabilities in foreign currencies are translated at the exchange rate that is applicable at the end of the reporting period. All differences are recorded in the income statement except for those differences related to loans in foreign currency that are a hedge of the net investment in a foreign operation, as well as claims on subsidiaries for which settlement is not planned or will likely not be settled in the foreseeable future. Those differences are recognized as other comprehensive income in the consolidated statement of comprehensive income.

The following exchange rates were used in the Group:

	2016		2015	
Currency	**Closing rate**	**Average rate**	**Closing rate**	**Average rate**
RUB	0.1500	0.1286	0.1146	0.1390
USD	9.0976	8.5613	8.3524	8.435
EUR	9.5707	9.4707	9.1333	9.3562

Group companies

Earnings and financial position for all Group companies (of which none have a hyperinflation currency as functional currency) that have a different functional currency than the presentation currency are translated to the Group's presentation currency as follows:

Assets and liabilities for each of the balance sheets are translated to the closing day rate

Revenue and expenses for each of the income statements are translated to the average exchange rate

All exchange differences are recognized as other comprehensive income

On consolidation, exchange differences arising from translation of the net investment in the Russian operations are recognized in equity. On divestment of a foreign operation, in whole or in part, the exchange differences that were recognized in equity are transferred to the income statement and recognized as a portion of the capital gain/loss. Adjustments to fair value arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate in effect at the end of the reporting period.

Cash flow statement

The cash flow statement is prepared according to the indirect method. The recognized cash flow only includes transactions that are payments to or from the Group. Cash and cash equivalents in the cash flow statement corresponds to the definition of cash and cash equivalents in the balance sheet.

Revenue

Revenue recognition

Kopy Goldfields does not have any gold sales as the Company has not yet reached the production phase. Existing revenue includes sale of subsidiaries, inventory and certain equipment. Revenue is recognized exclusive of value added tax, returns and discounts and after elimination of intra-Group sales.

Intangible assets

Intangible assets in Kopy Goldfields consist of:

Exploration licenses

The Company's licenses for exploration are initially recognized at cost. Such licenses are normally acquired at open public auctions in Russia, whereby the winning auction price and related overhead equal cost.

Exploration work

The next step is exploration work. Exploration work can vary in nature to include various types of drilling, geochemical and magnetic surveys, and laboratory analyses. Exploration work also includes payroll expenses for the personnel who perform the work. Generally, the exploration work is performed for two reasons: on the one hand as a pure exploration activity to find new ores to mine, on the other hand as an evaluation in order to better determine the financial potential for extraction from an already proven mineral or alluvial deposit.

Exploration expenditures for pure exploration are expensed in the period in which they are incurred while expenditures for evaluation work are expensed up until the period in which the Company has decided to or deems it probable that a decision will be taken to extract ore from a deposit. Alternatively, assessment may refer to the possibility of selling the deposit in the future at a profit. From that moment, expenditures are capitalized as exploration licenses and are subject to depreciation according to generally accepted principles as described below.

In several cases, auctioned licenses have been explored to a greater or lesser extent during the Soviet era. Normally this means that a mineralization has already been determined in the license area and that additional exploration efforts are focused on a better evaluation of the financial potential of the object. The issuance of a Russian mineral license does not, however, guarantee existence of minerals that are economically worth mining in the license area. Kopy Goldfields has assessed that part of the work on the main license was economically worth mining while others were not. The latter have been expensed.

If the assessment of the economic potential of capitalized exploration expenditures changes, the expenditures are written down immediately. All capitalized exploration expenditures are subject to annual impairment testing if there are circumstances indicating that a write-down may be required.

The production licenses are depreciated when production commences.

Property, plant and equipment

All tangible assets are carried at cost less accumulated depreciation. Cost includes expenditures directly attributable to acquisition of the asset.

Subsequent expenditures are added to the carrying amount of the asset, or are recognized as a separate asset when more suitable, only when it is probable that the future economic benefits of the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced portion is removed from the balance sheet. All other forms of repair and maintenance are recognized as costs in the income statement in the period in which they arise.

To allocate the cost of an asset down to its residual value over its useful life, depreciation is done on a straight-line basis according to the following useful lives:

Type of asset	Useful life (years)
Buildings	5–30
Plants	5–30
Machinery	2–15
Computers	2–5

The residual values and useful lives are tested at the end of each reporting period and adjusted as needed. Gains and losses arising from the divestment of assets are determined by comparing the selling price to the carrying amount. The amount is then recognized in the income statement as other operating income and other operating expenses respectively.

Write down of non-financial assets
Assets that have indeterminable useful lives and capitalized development expenditures that have not yet been put to use are not depreciated but are tested annually for impairment. Assets that are depreciated are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets are written down by an amount that is the difference between the carrying amount and its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling expenses and its value in use. When assessing the need for write down, assets are grouped on the lowest levels where there are separately identifiable cash flows (cash-generating units). At the end of each reporting period, assets, other than financial assets and goodwill, that were previously written down are tested to determine if the write-down should be reversed.

Leasing
Non-current assets that are leased are classified in accordance with the lease's financial implications. Assets under financial leases are recognized as non-current assets and future lease payments as interest-bearing liabilities. For leasehold items classified as operating leases, leasing expenses are recognized as operating expenses in the income statement. Leased non-current assets, where the Group essentially holds the financial risks and benefits associated with ownership, are classified as finance leases. Finance leases are recognized at the beginning of the lease term at the lower of fair value and present value of the minimum lease payments of the asset. Other leases are classified as operating leases. Payments made during the lease term (less any incentives from the lessor) are expensed in the income statement on a straight-line basis over the lease term. The Group does not currently have any leased assets.

Financial assets
The Company classifies its financial assets as follows: financial assets at fair value through the income statement and loans receivable. The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of the financial assets when they are initially recognized and reassess the classification at the end of each reporting period.

General principles
Purchases and sales of financial assets are recognized on the transaction date, that is, the date on which the Group undertakes to buy or sell the asset. Financial instruments are initially recognized at fair value plus transaction costs, which applies to all financial assets that are not recognized at fair value through the income statement. Financial assets measured at fair value through the income statement are initially recognized at fair value, while related transaction costs are recognized in the income statement. Financial assets are removed from the balance sheet when the right to receive cash flows from the asset has ceased or expired and the Group has transferred essentially all risks and benefits associated with ownership. Financial assets measured at fair value through the income statement are recognized at fair value after the acquisition date.

At the end of each reporting period the Group assesses whether there are objective grounds for impairment of a financial asset or a group of financial assets, such as the cessation of an active market or that it is probable that a debtor cannot fulfill its obligations.

Financial assets measured at fair value through the income statement
Financial assets measured at fair value through the income statement are financial assets that are held for trading and other financial assets that the Kopy Goldfields Group initially chose to place in this category (fair value option). Financial instruments in this category are measured regularly at fair value with changes in value recognized in net income.

Loans receivable
Loans and other receivables are financial assets that are not derivatives. They have fixed or determinable payments and are not listed on an active market. They are included in current assets apart from items maturing more than 12 months after the end of the reporting period. Such assets are classified as non-current assets. Loans receivable are classified as other receivables and other non-current receivables in the balance sheet.

Inventory
Inventory is recognized at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method (FIFO). The cost of finished goods and work in progress consists of design costs, raw materials, direct pay, other direct costs and attributable indirect manufacturing costs (based on normal production capacity). Borrowing costs are not included. Net realizable value is the estimated selling price less applicable variable selling expenses.

Cash and cash equivalents
Cash and cash equivalents in the balance sheet include cash and bank balances. Cash and cash equivalents in the cash flow statement also include cash and bank balances.

Trade payables
Trade payables are initially recognized at fair value and subsequently at amortized cost.

Borrowings
Borrowings are initially recognized at fair value, net of transaction costs. Borrowings are subsequently recognized at amortized cost and any difference between amounts received (net of transaction costs) and amounts to be repaid is recognized in the income statement, allocated over the loan period using the effective interest method. Borrowing costs are charged to profit/loss for the period to which they relate. Borrowings are classified as current liabilities unless the Group has an unconditional right to postpone payment of the debt for at least 12 months after the end of the reporting period.

Income taxes
Recognized income taxes include tax to be paid or received for the current year, adjusted for prior year current and deferred tax. All tax liabilities and receivables are valued at nominal amounts and in accordance with tax rules and rates that are enacted, announced or probable.

Tax effects of items recognized in the income statement are also recognized in the income statement. Tax effects of items recognized in other comprehensive income or directly in equity are also recognized in other comprehensive income or directly in equity. Deferred tax is determined using the balance sheet method on all temporary differences arising between recognized and written-down values of assets and liabilities.

Deferred tax assets related to loss carry forwards or other future tax deductions are recognized to the extent that it is probable that the deduction can be offset against future profits. As management cannot assess when a possible taxable profit will arise, Kopy Goldfields has chosen not to recognize any deferred tax assets.

Employee benefits
Pension
The Group does not have any pension costs in Russia. In Sweden, the Group pays defined contribution pension fees for one employee.

Termination benefits
Termination benefits are paid when an employee is terminated by Kopy Goldfields and the employee accepts a voluntary termination in exchange for such benefits. Kopy Goldfields recognizes termination benefits when the Group has a demonstrable obligation to either terminate employees according to a detailed formal plan without the possibility of revocation, or when termination benefits are the result of an offer to encourage voluntary termination. Benefits due more than 12 months after the end of the reporting period are discounted to present value.

Provisions
Provisions, primarily for guarantees but also for legal requirements when they arise, are recognized when the Group has a legal or constructive obligation resulting from past events, it is probable that an outflow of resources is required to settle the obligation, and the amount can be reliably estimated. No provisions are made for future operating losses.

Earnings per share
Earnings per share is calculated based on consolidated earnings for the period (total net earnings from continuing and discontinued operations) attributable to

the shareholders of the parent company and based on the weighted average number of outstanding shares during the period. When calculating earnings per share after dilution, net earnings and average number of shares are adjusted to reflect effects of potential dilutive ordinary shares, which constitute shares and options issued during the period. Dilution from options occurs only when the exercise price is lower than the fair value of the shares and is greater the bigger the difference is between the exercise price and the fair value. Convertible loans and options are not considered dilutive if the earnings per share from continuing operations would be better (higher profit or lower loss) after dilution than before dilution.

NOTE 2 PARENT COMPANY ACCOUNTING PRINCIPLES

The parent company essentially applies the same accounting principles as the Group. The parent company also applies RFR 2 – Accounting for Legal Entities.

Differences in accounting principles between the Group and the parent company
Differences between the Group and the Parent Company's accounting principles are shown below. The following accounting principles were applied consistently to all periods presented in the parent company's financial statements.

Subsidiaries
Participations in subsidiaries are recognized in the parent company according to the cost method.

Group and shareholder contributions
Shareholder contributions are capitalized as investments in subsidiaries in the parent company's balance sheet and are subject to impairment testing. Group contributions paid are recognized as participations in subsidiaries in accordance with RFR 2.

Presentation of income statement and balance sheet
The parent company follows the Swedish Annual Accounts Act's presentation format for income statements and balance sheets, which among other things means that the format for equity is different and that provisions have their own heading in the balance sheet.

NOTE 3 RELATED PARTY TRANSACTIONS

In October 2015, the Company raised a short-term loan of MSEK 3.3 from three major shareholders as well as the CEO and CFO. The loan had an arrangement fee of 10 percent and an annual interest rate of 10 percent, and was repaid in April 2016.

See Note 10, Personnel, for information on remuneration to the Board of Directors and management.

NOTE 4 FINANCIAL RISK FACTORS

In 2016, financial risk was managed according to Kopy Goldfields' finance policy. Kopy Goldfields classifies financial risk as:
Currency risk
Interest rate risk
Credit risk
Liquidity risk and financing risk

See the Directors' Report starting on page 32 for more information.

Currency risk
Kopy Goldfields has considerable costs, assets and liabilities in Russian rubles (RUB), euros (EUR) and US dollars (USD), which leads to currency exposure in the income statement, balance sheet and cash flow statement. In dealing with currency risks, Kopy Goldfields distinguishes between two types of exposure: transaction exposure and translation exposure.

Transaction exposure
Transactions in Russian subsidiaries are predominantly in RUB, their functional currency. Transaction exposure arises when the parent company loans money to the subsidiaries, normally in USD. Since the loans and credit periods are relatively long-term, there is an exposure risk in the parent company and the subsidiaries.

Translation exposure
Net earnings from the Russian Group companies and the value of the net investment are affected by exchange rate fluctuations, which in turn affects the consolidated balance sheet and income statement when translated to SEK. The year's translation effect on net earnings in the income statement and statement of financial position was KSEK 1,168 (-559).

The Group's revenue and earnings have the following currency distribution (KSEK):

Currency	Capitalization/Revenue	Earnings
SEK	–	-4,039
RUB	4,171	-472
USD	–	-463
EUR	–	–
Total	**4,171**	**-4,974**

The Group's assets and liabilities have the following currency distribution:

Currency	Assets	Liabilities
SEK	11,192	1,827
RUB	33,596	3,585
USD	64	–
EUR	81,642	–
Total	**126,494**	**5,412**

The Group has chosen not to hedge any of the above translation exposures for the time being.

Interest rate risk
Kopy Goldfields is, to a relatively small extent, exposed to interest rate risk, as there is a small amount of loan financing, and there were no external loans payable at the end of the reporting period. Therefore, net debt at year-end was negative (net asset value) and amounted to MSEK 10.7 (-4.9), consisting of cash and cash equivalents of MSEK 10.7 (1.4) and interest-bearing liabilities of MSEK 0 (-6.3).

Credit risk
Credit risk is primarily linked to financial credit risk as the Company has no commercial trade receivables or the like.

Financial credit risk
Investments in financial instruments imply a risk that the counterparty will not fulfill its obligations. This exposure arises from investments in cash and cash equivalents and other financial instruments with positive unrealized earnings against banks and other counterparties. Kopy Goldfields limits these risks by placing excess liquidity with counterparties that have good credit ratings, currently one of the major commercial banks, in accordance with the financial policy.

Liquidity risk
As mentioned earlier, the Company's operations are inherently very capital-intensive and will need large amounts of capital in the future to keep going and develop the business and to meet future obligations. Ensuring this requires access to capital. The Board believes future financing should primarily be through equity combined with loans or sales of assets over the next few years.

Refinancing risk
Refinancing risk is the risk that Kopy Goldfields cannot refinance its outstanding liabilities on acceptable terms, or at all, at any given time. As the Company had no outstanding financial liabilities at year-end, refinancing risk is limited.

The loans outstanding at year-end 2015, relating to shareholder loans, had the following structure, interest rate and maturity profile. A loan of KSEK 3,000 was converted into shares in February 2016 and the remaining loan of KSEK 3,300 was repaid in April 2016.

2016

Loan	Interest (%)	Within 1 year	2–5 years	More than 5 years	Total	Fair value
Other loans		–	–	–	–	–
Total		**–**	**–**	**–**	**–**	**–**

2015

Loan	Interest (%)	Within 1 year	2–5 years	More than 5 years	Total	Fair value
Other loans	10%	6,300	–	–	6,300	6,300
Total		**6,300**	**–**	**–**	**6,300**	**6,300**

NOTE 5 SIGNIFICANT ESTIMATES AND ASSESSMENTS FOR ACCOUNTING PURPOSES

The Group makes estimates and assumptions about the future. The estimates for accounting purposes that result from these will, by definition, rarely correspond to the actual outcome. The estimates and assumptions that entail a substantial risk for material adjustments in the carrying amounts of assets and liabilities in the next financial year are described below.

Extractable deposit

Exploration expenditures on pure exploration activities are expensed while expenditures on evaluation work are capitalized from the time the Company has determined or assessed that it is probable that a decision will be made to extract gold from a deposit. Alternatively, assessment may refer to the possibility of selling the deposit in the future at a profit. The above are assessments that highly affect the Company's balance sheet and income statement.

Classification of acquisition of subsidiaries

Upon acquisition, an analysis must be made regarding whether the acquisition is to be regarded as a business combination or an asset acquisition. It is common that exploration licenses are acquired via the acquisition of a subsidiary. In such cases an analysis is done to determine whether the acquisition meets the criteria for a business combination. The criterion that Kopy Goldfields reviews is the purpose of the acquisition, that is, whether the purpose is to acquire a business or an asset. If the acquisition of a company does not meet the criteria for a business combination it is recognized as an asset acquisition. Companies containing only an exploration license without the associated management/administration are normally classified as asset acquisitions.

Useful lives of tangible and intangible assets

Management determines the estimated useful lives and any associated depreciation/amortization of the Group's tangible and intangible assets. These estimations are based on historical knowledge about the useful lives of equivalent assets. Useful life and estimated residual values are tested at the end of each reporting period and adjusted as needed. See Notes 15-17 for carrying amounts of each reporting period's tangible and intangible assets.

Impairment testing of exploration licenses and evaluation work

Each year the Group reviews if there are any write-down requirements for exploration licenses in accordance with the accounting principle described in the "Write-down of non-financial assets" section. The recoverable amount for cash generating units is the higher of the asset's fair value less selling expenses and its value in use. When assessing the value in use, certain estimates must be made concerning the discount rate, price of gold, reserves, etc.

In 2016, it was determined that no impairment existed.

Valuation of loss carry forwards

Each year the Group reviews whether there is any need for capitalization regarding deferred tax assets related to tax loss carry forwards. As management cannot assess when a possible taxable profit will arise, the Company has chosen not to capitalize any losses.

Going concern

Exploration is a capital-intensive activity and as disclosed elsewhere in these financial statements the Company does not yet recognize any revenue. The Board estimates that the Company has sufficient working capital for 2017. However, depending on the results of ongoing exploration and feasibility studies, it cannot be ruled out that additional funding may be required to explore the Northern Territory, develop the Kopylovskoye project or maintain the participating interest in the Krasny project. The formal decision to commence construction of a mine at Central Krasny is planned to be taken in 2017, which may also lead to further capital injection requirements for Krasny. The Board estimates that this funding will primarily be either through the sale of assets or through share issues, possibly supplemented by loans and bridge financing. However, considering the assessed values of the Company's licenses, the Board believes that the Company is a going concern.

NOTE 6 OTHER OPERATING INCOME

	Group	
KSEK	2016	2015
Profit on sale of non-current assets	–	552
Revaluation of contingent consideration	–	4,733
Sale of inventory	–	154
Sale of services to joint venture	2,187	1,317
Other	424	221
Total	**2,611**	**6,977**

NOTE 7 INTRA-GROUP PURCHASES AND SALES

Of the parent company's net revenue, 100 percent (100) or KSEK 3,820 (3,327) was related to sales to other companies within the Group. Of the parent company's interest income, 65 percent (80) or KSEK 60 (230) was related to other companies within the Group.

NOTE 8 DEPRECIATION

	Group		Parent company	
KSEK	2016	2015	2016	2015
Buildings	118	175	–	–
Machinery and equipment	272	302	64	58
Total depreciation	**390**	**477**	**64**	**58**

Of the amounts above for the Group, KSEK 326 (419) was carried over to intangible assets.

NOTE 9 AUDIT FEES

KSEK	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Ernst & Young				
Audit engagements	245	247	245	247
Auditing activities other than audit engagement	21	23	21	23
Tax consultancy	–	–	–	–
Other services	–	14	–	14
Total	**266**	**284**	**266**	**284**
Other audit firms				
Audit engagement	108	109	–	–
Audit activities other than audit engagement	–	–	–	
Tax consultancy	–	–	–	–
Other services	–	–	–	–
Total	**108**	**109**	**–**	**–**
Total	**374**	**393**	**266**	**284**

Audit engagements include reviewing the financial statements and accounting records along with the administration of the Company by the Board and CEO, other tasks that the Company's auditor is required to perform and consulting. Audit activities other than audit engagement mainly concerns consultations and reviews regarding the preparation of prospectuses and issuance of auditors' certificates. Other services relate to consultancy regarding sales of businesses.

NOTE 10 PERSONNEL

Average number of employees

	2016 Total	2016 Women	2015 Total	2015 Women
Parent company				
Sweden	2	0	2	0
Group companies				
Russia	4	1	6	1
Group total	**6**	**1**	**8**	**1**

As of December 31, 2016, there were 5 full-time permanent employees (5) in the Group. During the year the Company uses temporary employees for exploration work, which explains the higher average number of employees.

Gender distribution in the Group (incl. subsidiaries) of Board members and other senior management positions

	2016 As of December 31	2016 Of whom women	2015 As of December 31	2015 Of whom women
Board of Directors	3	0	3	0
CEO and other senior executives	4	0	4	0
Group total	**7**	**0**	**7**	**0**

Salaries, remuneration and social security contributions

	2016	2015
Group		
Board, CEO and management	3,985	3,604
(of which variable)	(818)	(702)
Other employees	344	559
Total	**4,329**	**4,163**
Social security costs	1,260	1,102
(of which pension costs)	(137)	(131)
Total	**5,589**	**5,265**
Parent company		
Board, CEO and management	3,067	2,795
(of which variable)	(378)	(385)
Other employees	0	0
Total	**3,067**	**2,795**
Social security costs	994	918
(of which pension costs)	(137)	(131)
Total	**4,061**	**3,713**

Remuneration to the Board and senior management during the financial year (KSEK):

	Basic salary/fee	Variable	Other benefits	Pension costs	Total
Chairman of the Board, Kjell Carlsson	260	0	0	0	260
Board member, Johan Österling	100	0	0	0	100
Board member, Andreas Forssell	100	0	0	0	100
CEO, Mikhail Damrin	1,260	182	0	0	1,442
Deputy CEO, Tim Carlsson	969	196	0	137	1,302
Other management (2 persons)	478	440	0	0	918
Total Board and management	**3,167**	**818**	**0**	**137**	**4,122**

Benefits to senior management

Principles

Remuneration to the Board, including the chairman, is set by the shareholders at the annual general meeting and is valid until the next annual general meeting.

Remuneration and benefits to the Board

The total remuneration to the Board for the 2016 financial year amounted to KSEK 460 (456), of which KSEK 260 (274) was remuneration to the Chairman of the Board. For remuneration to other Board members, see the table above.

Board incentive program 2014/2016

The 2014 Annual General Meeting resolved on an incentive program for the Board through the issue of warrants. The warrants were acquired by the Board members at market price and had no transfer restrictions. After recalculation of the warrants' terms following the preferential rights issues in 2015 and 2016, each warrant entitled the holder to subscribe for 1.08 new shares in the Company at an exercise price of SEK 1.48 per share. Shares could be subscribed for through the warrants until December 31, 2016. No new shares were subscribed for through the program. See Note 30 for more information.

Remuneration and benefits to the CEO

Remuneration to the CEO amounted to KSEK 1,442 (1,323) for 2016. The remuneration consists of a fixed salary and a variable salary based on annual targets. The CEO has a fixed annual salary of KUSD 135 (135) net of tax. The variable salary amounts to a maximum of 20 percent of the fixed salary and is based on both soft and hard targets. The CEO was previously covered by the Group's long-term incentive program but is not currently participating in any program. The Company has no pension commitments to the CEO.

Pension plans

The parent company pays defined contribution pension premiums to the deputy CEO. The Group does not have any other pension obligations in the subsidiaries or the parent company.

Notice period and termination benefits

The CEO and the Company have a mutual notice period of six months, and for other senior management positions the period is three months. There are no termination benefit agreements in place.

Short-term loan from CEO and CFO

In October 2015, the Company raised a short-term loan of MSEK 3.3 from three major shareholders as well as the CEO and CFO. The loan had an arrangement fee of 10 percent and an annual interest rate of 10 percent, and was repaid in April 2016. In total, the CEO received KSEK 16 and the CFO KSEK 32.

NOTE 11 EARNINGS FROM PARTICIPATIONS IN GROUP COMPANIES

	Parent company	
KSEK	2016	2015
Impairment	-4,866	-3,066
Total	**-4,866**	**-3,066**

Impairment for the year refers to the Russian subsidiaries LLC Kopylovsky, LLC Patom Gold and LLC Vostochny and corresponds to the sum of shareholder contributions paid for the year.

NOTE 12 FINANCIAL INCOME AND COST

	Group		Parent company	
KSEK	2016	2015	2016	2015
Financial income				
Interest income	34	60	32	60
Interest income, Group companies	–	–	61	230
Translation differences	543	–	464	–
Total financial income	**577**	**60**	**557**	**290**
Financial expenses				
Impairment	–	–	-2,353	-2,304
Interest expenses	-195	-748	-88	-342
Interest expenses, Group companies	–	–	-1,026	-64
Translation differences	–	-68	–	-68
Total financial expenses	**-195**	**-816**	**-3,467**	**-2,778**
Total financial income and expenses	**382**	**-756**	**-2,910**	**-2,488**

Impairment for the year refers to intra-Group receivables from the Russian subsidiaries.

NOTE 13 TAXES

KSEK	Group 2016	Group 2015
Current tax	–	–
Deferred tax	-10	13
Total	**-10**	**13**

The Group's deferred tax is primarily attributable to temporary differences regarding the Company's capitalized exploration costs.

Reconciliation of the Group's weighted average tax and the Group's actual tax:

	Group		Parent company	
KSEK	2016	2015	2016	2015
Earnings before tax	-4,964	-3,756	-11,015	-9,846
Tax at current tax rate	1,092	827	2,423	2,166
Difference in tax rate in foreign operations	-108	37	–	–
Tax effects from:				
Earnings from joint ventures	1,083	-30	–	–
Non-deductible items	-511	0	-1,590	-1,182
Non-taxable items	846	1,673	744	632
Loss carry forwards for which deferred tax is not recognized	-2,412	-2,494	-1,577	-1,616
Recognized tax	**-10**	**13**	**0**	**0**

Tax rates are 22 percent in Sweden and 20 percent in Russia.

As of December 31, 2016, the Group had tax losses of approximately MSEK 71.3. Deferred tax assets attributable to tax losses are recognized only to the extent that it is probable that they will be utilized. Since it is uncertain whether it will be possible for the Company to utilize any loss carry forward, no deferred tax asset was recognized. The value of the tax losses are approximately MSEK 15.6, whereof MSEK 15.4 relates to the parent company in Sweden and MSEK 0.2 to Russian subsidiaries. Tax loss carry forwards can be utilized indefinitely in Sweden, while they can be utilized over a period of 10 years in Russia.

Deferred tax liabilities are attributable to the following:

	2016-12-31	2015-12-31
Deferred tax liabilities		
Intangible assets	3,013	2,294
Total deferred tax liabilities	**3,013**	**2,294**

Change in net of deferred tax liabilities

	Opening balance	Recognized in income statement	Translation differences	Closing balance
Deferred taxes				
Intangible assets	-2,294	-10	-709	-3,013
Total	**-2,294**	**-10**	**-709**	**-3,013**

NOTE 14 EARNINGS PER SHARE

Change in number of shares

	2016	2015
Shares outstanding at start of period	54,444,996	30,247,220
Share issue, February		24,197,776
Conversion of loans, February	5,454,545	963
Share issue, October-November	19,966,513	
Shares outstanding at end of period	**79,866,054**	**54,444,996**

A short-term loan of MSEK 3.0 was converted into shares in February 2016, with 5,454,545 new shares being issued.

On September 13, 2016, the Board resolved, with the authorization of the Annual General Meeting, to issue new shares with preferential rights for existing shareholders. A total of 19,966,513 new shares were subscribed for and the issue was registered in two stages in October and November 2016.

An Extraordinary General Meeting held on December 17, 2014 resolved to issue shares with preferential rights for existing shareholders. The subscription rights were received in December 2014, while the subscription period for the share issue was in 2015. In total, 24,197,776 shares were subscribed for and the transaction was registered at the Swedish Companies Registration Office in February 2015, so they were recognized in the 2015 financial year.

Earnings per share before and after dilution

	2016	2015
Earnings for the year, KSEK, attributable to parent company shareholders	-4,974	-3,743
Average number of shares before and after dilution	66,289,450	55,629,391
Earnings per share before and after dilution (SEK)	**-0.08**	**-0.07**

Earnings per share before dilution is calculated by dividing the earnings attributable to the shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period exclusive of repurchased treasury shares held by the parent company.

Since earnings for 2016 are negative, potential dilution from outstanding warrants is not considered, as earnings per share would improve, considering the dilution effect.

NOTE 15 EXPLORATION LICENSES AND EVALUATION WORK

	Group	
KSEK	2016	2015
Opening cost	56,235	65,654
Investments	1,913	2,672
Translation difference for the year	17,679	-12,091
Closing cost	**75,827**	**56,235**
Opening accumulated impairment	-37,816	-45,816
Translation difference for the year	-11,674	8,000
Closing accumulated impairment	**-49,491**	**-37,816**
Net carrying amount	**26,336**	**18,419**

Of the prospecting licenses and evaluation work items, approximately MSEK 17 represents acquired licenses and the remaining approximately MSEK 9 represents capitalized exploration and evaluation work.

To test the write-down requirement for prospecting licenses and evaluation work, the carrying amount is compared with the recoverable amount. The recoverable amount is the higher of the asset's fair value less selling expenses and its value in use. No write-down requirement was identified.

NOTE 16 BUILDINGS

	Group	
KSEK	2016	2015
Opening cost	2,181	5,566
Investments	109	–
Divestments/retirements	-1,320	-2,927
Translation difference for the year	472	-458
Closing cost	**1,442**	**2,181**
Opening accumulated depreciation	-1,245	-1,822
Depreciation for the year	-118	-175
Divestments/retirements	1,320	489
Translation difference for the year	-185	263
Closing accumulated depreciation	**-229**	**-1,245**
Opening accumulated impairment	–	-1,944
Divestments/retirements	–	1,944
Closing accumulated impairment	**–**	**–**
Net carrying amount	**1,213**	**935**

NOTE 17 MACHINERY AND EQUIPMENT

	Group		Parent company	
KSEK	2016	2015	2016	2015
Opening cost	1,870	3,934	292	292
Investments	155	–	30	–
Divestments/retirements	-1,549	-1,732	-292	–
Translation difference	277	-332	–	–
Closing cost	**754**	**1,870**	**30**	**292**
Opening accumulated depreciation	-663	-1,440	-234	-175
Depreciation for the year	-272	-302	-64	-58
Divestments/retirements	751	992	292	–
Translation difference	-67	87	–	–
Closing accumulated depreciation	**-251**	**-663**	**-6**	**-234**
Opening accumulated impairment	–	-1,430	–	–
Divestments/retirements	–	1,431	–	–
Translation difference for the year	–	-1	–	–
Closing accumulated impairment	**–**	**–**	**–**	**–**
Net carrying amount	**503**	**1,208**	**24**	**58**

NOTE 18 INVENTORIES

	Group	
KSEK	2016	2015
Raw materials and consumables	88	88
Net carrying amount	**88**	**88**

NOTE 19 OTHER RECEIVABLES

	Group		Parent company	
KSEK	2016	2015	2016	2015
Value added tax	901	148	487	125
Receivable contingent consideration	–	16,663	–	–
Other	71	53	10	27
Total	**972**	**16,864**	**497**	**152**

All short-term receivables other than receivable contingent consideration are valued at cost, and when the term is short, fair value is deemed to correspond with carrying amount. The receivable contingent consideration due in 2015 concerned the Krasny license and was valued at fair value through the income statement according to level 3. See Note 31, Financial instruments, for more information. The company received the contingent consideration in April 2016.

NOTE 20 PREPAID EXPENSES

	Group		Parent company	
KSEK	2016	2015	2016	2015
Prepaid rent	26	26	26	26
Prepaid exploration	67	64	–	–
Other	93	61	93	61
Total	**186**	**151**	**119**	**87**

NOTE 21 SHARES IN SUBSIDIARIES

	Parent company	
KSEK	2016	2015
At start of year	119,237	119,327
Acquisitions	–	2,267
Shareholder contributions	4,866	3,066
Sales	–	–
Impairment	-4,866	-5,333
Carrying amount at end of year	**119,237**	**119,237**

The table below specifies the subsidiaries of the Group as of December 31, 2016.

	Corp. ID	Domicile	Equity, %	Carrying amount in parent
LLC Kopylovsky	1043800732337	Bodaibo, Ryssland	100	42,452
LLC Nirungda Gold	1163850097663	Bodaibo, Ryssland	100	0
LLC Patom Gold	1123802000519	Bodaibo, Ryssland	100	0
LLC Vostochny	1103802000389	Bodaibo, Ryssland	100	0
LLC Taiga	1123802000552	Bodaibo, Ryssland	100	0
AB Krasny Gold Fields	556955-9726	Stockholm, Sweden	100	76,735
Kopy Development AB	556858-1747	Stockholm, Sweden	100	50

NOTE 22 PARTICIPATIONS IN ASSOCIATES AND JOINT VENTURES

On August 12, 2014, the Company entered into a joint venture agreement with the Russian gold producer GV Gold concerning the Krasny license. Under the terms of the agreement, GV Gold received 51 percent of the ownership in the Krasny project by investing MUSD 9 split as follows:

KUSD	
Cash payment	1,000
Exploration work, Stage 1	3,000
Exploration work, Stage 2	3,000
Contingent consideration	2,000
Total value	**9,000**

GV Gold had the opportunity to cancel further investments after Stage 1 of the exploration, but in March 2015, they formally confirmed their commitment to proceed to Stage 2 by investing an additional MUSD 3 in exploration. On March 30, 2016, the formal approval of a mineral reserve report for the Krasny license was received from the Russian authorities. The report had been prepared in accordance with the Russian GKZ regulations, and confirms gold reserves of 9.7 tons (314 koz) in the C2 category, which in turn implied that the Company had fulfilled the requirements for a contingent consideration in the joint venture agreement between the Company and GV Gold. The Company received a cash payment of MUSD 2 on April 21, 2016, corresponding to MSEK 16.2 (see Note 27). In the fall of 2016, the parties agreed to invest MUSD 2.0 in the Krasny project to continue development of the 2016 exploration and development program. The capital contribution was split 51/49 between Kopy Goldfields and GV Gold based on participating interest and was paid in two installments on September 30, 2016 and November 15, 2016. Kopy Goldfields' total share amounted to MUSD 1.0, corresponding to MSEK 8.6 and was recognized in cash flow from investing activities.

The contingent consideration was discounted and probability assessed in previous accounting periods and on December 31, 2015, the receivable contingent consideration amounted to MSEK 16.7. The Company thus recognizes MSEK 16.2 from the sale of subsidiaries in cash flow from investing activities, and a translation difference of MSEK -0.5 in the income statement, which is included in operating expenses. In the balance sheet, participations in joint ventures amounted to MSEK 86.2 (65.3) at year-end, and in the income statement, earnings from joint ventures amounted to MSEK 4.9 (-0.1).

	Group	
KSEK	2016	2015
At start of year	65,349	72,141
Investment in joint venture	8,626	–
Net income	4,924	-138
Translation differences	7,285	-6,654
Carrying amount at end of year	**86,184**	**65,349**

Participations in joint ventures include the following companies with the following financial information in summary, based on 100 percent of the respective IFRS financial statements:

KSEK	Bodaibo Holding Ltd	LLC Krasny
Corp. ID	HE 318777	1103802000048
Domicile	Limassol, Cyprus	Bodaibo, Russia
Other income	3,387	9,306
Interest income	2,415	–
Interest expenses	–	2,356
Depreciation	–	–
Other expenses	-145	-1,517
Tax expense	–	-1,087
Net income	**5,658**	**4,347**
Current assets	15,284	4,710
Of which cash, bank balances and equivalents	15,098	202
Non-current assets	151,434	78,479
Total assets	**166,718**	**83,189**
Current liabilities	106	42,812
Of which current financial liabilities	–	40,442
Non-current liabilities	–	31,109
Of which non-current financial liabilities	–	30,070
Total liabilities	**106**	**73,921**
Net assets	**166,612**	**9,269**
Share of equity	49%	49%
Carrying amount at end of year	**81,641**	**4,543**

NOTE 23 CHANGES IN SHARE CAPITAL

Year	Event	Change in share capital, SEK	Capitalization excl issue expenses	Change in no. of shares	Quota value, SEK	Total share capital	Total shares
2007	Company formation	100,000	100,000	10,000	10.00	100,000	10,000
2007	Share issue	1,250,100	35,002,800	125,010	10.00	1,350,100	135,010
2007	Share issue	7,400,000	106,638,200	740,000	10.00	8,750,100	875,010
2007	Share issue	1,249,900	34,997,200	124,990	10.00	10,000,000	1,000,000
2008	Split 1:849	–	–	848,000,000	0.01	10,000,000	849,000,000
2009	Reverse split 1:100	–	–	840,510,000	1.1779	10,000,000	8,490,000
2009	Share capital reduction	-9,500,000	–	–	0.0589	500,000	8,490,000
2009	Preferential rights issue	11,500,000	19,527,000	195,270,000	0.0589	12,000,000	203,760,000
2009	Private placement	402,500	683,445	6,834,450	0.0589	12,402,500	210,594,450
2010	Preferential rights issue	4,971,000	24,478,198	84,407,580	0.0589	17,373,500	295,002,030
2010	Share issue (exercised warrants)	4,308,678	23,411,630	73,161,345	0.0589	21,682,178	368,163,375
2010	Reverse split 1:100	–	–	364,481,742	5.89	21,682,178	3,681,633
2010	Preferential rights issue	17,345,728	64,796,688	2,945,304	5.89	39,027,905	6,626,937
2011	Share issue (exercised warrants)	1,508	6,400	256	5.89	39,029,413	6,627,193
2011	Private placement	10,011,780	17,000,000	1,700,000	5.89	49,041,193	8,327,193
2011	Private placement	5,889,283	12,000,000	1,000,000	5.89	54,930,476	9,327,193
2012	Share capital reduction	-22,500,000	–	–	3.48	32,430,476	9,327,193
2012	Preferential rights issue	24,322,855	26,582,497	6,995,394	3.48	56,753,331	16,322,587
2012	Preferential rights issue	22,701,330	24,810,329	6,529,034	3.48	79,454,661	22,851,621
2013	Reduction share capital	-59,454,661	–	–	0.88	20,000,000	22,851,621
2013	Preferential rights issue	6,471,870	11,091,954	7,394,636	0.88	26,471,870	30,246,257
2013	Stock dividend	53,028,130	–	–	2.63	79,500,000	30,246,257
2013	Share capital reduction	-59,500,000	–	–	0.66	20,000,000	30,246,257
2014	Share issue (exercised warrants)	637	3,852	963	0.66	20,000,637	30,247,220
2015	Share capital reduction	-8,500,000	–	–	0.38	11,500,637	30,247,220
2015	Preferential rights issue	9,200,509	10,888,999	24,197,776	0.38	20,701,146	54,444,996
2016	Share issue (conversion of loan)	2,073,934	3,000,000	5,454,545	0.38	22,775,080	59,899,541
2016	Preferential rights issue	7,591,693	19,966,513	19,966,513	0.38	30,366,773	79,866,054

NOTE 24 LOANS PAYABLE

As of December 31, 2016, the Company had no loans payable. Gross loans payable as of December 31, 2015, including accrued interest, amounted to KSEK 6,426. The following table shows a break-down of financial liabilities. For information on interest rate risk, see Note 4.

	Group		Parent company	
KSEK	2016	2015	2016	2015
Current financial liabilities				
Maturing within one year	–	6,300	–	3,000
Total current financial liabilities	**–**	**6,300**	**–**	**3,000**
Non-current financial liabilities				
Other non-current loans with maturity >1 year <5 year	–	–	–	–
Total non-current financial liabilities	**–**	**–**	**–**	**–**
Total financial liabilities	**–**	**6,300**	**–**	**3,000**

A short-term bridge loan of MSEK 3.0 was repaid through conversion into shares in February 2016 (see Note 23), while remaining loans of MSEK 3.3 were repaid in April 2016.

The fair value of current financial liabilities is deemed to correspond with the carrying amount. The interest rate on the short-term financial liabilities is deemed to be in line with market interest rates as they have a short, fixed interest term.

NOTE 25 ACCRUED EXPENSES

	Group		Parent company	
KSEK	2016	2015	2016	2015
Interest	–	126	–	50
Board fees	268	484	268	484
Social security contributions	409	121	409	121
Other personnel-related items	843	693	843	693
Other	190	180	190	180
Total	**1,711**	**1,604**	**1,711**	**1,528**

NOTE 26 ADJUSTMENTS FOR NON-CASH ITEMS, ETC.

	Group		Parent company	
KSEK	2016	2015	2016	2015
Depreciation, amortization and impairment	64	58	7,283	5,429
Accrued interest	106	76	965	-167
Earnings from participation in joint ventures	-4,924	137	–	–
Gains on sale of property, plant and equipment	396	0	–	–
Revaluation of contingent consideration	–	-4,733	–	–
Unpaid Group contributions	–	–	-648	–
Gains on sale of subsidiaries	462	–	–	–
Exchange-rate differences	-223	-30	18	-30
Other non-cash items	12	-279	-3,820	-3,340
Total	**-4,107**	**-4,771**	**-3,798**	**-1,892**

NOTE 27 DIVESTMENT OF SUBSIDIARIES/LICENSES

	Group		Parent company	
KSEK	2016	2015	2016	2015
Contingent consideration, Krasny	16,201	–	–	–
Total	**16,201**	**–**	**–**	**–**

NOTE 28 PLEDGED ASSETS AND CONTINGENT LIABILITIES

The Company had no pledged assets or contingent liabilities at the end of the reporting period.

There were no known on-going disputes at the end of the reporting period.

NOTE 29 LEASING

The Group's leases for which the risks and rewards associated with ownership pertain to the Group are classified as financial leases. The Group currently has no assets through leasing.

NOTE 30 OUTSTANDING OPTIONS

KSEK	Board program 2014/2016
Exercise price, SEK	1.48
Redemption of shares as of	2015-06-01
Last exercise date	2016-12-31
Number of options issued at start of year	520,000
Exercised	–
Forfeited	-520,000
At end of year	–

The 2014 Annual General Meeting resolved on an incentive program for the Board through the issue of warrants. After recalculation of the warrants' terms following the preferential rights issues in 2015 and 2016, each warrant entitled the holder to subscribe for 1.08 new shares in the Company at an exercise price of SEK 1.48 per share. Shares could be subscribed for through the warrants until December 31, 2016. No new shares were subscribed for through the program.

NOTE 31 FINANCIAL INSTRUMENTS

KSEK	Financial assets measured at fair value via income statement	Loans receivable and trade receivables	Financial assets available for sale	Financial liabilities measured at fair value via income statement	Other financial liabilities	Total
2016-12-31						
Assets in the balance sheet						
Trade receivables and other receivables	–	1,275	–	–	–	1,275
Cash and cash equivalents	–	10,708	–	–	–	10,708
Total	**–**	**11,983**	**–**	**–**	**–**	**11,983**
2015-12-31						
Assets in the balance sheet						
Trade receivables and other receivables	–	302	–	–	–	302
Receivable contingent consideration	16,664	–	–	–	–	16,664
Cash and cash equivalents	–	1,381	–	–	–	1,381
Total	**16,664**	**1,683**	**–**	**–**	**–**	**18,347**
2016-12-31						
Liabilities in the balance sheet						
Trade payables	–	–	–	–	171	171
Other current liabilities	–	–	–	–	345	345
Total	**–**	**–**	**–**	**–**	**516**	**516**
2015-12-31						
Liabilities in the balance sheet						
Current loans payable	–	–	–	–	6,300	6,300
Trade payables	–	–	–	–	735	735
Other current liabilities	–	–	–	–	171	171
Total	**–**	**–**	**–**	**–**	**7,206**	**7,206**

Loans and trade receivables, as well as other financial liabilities are measured at amortized cost. The receivable contingent consideration from the Krasny license is measured at fair value via the income statement according to level 3. Tax related receivables and liabilities are not included. The fair value of other financial assets and liabilities is estimated to in all material respects correspond to the carrying amounts as they are short term or the interest rates are deemed to be on market terms.

Calculation of fair value

Kopy Goldfields classifies fair value measurement using a fair value hierarchy that reflects the reliability of the inputs used in making the measurements. In accordance with IFRS 13 for financial instruments, disclosures about fair value measurement must be made by level. The fair value hierarchy consists of these levels:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly as prices or indirectly as derived prices, for example.
- Level 3 – Inputs for the asset or liability that are not based on observable information. The appropriate level is determined based on the lowest level of input that is significant to measuring the fair value.

NOTE 32 EVENTS AFTER END OF REPORTING PERIOD

The joint venture company OOO Krasny was awarded a new bedrock license in January 2017. The license is called "Batiy" and borders the Krasny license area. The new license was awarded without an auction procedure and is expected to have great prospecting potential.

NOTE 33 APPROPRIATION OF PROFITS

At the disposal of the annual general meeting:

SEK	
Share premium reserve	190,692,234
Fair value reserve	-6,828,278
Retained earnings	-82,216,744
Net income	-11,015,199
Total	**90,632,013**

The Board proposes that this amount be carried forward 90,632,013

The Board of Directors and CEO assert that the consolidated accounts were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and that they give a fair presentation of the Group's financial position and earnings. The annual report was prepared in accordance with generally accepted accounting principles and provides a fair presentation of the parent company's financial position and earnings.

The Directors' report for the Group and the parent company provides a fair overview of the development of the Group's and the parent company's operations, financial position and earnings, and describes significant risks and uncertainties to which the parent company and the Group companies are exposed.

The consolidated income statement and consolidated statement of financial position, and the parent company's income statement and balance sheet are subject to adoption at the Annual General Meeting on May 30, 2017.

Stockholm on May 8, 2017

Kjell Carlsson
Chairman

Mikhail Damrin
CEO

Johan Österling

Andreas Forssell

Our Auditor's Report was issued on May 8, 2017

Ernst & Young AB

Per Hedström
Authorized Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Kopy Goldfields AB, corporate identity number 556723-6335

Report on the annual accounts and consolidated accounts
Opinions
We have audited the annual accounts and consolidated accounts of Kopy Goldfields AB (publ) for the year 2016 (the financial year. The annual accounts and consolidated accounts of the company are included on pages x-y in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 december 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and income statement and the consolidated statement of financial position for group.

Basis for Opinions
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters
Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 3-31 and 63-65. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures

in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Kopy Goldfields AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:
- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm 8 May 2017
Ernst & Young AB

Per Hedström
Authorized Public Accountant

BOARD OF DIRECTORS

Organization
The parent company is responsible for the Group's strategy and manages the subsidiaries along with performing Group-wide functions such as financing, external information, financial reporting and the management of certain agreements.

The parent company and the Swedish subsidiaries are domiciled and headquartered in Stockholm and the parent company also has a representative office in Moscow, Russia. The Russian subsidiaries have offices in Bodaibo, Russia, where the Company's geologists and exploration teams work. The average number of full-time employees for the 2016 financial year was six, including seasonal workers.

Corporate governance
The Swedish Corporate Governance Code ("the Code") applies to Swedish limited liability companies whose shares are listed for trading on a regulated market in Sweden. Kopy Goldfields is listed on Nasdaq First North, which is not a regulated market, so the Company is not obliged to comply with the Code. The Company does not employ the Code at present but intends to gradually.

Board of Directors
Responsibilities of the Board of Directors
The Board is responsible for determining the Company's long-term strategy and setting goals, approving budget and business plans, examining and approving costs, and making decisions about investments and major changes within the Group. The Board also appoints the parent company's CEO and determines the salary and other benefits for the CEO.

Composition of the Board of Directors
Kopy Goldfields' Board consists of three members as presented below, of which Kjell Carlsson is the chairman. All board members are elected at the annual general meeting for the period until the next annual general meeting. All shareholdings include family and privately-held companies.

Kjell Carlsson
Chairman of the Board and Board member since 2010.
Born: 1951, Swedish citizen.
Education: MSc mechanical engineering.
Work experience: Senior management positions with Sandvik, Atlas Copco and ABB.
Other activities: Board member, Appalto AB; Board member, Kopy Development AB; Board member, AB Krasny Gold Fields; Board member, EuroMaint Rail AB; Board member, Bruzaholms Bruk AB.
Relinquished activities over the last five years: Chairman of the Board, Sandvik Nora AB; CEO and Board member, Sandvik Mining and Construction Tools AB; Chairman of the Board, AB Sandvik KPS; Board member, Monitoring Control Center MCC AB; Board member, Sandvik Mining and Construction Sverige AB; Partner of Ingenjörsfirma C.J. Carlsson HB.
Shareholding in Kopy Goldfields: 260,000
Warrants: –

Andreas Forssell
Board member since 2011.
Born: 1971, Swedish citizen.
Education: Master of Business Administration (MBA).
Work experience: CEO Crown Energy AB; CEO, Tomsk Refining AB.
Other activities: Board member, Andreas Forssell AB; Board member, AB Krasny Gold Fields.
Relinquished activities over the last five years: Board member Crown Energy AB.
Shareholding in Kopy Goldfields: 168,000
Warrants: –

Johan Österling
Board member since 2011.
Born: 1946, Swedish citizen.
Education: Swedish LLM (Master in Law) and BA (business administration).
Work experience: Lawyer (Member Swedish Bar Association), Partner of Foyen law firm until 2011.
Other activities: Board member, AB Krasny Gold Fields; Board member, Bodaibo Holding Ltd; Board member, Dragon Mining Sverige AB; Board chairman, Kilimanjaro Gold AB; Board member, AB Surditet; Board chairman, Fahlia AB; Board chairman, Penclic AB; Board chairman, ByggBag AB; Board chairman, JE Österling Förvaltning AB; Board chariman, Hydropulsor AB (publ).
Relinquished activities over the last five years: Board chairman, Göthes AB; Nomor AB (publ); Bofors Bruk AB; Hedera Group AB (publ).
Shareholding in Kopy Goldfields: 700,000
Warrants: –

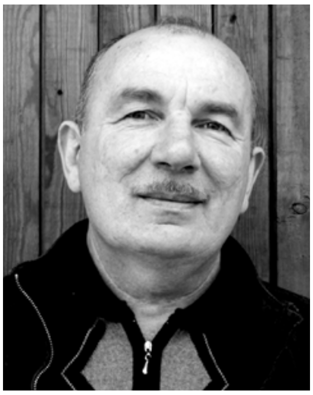
Auditor
Ernst & Young, chief auditor Per Hedström, Authorized Public Accountant

SENIOR MANAGEMENT

Kopy Goldfields' Board consists of three members as presented below, of which Mikhail Damrin is the CEO. All shareholdings include family and privately-held companies.

Mikhail Damrin
CEO since 2009.
Born: 1970, Russian citizen.
Education: MSc 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's degree in open pit mining from the Moscow Mining University.
Work experience: Business development and M&A manager of Central Asia Gold; senior management positions with West Siberian Resources and Vostok Nafta Investment Ltd.
Other activities: Board member, LLC Krasny.
Relinquished assignments over the last five years: –
Shareholding in Kopy Goldfields: 262,241
Warrants: –

Tim Carlsson
CFO since 2011, Deputy CEO since 2012.
Born: 1979, Swedish citizen.
Education: Master of Business, Linköping University, Sweden. Russian Studies, Herzen University, St. Petersburg, Russia, Economics Studies Eberhard Karls Universität Tübingen, Germany.
Work experience: Authorized Public Accountant, KPMG.
Other activities: Board member, LLC Krasny.
Relinquished activities over the last five years: Board member Brf Oxen Mindre 22.
Shareholding in Kopy Goldfields: 800,000
Warrants: –



Alexander Vamboldt
CEO of LLC Kopylovsky since 2010.
Born: 1957, Russian citizen.
Education: Geologist and degree in Mining engineering, Krasnoyarsk Institute of Non-Ferrous Metals. Master level.
Work experience: Working Board member for 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 Khakassia; 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 activities: Expert at Russian Statutory Committee on Reserves (GKZ) in Krasnoyarsk.
Relinquished assignments over the last five years: –
Shareholding in Kopy Goldfields: –
Warrants: –

Dr. Evgeny Bozhko
Chief geologist since 2011, employed at Kopy Goldfields since 2010.
Born: 1968, Russian citizen.
Education: PhD in geological and mineralogical science. Master in Prospecting and Exploration Geology from Voronej State University, Russia.
Work experience: 1990-2000, geologist at various projects in Yajutia, Russia, and lecturer at Voronej State University; 2000-2010, many senior positions as chief geologist for exploration and mining companies operating in Africa.
Other assignments: –
Relinquished assignments over the last five years: –
Shareholding in Kopy Goldfields: –
Warrants: –

GLOSSARY

Alluvial gold
Mineralization in river beds at ground level.

Chips
Fine-grained drill cutting samples (chips) of bedrock that are obtained from RC drilling.

Core drilling
Drilling method used to explore bedrock.

Cut-off
The lowest grade at which a deposit is economically workable.

Diamond drilling
Exploration method where rock cores are bored, also known as core drilling.

Doré bars
Unrefined gold bullion containing mostly silver and gold.

Enrichment
Concentration of a constituent of a mixture to be processed.

Enrichment plant
Plant for processing.

ETF
Exchange traded fund, usually focused on gold investments.

Flotation
Part of the enrichment process in which chemicals are used to significantly increase the concentration of valuable minerals.

GKZ
The Russian State Commission on Mineral Reserves. The state authority responsible for the registration and approval of mineral resource and ore reserve estimates.

Gravimetric separation
Separation method by which different types of minerals are separated based on their weight.

Indicated mineral resource
The part of a mineral resource measured to a lesser degree and reliability than measured mineral resources, but measured to a higher degree and reliability than inferred mineral resources.

Inferred mineral resource
The part of a mineral resource measured to a lesser degree and reliability, compared to measured and indicated mineral resources. Inferred mineral resources may not be added up with measured and indicated mineral resources and may not constitute a basis for financial assessments.

JORC
Approved standard set by the Australian Joint Ore Reserve Committee (JORC) for the calculation and reporting of mineral resources and ore reserves.

Lena Goldfields
An area between the Vitim and Lena Rivers in the Irkutsk region, overlapping the northern part of the Bodaibo area, with a history of over 150 years of gold production.

Measured mineral resources
The part of a mineral resource measured at the highest degree and with the highest reliability.

Mineral
Combination of elements in the earth's crust.

Mineralization
Natural concentration of mineral in the bedrock or the earth's crust that is thought to be economically workable in terms of quantity, grade, shape and physical characteristics.

Open pit
Type of mine where superficial deposits are mined above ground.

Ore reserve
The part of a mineral resource that is economically viable.

Quartz
A mineral consisting of silica, SiO2, with a white or transparent color.

RAB drilling
Rotary air blast drilling, which is a drilling technology used in exploration.

RC drilling
Reverse circulation drilling, which is a drilling method used for sampling drill cuttings, used on certain types of deposits and often at an earlier stage compared with diamond drilling.

Recovery
The percentage of a mineral in a material that can be extracted in the enrichment process.

Troy ounce (oz)
31.104 grams. Weight measure for gold.

www.kopygoldfields.com