

ANNUAL REPORT 2017



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 49 per cent of the Krasny and the Batiy licenses are held by the company. The target is to start gold production at Krasny in the near future in cooperation with co-owner GV Gold and proceed with explorations on other projects.

GROWING RESOURCES IN HIGH POTENTIAL AREA

Kopy Goldfields 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 an exciting stage. In 2017, we advanced on all three of our projects; Krasny, the Northern Territories and Kopylovsky. Focus was on the Krasny project, for which an updated mineral resource report according to the JORC code confirmed a 45 per cent increase in gold resources to 1,388 koz of gold, including 240 koz of gold reserves. Meanwhile, the results are based on the 2016 exploration program and the exploration performed in 2017 has not been taken into account. A scoping study done on the project returned encouraging results, showing total undiscounted free cash flow of MUSD 373, at a fixed gold price of 1,250 USD/oz and production costs of 601 USD/oz. The year also saw a worldwide return of interest in exploration projects, not least in the area where we operate after one of the world's largest gold deposit Sukhoi Log, part of Lena Goldfields and formerly state-owned, was sold at an auction in January 2017.

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YEAR IN BRIEF

1388 koz

Mineral Resource Report under JORC published in September 2017 for the Krasny license



NORTHERN TERRITORIES

Initial soil gold anomalies for drill testing identified after 122 sq km of geochemical survey



373 MUSD

total undiscounted free cash flow according to scoping study published in December 2017



19 569 m

79 drill holes and 19 569 meters of core drilling during 2017



240 koz

240 koz of probable gold reserves according to JORC



+14 %

Development of the Kopy Goldfields share during 2017

THE YEAR IN BRIEF

■ The Krasny-project shows continuous success

In January 2017, the Krasny Joint venture was granted a new bedrock exploration license, called "Batiy". The license has a total area of 86 sq. km and borders the Krasny license on the northwest. The new license was granted without an auction and is deemed to have high exploration potential.

In September 2017, a JORC mineral resource update was announced for the Krasny project. The report is based on the exploration data acquired until the end of the 2016 and shows a 45 per cent increase of gold resources to 1,388 koz since last year's resource update. For the first time, the resource estimation includes both "Krasny" and "Vostochny" (previously "Krasny North"). All resources are reported within economically minable open pits. The report also includes 240 koz of Probable gold reserves.

In December 2017, positive results from a new scoping study was announced for the Krasny deposit which included the exploration results until (but not including) the 2017 exploration program. It did not include the Vostochny mineralization. The best outcome is estimated when producing both the Upper and Lower mineralizations in an open pit with total undiscounted free cash flow of MUS\$ 373, at a fixed gold price of 1,250 USD/oz and production costs of 601 USD/oz.

Exploration program Stage 4 for 2017 for Krasny was commenced in March and completed in December 2017. 79 core holes were drilled, totaling 19,569 meters and 3,110 meters of trenches were developed and logged. The results will be included in the coming JORC mineral

resource update, which is expected during 2018. The most significant outcome of the drilling activities during 2017 was the discovery of the Lower structure at Vostochny mineralization which will increase the Vostochny gold resources and influence the mining potential of the total Krasny project positively.

■ The Northern Territories confirm expectations

During the year, an exploration program was carried out, covering seven out of the 21 exploration targets that were identified during the 2016 stream sediment survey. 12,896 soil samples were collected and analyzed for 32 chemical elements plus gold. The results confirm the expectations of the Northern Territories being an area with high exploration potential and in line with the targets, the exploration area could be further scaled down. Three anomalous geochemical areas were identified with a total area of 10.2 sq. km that are now ready for drilling and trench sampling.

■ Bulk sampling done on the Kopylovskoye deposit

Statutory approval for pilot mining operations on the Kopylovskoye license was received during 2017 which allows mining of 150,000 tons of ore during the next two years. During July – August 2017, bulk sampling was carried out and 32 tons of ore, representing different parts of the Kopylovskoye mineralization was processed at a neighboring plant to confirm gold grades and recovery.

■ The Kopy Goldfields share showed positive development

Kopy Goldfields' share price increased by 14 per cent during 2017, following an increase of 55% in 2016 and 71% in 2015. The number of shareholders amounted to 5,011 as per December 31, 2017.

Key figures 2017

	2017	2016	2015	2014	2013
Earnings per share, SEK	-0.17	-0.08	-0.07	0.37	-2.27
Equity/Asset ratio, %	85.7	95.7	89.3	90.8	88.7
Investments in exploration and evaluation work, KSEK	2 291	1 913	2 672	1 859	19 376
Investments in licenses, KSEK					18
Investments into Joint Ventures, KSEK	8 541	8 626			
Market Capitalization, MSEK	103.8	91.0	40.0	23.4	49.3
Average number of employees	7	6	8	14	38

KOPY GOLDFIELDS IN BRIEF

Kopy Goldfields is a Swedish public junior gold exploration company operating in Lena Goldfields in Russia. The company develops bed-rock 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

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

1,5 Moz

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

13

exploration and production licenses

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 2008, 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 new 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 into exploration and production. A new, joint exploration program was initiated.

The exploration program was developed in steps. Step 1 was initiated in 2014 and 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 per cent for the primary ore and 78–79 per cent for the oxidised ore.

In February 2016, a substantial gold mineralization in the lower structure was confirmed. The GKZ authorities in Irkutsk approved a GKZ reserve 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 was issued, confirming feasibility in the Krasny mine development.

Meanwhile, a new exploration program, Stage 3, was initiated and then finalized in February 2017. An updated mineral resource report according to the JORC code issued by Micon International in September 2017, but based on the 2016 exploration program, confirmed a 45 per cent increase in resources to 1,388 koz of gold. This increase partially relates to the new gold structures identified within the northern part of Krasny – Vostochny. During the year, results from a scoping study were released, including several options for production on the Krasny project. All scenarios returned positive free cash flows.

In 2017, a new exploration program, step 4, was carried out, and additionally 79 core holes covering 19,569 meters were drilled, which will lead to updated mineral resource statement and scoping study planned for 2018. The results show that there is a significant potential for a further resource increase.

Meanwhile, 2017 also saw progress with test mining on the Kopylovskoye site carried out with a partner and geochemical tests at the Northern Territories confirming expectations that this is a high potential area.

WORDS FROM THE CEO

INCREASED GOLD POTENTIAL IN HIGH INTEREST AREA

In 2017, we focused our efforts on advancing Krasny, our flagship gold project. An updated mineral resource report for the deposit published during the year showed a 45 per cent increase in gold resources – despite the fact that the results from the 2017 exploration program were not taken into account. Based on this, we see a significant potential for a further resource increase at Krasny. Our other two projects also developed in a positive way. This took place against a backdrop of rising gold prices and increased international interest in gold exploration, not least in the area where we are operating in Lena Goldfields.



The past year saw the first annual increase in exploration spending after four years of declining investments in the business. The main focus was on gold. According to S&P Global, gold exploration budgets increased by 22 per cent in 2017, year-on-year. During the year, metals prices also rose, benefitting from the improved global economy and a weaker U.S. dollar. Gold started 2017 at US\$1,157/oz, and traded at US\$1,359/oz on January 25, 2018 — its highest price since August 2016.

In times of deteriorating economy and falling commodity prices, miners quickly cut exploration spending, which leads to an exploration underinvestment and new resources deficit. Meanwhile, international interest in Lena Goldfields is increasing, following the sale in January 2017 of Sukhoy Log, one of the world's largest undeveloped deposits with approximately 1,953 tons (62.8 Moz) of gold. 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. Not only has the sale increased international focus on the area, the exploitation of the deposit is also expected to provide a significant improvement of the local infrastructure – and thus a reduction of the mining costs in the area.

Focus on Krasny

During the year, the majority of our efforts and funds were focused on the Krasny project. An updated mineral resource report according

to the JORC code issued by Micon International in September 2017 confirmed a 45 per cent increase in gold resources to 1,388 koz of gold. The increase primarily relates to the new gold structures identified within Krasny and Vostochny during the 2016 exploration activities, while the results from the 2017 exploration program were not taken into account. In 2017, we drilled an additional 79 core holes within these mineralizations. Based on the exploration results, we see a significant potential for a further resource increase and we aim to update the JORC resource estimation shortly.

Following the 2017 exploration activities, both the Krasny and the Vostochny mineralizations were left open along the strike and down dip. On January 19, 2018, we resumed exploration drilling with the primary objective of prospecting in the Vostochny structure further along the strike and testing several other targets within our Krasny and Batiy license areas.

During the year, results from a scoping study were released, including several options for production on the Krasny project. I am delighted to conclude that all scenarios returned positive free cash flows. The best outcome is estimated when producing both the upper and lower structures in an open pit, which would return a total undiscounted free cash flow of USD 373 million at a fixed gold price of 1,250 USD/oz and production costs of 601 USD/oz. The scoping study was also based on the 2016 resource data. Based on the drill results from 2017, we aim to update the study during 2018.

The fact that we have identified new resources means higher potential and thus we need to review the schedule and recalculate the project, including planning for a bigger mill, etc. The license terms for Krasny, which we need to comply with, include finalising exploration and filing a Russian reserve report by 2020, finalising and filing a feasibility study report by 2021 and commissioning the plant and start production by 2022.



Progress on our other projects

In 2017, we also made important progress on our other two projects; the Northern Territories and Kopylovskoye. For the Kopylovskoye project, we received a statutory approval, as well as environmental and safety permits for test mining operations, allowing mining of 150,000 tons of ore during the next two years. Some 32 tons of ore, representing different parts of the Kopylovskoye mineralization, were collected and processed at a neighbouring mill during the summer 2017. The program was carried out in cooperation with a local partner. The 2018 plans for Kopylovskoye project are either to sell the project for cash - if the market allows - or to develop pilot mining with a partner. With continued improvement of gold mining sentiments in Russia and worldwide, we see opportunities for both options.

Meanwhile, the 2017 exploration program on the Northern Territories confirmed our expectations that this is an area with high exploration potential. The program covered seven of the 21 exploration targets that were identified during the 2016 stream sediment survey. Out of these seven, we identified three high potential anomalous geochemical areas with a total area of 10.2 sq. km ready for drilling and trench sampling.

Rising share price

During the year, we managed to secure loan financing at favourable terms, something we see as a sign of trust in the company. This was also manifested by the continued interest in our share; in 2017 the share price increased by 14 per cent, following a 55 per cent increase in 2016 and 71 per cent in 2015.

As Krasny moves towards production and pilot gold operations at Kopylovskoye are reviewed we will now continue to evaluate potential new projects in the highly interesting Bodaibo area in line with our business concept to identify high potential areas and cooperate with partners to develop them into production.

On behalf of Kopy Goldfields, I thank you for your interest and support of the company. As always, 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.

Stockholm in April 2018

Mikhail Damrin
CEO Kopy Goldfields

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. Half of the top ten 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. Russia was ranked among the lowest cost gold producers 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 500-700 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:

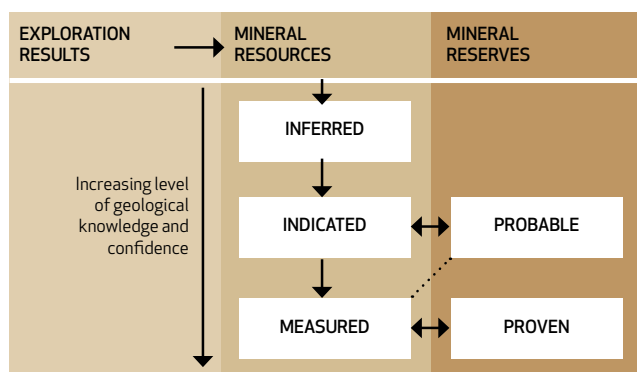
- Explored reserves and resources (A, B and C1)
- Examined reserves and resources (C2)
- Forecasted resources (P1, P2 and P3).

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

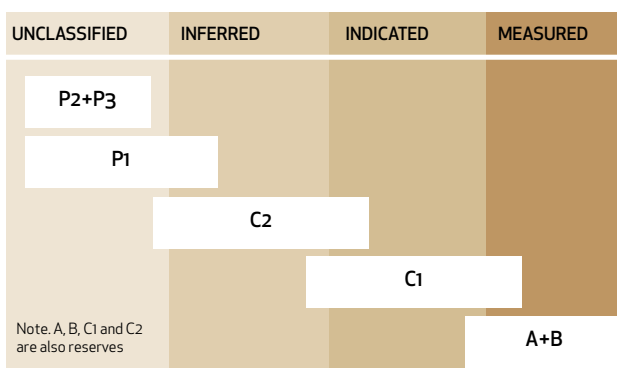
Mining legislation in Russia comprises federal legislative acts and regional legislative acts. In 2008, Russia introduced legislation relating to strategically and nationally important industries and assets, including certain mineral resources. A gold deposit of over 50 tonnes of reserves is considered to be of national significance, and thus falls within this legislative framework. The Act means, among other things, that Russian beneficiaries should have more than 75 per cent in the companies that 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. However, since this legislation has come into force, Russian government has never rejected foreign participation.

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



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 Sukhoy 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 Pleistocene 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.

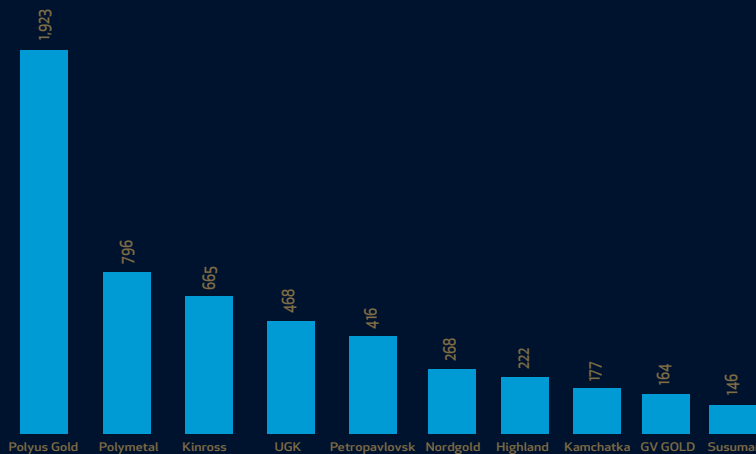
RUSSIAN GOLD PRODUCTION IN FIGURES

297,4 t

According to the Union of Gold Producers of Russia, in 2016 the total gold production in Russia increased to 297.4 t (+1.2%) including 262.4 t produced from the subsurface. The growth of gold production in Russia was provided by a few leading regions:

- the Krasnoyarsk Region – up to 52 t (+5%)
- the Magadan Region – up to 27 t (+17%)
- the Kamchatka Region – up to 6.3 t (+75%),
- the Transbaikalia Region – up to 12 t (+8%)

2016 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

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.

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, geologists use saws for cutting out mineral samples. These samples are then sent for analysis to identify gold content.

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.

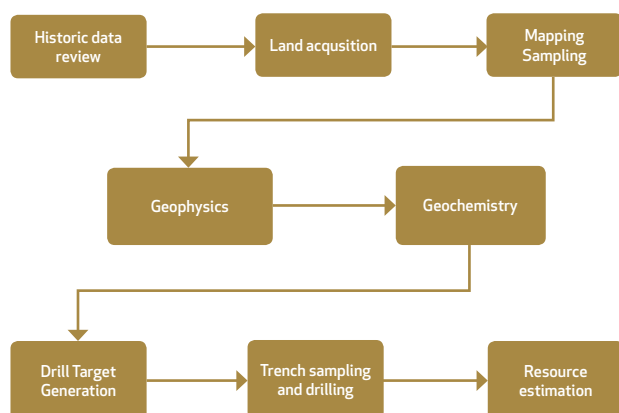
As a rule of thumb, only one out of a hundred gold mineralizations identified ends up being a producing mine. The exploration process involves many phases, and costs increase as the project approaches a potential production start-up. Once the exploration work is completed, the deposit is evaluated to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

REPORTING ACCORDING TO JORC AND GKZ

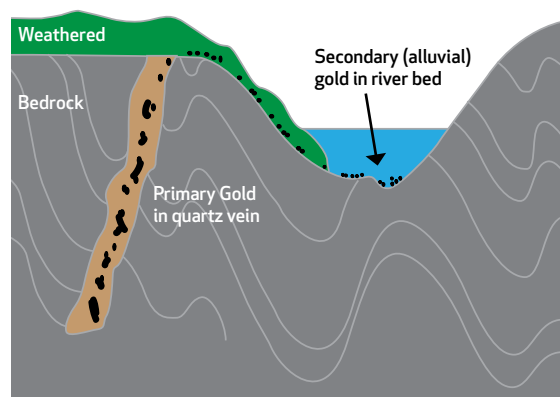
Kopy Goldfields has decided to report all new mineral resources within the international JORC Code (Australasian Joint Ore Reserves Committee), which is sponsored by the Australian mining industry and its professional organisations. Resources are also reported according to GKZ rules, the Russian mineral 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

EXPLORATION PROCESS



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



The picture above visualizes how bedrock gold goes into the riverbed

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: preliminary economic assessment PEA /scoping studies, pre-feasibility studies and feasibility studies. Each of these stages is followed by a decision whether or not to proceed. In 2017, positive reports regarding both resources and mining options for the Krasny deposit were published.

In September 2017, Kopy Goldfields announced an updated JORC mineral resource estimate for the Krasny deposit, showing 1,388 koz of gold resources, which was a 45 per cent increase compared to the previous estimation. 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.

An investment justification report, close to a pre-feasibility report, on the upper structure of Krasny was initiated in October 2016 and was developed by TOMS Engineering, a Russian mining engineering consultancy group. In parallel, the company also prepared a scoping study for both the upper and lower structures. Both reports were published in the end of 2017.

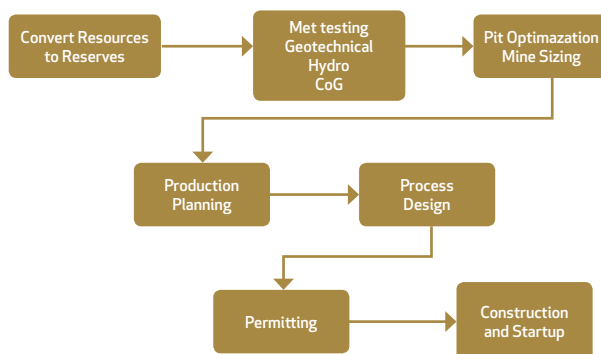
QUALITY OF PREPARATIONS IS ESSENTIAL

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 capital 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 de-lineating the mineralization, estimating the resource, and providing essential information for the mine and processing design. The 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.

SCOPING STUDY FOR THE KRASNY MINERALIZATION

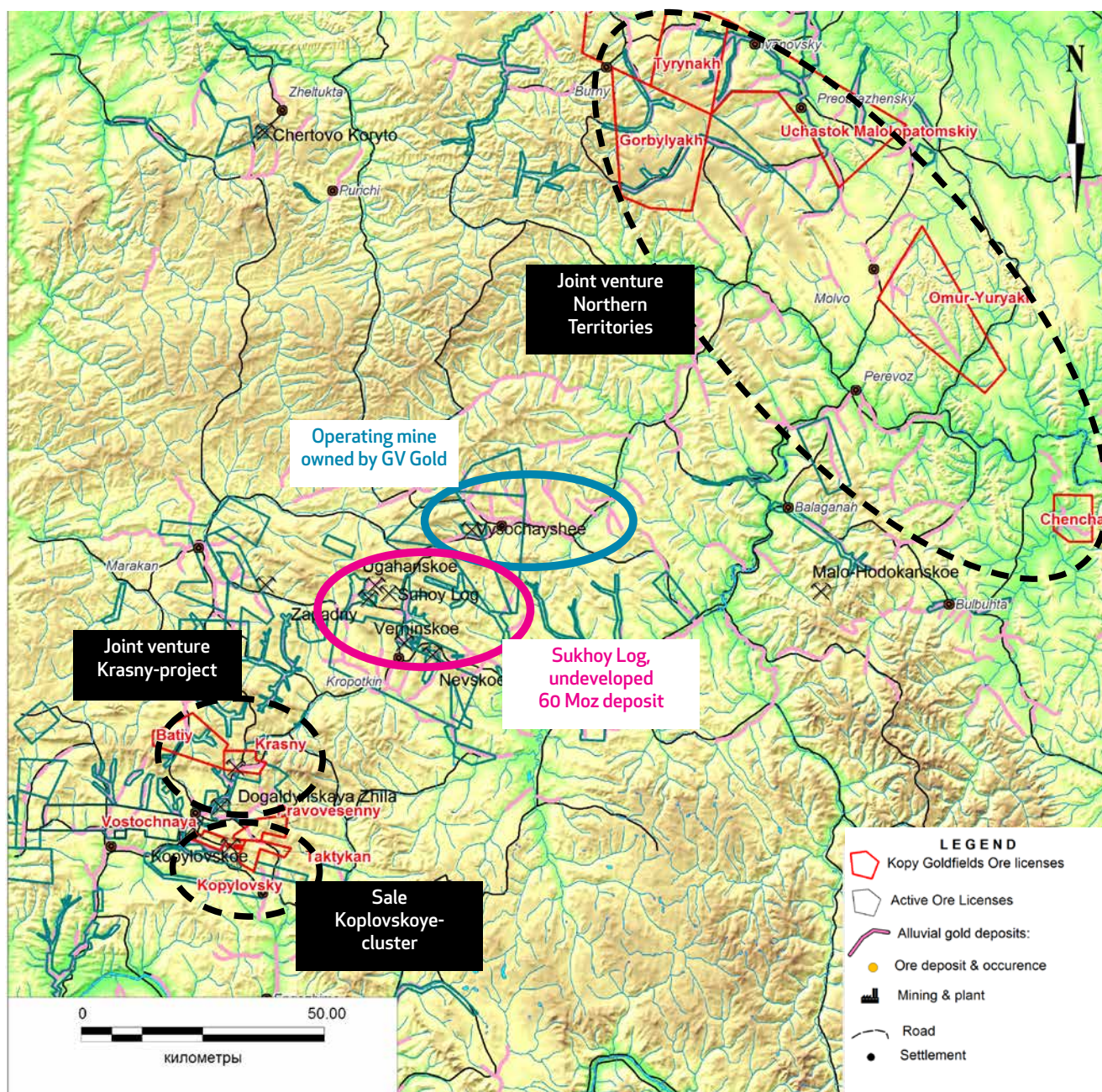
The scoping study published in 2017 for Krasny covered development of the upper and lower mineralization of Krasny, but not the newly discovered Vostochny mineralization. The study evaluated different gold production options, including development of only open pit production, or a combination of both open pit and underground mining. All production scenarios returned positive free cash flows. The best outcome is estimated when producing both the upper and lower mineralizations in an open pit with a total undiscounted free cash flow of USD 375 million at a fixed gold price of 1,250 USD/oz and production costs of 601 USD/oz. The report will be updated in 2018 based on results from the 2017 exploration program and including the Vostochny mineralization as well.

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.

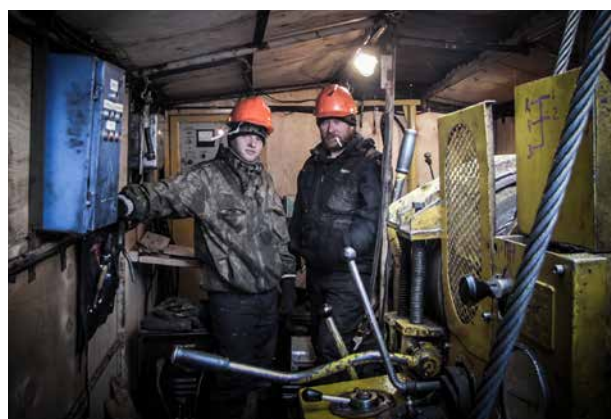
The flagship project, Krasny, consists of three licenses (Krasny bedrock; Krasny alluvial, and Batiy bedrock) with a total area of 117 km². The Kopylovskoye-project includes four licenses (Kopylovskoye, Pravovesenny, Takhtykan and Vostochnaya), with a total area of 80 km². The Northern Territories includes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

The Krasny and Kopylovskoye-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 parallel, with focus on projects with the highest potential.



License	Acquired	Mineral reserves according to JORC	Mineral resources according to JORC	Mineral resources according to GKZ	Valid until:	Ownership Kopy Goldfields AB	License area
Krasny (Bedrock)	2010	Probable: 240 koz@1.02 g/t	Indicated: 273 koz@1.11 g/t Inferred: 1 115 koz@1.76 g/t Signed by Micon 2017	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
Kopylovskoye	2007		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
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		Probable 240 koz	Indicated: 310 koz Inferred: 1 195 koz	Russian GKZ: C1+C2: 646 koz P1-P3: 4,152 koz			2,049 sq km

PROJECT KRASNY GOLD RESOURCES INCREASED BY 45 PER CENT

In 2017, the majority of Kopy Goldfields' exploration efforts and funds were put into the Krasny project. An updated mineral resource report according to the JORC Code was finalised during the year, showing a 45 per cent increase of the gold resources at the Krasny deposit to 1,388 koz. As the report does not cover the results from the 2017 exploration program, there is a significant potential for a further resource increase. Meanwhile, the results of a scoping study on the project were released including several options for future gold production – all returning positive free cash flow.

Krasny is Kopy Goldfields' most advanced gold project to date and consists of three licenses – the Krasny bedrock license, the Krasny alluvial license and the neighbouring bedrock license Batiy, acquired during 2017. A great deal of exploration activities have been performed at the site since 2010, when the project was acquired from the Russian state through a competitive public auction. 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 several placers (incl. three active) 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 60 m 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 8 (northwest) to the exploration line 67 (southeast) at 2,360 m. 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 20-80 m at the flanks and up to 160-200 m 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 20-100 m. The upper group of the ore bodies is about 1200 m long; the vertical span of the mineralization is 250 m; the lower group is 2,360 m long, and the vertical span of the mineralization is 400 m. The total span of the mineralization studied in boreholes is 590 m (elevation 1010-420m) the length along the strike is 2,360 meters. The intensity of mineralization correlates directly with the degree of occurrence of quartz-sulphide veinletting and imposition of other hydrothermal-metasomatic alterations.

The mineralized zone within the Vostochny gold occurrence is traced in trenches and boreholes for 2,340 meters from the exploration line 146 in the west to the exploration line 205 in the east. The

gold mineralization is located within the northern and southern limbs of the upper structure and within the hinge zone of the lower structure. Within the upper structure, the ore bodies have a thickness of 5-8 meters. The northern limb of the upper structure is dipping north-east at 45 degrees. The southern limb dips sub vertically. It is possible, that the hinge zone of the upper ore body has been fully eroded. The vertical span of the upper mineralization is 130 meters. The lower structure has been traced between the drill profiles 150 and 158. The lower mineralization is located at the saddle zone of the anticline. It dips to the north-east at 61-65 degrees. It has been traced for 100 meters down the dip. Both the upper and the lower mineralizations are open along the strike and down the dip. Vostochny and Krasny represent the same type of gold mineralizations and may be processed together.

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

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

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 MUS\$ 3, which was paid by GV Gold 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.

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.

STAGE 3, EXPLORATION AND FEASIBILITY STUDIES

The Stage 3 program was started in April 2016 and completed in February 2017. The program was partially financed by remaining funds from Stage 1 and 2, but also by a joint investment from Kopy Goldfields and GV Gold of MUSD 2, split in accordance with the ownership. The exploration program included a total of 100 core holes drilled, accounting for 19,622 meters of core drilling. In addi-

tion, 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 confirmed the modelling of the Lower structure mineralization, with new high-grade intervals being discovered. From the drilling results there were 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.

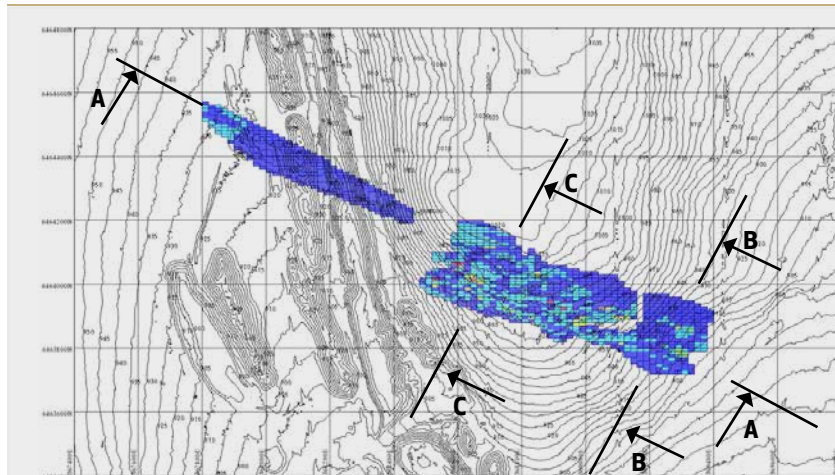
During 2016, a satellite gold mineralization within the Krasny North structure was confirmed, which is located within 3-4 km from the Krasny Central. This mineralization is within the borders of the same Krasny license and makes part of the bigger Krasny project.

STAGE 4 - ALL TARGETS ACHIEVED

The exploration program Stage 4 for Krasny was commenced in March 2017 and completed in December the same year, pursuing several targets:

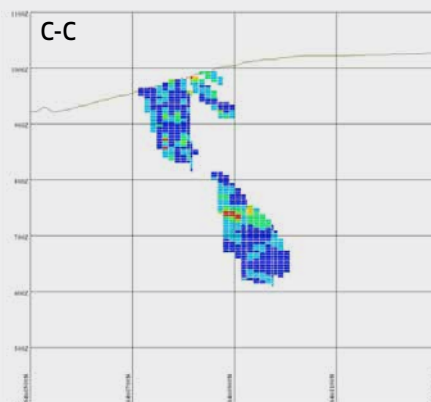
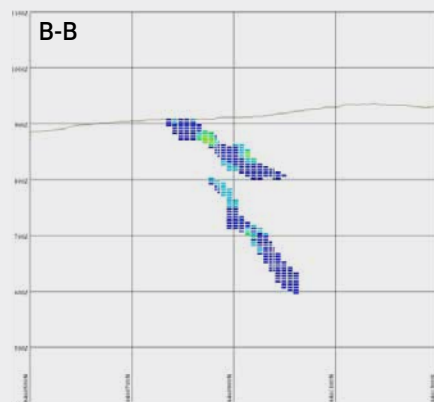
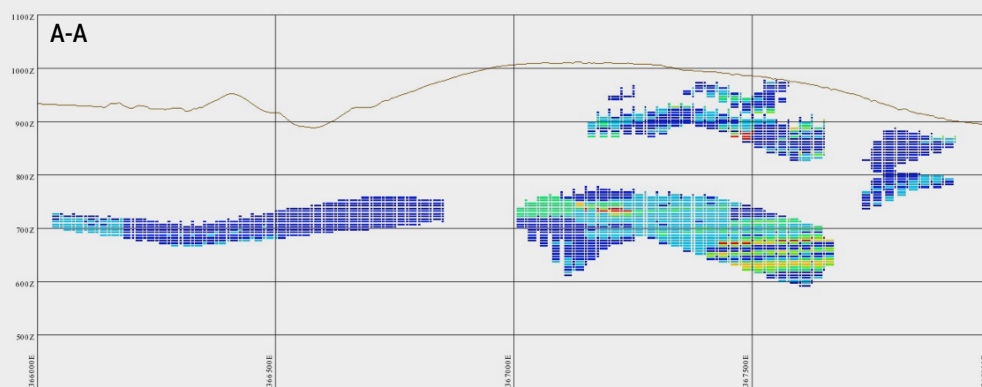
- Infill Exploration drilling on the Lower Structure to convert part of Inferred resources of the Lower structure into Indicated category to proceed with Feasibility Studies for the Lower structure;
- Prospecting of both the Upper and the Lower structures within Krasny, based on strong evidences for further increase of gold resources along the strike of mineralization;
- Exploration of the Vostochny mineralization along the strike as well as infill drilling;
- Prospecting within other parts of the Krasny license area with target to identify additional "Vostochny" type gold mineralizations.

During 2017, 79 core holes were drilled, totaling 19,569 meters. In addition to drilling, all trench sampling activities were finalized in October 2017. In total, 3,110 meters of trenches were developed and logged, of which 1,425 meters were sampled and assay tested. All targets of the exploration program 2017 were achieved. Kopy Goldfields was the operator of the exploration program for the fourth year in a row since the start of the joint venture operations in 2014. The budget for the 2017 exploration program was planned at MUSD 4.4



Block model for the Krasny mineralization, plan view

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



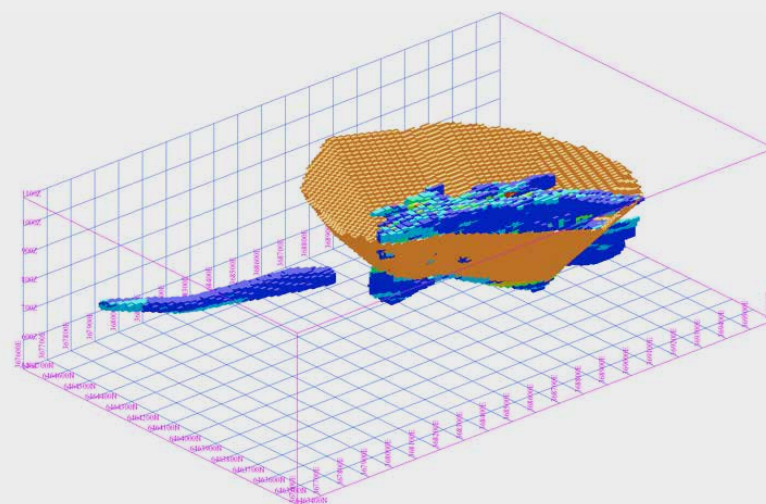
Block model for the Krasny mineralization. Cross section along B-B and C-C, perpendicular to the strike

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



and the program was partially financed by a positive cash balance left after Stage 3 and partially by new investments by Kopy Goldfields and GV Gold by the amount of MUS\$ 2.1.

Based on the results from the 2017 exploration program, the company targets to both further increase the total gold resources and to convert some inferred resources into indicated resources, and some indicated resources into reserves. The most significant outcome of the drilling activities during 2017 is the discovery of the Lower structure at Vostochny mineralization, which will significantly increase the Vostochny gold resources and influence the mining potential of the total Krasny project positively.

Based on positive exploration results from 2017, the new 2018 exploration program on Krasny and Vostochny was commenced in January 2018. The program includes drilling of 25 thousand meters of core holes targeting further resource increase at Vostochny and Krasny and collecting data to proceed with the Feasibility Studies.

MINERAL PROCESSING STUDIES

The initial mineral processing test was made in 2012 with a 60 kg bulk sample, representing primary ore. The test confirmed a 85% recovery with conventional gravitation-flotation-leaching technology. 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%.

In April 2017, a mineral processing test of a bulk sample, representing the gold ore of the Upper structure, was completed by Irgiredmet. The total weight of the processed sample was 3,259 kg with an average gold grade of 1.92 g/t. The test developed and finetuned the previous metallurgical results and recommended a flow chart for the Krasny gold ore treatment processes. The process will involve gravitation and flotation circles with further leaching of gravities and flotation concentrates. All operations will be developed on

the Krasny site. The Krasny processing plant will produce gold Dore bars, which will be further refined at an external refinery to bankable quality gold bars. The through gold recovery for the ore from the Upper structure is expected at 85,5 %, which is higher than previous processing test results.

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 classified 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, reports on the mineral resources in accordance with the JORC provisions have been 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.

In February 2017, an update of the 2016 JORC resource estimation was initiated by Micon and in September 2017, the new resource estimation of 1,388 koz of gold for the Krasny project was released, representing a 45% increase of gold resources y-o-y. For the first time, the resource estimation includes both the “Krasny” (previously “Central Krasny”) and “Vostochny” (previously “Krasny North”) mineralizations, and the report also includes Probable reserves for Krasny. For Krasny, the resource estimation shows 273 koz of Indicated mineral resources (mineral resources of 7,617,000 tons at an average grade of 1.11 g/t Au) and 1,052 koz of Inferred mineral resources (18,536,000 tons at an average grade of 1.76 g/t Au). This resource statement also reports 240 koz of Probable gold reserves (7,327,00 tons at an average grade of 1,02 g/t Au) as a part of total gold resources. Vostochny shows a total of 63 koz of Inferred mineral resources (1,114,000 tons at an average grade of 1.76 g/t Au). All resources are reported within economically minable open pits.

Table 1. Mineral Reserve Statement for the Krasny Gold Deposit, Irkutsk Region, Russia, Micon International, September 6, 2017*

JORC Reserves	Tonnage (kt)	Au grade (g/t)	Au (kg)	Au (koz)
Krasny				
Probable	7 327	1,02	7 466	240

*NOTES:

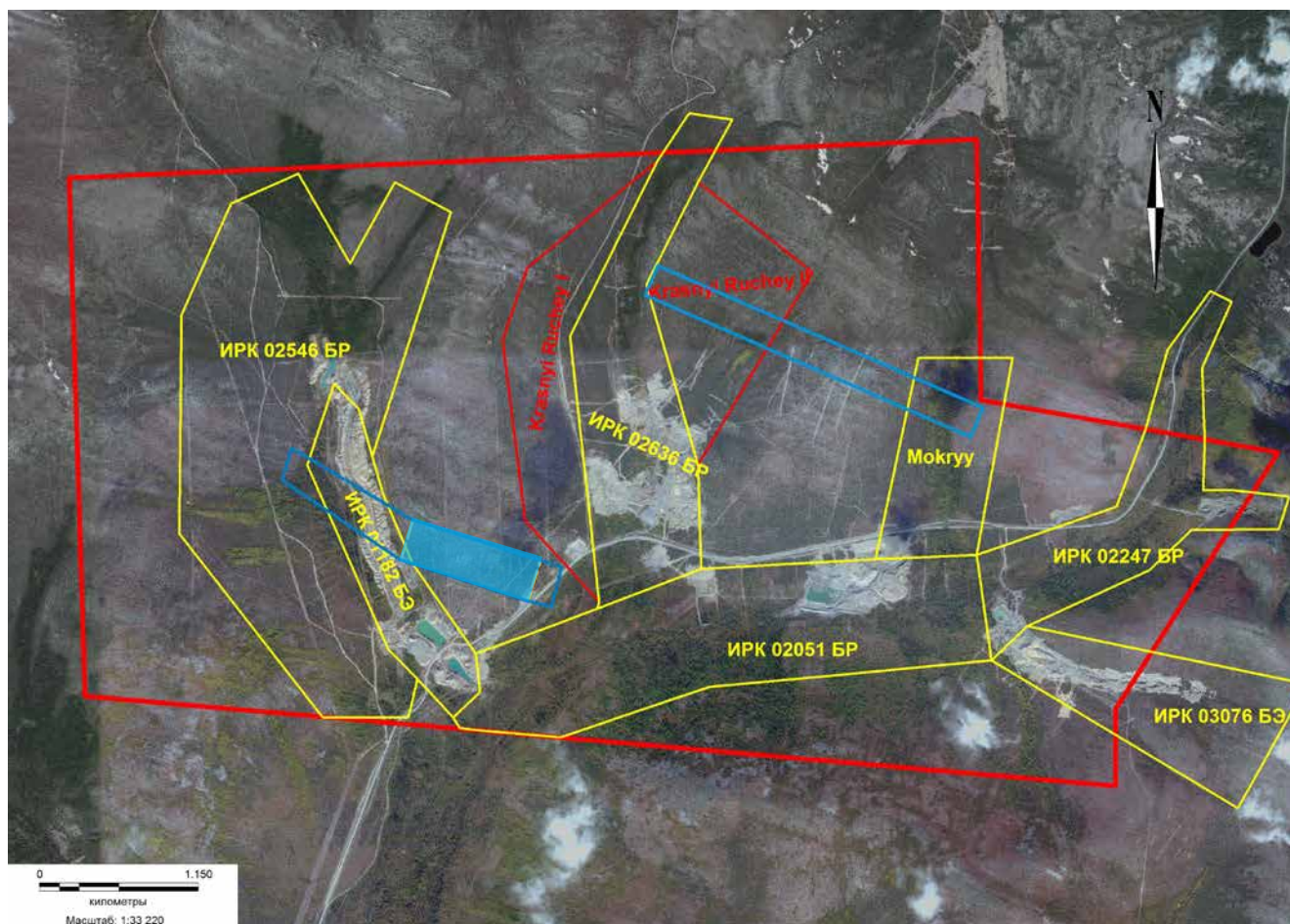
- Reserves stated as contained within an economically minable open pit stated above a 0.4 g/t Au cut-off;
- Pit optimization is based upon an assumed gold price of \$1,200/oz, metallurgical recovery of 85.5% and the open-pit slope angle 38°. The operating cost values used were \$2.36/m³ for waste mining, \$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.

Table 2. Mineral Resource Statement for the Krasny Gold Deposit (inclusive of Mineral reserves), Irkutsk Region, Russia, Micon International, September 6, 2017**

Category	Tonnage (kt)	Au grade (g/t)	Au (kg)	Au (koz)
Krasny				
Indicated	7 617	1,113	8 476	273
Inferred	18 536	1,765	32 725	1 052
Vostochny				
Inferred	1 114	1,762	1 962	63
Grand total	27 267		43 163	1 388

**NOTES:

- Mineral Resources are not Ore 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 Ore Reserves estimate;
- Resources stated as contained within a potentially economically minable open pit stated above a 0.4 g/t Au cut-off;
- Pit optimization is based upon an assumed gold price of \$1,440/oz, metallurgical recovery of 85.5% and the open-pit slope angle 45°. The operating cost values used were \$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 resources presented in Table 2 are inclusive of the reserves shown in Table 1.



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 deposit and Vostochny mineralization.

SCOPING STUDY

Several scoping studies covering the Krasny development have been completed over the last few years. All provided positive outcomes. The first report was done by Miramine Mining Consultancy in 2013. The next report was developed by Irgiredmet in 2016. In October 2016, an Investment justification report was commenced by TOMS Engineering, a Russian mining engineering consultancy. This report was focused on development of the Upper mineralization only. In parallel with the Investment justification report, TOMS Engineering prepared a Scoping study for the development of both the Upper and Lower Mineralization. It did not, however, include the newly discovered Vostochny mineralization, which is left for the coming 2018 scoping study. The study evaluated different gold production options, including the development of open pit production and a combination of open pit and underground mining. All production scenarios returned positive free cash flows. The best outcome is estimated when producing both the Upper and Lower Mineralizations in an open pit with total undiscounted free cash flow of USD 373 million at a fixed gold price of 1,250 USD/oz and production costs of 601 USD/oz.

NEW LICENSE

In January 2017, the Krasny Joint Venture was granted a bedrock exploration license, called "Batiy", with a total license area of 86 square kilometers. The new license borders the Krasny license on the Northwest. The license was granted without auction on the "first come – first serve" basis for a period of 7 years and it provides rights for bedrock gold prospecting and exploration. If the exploration activities are successful and gold resources are proven with 7 years,

OOO Krasny will have priority rights to receive the mining license for the discovery.

Based on our knowledge of the Krasny deposit and the area, we believe that the Batiy license geologically has a good exploration potential. We forecast that gold bearing structures of the Krasny deposit continues within the Batiy license area which is located on the western strike continuations of both Krasny deposit and Vostochny mineralization. There are several direct indications of a bedrock gold mineralization, including identified quartz veins type mineralization, geochemical anomalies of gold and pathfinder metals, as well as placer gold deposits. Within the boundary of the license area, a historic bedrock gold mineralization, called Antiklinalnoye, was previously reported with potential gold resources of 20 tons. Backed by the discovery of the Vostochny mineralization, we strongly forecast further discoveries of a similar scale as the Vostochny within the direct vicinity of the Krasny Central deposit which will make it one production cluster with several potential mine sites and a central ore processing plant located at the Krasny Central.

EXPLORATION ON KRASNY

TARGETS 2018

- Drilling of 25 thousand meters of core holes targeting further resource increase at Vostochny and Krasny
- Develop detailed mineral processing flow chart for the Krasny ore representing lower structure
- Develop detailed mineral processing flow chart for the Vostochny mineralization
- Advanced geotechnical study
- Advanced hydrology study and water flow tests
- Collecting other data to proceed with the Feasibility Studies
- Exploration within Batiy license area

ACTIVITIES 2017

- New bedrock exploration license “Batiy” granted, bordering the Krasny license to the northwest and covering 86 sq.
- Results from a mineral processing test of Krasny ore confirm 85.5 gold recovery with an average grade of 1.92 g/t
- Updated JORC resource report released showing 45% increase of gold resources
- New scoping study based on several production scenarios – all yielding positive free cash flows
- 79 core holes drilled, totaling 19,569 meters

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
- Engineering and metallurgical processing tests initiated

EXPLORATION ACTIVITIES 2013

- Scoping study report and updated mineral resource estimation published
- 1,695 meters of core drilling and 195 meters of exploration trenches

EXPLORATION ACTIVITIES 2012

- Mineral resource estimate within JORC Code
- 11,030 meters of core drilling and 1,161 meters of exploration trenches

EXPLORATION ACTIVITIES 2011

- Design of exploration activities
- 2,572 meters of core drilling

EXPLORATION ACTIVITIES 2010

- Recognizance geological mapping of 100 km
- Review and digitalize historic exploration data

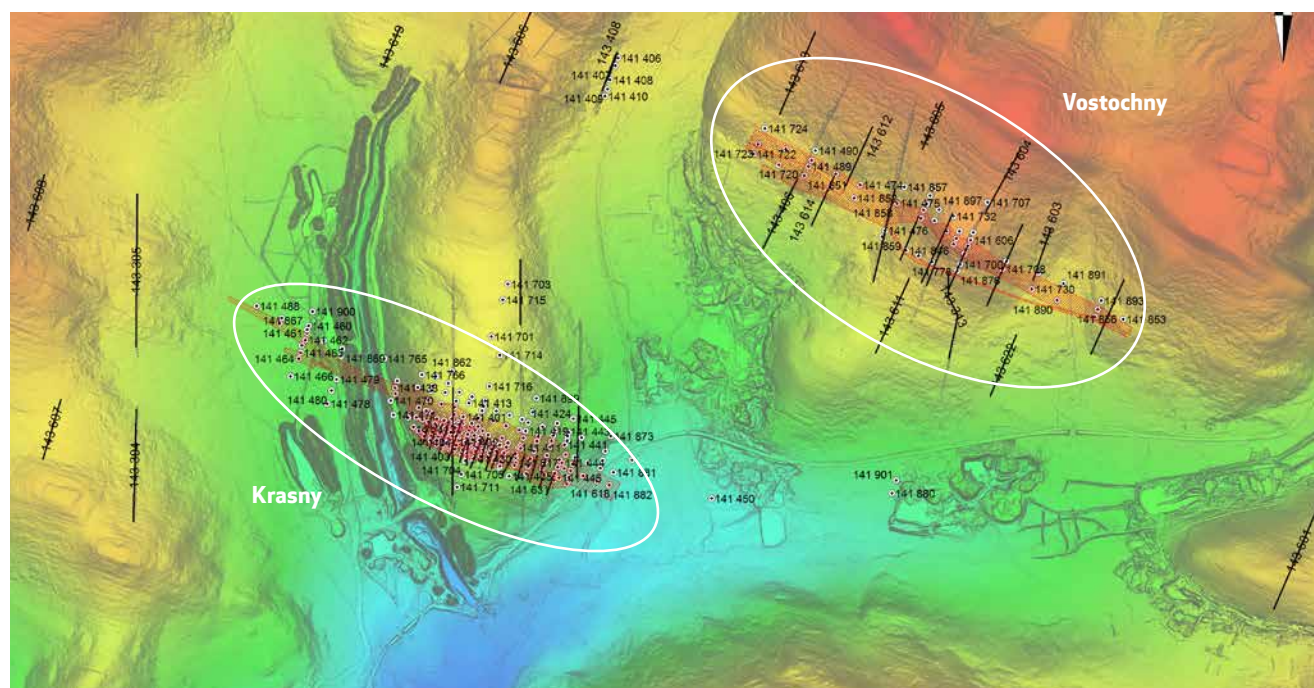
HISTORICAL EXPLORATION

- 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

TOTAL INVESTMENTS

- Cumulative joint investments into Krasny project totaled MUSD 17.8 by the end of 2017
- Some 78 km of core holes drilled so far

Map of the 2017 Stage 4 exploration program for the Krasny deposit.



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. In 2017, permits for test mining at the deposit were received, with some 32 tons of ore collected and processed in cooperation with a partner.

After the acquisition in 2006 – 2007, Kopy Goldfields' team of geologists 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, Pravovesennyy, 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 company has focused on the Krasny project, and thus the work on the Kopylovskoye project has been limited

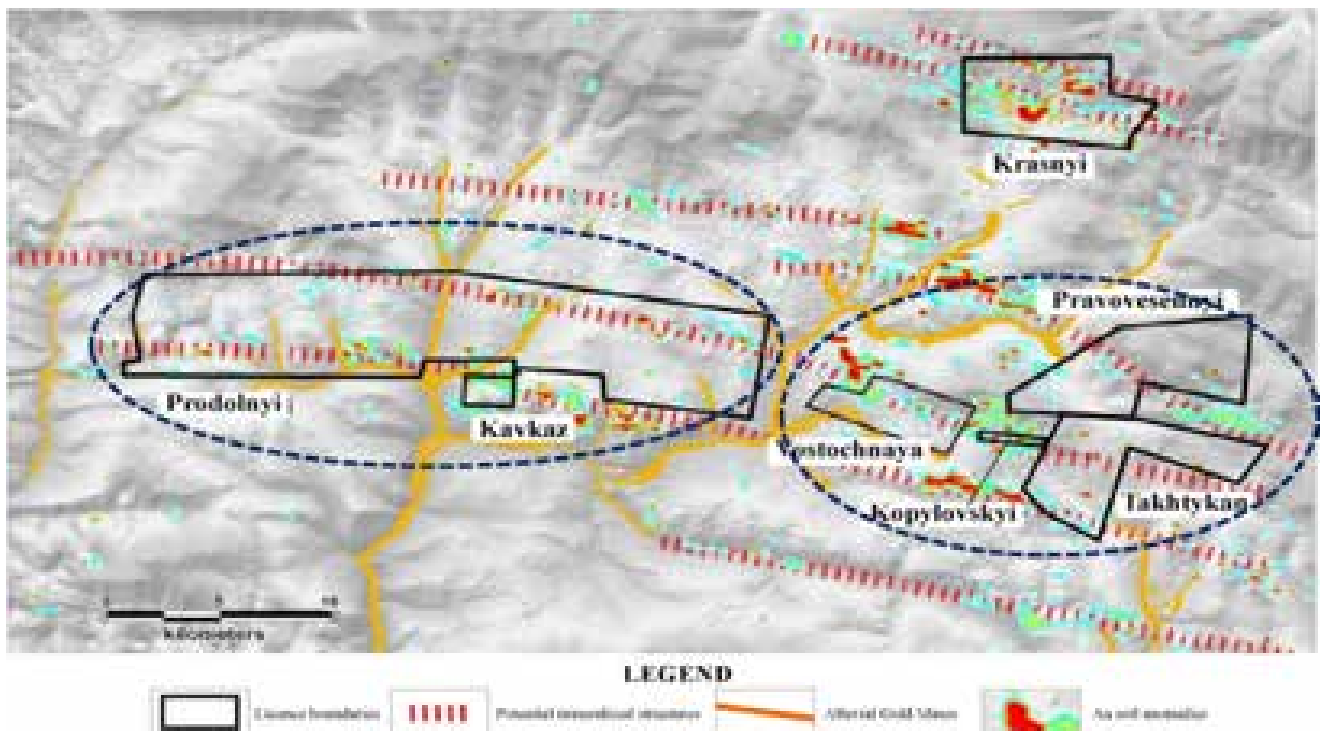
and no significant explorations were carried out.

In 2016 – 2017, as a result of a general positive industry sentiment, Kopy Goldfields filed for mining permits and updated license terms, and a statutory approval as well as environmental and safety permits were received, allowing mining of 150,000 tons of ore during the next two years. 32 tons of ore, representing different parts of the Kopylovskoye mineralization, were collected and processed at a neighbouring mill. The program was carried out in cooperation with a local partner during July-August 2017.

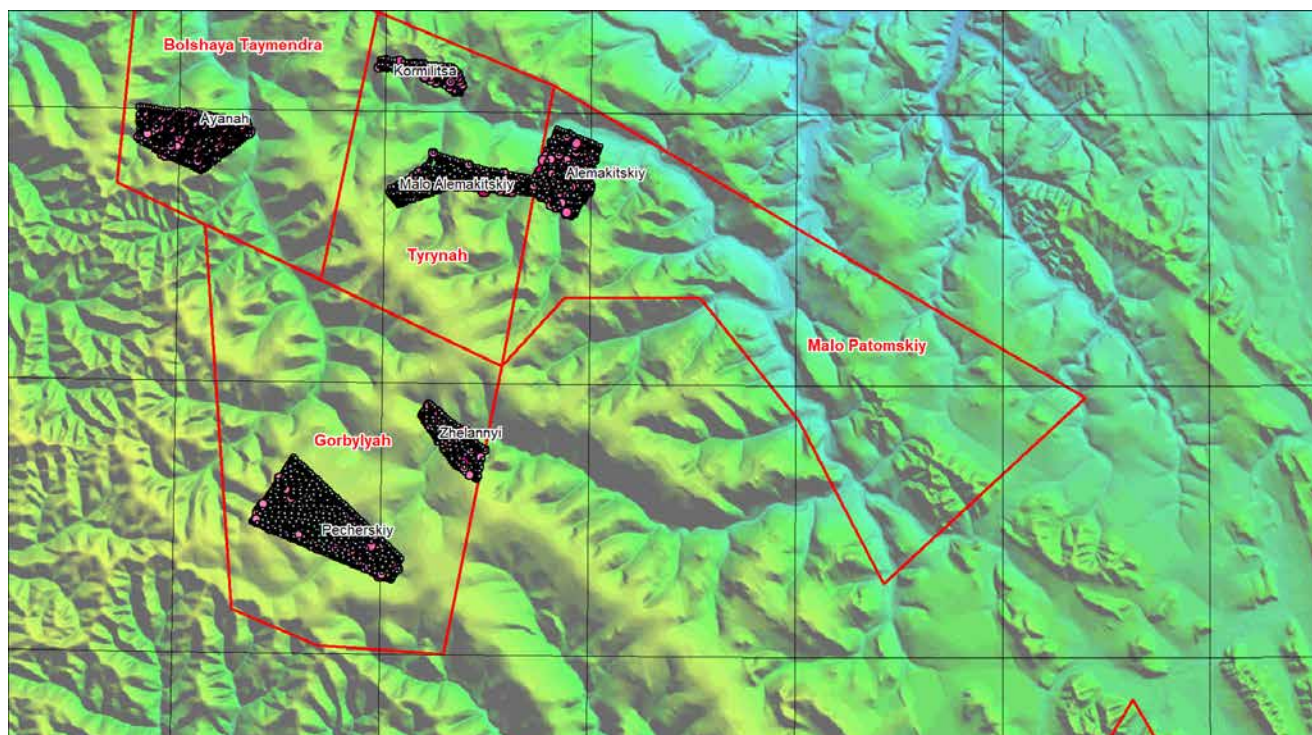
The 2018 plan for Kopylovskoye is either to sell the project for cash if the market allows, or to develop pilot mining with a partner. With continued improved gold sentiment in Russia and worldwide, we see opportunities for both.

MAJOR EVENTS AT KOPYLOVSKOYE IN 2017:

- Statutory approval as well as environmental and safety permits for pilot mining operations
- 32 tons of ore collected and processed in cooperation with a local partner



PROJECT THE NORTHERN TERRITORIES



Red lines marks the license boundaries for the Northern Territories. Black fields marks the locations for the 2017 geochemical survey.

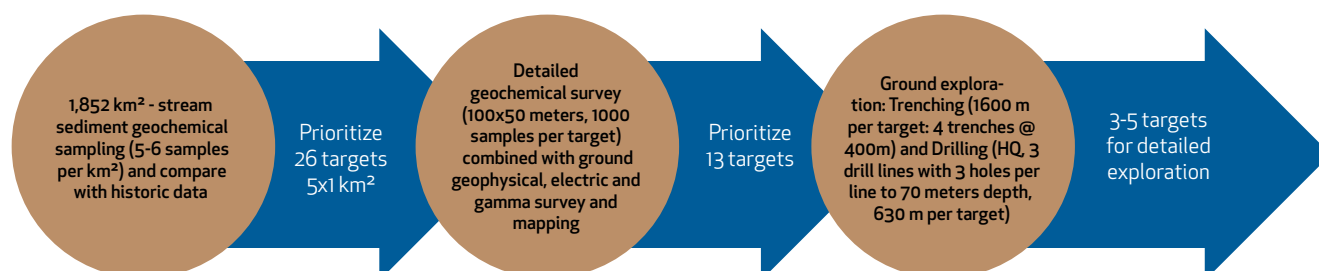
The Maly Patom-area, also called “the Northern Territories”, is located to the north of Bodaibo and covers a total area of 1,852 km² (182,500 ha), split into six properties that were acquired at the end of year 2012. Kopy Goldfields’ licences for bedrock gold prospecting, exploration and production are 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 initial 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 Gold-fields (Sukhoy Log, Verninskoye, Vysochaishy) with similar geology to the area, the following exploration parameters are expected for the Northern Territories 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. 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, 21 exploration clusters were selected for more detailed Stage 2 follow-up explorations with a total exploration area of 243 sq km.

EXPLORATION PROGRAM 2017

The 2017 exploration program covered seven of the 21 exploration targets that were identified during the 2016 stream sediment survey. A detailed geochemical survey at 200*50 meters grid, together with geological mapping, was done of the area, corresponding to 122 sq. km, and 12,896 soil samples were collected and analysed for 32 chemical elements plus gold. The results confirm our expectations of the Northern Territories being an area with high exploration potential. In line with our target, we were able to scale down the exploration area further and identified three anomalous geochemical areas with a total area of 10.2 sq. km

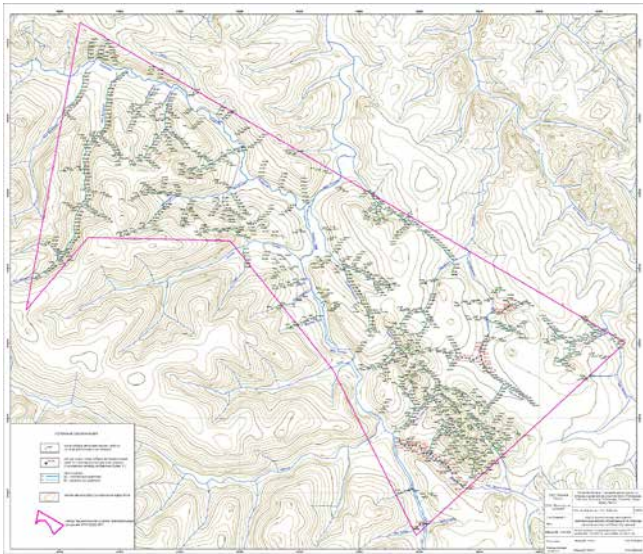
All three anomalies – Mezhdurechnaya, Sekushaya and Polovinka - correspond to our exploration parameters and target gold deposit of +1 Moz. They are now ready for drilling and trench sampling. In addition to these drilling and trench sampling targets, we still have another 14 targets from 2016 left for detailed geochemical survey, similar to the exploration done in 2017.

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.

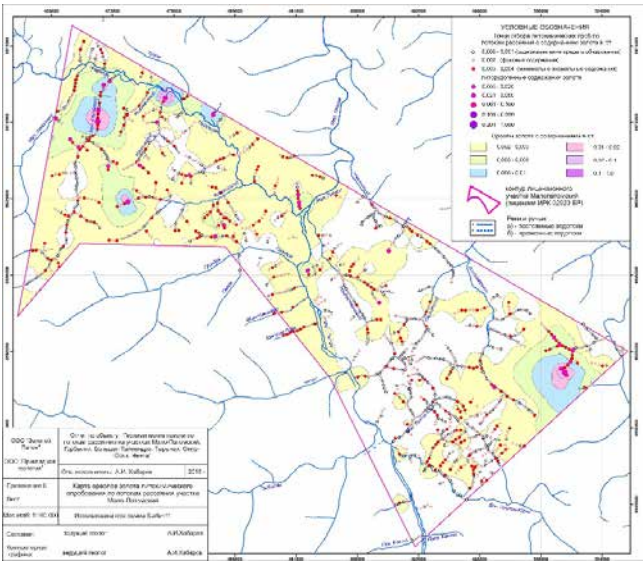
MAJOR EVENTS AT NORTHERN TERRITORIES IN 2017:

- Exploration program carried out for seven of the 21 identified targets in the area
- 12,896 soil samples collected and analysed
- Great exploration potential for gold confirmed and 14 clusters left for detailed geochemical survey

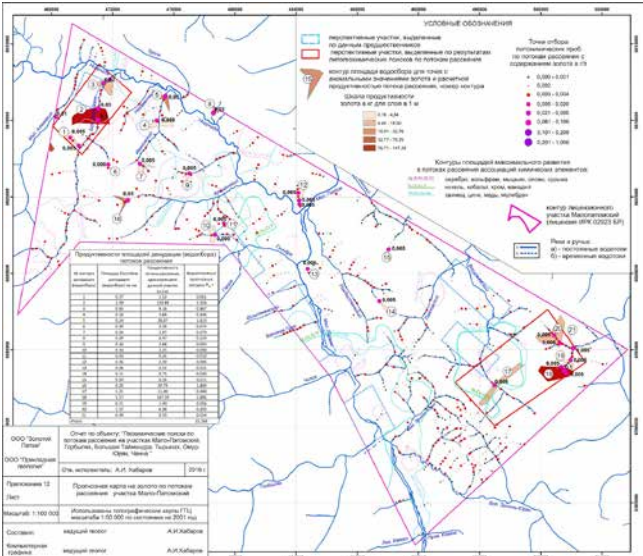




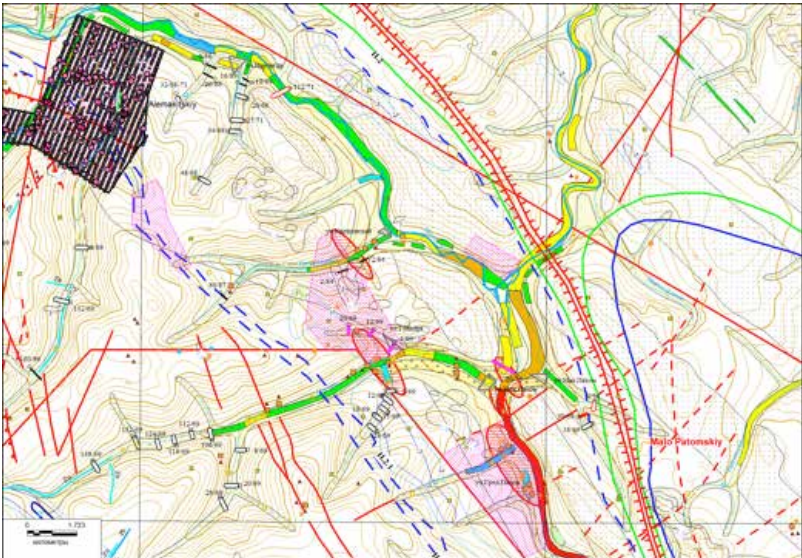
Year 2016: Samples collected and analyzed



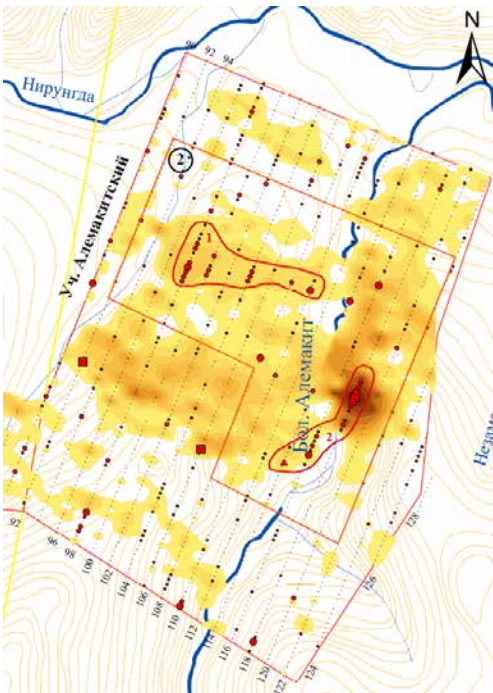
Year 2016: Au anomalies



Year 2016: Prospective gold targets



Year 2017: Black color marks the area of the soil geochemical survey. Exploration target Alemakitsky.



Year 2017: Soil anomaly identified within the Alemakitsky target.

GOLD MARKET

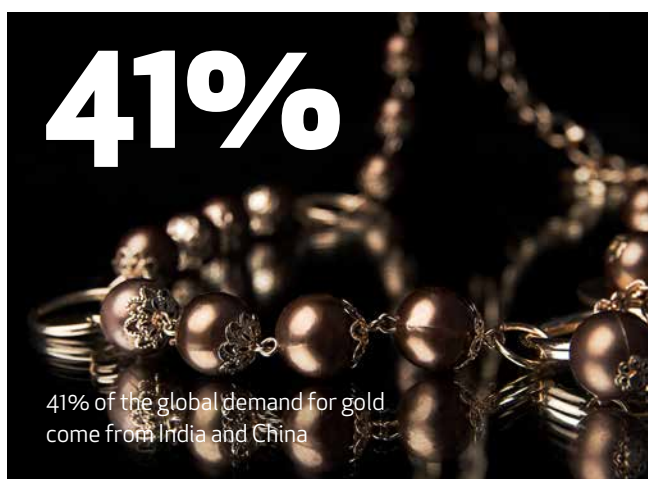
GROWING INTEREST IN GOLD AND EXPLORATION

Global spending on the search for nonferrous metals rose in 2017 - the first annual increase in exploration spending after four consecutive years of decline. Focus was on gold, which in January 2018 traded at its highest price since August 2016.

Metals prices during the year benefited from the improved global economy and from a recently weaker U.S. dollar, in which most commodities are valued: in January 2018, the dollar's trade-weighted value was the lowest since December 2014. Gold has benefited the most. The precious metal started 2017 at US\$1,157/oz, ended the year at US\$1,303/oz and traded at US\$1,359/ oz on January 25, 2018 — its highest price since August 2016.

The proportion spent on exploration varies according to industry cycles. During market downturns such as the recent one, miners quickly deem exploration to be surplus and slash exploration spending faster than revenues decline. When market sentiment turns positive, their exploration spending tends to ramp up faster than their revenues grow.

Global spending on the search for nonferrous metals rose to an estimated US\$8.4 billion in 2017, compared with US\$7.3 billion in 2016. This represented the first annual increase in exploration spending after four consecutive years of declining investment. Improved



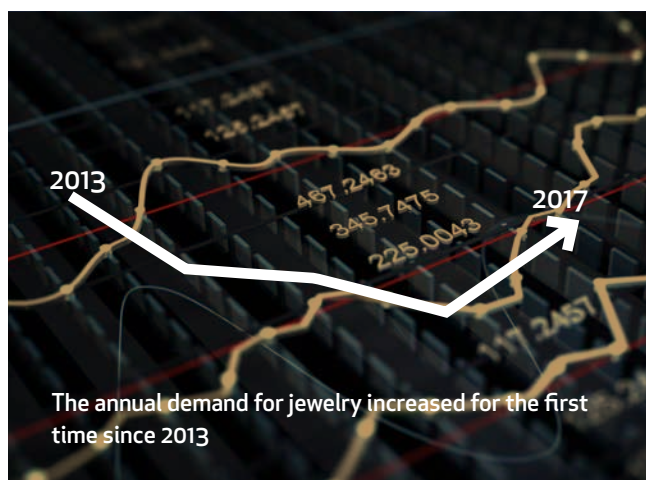
equity market support for explorers — including many that were dormant during the downturn — allowed companies to launch or resume drill programs on their most promising projects. The main focus was on gold. As a result, exploration sector activity reached levels not seen since early 2013. In the last quarter of 2017 there was a sharp increase in reported drill results, and financings closed the year on a high note.

GOLD AS RISK MITIGATION TOOL

The strong gold price performance was a positive for investors and producers, and was symptomatic of a more profound shift in sentiment: a growing recognition of gold's role as a wealth preservation and risk mitigation tool, according to a report from the World Gold Council. During the year, the gold-based product LMEprecious, developed with the London Metal Exchange, was launched, intended to improve price transparency and efficiency of transacting in the London wholesale market. Also, the emergence of a range of Shari'ah-compliant gold products, following the launch of the

Gold price development from January 2007 until April 2018 in USD and RUB





ground-breaking Shari'ah Standard on Gold in 2016, should help to open up the gold market further, according to the World Gold Council. More broadly, significant progress has been made in engaging pension funds and sovereign wealth funds to consider making allocations to gold.

During the year, there was much discussion around crypto currencies and their relationship with gold. Disruptive technologies, such as Blockchain, are expected to offer a significant opportunity for the gold market. More and more digitally based investment platforms backed by physical gold appear and this trend is expected to accelerate.

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.

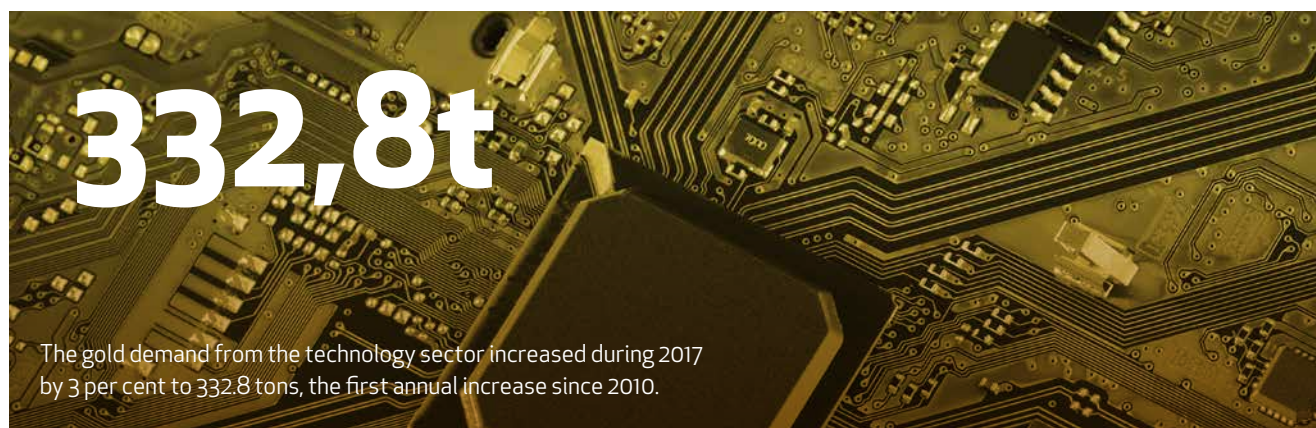
The annual total supply of gold has averaged around 4,000t over the last 10 years. Mining is not the only way in which gold is supplied to the market, however. Total mine supply – which is the sum of mine production and net producer hedging – accounts for two thirds of the total supply. Recycled gold 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 2017, followed by Australia and then Russia.

Asia as a whole produces some 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.

Sources: S&P Global Market Intelligence, World Gold Council



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

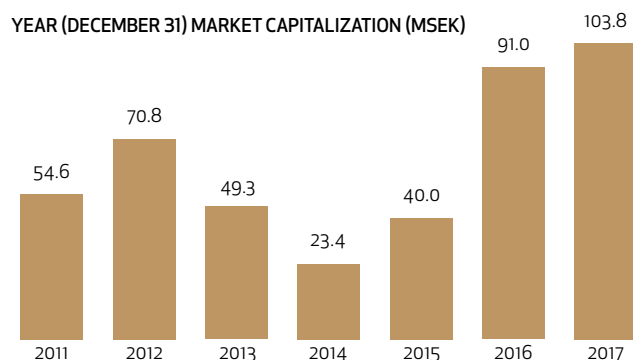
Trading in shares

The ticker symbol for the share is KOPY and the Company has been listed on NASDAQ First North in Stockholm since August 2010. During 2017, the total number of shares traded amounted to 56,972,471, with a total value of MSEK 82.6. The corresponding number of shares traded during 2016, was 157,637,839 with a total value of MSEK 238.0. Share turnover in the Kopy Goldfields-share – a measure of the share's liquidity – amounted to 73 (246) percent during the period, compared with 60 (53) percent for First North over the same period. On average, 226,982 (623,074) shares were traded daily with a value of SEK 329,130 (940,572) daily. The average difference between the buy and sell price during the year was 1.67 (1.68) percent.

Share price trend

Kopy Goldfields' share price on the NASDAQ First North in Stockholm increased by 14.0 percent during 2017 (55.1 percent in 2016) and closed at SEK 1.30 at the end of the year. The highest price paid for the share during the year was SEK 1.75 on July 31, 2017 and the lowest was SEK 1.05, paid on May 8, 2017. The average price was SEK 1.45. During 2017, the First North base metal index, to which Kopy Goldfields belongs, decreased by 7.55 percent.

Kopy Goldfields' total market capitalization amounted to MSEK 103.8 as of December 31, 2017 (MSEK 91.0 as of December 31, 2016).



Share capital

Kopy Goldfields' share capital amounted to SEK 30,366,773 (30,366,773) on December 31, 2017, allocated among a total of 79,866,054 (79,866,054) 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 5,011 (5,551 at the end of 2016) and the five largest shareholders are presented below.

Shareholder	Number of shares	(%)
KGK Holding AB	8,148,650	10.2%
Novatelligence AB	7,812,864	9.8%
Försäkringsbolaget Avanza Pension	5,548,037	7.0%
UBS Switzerland AG /Clients Account	5,202,498	6.5%
Sparekassen Kronjylland	1,173,060	1.5%
Other shareholders	51,980,945	65.1%
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 2017 financial year.

Incentive programs

The Annual General Meeting 2017 approved two long-term incentive programs 2017/2020; one for management and one for the Board of Directors. Under the programs, a total of 3,400,000 warrants can be issued. Each warrant entitles the holder to subscribe for one (1) share in the Company, which means that the share capital can be increased by SEK 1,292,752 at maximum. The exercise date is December 31, 2020 and strike price is SEK 1.80. As per December 31, the number of warrants issued amount to 3,400,000.

SHARE PRICE DEVELOPMENT DURING 2017



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, 2017.

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 per cent of the Russian subsidiaries LLC Vostochny, LLC Patom Gold, LLC Taiga and LLC Nirungda Gold, the Swedish subsidiaries AB Krasny Gold Fields and Kopy Development AB, and 49 per cent of the Cypriot subsidiary Bodaibo Holding Ltd with its fully owned 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. The dormant subsidiary LLC Kopylovskoye was divested by the end of 2017 and had no employees and no 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 per cent. 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.

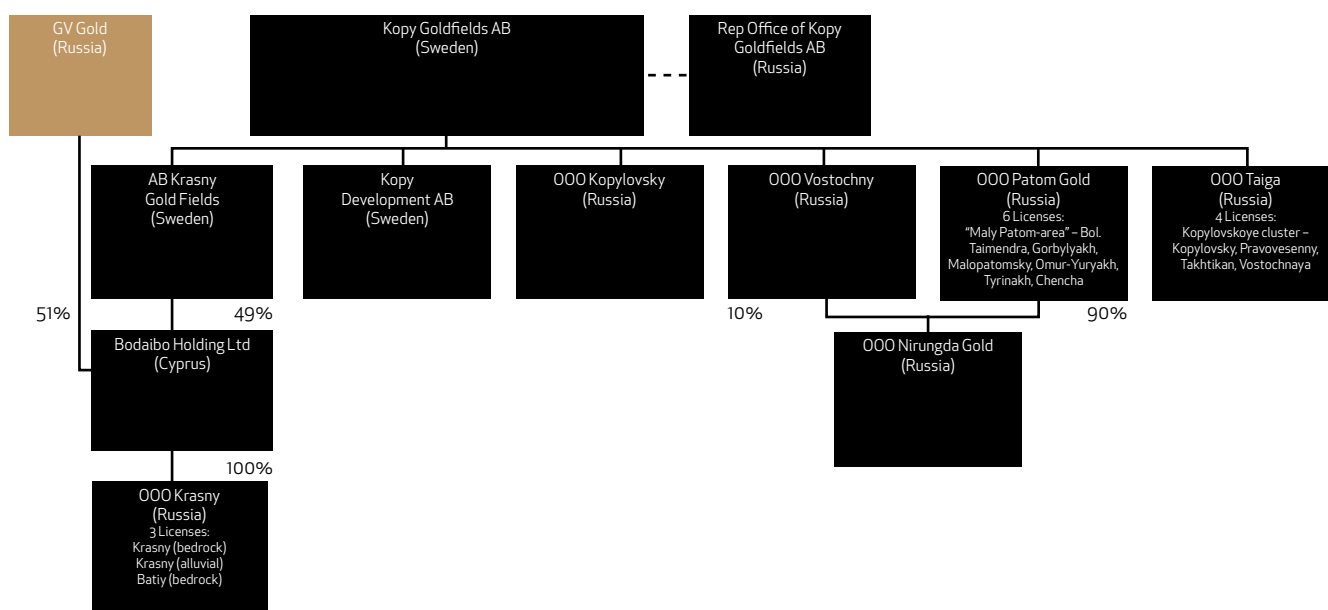
The Company focuses on the Artemovsky district of Lena Goldfields with 20 Moz of historic alluvial gold production. Seven of the licenses are geographically concentrated within a 40 x 20 km area, within 50 to 75 km of Bodaibo, the area's main town. The distance from the deposits to the main road is between 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 2017, 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 and renewing the terms of the licenses. For detailed information about the respective deposits and exploration activities, see the section "Project Krasny – Gold resources increased by 45 per cent" starting on page 18.

Krasny license

The Krasny license is the Company's main project. In the summer of 2014, Kopy Goldfields entered into a joint venture agreement with the Russian gold producer GV Gold regarding the Krasny project. Under the agreement, GV Gold obtained a 51 per cent 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. During 2016 and 2017, further MUSD 4 for further development of the project was invested pro-rata 51/49 by GV Gold and Kopy Goldfields. Cumulative joint investments into Krasny project totaled MUSD 17.8 by the end of 2017.

In February 2017, field exploration activities relating to Stage 3 (2016 exploration program) for Krasny were completed and an update of the JORC resource estimation was initiated. The report was developed by Micon International which made the JORC resource estimation for Krasny in 2016 as well. In September 2017, the new resource estimation of 1,388 koz of gold for the Krasny project was released representing a 45% increase of gold resources y-o-y. The resource increase reflects successful exploration activities during 2016. For the first time, the resource estimation includes both "Krasny" (previously "Central Krasny") and "Vostochny" (previously "Krasny North") mineralizations, and the report also includes Probable reserves for Krasny. For Krasny, the resource estimation shows 273 koz of Indicated mineral resources (mineral resources of 7,617,000 tons at an average grade of 1.11 g/t Au) and 1,052 koz of Inferred mineral resources (18,536,000 tons at an average grade of 1.76 g/t Au). This resource statement also reports 240 koz of Probable gold reserves (7,327,000 tons at an average grade of 1.02 g/t Au) as a part of total gold resources. Vostochny shows a total of 63 koz of Inferred mineral resources (1,114,000 tons at an average grade of 1.76 g/t Au). All resources are reported within economically minable open pits.

In April 2017, the mineral processing test of a bulk sample, representing the gold ore of the Upper structure was completed by Irgiredmet engineering company in Irkutsk. The total weight of the processed sample was 3,259 kg with an average gold grade of 1.92 g/t. The test developed and finetuned the previous metallurgical processing results and recommended a flow chart for the Krasny gold ore treatment processes. The process will involve gravitation and flotation circles with further leaching of gravity and flotation concentrates. All operations will be developed on the Krasny site. The Krasny processing plant will produce gold Dore bars which will be further refined at an external refinery to bankable quality gold bars. The through gold recovery for the ore

from the Upper structure is expected at 85,5 % which is higher than previous processing test results.

Exploration program Stage 4 for 2017 for Krasny was commenced in March and completed in December 2017 pursuing several targets:

- Infill Exploration drilling on the Lower Structure to convert part of Inferred resources of the Lower structure into Indicated category to proceed with Feasibility Studies for the Lower structure;
- Prospecting of both the Upper and the Lower structures within Krasny, based on strong evidences for further increase of gold resources along the strike of mineralization;
- Exploration of the Vostochny mineralization along the strike as well as infill drilling;
- Prospecting within other parts of the Krasny license area with target to identify additional "Vostochny" type gold mineralizations.

During 2017, 79 core holes were drilled, totaling 19,569 meters. In addition to drilling, all trench sampling activities were finalized in October 2017. In total, 3,110 meters of trenches were developed and logged, of which 1,425 meters were sampled and assay tested. All targets of the exploration program 2017 were achieved. Kopy Goldfields was the operator of the exploration program for the fourth year in a row since the start of the joint venture operations in 2014. The budget for the 2017 exploration program was planned at MUSD 4.4 and the program was partially financed by a positive cash balance left after Stage 3 and partially by new investments by Kopy Goldfields and GV Gold by the amount of MUSD 2.1.

Based on the results from the 2017 exploration program, the target is to both further increase the total gold resources and to convert some inferred resources into indicated resources, and some indicated resources into reserves. The most significant outcome of the drilling activities during 2017 is the discovery of the Lower structure at Vostochny mineralization which is expected to significantly increase the Vostochny gold resources and influence the mining potential of the total Krasny project positively.

An Investment justification report was initiated in October 2016 and was developed by TOMS Engineering, a Russian mining engineering consultancy. The report was focused on development of the Upper mineralization only. In parallel with the

Investment justification report, TOMS Engineering company also prepared a Scoping study for development of both the Upper and Lower Mineralization, however not including the newly discovered Vostochny mineralization. The study evaluated different gold production options, including development of only open pit production or a combination of open pit and underground mining. All production scenarios returned positive free cash flows. The best outcome is estimated when producing both the Upper and Lower Mineralizations in an open pit with total undiscounted free cash flow of USD 373 million at a fixed gold price of 1,250 USD/oz and production costs of 601 USD/oz.

Based on positive exploration results from 2017, the new 2018 exploration program on Krasny and Vostochny was commenced in January 2018. The program includes drilling of 25 thousand meters of core holes targeting further resource increase at Vostochny and Krasny and collecting data to proceed with Feasibility Studies.

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 and the total license area of 1,852 sq. km was covered with a stream sediment survey with a density of 5-6 samples per square km. In total, 5,380 samples were collected, and all samples were analyzed both for gold and 24 other chemical elements. The collected geochemical data was then used to develop

geochemical maps of gold and multiplicative anomalies for every license area. These anomalies, the result of 2016 exploration activities, were compared with historic exploration data existing before 2016. Based on the work done, 21 prospective clusters for more detailed exploration were identified.

In 2017, the Stage 2 exploration program was carried out, consisting of a soil geochemical survey at 200×50 meters grid, together with geological mapping within the seven most promising gold anomalies on a total area of 122 sq. km. Totally 12,896 soil samples were collected and analyzed for 32 chemical elements plus gold. The results confirm the expectations of the Northern Territories being an area with high exploration potential. In line with target, it was possible to scale down the exploration area further and three anomalous geochemical areas were identified on a total area of 10.2 sq. km. All three anomalies called Mezhdurechnaya, Sekushaya and Polovinka correspond to the set exploration parameters and the target gold deposit of +1 Moz. They are now ready for drilling and trench sampling. In addition to these drilling and trench sampling targets, there are still another 14+ targets from 2016, left for detailed geochemical survey, similar to the exploration done in 2017.

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.

During 2017, a statutory approval, environmental and safety permits for test mining operations has been received, allowing mining of 150,000 tons of ore during the next two years. 32 tons of ore, representing different parts of the Kopylovskoye mineralization, were collected and processed at a neighboring mill. This program was carried out in cooperation with a local partner during

July-August 2017. The 2018 plans for Kopylovskoye project are either to sell the project for cash if the market allows, or to develop pilot mining with a partner.

Ownership structure

The number of shareholders was 5,011 on December 31, 2017. The five largest shareholders were KGK Holding AB (10.2%), Novatelligence AB (9.8%), Försäkringsbolaget Avanza Pension (7.0%), UBS AG Clients Account (6.5%) and Sparekassen Kronjylland (1.5%).

The share

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

The number of outstanding shares as of December 31, 2017 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 -16.3 (-5.3), which is MSEK 10.9 lower than the prior year. The change is primarily due differences in earnings from joint ventures. Earnings from joint ventures amounted to MSEK -4.3 for 2017, while earnings for the previous year amounted to MSEK 4.9, a difference of MSEK -9.2, explained by exchange rate differences. The change in operating profit compared with the previous year is also attributable to higher personnel expenses in 2017 of MSEK 1.0 and a loss of MSEK 1.7 as consequence of the divestment of the dormant company OOO Kopylovskoye.

Earnings after financial items for the year amounted to MSEK -17.0 (-5.0) and earnings after tax amounted to MSEK -13.9 (-5.0). Net financial items for 2017 were MSEK -0.8 (0.4), where the difference from last year is attributable to higher interest expenses in 2017.

Tax

Tax for the period amounted to MSEK 3.1 (0), explained by changes in deferred tax liability as a result of the divestment of OOO Kopylovskoye. 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 -0.17 (-0.08) for 2017. Equity per share amounted to SEK 1.38 (1.52).

Cash flow, liquidity and financial position

Cash flow from operating activities, before changes in working capital, amounted to MSEK -10.2 (-9.1). The change in working capital was MSEK 1.1 (-1.0). Cash flow from investing activities was MSEK -11.1 (6.2), with the difference from the previous year mainly attributable to the contingent consideration of MUS\$ 2 (MSEK 16.2) received in April 2016. Cash flow from financing activities amounted to MSEK 15.4 (13.1). A loan of MSEK 15 was raised during the year, while new shares were issued during the preceding year worth MSEK 16.6, net of issue expenses, and MSEK 3.5 was paid on loans, including interest, explaining the difference between the years.

Interest-bearing liabilities amounted to MSEK 15 (0) at year-end. In July 2017, a loan of MSEK 15 was raised from Scandinavian Credit Fund I, which bears an interest rate of 11.5% and repayment date after two years. Consolidated cash and cash equivalents amounted to MSEK 5.9 (10.7) at year-end.

The equity/assets ratio amounted to 86 per cent at year-end compared to 96 per cent in the prior year. No dividend was paid to the shareholders during the year.

Equity

The Annual General Meeting 2017 approved two long-term incentive programs 2017/2020; one for management and one for the Board of Directors. Under the programs, a total of 3,400,000 warrants can be issued. Each warrant entitles the holder to subscribe for one (1) share in the Company, which means that the share capital can be increased by SEK 1,292,752 at maximum. The exercise date is December 31, 2020 and strike price is SEK 1.80. As per December 31, the number of warrants issued amount to 3,400,000.

Investments

The Group's investments in exploration and evaluation amounted to MSEK 2.3 (1.9) during the year. No licenses were acquired during the period nor in the comparative year. Of the exploration activities, MSEK 2.2 (1.6) consisted of capitalized work for the Company's own use. The Group also invested MSEK 8.5 (8.6) in the joint venture project for the Krasny license. Investments

in buildings, machinery and equipment amounted to MSEK 0.2 (0.2) in 2017.

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

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 -13.3 (-11.0) and equity amounted to MSEK 108.0 (121.0) on December 31, 2017. Cash and cash equivalents amounted to MSEK 5.5 (10.6).

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 2017.

Personnel

The average number of full-time employees in the Kopy Goldfields Group was 7 (6) in 2017, 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 7, of whom 6 men and 1 woman.

Work of the board

The Board consisted of three members in 2017. The Board held 8 minutes 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 development of 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.

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 exposed to interest rate risk, since the Company is partly financed through debt. 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.

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

In February 2018, a MSEK 15 loan was granted from Scandinavian Credit Fund I AB. The loan will be paid in two installments; SEK 10 million was paid on March 5, 2018 and SEK 5 million will be paid on May 3, 2018. The loan is due for repayment after two years, on March 3, 2020, but may be repaid, partially or fully, after the first 12 months. The loan bears an annual interest rate of 11.75 per cent and no arrangement fee.

OPERATIONAL OUTLOOK 2018

In 2018, the Company will focus on completion of exploration activities on the Krasny project and advancing it into feasibility studies and mine construction. The 2018 exploration and development program will be financed partially by the funds remaining in the joint venture company following completion of the 2017 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.

The Company will proceed with prospecting and explorations on the Northern Territories project.

To increase the potential for exploration, the Company will continue to evaluate new exploration areas within Russia 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

Gold exploration is a capital-intensive activity and as disclosed elsewhere in these financial statements, the Company does not yet have any revenue. In February 2018, the Company was granted a MSEK 15 loan and it is the opinion of the Board that the operating capital is sufficient to cover the needs of Kopy Goldfields for the twelve months of 2018. Depending on the outcome of the ongoing exploration and feasibility studies, it cannot be excluded that capitalizations will be needed to explore the Northern Territories further, to develop the Kopylovskoye-project or to maintain the ownership in Krasny. The formal decision to move Krasny into construction may also lead to the need for further capital contributions to Krasny. The Board believes that financing primarily should be done via either sale of assets or new share issues possibly supplemented by bridge financing. Given the estimated values of the Company's, it is the Board's assessment that the Company can continue a going concern.

FIVE YEAR SUMMARY

	2017	2016	2015	2014	2013
Earnings per share, SEK	-0,17	-0,08	-0,07	0,37	-2,27
Equity/assets ratio, %	85,7	95,7	89,3	90,8	88,7
Investments in intangible assets, MSEK	2,3	1,9	2,7	1,9	19,4
Joint ventures, MSEK	8,5	8,6	-	-	-
Market Cap, MSEK	103,8	91,0	40,0	23,4	49,3

PROPOSED DISPOSITION OF EARNINGS

At the disposal of the annual general meeting:

SEK	
Share premium reserve	191 089 134
Fair value reserve	-6 883 135
Retained earnings	-93 231 944
Net income	-13 328 113
Total	77 645 942

The Board proposes that this amount be carried forward	77 645 942
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CONSOLIDATED INCOME STATEMENT

KSEK	Note	2017	2016
Other operating income	6	3,093	2,611
Total revenue		3,093	2,611
Work performed by the company for its own use and capitalized		2,300	1,560
Operating expenses			
Other external costs	9	-9,014	-8,722
Personnel costs	10	-6,619	-5,655
Investments in associates and joint ventures	22	-4,307	4,924
Earnings from divestment of subsidiaries	21	-1,699	-
Depreciation and amortization of tangible and intangible assets	8	-6	-64
Operating earnings		-16,252	-5,346
Earnings from financial items			
Finance income	12	125	577
Finance expense	12	-879	-195
Earnings after financial items		-17,006	-4,964
Tax on net income	13	3,058	-10
Net income		-13,948	-4,974
Of which attributable to parent company shareholders		-13,948	-4,974
Earnings per share before and after dilution*	14	-0.17	-0.08
Average number of shares before and after dilution*		79,866,054	66,289,450

*Earnings per share before and after dilution and Average number of shares before and after dilution were recalculated to reflect the share issue implemented in 2016.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	2017	2016
Net income	-13,948	-4,974
Items that may be reclassified to profit or loss		
Translation differences on foreign operations	2,035	13,125
Total comprehensive income	-11,913	8,151
Of which attributable to Parent Company shareholders	-11,913	8,151

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

KSEK	Note	2017-12-31	2016-12-31
Assets			
Non-current assets			
<i>Intangible assets</i>			
Exploration licenses and evaluation work	15	27,323	26,336
		27,323	26,336
<i>Property, plant and equipment</i>			
Buildings	16	1,041	1,213
Machinery and equipment	17	389	503
		1,430	1,716
<i>Financial assets</i>			
Investments in associates and joint ventures	22	92,283	86,184
Deferred tax	13	56	–
		92,339	86,184
Total non-current assets		121,092	114,236
Current assets			
Inventories	18	14	88
		14	88
<i>Current receivables</i>			
Trade receivables		604	303
Other receivables	19	319	972
Prepaid expenses	20	357	186
		1,280	1,461
<i>Short-term investments</i>			
Cash and cash equivalents		5,871	10,708
		5,871	10,708
Total current assets		7,165	12,257
Total assets		128,257	126,493

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, CONT.

KSEK	Note	2017-12-31	2016-12-31
Equity			
<i>Capital and reserves attributable to Parent Company shareholders</i>			
Share capital	23	30,367	30,367
Other paid-in capital		288,699	287,985
Translation reserves		-31,142	-33,177
Retained earnings, incl. net income		-178,041	-164,093
Total equity		109,883	121,082
Non-current liabilities			
Deferred tax	13	-	3,013
Non-current financial liabilities	24	15,000	-
Total non-current liabilities		15,000	3,013
Current liabilities			
Trade payables		187	171
Current tax liabilities		169	144
Other current liabilities		456	372
Accrued expenses and deferred income	25	2,562	1,711
Total current liabilities		3,374	2,398
Total equity and liabilities		128,257	126,493

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KSEK	Share capital	Other paid-in capital	Translation reserves	Retained earnings	Total equity
Opening balance 2016	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
Other comprehensive income			2,035		2,035
Net income				-13,948	-13,948
Incentive program		714			714
Closing balance 2017	30,367	288,699	-31,142	-178,041	109,883

Capital is entirely attributable to Parent Company shareholders. Reserves consist entirely of translation differences.

CONSOLIDATED STATEMENT OF CASH FLOW

KSEK	Note	2017	2016
Operating activities			
Earnings before tax ¹⁾		-17,006	-4,964
Adjustment for non-cash items, etc.	26	6,792	-4,107
Taxes paid		0	0
Cash flow from operating activities before changes in working capital		-10,214	-9,071
Cash flow from changes in working capital:			
Increase (-)/Decrease (+) in inventories		72	23
Increase (-)/Decrease (+) in current receivables		45	-902
Increase (+)/Decrease (-) in current liabilities		996	-73
Cash flow from operating activities		-9,101	-10,023
Cash flow from investing activities			
Acquisition of property, plant and equipment		-169	-181
Acquisition of intangible assets	15	-2,414	-1,587
Investment in joint venture		-8,541	-8,626
Divestment of property, plant and equipment		-	411
Divestment of subsidiaries/licenses	27	1	16,201
Cash flow from investing activities		-11,122	6,218
Cash flow from financing activities			
Share issue		-	19,967
Issue expenses		-	-3,383
Proceeds from warrants		397	-
Loans raised		15,000	-
Repayment of loans		-	-3,480
Cash flow from financing activities		15,397	13,104
Cash flow for the year		-4,826	9,299
Cash and cash equivalents at start of year		10,708	1,381
Exchange gains/losses on cash and cash equivalents		-11	28
Cash and cash equivalents at end of year		5,871	10,708
Supplementary cash flow disclosures			
Cash and cash equivalents			
The following subcomponents are included in cash and cash equivalents:			
Cash and bank balances		5,871	10,708

¹⁾ Amount includes interest received of KSEK 6 (4) and interest paid of KSEK 75 (278)

INCOME STATEMENT, PARENT COMPANY

KSEK	Note	2017	2016
Revenue	7	3,420	3,820
Total revenue		3,420	3,820
Operating expenses			
Other external costs	9	-3,099	-3,548
Personnel costs	10	-4,002	-4,095
Depreciation and amortization of tangible and intangible assets	8	-6	-64
Total operating expenses		-7,107	-7,707
Operating earnings		-3,687	-3,887
Earnings from financial items			
Earnings from investments in Group companies	11	-4,496	-4,866
Earnings from other financial assets	7, 12	-4,389	-2,293
Interest and similar income	7, 12	125	497
Interest and similar expenses	12	-1,455	-1,114
Earnings after financial items		-13,902	-11,663
Appropriations		575	648
Earnings before tax		-13,327	-11,015
Income tax	13	-	-
Net income		-13,327	-11,015

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

KSEK	2017	2016
Net income	-13,327	-11,015
Other comprehensive income		
Translation differences	-55	18
Total comprehensive income	-13,382	-10,997

BALANCE SHEET, PARENT COMPANY

KSEK	Note	2017-12-31	2015-12-31
Assets			
Non-current assets			
<i>Property, plant and equipment</i>			
Machinery and equipment	17	18	24
		18	24
<i>Financial assets</i>			
Investments in Group companies	11, 21	119,236	119,237
Receivables from Group companies	12	0	0
		119,236	119,237
Total non-current assets		119,254	119,261
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		910	-
Other receivables	19	130	497
Prepaid expenses and accrued income	20	117	119
Cash and bank balances		5,455	10,578
Total current assets		6,612	11,194
Total assets		125,866	130,455
Equity and liabilities			
Equity			
<i>Restricted equity</i>			
Share capital	23	30,367	30,367
Total restricted equity		30,367	30,367
<i>Non-restricted equity</i>			
Share premium reserve		191,089	190,692
Fair value reserve		-6,883	-6,828
Retained earnings, incl. net income		-106,560	-93,232
Total non-restricted equity		77,646	90,632
Total equity		108,014	120,999
Non-current liabilities			
Liabilities to credit institutions	24	15,000	-
Total non-current liabilities		15,000	-
Current liabilities			
Trade payables		149	92
Liabilities to Group companies	12	-	7,629
Other current liabilities		141	24
Accrued expenses and deferred income	25	2,562	1,711
Total current liabilities		2,852	9,456
Total equity and liabilities		125,866	130,455

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 2015-12-31	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 2016-12-31	30,367	-	190,692	-6,828	-93,232	120,999
Incentive program			397			397
Other comprehensive income				-55		-55
Net income					-13,328	-13,328
Closing balance 2017-12-31	30,367	-	191,089	-6,883	-106,560	108,014

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

CASH FLOW STATEMENTS, PARENT COMPANY

KSEK	Note	2017	2016
Cash flow from operating activities			
Earnings before tax ¹⁾		-13,327	-11,015
Adjustment for non-cash items, etc.	26	5,417	3,798
Cash flow from operating activities before changes in working capital		-7,910	-7,217
Cash flow from changes in working capital:			
Increase (-)/Decrease (+) in current receivables		369	-377
Increase (+)/Decrease (-) in current liabilities		-391	-401
Cash flow from operating activities		-7,932	-7,995
Cash flow from investing activities			
Shareholder contributions		-200	-1,046
Acquisition of property, plant and equipment		-	-30
Divestment of subsidiaries, net liquidity effect	27	1	-
Loans to Group companies		-5,265	-2,292
Cash flow from investing activities		-5,464	-3,368
Cash flow from financing activities			
Share issue		-	19,967
Issue expenses		-	-3,383
Proceeds from warrants		397	-
Loans raised		15,000	12,780
Repaid loans		-7,124	-8,626
Cash flow from financing activities		8,273	20,738
Cash flow for the year		5,123	9,375
Cash and cash equivalents at start of year		10,578	1,203
Cash and cash equivalents at end of year		5,455	10,578
Supplementary cash flow disclosures			
Cash and cash equivalents			
The following subcomponents are included in cash and cash equivalents:			
Cash and bank balances		5,455	10,578

¹⁾ Amount includes interest received of KSEK 6 (4) and interest paid of KSEK 1,492 (94).

NOTES

Company information

Kopy Goldfields AB (publ) is a Swedish limited liability company domiciled and headquartered at Skeppargatan 27 in Stockholm, Sweden (Corp. ID 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 presentation currency is SEK. The annual report for the year ending December 31, 2017 was approved for publication by the Board of Directors on May 7, 2018 and will be presented to the Annual General Meeting for adoption on May 29, 2018.

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 a historical cost basis and in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee as adopted by the EU, and in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Council's recommendation RFR 1, Supplementary Accounting Rules for Groups.

The Parent Company has prepared its financial statements in accordance with the Annual Accounts Act (1995:1554) and through the application of RFR 2 Accounting for Legal Entities. In accordance with RFR 2, the Parent Company should apply all IFRSs that have been adopted by the EU to the extent possible within the framework of the Annual Accounts Act and considering the relationship between accounting and taxation. The recommendation specifies the exceptions from and additions to IFRS that are to be applied.

Shares in subsidiaries are carried at cost unless otherwise stated.

The consolidated financial statements have been prepared in accordance with the acquisition method and include the Parent Company and its subsidiaries.

Accounting in accordance with IFRS

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 effective during 2017 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 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, 2018 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. In 2017, Kopy Goldfields AB analyzed the effects of the application of IFRS 9. Classification and measurement of financial assets and liabilities in accordance with IFRS 9 has not involved any change to reported items. The standard brings changes to disclosure requirements which will affect the disclosures that will be provided in the future.

IFRS 15 Revenue from Contracts with Customers. The standard deals with the recognition of revenue from contracts and from the sale of some non-financial assets. It will replace IAS 11 Construction Contracts and IAS 18 Revenue, and 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 low-value leases. Accounting for lessors will be essentially unchanged. The standard replaces IAS 17 Leases, and 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 entities) 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 consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

When a business combination is in effect 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 uses the acquisition method when accounting for acquisitions of subsidiaries. The cost of 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 an acquisition are included in the cost of acquisition. Identifiable acquired assets and assumed liabilities and contingent liabilities in a business combination are initially measured at their acquisition-date fair values, regardless of any non-controlling 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 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 been adjusted as necessary to guarantee consistent application of the Group's accounting principles.

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 acquisition-date fair value. Any profit or loss is recognized in the income statement.

The item Investments in joint ventures 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 measured at cost. The Group does currently 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. These differences are recognized as other comprehensive income in the consolidated statement of comprehensive income.

The following exchange rates were used in the Group:

Currency	2017		2016	
	Closing rate	Average rate	Closing rate	Average rate
RUB	0.1429	0.1464	0.1500	0.1286
USD	8.2296	8.5380	9.0976	8.5613
EUR	9.8393	9.6326	9.5707	9.4707

Group companies

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

- Assets and liabilities for each of the balance sheets are translated at the closing rate
- Revenue and expenses for each of the income statements are translated at the average exchange rate
- All resulting exchange differences are recognized in 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.

Fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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, inventories 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 correspond to 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: as a pure exploration activity to find new ores to mine or as an evaluation 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 property, plant and equipment is 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 applied 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 proceeds with the carrying amount. The amounts are then recognized in the income statement as other operating income and other operating expenses respectively.

Impairment of non-financial assets

Assets with indefinite useful lives and capitalized development expenses for assets not yet available for 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. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill for which an impairment loss was recognized are reviewed for possible reversal of the impairment at the end of each reporting period.

Leases

Non-current assets held under leases are classified in accordance with the economic substance of the lease. Assets held under finance leases are recognized as non-current assets and future lease payments as interest-bearing liabilities. For leased items classified as operating leases, lease payments are recognized as operating expenses in the income statement. Leases of non-current assets, where the Group has essentially all the financial risks and rewards of 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 (net of 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 profit or loss, and Loans and receivables. The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of the financial assets on initial recognition and reassesses 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 profit or loss. Financial assets measured at fair value through profit or loss 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 rewards of ownership. Financial assets measured at fair value through profit or loss 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 at fair value through profit or loss

Financial assets measured at fair value through profit or loss 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.

Loan receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in 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. Loan receivables are classified as other receivables and other non-current receivables in the balance sheet.

Inventories

Inventories are 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 have been enacted or substantively enacted.

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 liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

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 possible taxable profit will arise, Kopy Goldfields has chosen not to recognize any deferred tax assets.

Employee benefits

Pensions

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 Parent Company shareholders 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 larger 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 between the Group's and the Parent Company's accounting principles

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

Subsidiaries

Investments in subsidiaries are recognized in the Parent Company according to the cost method.

Group contributions 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 investments in subsidiaries in accordance with RFR 2.

Income statement and balance sheet presentation

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

There were no owner transactions during the year. See Note 10 Personnel for information on remuneration of the Board of Directors and management.

NOTE 4 FINANCIAL RISK FACTORS

In 2017, 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 refinancing 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
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 income in the income statement and statement of financial position was KSEK -188 (1,168).

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

Currency	Capitalization/Revenue	Earnings
SEK	–	-8,972
RUB	5,393	-4,976
USD	–	–
EUR	–	–
Total	5,393	-13,948

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

Currency	Assets	Liabilities
SEK	5,540	17,854
RUB	33,873	520
USD	210	–
EUR	88,634	–
Total	128,257	18,374

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

Interest rate risk

Kopy Goldfields is exposed to interest rate risks as the Company is to a certain extent loan-financed. Net debt amounted to MSEK -9.1 (net asset value 10.7) at year-end, consisting of cash and cash equivalents of MSEK 5.9 (10.7) and interest-bearing liabilities of MSEK -15.0 (0).

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 that 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 of Kopy Goldfields being unable to refinance its outstanding liabilities on acceptable terms, or at all, at any given time.

The loan outstanding on the reporting date had the following structure, interest rate and maturity profile.

2017

Loan	Interest (%)	Within 1 year	2-5 years	More than 5 years	Total	Fair value
Other loans	11.5	–	15,000	–	15,000	15,000
Total		–	15,000	–	15,000	15,000

2016

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

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 intangible assets and property, plant and equipment

Management determines the estimated useful lives and any associated depreciation/amortization of the Group's intangible assets and property, plant and equipment. 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 intangible assets and property, plant and equipment.

Impairment testing of exploration licenses and evaluation work

The Group tests exploration licenses for impairment annually or more frequently in accordance with the accounting principle described under "Impairment of non-financial assets". The recoverable amount for cash generating units is the higher of the asset's fair value less costs to sell 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 2017, 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 possible taxable profit will arise, the Company has chosen not to capitalize any losses.

Going concern

Gold exploration is a capital-intensive activity and as disclosed elsewhere in these financial statements the Company does not yet recognize any revenue. In February 2018, the Company was granted a loan of MSEK 15 and it is the Board's assessment that the Company has sufficient working capital to cover the 12 months of 2018. 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 Krasny may also lead to further capital injection requirements for Krasny. The Board estimates that funding will primarily be either through the sale of assets or through share issues, possibly supplemented by 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	2017	2016
Sale of services to joint venture	2,524	2,187
Other	569	424
Total	3,093	2,611

NOTE 7 INTRA-GROUP PURCHASES AND SALES

Of the Parent Company's net revenue, 100 percent (100) or KSEK 3,420 (3,820) is related to sales to other companies within the Group. Of the Parent Company's interest income, 91 percent (65) or KSEK 286 (60) is related to other companies within the Group.

NOTE 8 DEPRECIATION

	Group		Parent company	
KSEK	2017	2016	2017	2016
Buildings	118	118	–	–
Machinery and equipment	241	272	6	64
Total depreciation	359	390	6	64

Of the amounts above for the Group, KSEK 353 (326) was carried over to intangible assets.

NOTE 9 AUDIT FEES

KSEK	Group		Parent company	
	2017	2016	2017	2016
<i>Ernst & Young</i>				
Audit engagements	246	245	246	245
Auditing activities other than audit engagement	-	21	-	21
Tax consultancy	-	-	-	-
Other services	-	-	-	-
Total	246	266	246	266
<i>Other audit firms</i>				
Audit engagement	122	108	-	-
Audit activities other than audit engagement	-	-	-	-
Tax consultancy	-	-	-	-
Other services	-	-	-	-
Total	122	108	-	-
Total	368	374	246	266

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 engagements mainly concern 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

	2017		2016	
	Total	Women	Total	Women
<i>Parent company</i>				
Sweden	2	0	2	0
<i>Group companies</i>				
Russia	5	1	4	1
Group total	7	1	6	1

As of December 31, 2017, there were 5 full-time permanent employees (5) in the Group. During the year, the Company also 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

	2017		2016	
	As of December 31	Of whom women	As of December 31	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

	2017	2016
<i>Group</i>		
Board, CEO and management (of which variable)	4,121 (994)	3,985 (818)
Other employees	568	344
Total	4,689	4,329
Social security costs (of which pension costs)	1,417 (115)	1,260 (137)
Total	6,106	5,589
<i>Parent Company</i>		
Board, CEO and management (of which variable)	3,132 (605)	3,067 (378)
Other employees	0	0
Total	3,132	3,067
Social security costs (of which pension costs)	1,073 (115)	994 (137)
Total	4,205	4,061

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

	Basic salary/fee	Variable	Other benefits	Pension costs	Incentive program ¹⁾	Total
Chairman of the Board, Kjell Carlsson	260	0	0	0	0	260
Board member, Johan Österling	100	0	0	0	0	100
Board member, Andreas Forssell	100	0	0	0	0	100
CEO, Mikhail Damrin	1,265	77	0	0	158	1,500
Deputy CEO, Tim Carlsson	802	209	0	115	162	1,287
Other management (2 persons)	600	229	0	0	160	989
Total Board and management	3,127	515	0	115	479	4,236

¹⁾ Recognized cost of 2017/2020 incentive programs

Benefits to senior management

Principles

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

The Board's remuneration and benefits

The Board's total remuneration for the 2017 financial year amounted to KSEK 460 (460), of which KSEK 260 (260) was to the Chairman. For remuneration of other Board members, see the table above.

Incentive programs 2017/2020

The 2017 AGM decided to establish two incentive programs 2017/2020: one for management and one for the Company's Board. Up to 3,400,000 warrants can be issued through the programs. The warrants were transferred without consideration to the management participants at terms adapted to local conditions, while Board members acquired the warrants at market prices. Each warrant entitles the holder to subscribe for one new share in the Company and the warrants may be used for share subscription during the period June 1, 2018 to December 31, 2020 at an exercise price of SEK 1.80 per share. The number of issued warrants is 3,400,000. See Note 30 for more information.

The distribution of warrants at December 31, 2017 is as follows:

Board	Number of warrants
Kjell Carlsson (Chairman)	750,000
Andreas Forssell	380,000
Johan Österling	380,000
Total	1,510,000
Management	Number of warrants
CEO (1 position)	750,000
Other management (3 positions)	1,140,000
Total	1,890,000

The CEO's remuneration and benefits

The CEO's remuneration amounted to KSEK 1,500 (1,442) for 2017. The remuneration consists of a fixed salary and a variable salary based on annual targets. The CEO has a fixed annual salary of KUSD 138 (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 has been covered by the Group's long-term incentive 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.

NOTE 11 EARNINGS FROM INVESTMENTS IN GROUP COMPANIES

KSEK	Parent company	
	2017	2016
Impairment	-4,496	-4,866
Total	-4,496	-4,866

Impairment for the year refers to the Russian subsidiary LLC Vostochny and corresponds to the sum of shareholder contributions paid for the year.

NOTE 12 FINANCIAL INCOME AND COST

KSEK	Group		Parent company	
	2017	2016	2017	2016
<i>Finance income</i>				
Interest income	29	34	29	32
Interest income, Group companies	-	-	286	61
Exchange differences	96	543	96	464
Total finance income	125	577	411	557
<i>Finance expense</i>				
Impairment	-	-	-4,675	-2,353
Interest expenses	-879	-195	-879	-88
Interest expenses, Group companies	-	-	-576	-1,026
Exchange differences	-	-	-	-
Total finance expense	-879	-195	-6,130	-3,467
Total finance income and expense	-754	382	-5,719	-2,910

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

NOTE 13 TAX

KSEK	Group	
	2017	2016
Current tax	-	-
Deferred tax	3,058	-10
Total	3,058	-10

Tax for the period mainly relates to changes in deferred tax liability resulting from the discontinuation of OOO Kopylovskoye.

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

KSEK	Group		Parent company	
	2017	2016	2017	2016
Earning before tax	-17,006	-4,964	-13,327	-11,015
Tax at current tax rate	3,741	1,092	2,932	2,423
Difference in tax rate in foreign operations	-132	-108	-	-
<i>Tax effects from:</i>				
Earnings from joint ventures	-948	1,083	-	-
Non-deductible items	-1,408	-511	-2,023	-1,590
Non-taxable items	-	846	-	744
Loss carry forwards for which deferred tax is not recognized	1,805	-2,412	-909	-1,577
Recognized tax	3,058	-10	0	0

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

As of December 31, 2017, the Group had tax losses of approximately MSEK 77. 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 is approximately MSEK 16.9, whereof MSEK 16.3 relates to the Parent Company in Sweden and MSEK 0.6 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 and assets are attributable to the following:

	2017-12-31	2016-12-31
<i>Deferred tax liabilities</i>		
Intangible assets	-	-3,013
Total deferred tax liabilities	-	-3,013

<i>Deferred tax liabilities</i>		
Other	56	-
Total deferred tax liabilities	56	-

Change in net of deferred tax liabilities and assets

	Opening balance	Recognized in income statement	Translation differences	Closing balance
<i>Deferred taxes</i>				
Intangible assets	-3,013	3,002	11	-
Temporary differences, Russia	-	56	-	56
Total	-3,013	3,058	11	56

NOTE 14 EARNINGS PER SHARE

Change in number of shares	2017	2016
Shares outstanding at start of period	79,866,054	54,444,996
Conversion of loans, February		5,454,545
Share issue, October-November		19,966,513
Shares outstanding at end of period	79,866,054	79,866,054

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.

Earnings per share before and after dilution	2017	2016
Net income, KSEK, attributable to		
Parent Company shareholders	-13,948	-4,974
Average number of shares before and after dilution	79,866,054	66,289,450
Earnings per share before and after dilution (SEK)	-0.17	-0.08

Earnings per share before dilution is calculated by dividing the earnings attributable to Parent Company shareholders 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 2017 are negative, potential dilution from outstanding warrants is not considered, as earnings per share would improve if the dilutive effects were taken into consideration.

NOTE 15 EXPLORATION LICENSES AND EVALUATION WORK

KSEK	Group	
	2017	2016
Opening cost	75,827	56,235
Investments	2,291	1,913
Translation difference for the year	-3,650	17,679
Closing cost	74,468	75,827
Opening accumulated impairment	-49,491	-37,816
Translation difference for the year	2,346	-11,674
Closing accumulated impairment	-47,145	-49,491
Net carrying amount	27,323	26,336

Approximately MSEK 17 of the Exploration licenses and evaluation work item represents acquired licenses and the remaining approximately MSEK 10 represents capitalized exploration and evaluation work.

To test exploration licenses and evaluation work for impairment, the carrying amount is compared with the recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. No impairment has been identified.

NOTE 16 BUILDINGS

KSEK	Group	
	2017	2016
Opening cost	1,442	2,181
Investments	-	109
Divestments/retirements	-	-1,320
Translation difference for the year	-68	472
Closing cost	1,373	1,442
Opening accumulated depreciation	-229	-1,245
Depreciation for the year	-118	-118
Divestments/retirements	-	1,320
Translation difference for the year	14	-185
Closing accumulated depreciation	-333	-229
Net carrying amount	1,041	1,213

NOTE 17 MACHINERY AND EQUIPMENT

KSEK	Group		Parent company	
	2017	2016	2017	2016
Opening cost	754	1,870	30	292
Investments	169	155	-	30
Divestments/retirements	-	-1,549	-	-292
Translation difference for the year	-38	277	-	-
Closing cost	884	754	30	30
Opening accumulated depreciation	-251	-663	-6	-234
Depreciation for the year	-241	-272	-6	-64
Divestments/retirements	-	751	-	292
Translation difference for the year	17	-67	-	-
Closing accumulated depreciation	-474	-251	-12	-6
Opening accumulated impairment	-	-	-	-
Impairment for the year	-21	-	-	-
Translation difference for the year	-	-	-	-
Closing accumulated impairment	-21	-	-	-
Net carrying amount	389	503	18	24

NOTE 18 INVENTORIES

KSEK	Group	
	2017	2016
Raw materials and consumables	14	88
Net carrying amount	14	88

NOTE 19 OTHER RECEIVABLES

KSEK	Group		Parent company	
	2017	2016	2017	2016
Value added tax	253	901	111	487
Other	66	71	19	10
Total	319	972	130	497

All other current receivables are measured at cost, and as they have short maturities, the fair value is deemed to correspond with the carrying amount.

NOTE 20 PREPAID EXPENSES

KSEK	Group		Parent company	
	2017	2016	2017	2016
Prepaid rent	26	26	26	26
Prepaid exploration	104	67	-	-
Other	227	93	91	93
Total	357	186	117	119

NOTE 21 SHARES IN SUBSIDIARIES

KSEK	Parent company	
	2017	2016
At start of year	119,237	119,327
Shareholder contributions	4,496	4,866
Sales	-1	-
Impairment	-4,496	-4,866
Carrying amount at end of year	119,236	119,237

The table below specifies the subsidiaries of the Group as of December 31, 2017.

	Corp. ID	Domicile	Equity, %	Carrying amount in parent
LLC Nirungda Gold	1163850097663	Bodaibo, Russia	100	0
LLC Patom Gold	1123802000519	Bodaibo, Russia	100	0
LLC Vostochny	1103802000389	Bodaibo, Russia	100	0
LLC Taiga	1123802000552	Bodaibo, Russia	100	42,451
AB Krasny Gold Fields	556955-9726	Stockholm, Sweden	100	76,735
Kopy Development AB	556858-1747	Stockholm, Sweden	100	50
Kopy Development AB	556858-1747	Stockholm, Sweden	100	50

The dormant subsidiary LLC Kopylovskoye was discontinued towards the end of 2017. The subsidiary, which had no employees and no licenses, was divested for KSEK 1 to an external law firm for subsequent liquidation. Due to the discontinuation, the Group recognizes an accounting loss of MSEK 1.7.

NOTE 22 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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.

In the fall of 2017, the parties agreed to invest MUS\$ 2.1 in the Krasny project to continue development of the 2017 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, 2017 and November 30, 2017. Kopy Goldfields' total share amounted to MUS\$ 1.0, corresponding to MSEK 8.5 and was recognized in cash flow from investing activities.

In the balance sheet, investments in joint ventures amounted to MSEK 92.3 (86.2) at year-end. In the income statement, earnings from joint ventures amounted to MSEK -4.3 (4.9), the decline being attributable to translation differences. On April 21, 2016, the Company received a contingent consideration of MUS\$ 2, corresponding to MSEK 16.2. For 2016, the Company's cash flow from investing activities included MSEK 16.2 from the sale of subsidiaries, and the income statement included a translation difference of MSEK -0.5 under operating expenses.

KSEK	Group	
	2017	2016
At start of year	86,184	65,349
Investment in joint venture	8,541	8,626
Net income	-4,307	4,924
Translation differences	1,864	7,285
Carrying amount at end of year	92,283	86,184

Investments 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	-	3,734
Interest income	3,467	109
Interest expenses	-	-3,501
Depreciation	-	-
Other expenses	-10,828	-2,142
Tax expense	-	382
Net income	-7,362	-1,417
Current assets	8,221	2,410
<i>Of which cash, bank balances and equivalents</i>	<i>7,886</i>	<i>201</i>
Non-current assets	172,770	97,504
Total assets	180,991	99,913
Current liabilities	104	1,712
<i>Of which current financial liabilities</i>	<i>-</i>	<i>-</i>
Non-current liabilities	-	90,746
<i>Of which non-current financial liabilities</i>	<i>-</i>	<i>89,757</i>
Total liabilities	104	92,458
Net assets	180,887	7,455
Share of equity	49%	49%
Carrying amount at end of year	88,632	3,651

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	Share capital reduction	-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	Bonus issue	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

At December 31, 2017, gross loans payable, including accrued interest, amounted to KSEK 15,841 (0). The following table shows a breakdown of financial liabilities. For information on interest rate risk, see Note 4.

KSEK	Group		Parent company	
	2017	2016	2017	2016
<i>Current financial liabilities</i>				
Maturing within one year	-	-	-	-
Total current financial liabilities	-	-	-	-
<i>Non-current financial liabilities</i>				
Other non-current loans with maturity >1 year <5 years	15,000	-	15,000	-
Total non-current financial liabilities	15,000	-	15,000	-
Total financial liabilities	15,000	-	15,000	-

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

NOTE 25 ACCRUED EXPENSES

KSEK	Group		Parent company	
	2017	2016	2017	2016
Interest	841	-	841	-
Board fees	117	268	117	268
Social security contributions	381	409	381	409
Other personnel-related items	864	843	864	843
Other	359	190	359	190
Total	2,562	1,711	2,562	1,711

NOTE 26 ADJUSTMENTS FOR NON-CASH ITEMS, ETC.

KSEK	Group		Parent company	
	2017	2016	2017	2016
Depreciation, amortization and impairment	6	64	9,177	7,283
Long-term incentive programs	317	-	-	-
Accrued interest	-	106	290	965
Investments in joint ventures	4,307	-4,924	-	-
Gains on sale of property, plant and equipment	-	396	-	-
Unpaid Group contributions	-	-	-575	-648
Gains on sale of subsidiaries	1,699	462	-	-
Exchange differences	-36	-223	-55	18
Capitalization of intangible assets	497	-	-	-
Other non-cash items	2	12	-3,420	-3,820
Total	6,792	-4,107	5,417	3,798

NOTE 27 DIVESTMENT OF SUBSIDIARIES/LICENSES

KSEK	Group		Parent company	
	2017	2016	2017	2016
Discontinuation of Kopylovskoye	1	-	1	-
Additional consideration, Krasny	-	16,201	-	-
Total	1	16,201	1	-

NOTE 28 PLEDGED ASSETS AND CONTINGENT LIABILITIES

KSEK	Group		Parent company	
	2017	2016	2017	2016
Chattel mortgages to credit institutions	76,735	-	76,735	-
Total	76,735	-	76,735	-

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

NOTE 29 LEASES

The Group's leases for which the risks and rewards associated with ownership pertain to the Group are classified as finance leases. The Group does not currently hold any assets under leases.

NOTE 30 OUTSTANDING OPTIONS

KSEK	Incentive programs
	2017/2020
Exercise price, SEK	1.80
Redemption of shares as of	2018-06-01
Last exercise date	2020-12-31
Number of options issued during year	3,400,000
Exercised	-
Forfeited	-
At end of year	3,400,000
Of which fully vested December 31, 2017 ¹⁾	3,400,000
Theoretical value, ²⁾	714,000
Theoretical value per option on allotment, ²⁾ SEK	0.21
Theoretical value per option at December 31, 2017, SEK	0.22
Theoretical dilution	4.08%

1) The 2017 AGM decided to establish two incentive programs 2017/2020: one for management and one for the Company's Board. Up to 3,400,000 warrants can be issued through the programs. The warrants were transferred without consideration to the management participants at terms adapted to local conditions, while Board members acquired the warrants at market prices. Each warrant entitles the holder to subscribe for one new share in the Company and the warrants may be used for share subscription during the period June 1, 2018 to December 31, 2020 at an exercise price of SEK 1.80 per share. The number of warrants that have been issued is 3,400,000, which means that the share capital may be increased by a maximum of SEK 1,292,752.

2) The theoretical value of issued options has been determined according to the accepted pricing model (Black & Scholes) at the time of issue. Volatility of 39 percent, a risk-free rate of 1.48% and an expected life of 3.5 years have been used. The value of the share has been determined based on the closing price on May 2, 2017 and amounted to SEK 1.30.

NOTE 31 FINANCIAL INSTRUMENTS

KSEK	Financial assets at fair value via value through profit or loss	Loans receivable and trade receivables	Financial assets available for sale	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
2017-12-31						
<i>Assets in the balance sheet</i>						
Trade and other receivables	-	923	-	-	-	923
Cash and cash equivalents	-	5,871	-	-	-	5,871
Total	-	6,794	-	-	-	6,794
2016-12-31						
<i>Assets in the balance sheet</i>						
Trade and other receivables	-	1,275	-	-	-	1,275
Cash and cash equivalents	-	10,708	-	-	-	10,708
Total	-	11,983	-	-	-	11,983
2017-12-31						
<i>Liabilities in the balance sheet</i>						
Loan payables	-	-	-	-	15,000	15,000
Trade payables	-	-	-	-	187	187
Other current liabilities	-	-	-	-	323	323
Total	-	-	-	-	15,510	15,510
2016-12-31						
<i>Liabilities in the balance sheet</i>						
Trade payables	-	-	-	-	171	171
Other current liabilities	-	-	-	-	345	345
Total	-	-	-	-	516	516

Loans and receivables, and other financial liabilities are measured at amortized cost. Tax-related receivables and liabilities are not included. The fair values of other financial assets and liabilities are estimated to essentially 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 DATE

In February 2018, a loan of MSEK 15 was granted from Scandinavian Credit Fund I AB. The loan payment is in two installments: MSEK 10 on March 5, 2018 and MSEK 5 on May 3, 2018. The loan is due for repayment after two years, on March 3, 2020, but may be repaid, partly or fully, after the first 12 months. The loan has an annual interest rate of 11.75 percent and no arrangement fee.

NOTE 33 APPROPRIATION OF PROFITS

At the disposal of the annual general meeting:

SEK	
Share premium reserve	191,089,134
Fair value reserve	-6,883,135
Retained earnings	-93,231,944
Net income	-13,328,113
Total	77,645,942

The Board proposes that this amount be carried forward 77,645,942

The Board of Directors and CEO confirm 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 will be presented for adoption at the Annual General Meeting on May 29, 2018.

Stockholm, May 7, 2018

Kjell Carlsson
Chairman

Mikhail Damrin
CEO

Johan Österling

Andreas Forssell

Our Auditor's Report was issued on May 7, 2018

Ernst & Young AB

Björn Ohlsson
Authorized Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Kopy Goldfields AB (publ), 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 financial year 2017.

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 2017 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 2017 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 the 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.

Other Information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises presentation on pages 3-31 and 63-65.

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 intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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.

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 financial year 2017 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 whether the proposal is in accordance with the Companies Act.

Stockholm 2017-05-07

Ernst & Young AB

Björn Ohlsson
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 between January 1, 2017 and December 31, 2017 was seven, 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 Ingenjörskontor C.J. Shareholding in Kopy Goldfields: 260,000 Warrants: 750,000



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; Board member Crown Energy Iraq AB; Board member Amicoh Resources Ltd; Board member Crown Energy Ventures Corporation; Board member Simbo Petroleum No.2 Limited. Relinquished activities over the last five years: Board member Crown Energy AB. Shareholding in Kopy Goldfields: 168,000 Warrants: 380,000



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 chairman, 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: 380,000

Auditor

Ernst & Young, chief auditor Björn Ohlsson, 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.



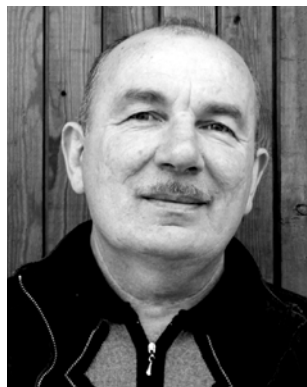
Mikhail Damrin

CEO since 2009.
Born: 1970, Russian citizen.
Education: MSc mechanical engineering, Moscow Technical University; Bachelor's degree in mining technology, Tomsk Poly-technical 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 activities over the last five years: –
Shareholding in Kopy Goldfields: 262,241
Warrants: 750,000



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: 380,000



Alexander Vamboldt

CEO of the Russian subsidiaries based in Bodaibo 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 (TKZ) in Krasnoyarsk.
Relinquished activities over the last five years: –
Shareholding in Kopy Goldfields: –
Warrants: 380,000



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 activities: –
Relinquished activities over the last five years: –
Shareholding in Kopy Goldfields: –
Warrants: 380,000

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.

Troy ounce (oz)

31.104 grams. Weight measure for gold.

Yield

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



