



ANNUAL REPORT 2019

KOPY GOLDFIELDS
GOLD EXPLORATION

About Kopy Goldfields AB

Kopy Goldfields AB (publ) (ticker: KOPY) is a public junior Swedish gold exploration company, listed on Nasdaq First North Growth Market, Stockholm. The company was established in 2007 following the acquisition of a gold deposit named Kopylovskoye. During the last twelve years, the company has acquired 23 additional licenses, of which six have been sold and two have been returned to the Russian state. At the end of 2019, the Company held 15 licenses covering an area of 2,247 km² located in Lena Goldfields in Siberia and in the Amur Region of the Russian Far East. Total mineral resources according to JORC amounts to 1,832 koz.



INCREASING OUR PRESENCE IN LENA GOLDFIELDS AND CIS

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 and home to one of the world's largest untapped deposits of gold.

Combining the skills and knowledge of Russian geologists with an efficient, Swedish organization, we strive to create a world-class gold company. Our business model is based on using our expertise in identifying high potential areas. The aim is to achieve short-term gains, while creating long-term value.

After more than a decade of operating in Russia, we have achieved a solid track record and long experience of running successful exploration projects. We are proud to have moved our flagship Krasny project from the initial greenfield stage to the current total of 1.8 Moz of I&I gold resources. We have also proven the strength of our concept through the sale of the Kopylovskoye project. In 2019, we continued to increase our land properties in Lena Goldfields with the acquisition of a new exploration property, Polovinka, extending our existing Maly Patom project by 88 sq.km, while securing a position as one of three major regional players in Lena Goldfields. We also drilled our first holes ever on the Maly Patom project. The exploration results strongly indicate the existence of bedrock gold mineralization within our license area and it is an important step towards discovering our next million-ounce deposit.

Meanwhile, interest in Russian gold mining projects has increased markedly in the wake of the weakening of the ruble and rising gold prices. We hope and believe that the currently strong momentum around gold will favor Kopy Goldfields in the next step of our history, moving into gold production. Late spring 2020, we announced the plans to make a reverse take over of the Russian mid size gold producing company Amur Gold. This will make Kopy Goldfields a leading mid-cap Gold Exploration and Production Group with 2019 gold production of 52 Koz with an aggregated EBITDA 2019 of approximately SEK 229 million, total assets of 1.1 Moz of Proven and Probable reserves and 2.3 Moz of Measured, Indicated and Inferred resources. It will also make the company one of the leading Stockholm-listed gold exploration and production companies. The transaction is subject to the approval of the Annual General Meeting and that Kopy Goldfields is approved to continue trading on Nasdaq First North as well as certain regulatory approvals such as merger control clearance.

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THE YEAR IN BRIEF

3

Russia is the third largest gold producer after China and Australia



18

18 drill holes and 2,505 meters of core drilling in the first drilling for gold in the bedrock of the Maly Patom area

88

The Maly Patom project was extended by a further 88 km² to a total of 1,940 km²

257

257 koz of probable gold reserves according to JORC



18,4

In 2019, the gold price rose by 18.4% - the biggest rise since 2010



100

The area where Maly Patom is located has a 100-year history of gold mining

29

From January to March 2020 the Russian Ruble fell by 29% against the USD. This pushed up margins for Russian gold producers by 20-25%

THE YEAR IN BRIEF

Exploration on Maly Patom

The first drilling program ever on the Maly Patom project was carried out during the autumn 2019. A total of 2,505 meters of core holes were drilled, and 2,338 meters of trenches were developed and sampled within three previously identified gold anomalies. In addition, a geophysical survey of 38 km² was done. Several intervals with anomalous gold content were intersected. Multiple sulfide mineralizations were identified, confirming strong exploration potential of the area. The results confirm that the long-term target of making one or several +1 Moz discoveries within the Maly Patom licenses is achievable.

New exploration property added to Maly Patom

In April 2019, a new exploration property was added to the Maly Patom project. The new exploration license, called Polovinka, covers an area of 88 km² and provides the right for bedrock gold prospecting and exploration for seven years. The license was issued by the Russian State Federal authorities on a "first come, first served" basis with no upfront payment. If gold is discovered within the license area, Kopy Goldfields is entitled to a priority production permit for the area. The license is 100 percent controlled via the fully owned Russian subsidiary LLC Patom Gold.

New scoping study for Krasny

In June 2019, a new scoping study for the Krasny project was published by AMC Consultants Pty Ltd from Perth, Australia. The scoping study was based on the most recent gold resource estimation in accordance with the JORC from 2018. It provides several production scenarios for developing the Krasny project, all with positive NPV. The recommended production option for Kopy Goldfields, providing the highest internal rate of return (IRR), uses an annual 1-million-ton plant throughput rate and a combined open pit and underground mine at the Krasny deposit in combination with an open pit mine at the Vostochny mineralization.

Loans received and renegotiated

A new loan was received, and existing long-term loans were renegotiated and extended. As per year end 2018, the Company held two loans of SEK 15 million each, granted by Scandinavian Credit Fund I AB, originally due for repayment in 2019 and 2020. In September 2019, a new loan of SEK 15 million was received from Scandinavian Credit Fund and all outstanding loans were merged into one loan of SEK 45 million with repayment date in September 2022.

KEY FIGURES 2019

	2019	2018	2017	2016	2015	2014	2013
Earnings per share, SEK	-0.04	-0.52	-0.17	-0.08	-0.07	0.37	-2.27
Equity/assets ratio, %	71.2	78.1	85.7	95.7	89.3	90.8	88.7
Investments in exploration and evaluation, KSEK	5 987	2,518	2,291	1,913	2,672	1,859	19,376
Investments in licenses, KSEK		25					18
Investments in joint ventures, KSEK	5 725	5,131	8,541	8,626			
Market capitalization, MSEK	106.9	118.4	103.8	91.0	40.0	23.4	49.3
Average number of employees	8	9	7	6	8	14	38

KOPY GOLDFIELDS IN BRIEF

Kopy Goldfields AB (publ) (ticker: KOPY) is a public junior Swedish gold exploration company, listed on Nasdaq First North Growth Market, Stockholm. The company was established in 2007 following the acquisition of a gold deposit named Kopylovskoye. During the last twelve years, the company has acquired 23 additional licenses, of which six have been sold and two have been returned to the Russian state. At the end of 2019, the Company held 15 licenses covering an area of 2,247 km² and are located in Lena Goldfields of Siberia and in the Amur Region of the Russian Far East. Total mineral resources according to JORC amounts to 1,832 koz.

VISION AND STRATEGY

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

- Identify and acquire high potential gold projects, located within the established area of alluvial and bedrock gold mining in 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 and efficient 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 environmentally friendly way in compliance with Russian and international industry standards

PROOF OF CONCEPT

- In 2018, Kopy Goldfields sold the Kopylovskoye gold project, consisting of four licenses. The project was acquired in 2007 and an exploration program was developed at the site during 2008-2011. The exploration reported 7.4 tons of C1+C2 bedrock gold reserves when the project was sold to Russian investors. The total sales price equalled MUSD 6.
- In 2014, the two licenses Kavkaz and Prodolny were sold for MRUB 50 in cash, corresponding to approximately MSEK 10.
- In 2014, after three years of exploration, Kopy Goldfields sold 51 per cent of the Krasny license to the Russian gold producer GV Gold. GV Gold paid MUSD 3 in cash to Kopy Goldfields and invested MUSD 6 for further exploration.

IDENTIFY
TARGET AREA

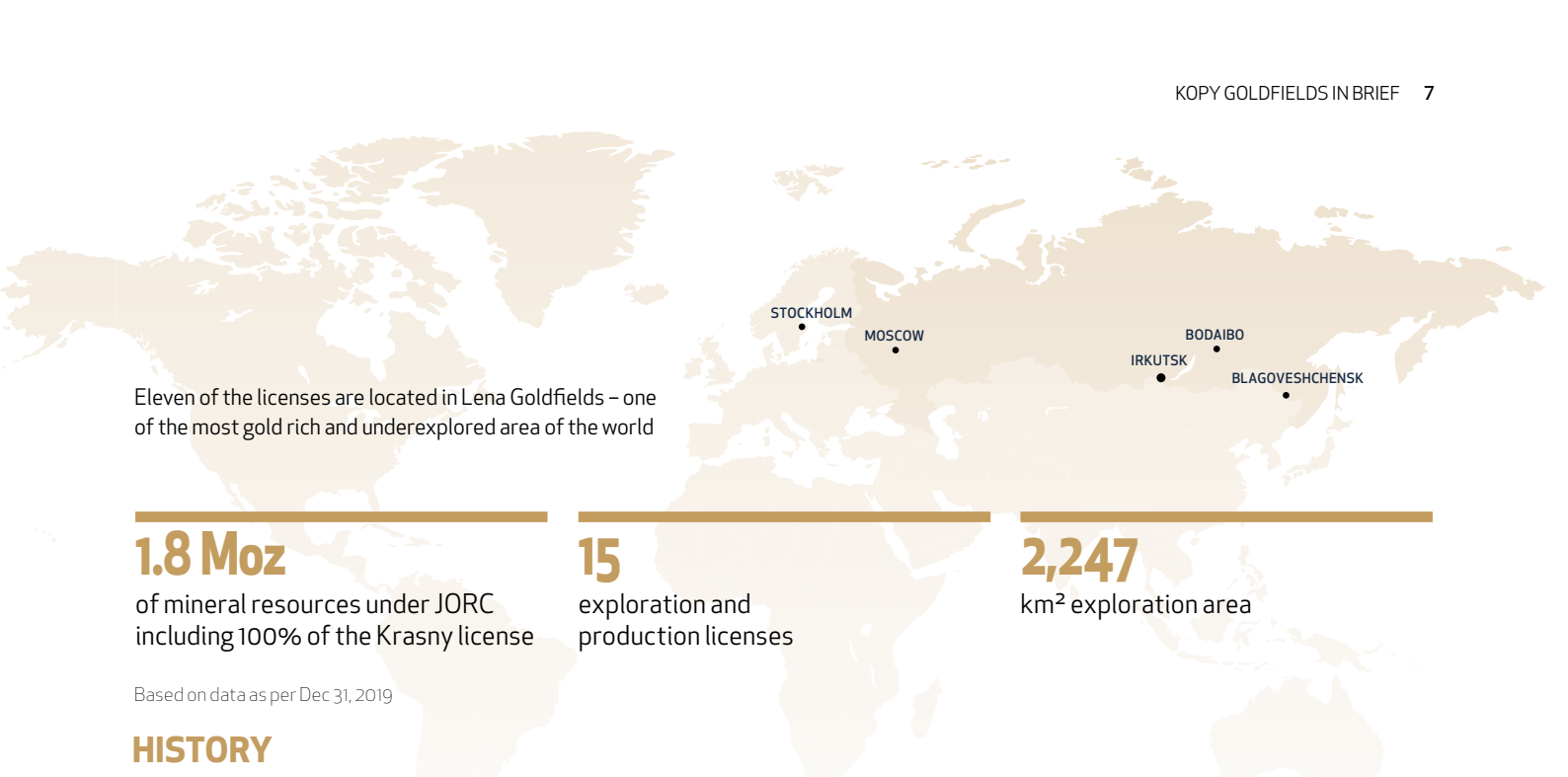
GET LICENSE

PROSPECT
& EXPLORE

CASH-IN OR
FARM-OUT

BUSINESS CONCEPT Kopy Goldfields business concept is to create value by identifying and acquiring high potential gold projects, located within the established area of alluvial and bedrock gold mining 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.





Eleven of the licenses are located in Lena Goldfields – one of the most gold rich and underexplored area of the world

1.8 Moz

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

15

exploration and production licenses

2,247

km² exploration area

Based on data as per Dec 31, 2019

HISTORY

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

- 2006** Central Asia Gold AB (CAG) acquires OOO Kopylovsky and the Kopylovskoye license.
- 2007** Kopylovskoye AB is founded as a subsidiary to CAG and becomes the owner of OOO Kopylovsky.
- 2008** Acquisition of the Prodolny and Kavkaz licenses. Exploration activities for the Kopylovskoye project commenced. Kopylovskoye AB shares are distributed to CAG's shareholders in a spin off and the former becomes an independent company.
- 2010** Acquisition of the Krasny, Pravovesenny and Vostochnaya licenses. The Company is listed on Nasdaq First North Stockholm.
- 2011** Acquisition of the Takhtykan license. The Company changes name to Kopy Goldfields AB. The Company publishes its first international mineral resource report in accordance with JORC for the Kopylovskoye deposit. Eldorado Gold Corp becomes a major shareholder in Kopy Goldfields. The Krasny license shows substantial gold contents and grades.
- 2012** Acquisition of the Purpolskaya and Verkhnyaya Orlovka licenses as well as six licenses in the Maly-Patom area of Lena Goldfields, covering a total area of 1,852 km². The company reports an international mineral resource report according to JORC for Krasny.
- 2013** First resource estimation in accordance with JORC for Krasny. A scoping study for Krasny indicates favorable conditions for open pit mining. Two licenses, Kavkaz and Prodolny, are sold for MRUB 50 in cash (approx. MSEK 10).
- 2014** A joint venture is formed with the Russian gold producer GV Gold to take Krasny to production. According to the agreement, GV Gold invests MUSD 9 for a 51 per cent stake of the licenses. Step 1 of a new, joint exploration program on Krasny is initiated.
- 2015** Step 2 of the exploration program for Krasny started. The results from step 1 and 2 are used for mineral resource reports according to GKZ and JORC, as well as for production planning. Test results indicate that the same technology can be used for both the oxidized 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 oxidized ore.
- 2016** A substantial gold mineralization in the lower structure of Krasny is confirmed. The GKZ authorities in Irkutsk formally approve a GKZ report, confirming gold reserves of 9.7 tons (314 koz) in the C2 category. An updated JORC report is issued as well as an updated scoping study confirming feasibility in the Krasny mine development.
- 2017** Updated JORC report for Krasny confirms gold resources of 1,388 koz. Results from a scoping study show several production options for Krasny - all scenarios return positive free cash flows. New exploration program on Krasny carried out. Geochemical survey at Maly Patom confirm that this is a high potential area.
- 2018** The most recent JORC mineral resource report issued in early June 2018. The mineral resource estimation is based on a gold price of 1,250 USD/oz and shows 1,832 koz of indicated and inferred gold resources for the Krasny project and includes both Krasny and Vostochny. The report also includes 257 koz of probable gold reserves. As the mineralization is open along the strike and down dip, there is significant potential for increased gold resources. Mineral processing test for the Vostochny gold mineralization shows that it can be developed together with Krasny. Operatorship of Krasny handed over to GV Gold and decision is taken to exit the 49 per cent stake in the project. Exploration covering seven out of 21 identified exploration targets on the Maly Patom licenses confirming its strong potential for substantial gold findings. Acquisition of new licenses in the Amur region of Russia. The Kopylovskoye project sold to a group of Russian private investors for MUSD 6.
- 2019** New scoping study for Krasny made by AMC Consultants, Australia, based on the gold resource estimation in accordance with the JORC from 2018. The study provides several production scenarios for developing the Krasny project, all with positive NPV. Base case shows a pre-tax NPV of MUSD 90 to 104 at 6% discount rate and pre-tax IRR of 20% to 26%, using a gold price of 1,300 USD/oz. Acquisition of new exploration license, Polovinka, adds a further 88 km² to the Maly Patom project. First ever core drilling program for bedrock gold on the Maly Patom license, totaling 2,505 meters. 2,338 meters of trenches also developed and sampled of previously identified gold anomalies and a geophysical survey of 38 km² performed. Results confirm strong exploration potential of the area and that the long-term target of making one or several +1 Moz discoveries within the licenses is achievable.

WORDS FROM THE CEO

PREPARING FOR NEXT EXCITING STEP WHILE STRENGTHENING OUR POSITION IN LENA GOLDFIELDS

Our main operational focus in 2019 was continuing to develop of what we believe will be our next multimillion-ounce gold deposit - Maly Patom. We did through performing the first ever bedrock drilling in the area, while extending the project through the acquisition of a new exploration property. The year was also characterized by discussions around how to continue developing our most advanced project to date; Krasny. Late spring 2020, these discussions resulted in our announcement of plans for a deal with Russian mid size gold producing company Amur Gold. This would mean that we take another important step in the company's history, moving into production. The deal would also make Kopy Goldfields one of the strongest CIS based public gold producers, as well as one of the leading Stockholm-listed gold exploration and production companies. All of this took place against a backdrop of the best momentum ever experienced in the Russian gold mining industry, as gold prices soared and the ruble weakened.



Our business concept is based on creating value through our expertise in gold exploration. After more than a decade of operating gold mining projects in Russia, we have secured a solid track record of running successful exploration projects. Our center of operations is located in Lena Goldfields, one of the most exciting gold mining and exploration areas in the world. The area hosts several producing gold mines, as well as one of the largest undeveloped gold deposits in the world, Sukhoy Log, with 63 Moz

of gold resources. Production is set to start at Sukhoy Log in the mid 2020's, which will increase gold production in the area from today's 0,5 percent to 2 percent of the annual world gold production.

Through the years, Kopy Goldfields has secured a strategic position as one of the major regional exploration landholders in Lena Goldfields. In 2019, we increased our land properties in Lena Goldfields even more with the acquisition of a new exploration property, called Polovinka, which extends our existing Maly Patom project by 88 sq.km.

Growing interest in Russian gold mining projects

Interest in Russian gold mining projects has increased markedly in the wake of the weakening of the ruble and rising gold prices. From the beginning of January to the end of March 2020, the ruble plummeted by 29 percent against the USD to its lowest level in more than four years, as oil prices crashed following the breakdown of the Russia-Saudi Arabia pact to limit production. As Russian gold production costs are in ruble and revenues in USD, this immediately pushed up margins for Russian gold producers by extra 20-25 percent.

Meanwhile, gold prices saw record levels as investors reassessed the metal as a safe haven and inflation hedge as the corona virus was shaking global financial markets. A wave of global central bank stimulus, including an emergency rate cut to zero by the Fed, and a pledge from leaders of the G7 nations to do whatever is necessary to respond to a global slowdown, have also bolstered gold's prospects.

Another important factor behind the rising interest in Russian gold exploration projects is that focus among gold mining companies in the last few years has been on gold production, rather than exploration. As gold reserves are now depleting, international players are looking for new deposits to exploit. They are also looking to move into territories in new areas, including Africa, Latin America – and Russia. This is also true for domestic Russian gold mining companies, which have been active in searching for new gold projects in the country recently with several significant transactions reported in 2019.

Development plans for the Krasny project

All of this has favored interest in Krasny, our flagship – and most advanced – project to date. From 2010 and onwards, we have been put a lot of resources into developing this highly promising gold deposit near the mining city of Bodaibo in Lena Goldfields. For the past six years, the development work has been carried out in partnership with the Russian gold mining company GV Gold. Since we initiated the Krasny project, we have moved it from the greenfield stage to the current total of 1.8 Moz of I&I gold, proving the strength of our exploration expertise.

In 2019, different options for the project were evaluated.

To support the Krasny development process, we assigned the AMC Consultants engineering company from Perth, Australia, to do a scoping study for the project. The study is based on the most recent gold resource estimation from 2018 and is the fourth report of its kind, all of which have returned positive NPV (Net Present Value) results. The 2019 scoping study was also favorable, suggesting several production scenarios for developing the Krasny deposit, all



with positive NPV. The recommended production option for Kopy Goldfields shows a pre-tax NPV of USD 90 to 104 million at a 6 percent discount rate and pre-tax Internal Rate of Return of 20 to 26 percent, based on a gold price of 1,300 USD/oz. With the gold price in April 2020 exceeding 1,600 USD/oz, we can reasonably expect both increase in minable resources within Krasny project and strengthening of the NPV results from mining.

We understand, however, that it would require some further exploration before the Krasny project would be ready for mine construction and large-scale production. We have previously indicated that we would like to add long-term production capabilities to our exploration platform and have conducted discussions around different options to realize this. In spring 2020 these discussions resulted in a deal for a reverse take over of Amur Gold, a mid sized gold producing company based in Russia. The deal combines our strong exploration knowledge and portfolio with Amur Gold's well-established gold production capabilities. This will make Kopy Goldfields a leading mid-cap Gold Exploration and Production Group with total assets of 1.1 Moz of Proven and Probable reserves and 2.3 Moz of Measured, Indicated and Inferred resources. It will also make the company one of the leading Stockholm-listed gold exploration and production companies. The transaction is yet to be approved by the Annual General Meeting of Kopy Goldfields. Kopy Goldfields will also need an approval for continued trading on Nasdaq First North as well as certain regulatory approvals such as merger control clearance. We hope to complete the transaction by the end of this summer.

Maly Patom

Going forward, we proceed with prospecting at our licenses in Maly Patom, an area we believe have a high potential for discovering bedrock gold deposits. Kopy Goldfields is the first company to operate bedrock explorations in the area, which hosts many alluvial gold projects. During the fall 2019, we drilled the first holes

ever in the area, covering 2,505 meters in total. The drill samples showed gold mineralizations intersected with several intervals of an anomalous gold content above 1gr/ton. The exploration results strongly indicate the existence of bedrock gold mineralizations within our license area, even though we have not yet found any commercially exploitable gold. We have, however identified many targets to explore and we believe that we have taken an important step towards discovering a multimillion-ounce gold deposit.

At the moment, there is a strong momentum around gold. We hope and believe that this will favor Kopy Goldfields in the next step of our history as we continue to explore the exciting Lena Goldfields area and prepare to move into production – which will provide us with a platform for further growth. On behalf of the company, 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.

Gold is forever.

Stockholm in June, 2020

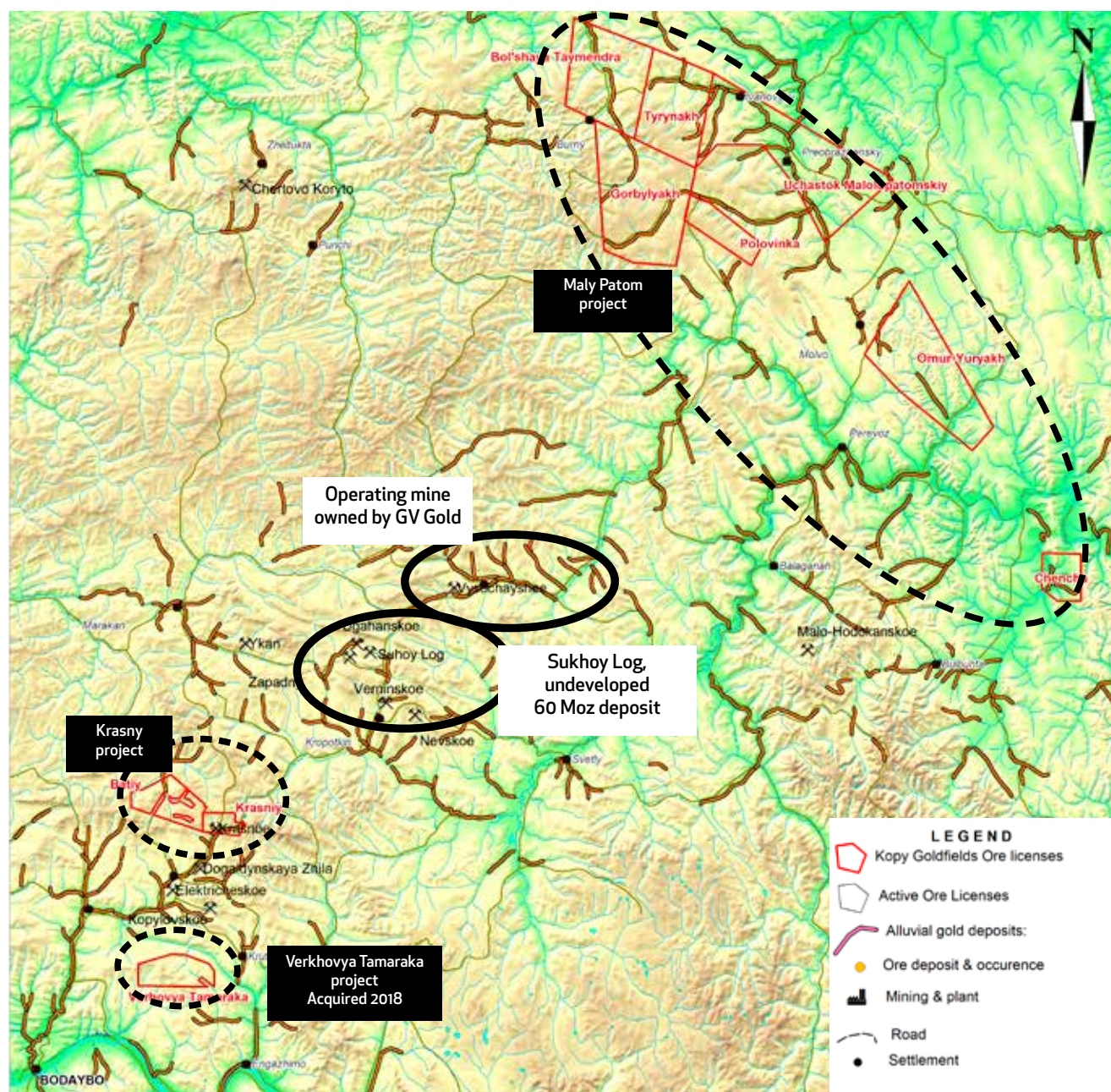
Mikhail Damrin
CEO Kopy Goldfields

EXPLORATION PROJECTS IN DIFFERENT STAGES

The company has a diversified portfolio of exploration targets in different stages. On December 31, 2019, Kopy Goldfields held ten bedrock and five alluvial exploration and production licenses. All licenses have been grouped into a portfolio consisting of four projects: Krasny, Maly-Patom, Amur and Verhovya Tamaraka.

Krasny, consists of three licenses (Krasny bedrock, Krasny alluvial and Batiy bedrock) with a total area of 117 km². The Maly-Patom project is split into seven bedrock licenses (Tyrynakh, Bolshaya Taimendra, Gorbylyakh, Omur-Yuryakh, Chench, Malo-Patomsky, Polovinka) with a total area of

1,940 km². At the end of the year, the Amur project included four alluvial licenses (Evtukan, Bolshaya Kamenushka, Pad' Varnatskaya and Evtukan Verchniy) with a total area of 104.4 km².



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.

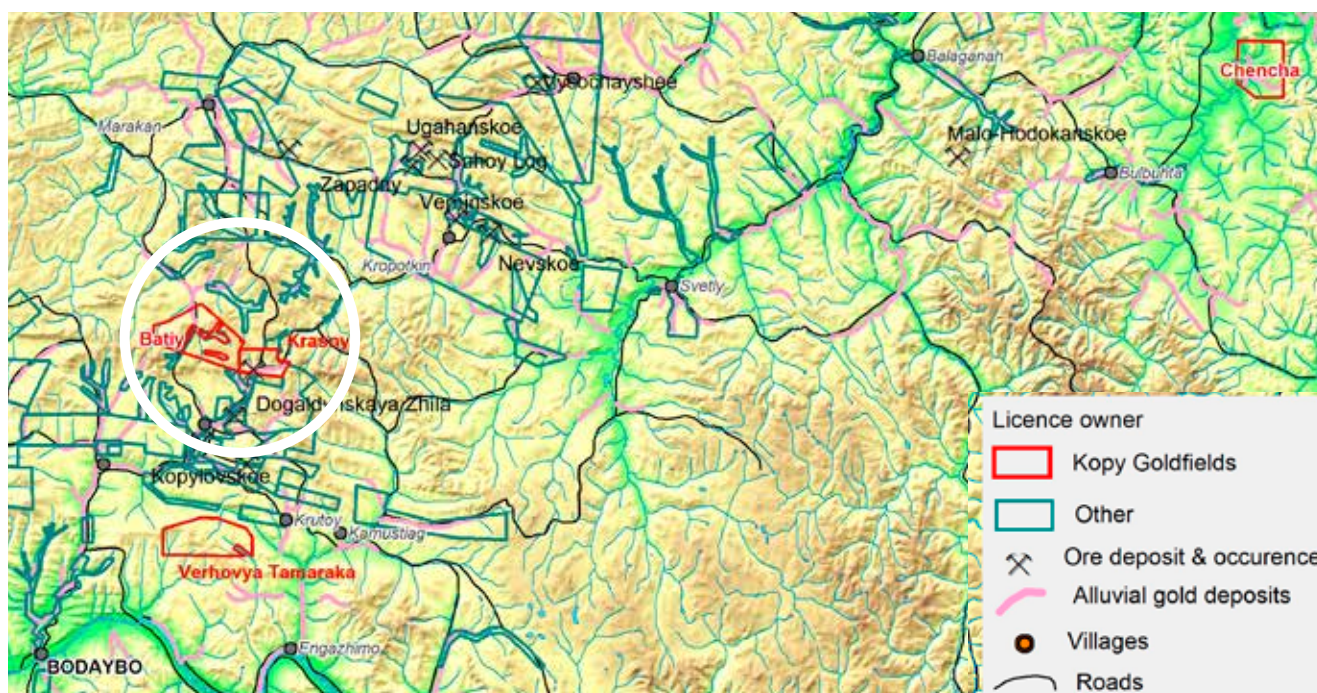


License	Project	Acquired	Mineral reserves according to JORC	Mineral resources according to JORC	Mineral resources according to GKZ	Valid until:	Ownership Kopy Goldfields AB	License area
Krasny (Bedrock)	Krasny	2010	Krasny Probable: 257 koz@1.09 g/t	Krasny Indicated: 290 koz@1.2 g/t Krasny Inferred: 1 201 koz@2.02 g/t Vostochny Inferred: 338 koz@1.57 g/t Signed by Micon 2018	C1+C2: 314 koz P1: 233 koz	2035	49%	31 sq km
Krasny (Alluvial)	Krasny	2015			P2: 1 koz	2030	49%	2.46 sq km (within the bedrock license)
Batiy	Krasny	2017			P3: 322 koz	2024	49%	86 sq km
Tyrynakh	Maly Patom	2012			P3: 578 koz	2037	100%	250 sq km
Bolshaya Taimendra	Maly Patom	2012			P3: 578 koz	2037	100%	289 sq km
Gorbylyakh	Maly Patom	2012			P3: 578 koz	2037	100%	417 sq km
Omur-Yuryakh	Maly Patom	2012			P3: 160 koz	2037	100%	365 sq km
Chencha	Maly Patom	2012			P3: 321 koz	2037	100%	71 sq km
Malo-Patomsky	Maly Patom	2012			P3: 578 koz	2037	100%	460 sq km
Polovinka	Maly Patom	2019			P3: 310 koz	2026	100%	88,65 sq km
Verkhovya Tamaraka	Verkhovya Tamaraka	2018			P3: 1476 koz	2025	100%	83.08 sq km
Bolshaya Kamenushka	Amur	2016				2021	51%	12.85 sq km
Evtukan	Amur	2018				2023	51%	32.41 sq km
Pad' Varnatskaya	Amur	2018				2023	51%	1.45 sq km
Evtukan Verchniy	Amur	2018				2023	51%	57.71 sq km
Total			JORC: Probable: 257 koz	JORC: Indicated: 290 koz Inferred: 1,539 koz	Russian GKZ: C1+C2: 314 koz P1-P3: 5,135 koz			2,247 sq km

Kopy Goldfields Licenses, For further details about reporting of mineral resources, see page 20.

PROJECT KRASNY

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 neighboring Batiy bedrock license. 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 km from the city of Bodaibo, Krasny sits on an area of 31 km². The area is known for its alluvial gold production with several placers (including three active) within, or neighboring, the license area. Kopy Goldfields' Krasny license is valid until 2035 and provides rights for bedrock gold prospecting, exploration and production.



Most of Kopy Goldfield's exploration efforts and funds was put into the Krasny project. An updated mineral resource report according to the JORC Code was finalized in 2018, showing a 32 per cent increase y-o-y of the gold resources at the Krasny deposit to 1,832 koz. Exploration at the site has almost been finalized and Kopy Goldfields and GV Gold are now evaluating alternatives for an exit. The 49 per cent stake of the project, held by Kopy Goldfields, had a book value of MSEK 105, as per December 31, 2019.

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 located 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 ore body 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 meters. 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 meters at the flanks and up to 160-200 meters 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 meters. The upper group of the ore bodies is about 1,200 meters long; the vertical span of the mineralization is 250 meters wide; the lower group of the ore bodies is 2,360 meters long, and the vertical span of the mineralization is 400 meters. The total span of the mineralization studied in boreholes is 590 meters (elevation 1,010-420 meters) 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 per cent. 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 per cent. Hosting ore bodies are presented by alternation of carboniferous quartz-sericite schists, siltstone and sandstone of the Vacha suite. The main mineral type of ore is quartz low-sulphide (pyrite).

Joint venture with GV Gold

In the summer of 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 per cent interest in the Krasny Project by initially paying the Kopy Goldfields MUSD 1 in cash and by financing an exploration program followed by a resource report in accordance with both the Russian GKZ classification and the international JORC standard. The budget for the total exploration program was MUSD 6 and was financed by GV Gold in full. The 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 MUSD 2 in a conditional consideration cash payment from GV Gold.

Stage 1 - exploration to confirm existing model

During the first stage, exploration activities were aimed at confirming the existing model of the Krasny Central Upper mineralization to the depth of approximately 200 meters. The total budget for Stage 1 was estimated at MUSD 3, which was paid by GV Gold upon the signing of the joint venture contract. Exploration drilling started in July 2014 and was 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. During 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 in June 2015 and finalized in September 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 in December 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 in February 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 - satellite gold mineralization discovered

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 structure. The exploration program included a total of 100 core holes drilled, accounting for 19,622 meters of core drilling. In addition, 1,965 meters of trench sampling was performed and 21,822 fire assay tests for gold received. Most of the drilling was focused on the Central part of the Krasny deposit and within the Upper structure, with the target to upgrade the quality of the gold resources from Inferred to Indicated. The exploration results also confirmed the modelling of the Lower structure mineralization, with new high-grade intervals being discovered. The drilling results confirmed that the Lower mineralization's extend 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 Vostochny 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, totalling 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 to the amount of MUSD 2.1.

The most significant outcome of the drilling activities during 2017 was the discovery of the Lower structure at Vostochny mineralization. Based on positive exploration results from 2017, the new 2018 exploration program on Krasny and Vostochny was commenced in January 2018. Exploration activities on Krasny



during 2018 included 11,638 meters of core drilling, primarily within the Krasny and Vostochny structures and within the Batiy license area. Water flow tests, engineering studies, a geochemical survey, as well as new processing tests for Vostochny were also completed during the first half of 2018.

Since February 2018, the joint venture partner, GV Gold, is the operator of the exploration program on the Krasny project.

MINERAL PROCESSING STUDIES

The initial mineral processing test was made in 2012 with a 60 kg bulk sample, representing primary ore. The test confirmed an 85 per cent 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 per cent for the primary ore and 75 per cent for the oxidized ore. A second mineral-processing test based on new samples for the oxidized part of the Upper mineralization was carried out during December 2015-March 2016. The gold recovery via gravitation-flotation-leaching process for Oxide ore from the Upper structure totalled 78-79 per cent.

2017

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 fine tuned the previous metallurgical results and recommended a flow chart for the Krasny gold ore treatment processes. The proposed 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 doré 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 per cent, which is in line with previous processing test results. There is a further potential to increase gold recovery to some 89 per cent which is achieved for similar types gold ore at neighbouring plants in the area.

2018

During the first quarter of 2018, a mineral processing test for the Vostochny gold mineralization was completed. The processing test was done by TOMS Engineering, a mining engineering consultancy firm based in Irkutsk, Russia. The target was to evaluate the possibility of processing the gold ore from the Vostochny mineralization using the flow chart previously proposed for the

Krasny gold ores. The test confirmed that the ore from the Vostochny mineralization could be processed using the processing flow chart proposed for the Krasny ore with 90.2 per cent total gold recovery. The report confirmed that the gold ore from Vostochny could be mixed in any proportions with the ore from the Krasny deposit with no loss in gold recovery. It was proven that Vostochny is a similar type of gold mineralization as Krasny and may be viewed as a satellite deposit of Krasny. This means that Krasny and Vostochny may be developed together, sharing the same infrastructure and processing plant.

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. The report was formally approved by the Federal Agency on Subsoil Usage (subsidiary of the Russian Ministry on Natural Resources) in Krasnoyarsk on March 30, 2016. 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, a report on the mineral resources in accordance with the JORC provisions was developed by Micon International Co Limited. Micon is a world leading mineral industry consulting company with offices in Toronto and Vancouver (Canada) and in Norwich (United Kingdom). Micon has previously been involved in other projects in the Bodaibo area and is therefore familiar with the local geology. The report confirmed totally 955 koz of I&I bedrock gold resources, including 288 koz of Indicated mineral resources (7,848 ktons of rock at an average grade of 1.141 g/t Au) and 667 koz of Inferred mineral resources (12,324 ktons at an average grade of 1.682 g/t Au), all within an economically minable open pit.

2017

In February 2017, an update of the 2016 JORC resource estimation was initiated by Micon. The report was completed in September 2017 and confirmed a 45 per cent increase of the gold resources to 1,388 koz of gold y-o-y. The resource estimation included both the Krasny and Vostochny mineralizations. The report also included Probable reserves for Krasny. For Krasny, the resource estimation showed 273 koz of Indicated mineral resources (mineral resources of 7,617 ktons at an average grade of 1.11 g/ t Au) and 1,052 koz of Inferred mineral resources (18,536 ktons at an average grade of 1.76 g/ t Au). The resource statement also reported 240 koz of Probable gold reserves (7,327 ktons at an average grade of 1,02 g/ t Au) as a part of

total gold resources. Vostochny showed a total of 63 koz of Inferred mineral resources (1,114 ktons at an average grade of 1.76 g/ t Au). All resources were reported within economically minable open pits. were reported within economically minable open pits.

2018

In May 2018, field exploration activities on Krasny were stopped and an update of the JORC resource estimation was issued in early June. The report was developed by Micon International. The report was based on the exploration data acquired through March 2018. The new estimation of 1,832 koz of Indicated and Inferred gold resources for the Krasny project showed a 32 per cent increase since the previous year, reflecting successful exploration activities during 2017 and early 2018. The resource estimation included both Krasny and Vostochny. For the Krasny deposit, the resource estimation showed 291 koz of Indicated mineral resources (mineral resources of 7,539 ktons at an average grade of 1.20 g/ t Au) and 1,202 koz of Inferred mineral resources (18,515 ktons at an average grade of 2.02 g/ t Au). The Vostochny mineralization showed a total of 339 koz of Inferred mineral resources (6,689 ktons at an average grade of 1.57 g/ t Au). All resources were reported within economically minable open pits at 1,250 USD/Oz gold price. The report also includes 257 koz of Probable gold reserves.

Scoping study

Several scoping studies covering the Krasny development have been completed over the last few years. All have provided positive outcomes. The first report was made by Miramine Mining Consultancy in 2013. The next report was developed by Irigredmet in 2016. In October 2017, an Investment justification report was commenced by TOMS Engineering, focusing on development of the Upper mineralization only. In parallel with the Investment justification report, TOMS Engineering also prepared a Scoping study for the development of both the Upper and Lower Mineralization. The study did not, however, include the newly discovered Vostochny mineralization, leaving this as an upside. 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 MUS\$ 373 at a fixed gold price of

1,250 USD/oz and production costs of 601 USD/oz.

The most recent Scoping study was done in 2019 by AMC Consultants Pty Ltd from Perth, Australia (AMC). The study provides several production scenarios for developing the Krasny project either as an open pit alone, or combined open pit and underground mine, with annual processing plant throughput capacities varying from 0.4 Mt to 3 Mt. All scenarios would return positive NPVs before application of potential tax benefits. The recommended production option for Kopy Goldfields, which provides the highest internal rate of return (IRR) but not the highest NPV for the investments, is one that uses an annual 1 million tonne plant throughput rate and a combined open pit and underground mine at the Krasny deposit, in combination with an open pit mine at the Vostochny mineralization, with LOM 16 years and average annual gold production of 40,000 to 50,000 oz. Using a gold price of USD 1,300/oz, this option would generate an IRR of 26% and NPV of MUS\$ 104 pre-tax at 6% discount rate.

Batiy license neighbouring Krasny

In January 2017, the Krasny Joint Venture was granted a bedrock exploration license, called “Batiy”, with a total license area of 86 km². 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 seven years and provides rights for bedrock gold prospecting and exploration.

Based on knowledge of the Krasny deposit and the area, the Batiy license offers a good geological exploration potential. The gold bearing structures of the Krasny deposit potentially 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 active 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, the company forecasts discoveries of a similar scale as the Vostochny within the direct vicinity of the Krasny Central deposit, which will make it into one production cluster with several potential mine sites and a central ore processing plant located at the Krasny Central.

Table 1. Mineral Reserve Statement for the Krasny Gold Deposit, Irkutsk Region, Russia, Micon International, April, 2018*

JORC Reserves	Tonnage (kt)	Au grade (g/t)	Au (kg)	Au (koz)
Krasny				
Probable	7,342	1.09	7,999	257
Total reserves	7,342	1.09	7,999	257

*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 \$1,250/oz, metallurgical recovery of 77.5% for oxide ore, 87.8% for transition ore and 88.5% for primary ore. The open-pit slope angle is between 40 and 52 degrees for different directions. The operating cost values are \$1.38/t for waste mining, \$1.82/t for ore mining, \$6.95/t for ore processing, and G&A costs are \$5.54/t at fixed 60 Rub/USD exchange rate;
- Mining losses – 5%, ore dilution – 10%.
- 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, April, 2018**

Table 2. Mineral Resource Statement for the Krasny Gold Deposit (inclusive of Mineral reserves), Irkutsk Region, Russia, Micon International, April, 2018**

Category	Tonnage (kt)	Au grade (g/t)	Au (kg)	Au (koz)
Krasny				
Indicated	7,539	1.20	9,045	291
Inferred	18,515	2.02	37,371	1,202
Krasny total	26,054		46,416	1,493
Vostochny				
Inferred	6,689	1.57	10,537	339
Grand total	32,743		56,953	1,832

**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 an Ore Reserves estimate;
- Resources stated as contained within a potentially economically mineable open pit stated above a 0.4 g/t Au cut-off;
- Pit optimization is based upon an assumed gold price of \$1,250/oz, metallurgical recovery of 77.5% for oxide ore, 87.8% for transition ore and 88.5% for primary ore. The open-pit slope angle ranges between 40 and 52 degrees for different pit wall orientations. The operating cost values are \$1.38/t for waste mining, \$1.82/t for ore mining, \$6.95/t for processing, and G&A costs are \$5.54/t processed;
- 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.

Exploration on Krasny

A summary of the exploration activities on Krasny are listed below:

Historical exploration (before 2010) within the license area

- Detailed geochemical and geophysical survey of 1:25,000 scale
- 14,723 meters of core drilling
- 130 meters of underground shifts

Exploration activities 2010 – 2015

- Recognizance geological mapping of 100 km
- 103 km of exploration trenches
- Review and digitalize historic exploration data. Design of exploration activities
- Totally 30,764 meters of core drilling 100 drill holes
- Scoping study reports
- Engineering and metallurgical processing tests
- Mineral reserve report under the GKZ-regulations
- Mineral resource report under the JORC-code

Activities 2016

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

Activities 2017

- New bedrock exploration license “Batiy” granted, bordering the Krasny license to the northwest and covering 86 km²
- 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

Activities 2018

- A JORC resource estimation for Krasny shows a 32 per cent increase of the gold resources to 1,832 koz for the Krasny project since 2017.
- Results from a mineral processing test of Vostochny ore confirms a 90.2 per cent gold recovery, using the same flow chart proposed for the Krasny ores.
- Drilling of 11,638 meters of core holes, primarily within the Krasny and Vostochny structures and within the Batiy license area

Activities 2019

- A proposal for electricity supply from the local national electricity land grid for 15 MWt capacity was granted, which should be enough to support a production start.
- New scoping study providing several production scenarios, all with positive NPV. The scoping study provides both a valuation benchmark for the project and several potential mine development alternatives. The study is based on the most recent gold resource estimation from 2018.

Total investments

Cumulative joint investments into the Krasny project totalled MUSD 20.1 at the end of 2019.

Economics

In June 2019, AMC Consultants Pty Ltd from Perth, Australia, issued a scoping study for the Krasny project, providing several production scenarios. The recommended production option for Kopy Goldfields, providing the highest internal rate of return (IRR) but not the highest NPV for the investments, is one that uses an annual 1 million tonne plant throughput rate and a combined open pit and underground mine at the Krasny deposit in combination with an open pit mine at the Vostochny mineralization. This option was evaluated using a gold price of USD 1,300/ounce and features the following:

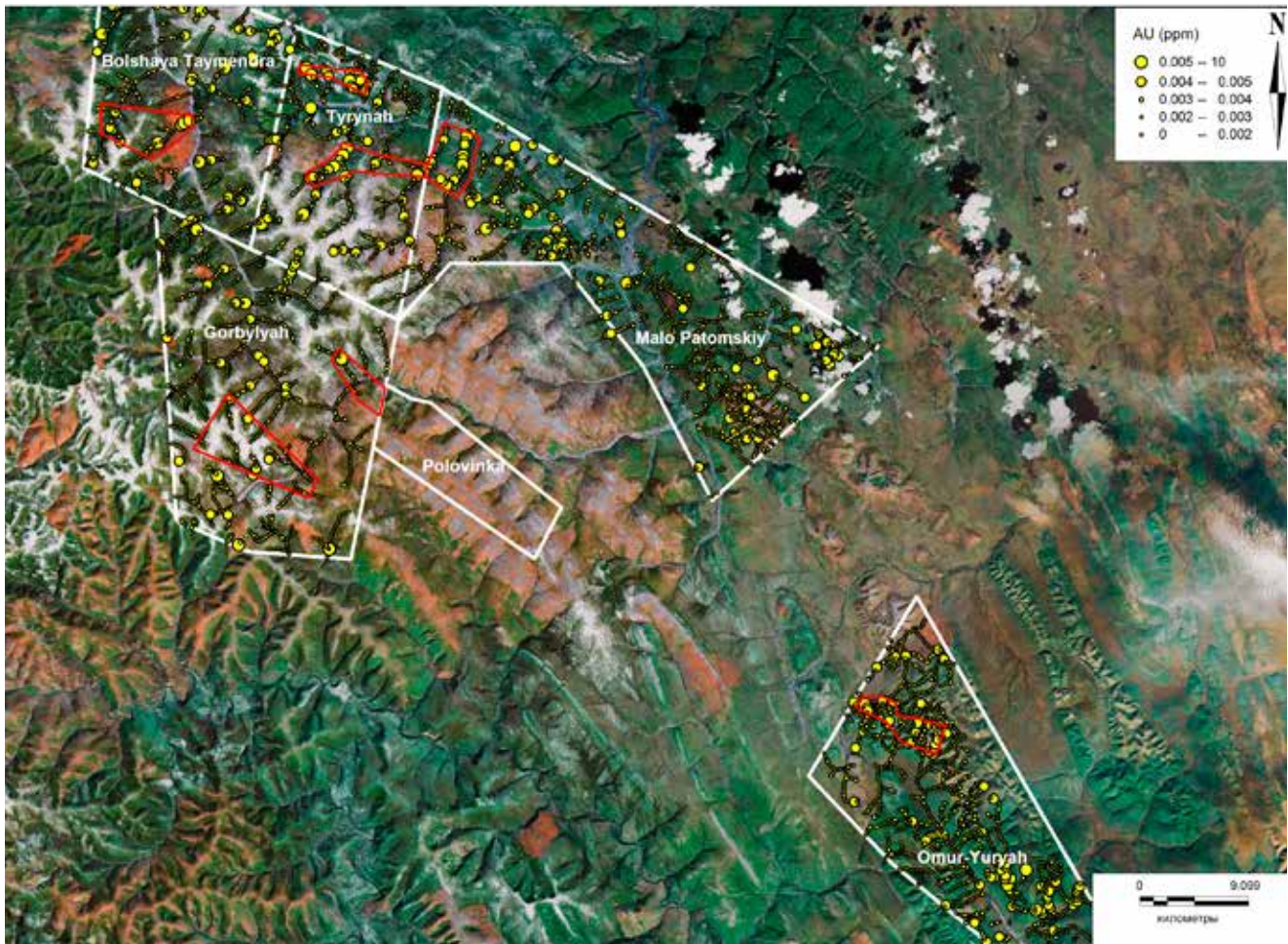
- Pre-tax NPV of USD 90 to 104 million at 6% discount rate and pre-tax IRR of 20% to 26%
- Mine life of approximately 16 years and a discounted pre-tax payback period of 6 years
- Total capital expenditure (CAPEX) of approximately USD 107 million with upfront CAPEX of USD 66 million
- Average metallurgical recovery over mine life of 87% using a gravity-flotation-CIL flowsheet
- Average gold head grade of 1.8 g/t
- Average life of mine (LOM) annual gold production of 40,000 to 50,000 ounces
- Average LOM stripping ratio (including both open pit and underground) of 7 tonnes waste per tonne of ore

Going forward

Having developed the Krasny project from the initial greenfield to the current Prefeasibility stage of exploration from 2010 to 2019, Kopy Goldfields and GV Gold believe it is a good time to realize the value of the project. In the middle of 2018, the field exploration activities on Krasny were put on hold and the project was prepared for a sale. Since then, discussions have been held with GV Gold regarding the different options for a sale. Following the recent plans for a merger with Amur Gold, the development strategy for Krasny will be reviewed considering the new production targets of Kopy Goldfields.

PROJECT MALY PATOM

The Maly Patom-area is located to the north of Bodaibo and covers a total area of 1,940 km² (194,000 ha), split into seven properties. Kopy Goldfields' licenses for bedrock gold prospecting, exploration and production in the Maly Patom project are valid to 2037, 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 currently under way.



Geographic location of the Maly Patom licenses

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 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 favorable 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 licenses, 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.

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

Exploration program 2016

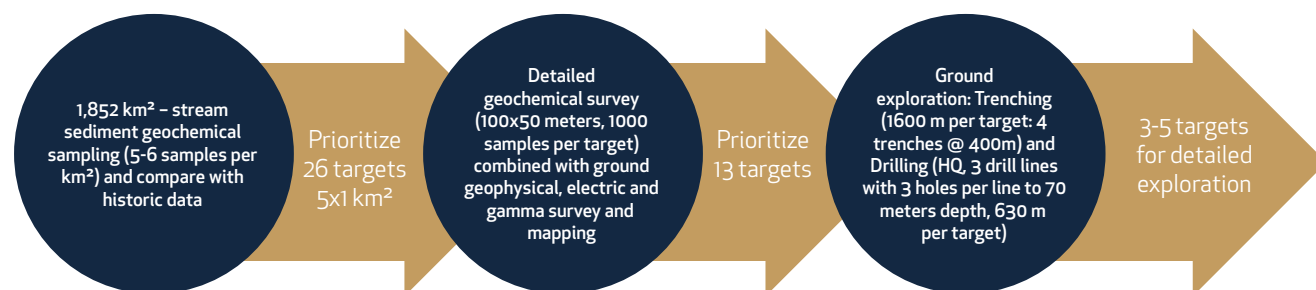
During 2016, stage 1 of the exploration program was commenced with the target of covering the total licence area with a systematic and modern method for exploration, to identify and prioritize multiple targets during the first year of field operations. The plan was to verify historic data and to identify new clusters for the next stage of exploration. Initially, the whole area of 1,852 km² was covered with a stream sediment survey with a density of 5-6 samples/km². In total, 5,380 samples were collected and 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, identified in the 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 km².

Exploration program 2017

In 2017, stage 2 of the exploration program was carried out, covering 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

Exploration approach Maly Patom



conducted of the area, corresponding to 122 km². In total, 12,896 soil samples were collected and analyzed for 32 chemical elements plus gold.

Results from the 2017 exploration program were reported in February 2018. The results confirmed the expectations of the Maly Patom being an area with high exploration potential. In line with the target, it was possible to scale down the exploration area further and three anomalous geochemical areas were identified with a total area of 10.2 km². All three anomalies, called Mezhdurechnaya, Sekushaya and Polovinka, corresponded to the exploration parameters and target gold deposits of 1+ Moz and 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. Alluvial (placer) gold mining operations are currently being developed areas by external producers within the Maly Patom license under separate alluvial licenses.

Exploration program 2019

In April 2019, a new license area called Polovinka was added to the Maly Patom project. The new exploration license is bordering the Gorbylyakh license area, which was already a part of the Maly Patom exploration project and covers the potential extension of the previously identified soil gold anomaly also called Polovinka. The new property covers an area of 88 km². The license provides the right for bedrock gold prospecting and exploration for seven years.

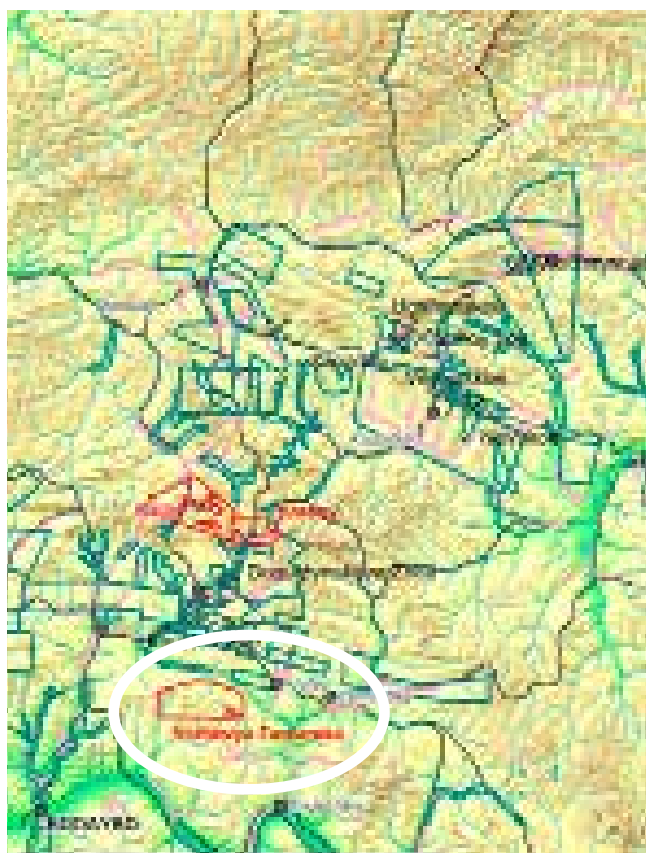
The license was issued by the Russian State Federal authorities on a “first come, first served” basis with no upfront payment. If gold is discovered within the license area, Kopy Goldfields is entitled to a priority production permit for the area.

During September – November 2019, Kopy Goldfields drilled a total of 2,505 meters of core holes and developed 2,338 meters of trenches within three previously identified Zhelanny and Alemakitskiy targets. In addition, a geophysical survey of 38 km² of the ground was done within the Zhelanny, Alemakitskiy and Russkaya Pech areas. Based on the activities, gold mineralizations at both the Zhelanny and Alemakitskiy prospects were intersected with several intervals with anomalous gold content above 1 gr/t.

Going forward

The Company believes in a great exploration potential of the Maly Patom project. Further exploration activities should proceed with identification of lithologic and stratigraphic variations in sequences with anomalous gold contents, an exploration model we have been following from the beginning. Although no commercial gold mineralization was identified, the exploration results strongly evidence existence of bedrock gold mineralization within our licenses areas and support our exploration approach to a gold discovery. Following the recent plans for a merger with Amur Gold, the Company will review and prioritise exploration projects on the merit basis reflecting the new production targets of the Company.

OTHER PROJECTS AMUR AND VERKHOVYA TAMARAKA



Geographic location of Kopy Goldfields' license Verkhovya Tamaraka

VERKHOVYA TAMARAKA

Verkhovya Tamaraka, is located 40 km from Bodaibo and covers an area of 83 km². Kopy Goldfield's license provides the right for bedrock gold prospecting and exploration for seven years. The license was issued by the Russian State and was acquired on a "first come, first served" basis with no upfront payment. If gold is discovered, Kopy Goldfields is entitled to a priority production permit for the area.

Exploration activities have been conducted in the area previously. However, only quartz veins and zones of quartz mineralization cropping out to the surface were appraised during the previous works. The sites in-between the vein space remains unstudied and the analytical opportunities for gold detection in lithogeochemical samples in the 60s left much to be desired. The geochemical prospecting carried out in 1985 confirmed the presence of contrast gold, silver and arsenic anomalies within the site, but they were not confirmed although recommended as priority ones.

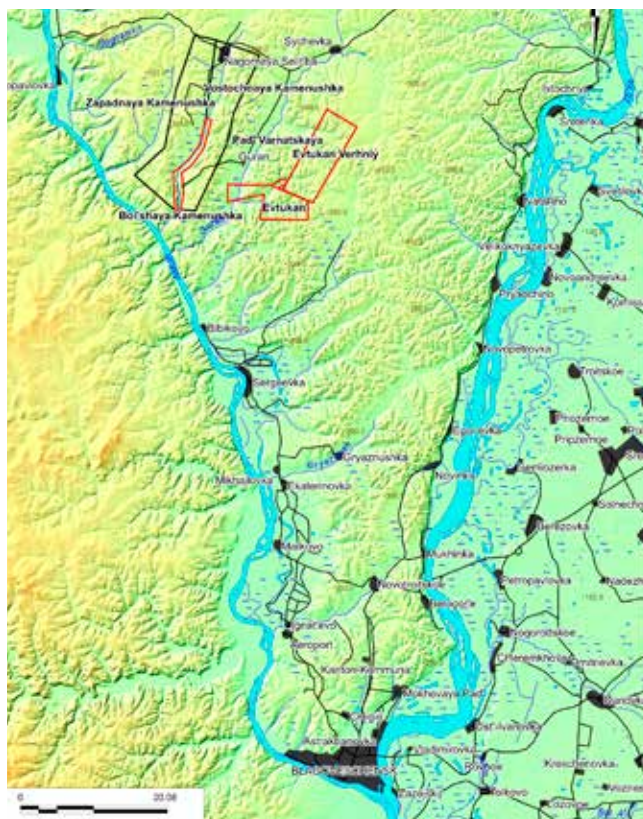
Based on the information acquired during previous studies, the presence of gold ore mineralization in the space between the veins within thin alternation of sandstones and siltstones can be expected. The nature of secondary halos (wide development of arsenic and silver anomalies) allows assuming the above-ore truncation within the site, and expecting commercial grades at the economically feasible depth within the Olyorsko-Bodaibinsky upthrust. The predicted mineralization type is combined quartz-vein and of the zones of quartz-sulfide disseminated mineralization with the potential of about 10-15 t of ore gold.

AMUR

At the end of 2019, the Amur project included four alluvial exploration properties covering 104 km², valid for five years. The project is located within 60 km from Blagoveshensk, the capital of the Amur region, in a historic gold mining area with well-developed infrastructure. The first alluvial gold in the Amur region was mined in 1867. The majority of deposits currently being developed in the Russian Far East were opened and surveyed during the Soviet period. The Amur province is the third largest gold producing region in Russia, with 834 koz produced in 2017. In total, the Amur region has produced 1,100 t (approximately 33.6 Moz) of gold to date.

Kopy Goldfields paid no acquisition price for the licenses, but will instead earn into the project based on the investments made in exploration activities. Partners in the project are well-established local entrepreneurs. As a first step, Kopy Goldfields received a 51 per cent controlling interest in the project against future investments into explorations with an option to increase to 75 per cent.

A limited revision program, including some exploration drilling and sample testing, was completed in 2018, and was aimed at verifying historical data and confirming exploration potential. The project started with very high expectations, but at present the exploration results do not appear to correspond to these high expectations. Kopy Goldfields has currently no plans to invest further into the project and in line with the earn-in agreement, the ownership will be reduced. As a result, the project has been impaired to 0 as per year end 2019. During Q1 2020, Kopy Goldfields exchanged all shares in OOO Zolt and OOO Enerkom for a higher stake in OOO Stanovoy. The transaction was done without any consideration paid and the ownership in OOO Stanovoy is 67% after the transaction.



Geographic location of Kopy Goldfields' licenses for the Amur project

EXPLORATION

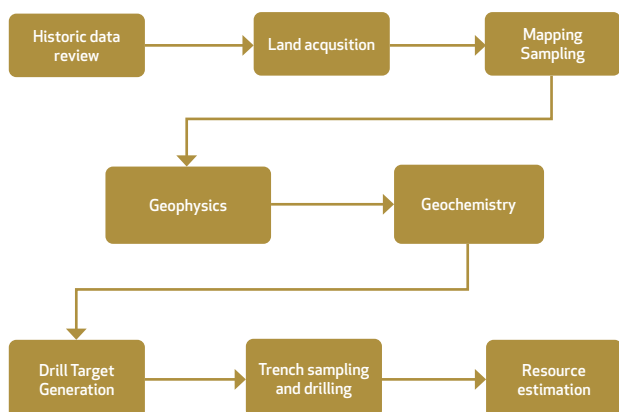
Kopy Goldfields' operations consist of exploring for the presence of gold within areas for which the Company holds licenses for gold exploration and production. The goal is to identify the gold deposits with the highest potential for future development into mineral reserves – ultimately resulting in gold production with a cooperation partner or a cash sale.

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

Some of the license areas controlled by Kopy Goldfields in Lena Goldfields were subject to bedrock exploration by Soviet geologists in the 1960'-80's. Exploration work after acquiring a new licence typically starts by reviewing this historic exploration data. The next step is to locate geological anomalies and get a first indication of a mineralization. Airborne surveys are sometimes used for covering large areas.

Once indications of a mineralization have been located, the next

EXPLORATION PROCESS



step is soil sampling and electric-magnetic surveys. These steps of the exploration process are relatively cheap, as they do not require soil and rock movements. As a result of these surveys, a number of soil gold anomalies are identified and the best of them are promoted for further explorations. The next step is trenching to evaluate the bedrock gold anomaly at the surface. The topsoil is removed, a ditch is excavated, and trench samples are taken along the line drawn along the floor of the ditch. Along this line, geologist use saws for cutting out mineral samples. These samples are then sent for analysis to identify gold content.

Drilling and evaluation

If surface samples indicate gold contents above common cut-off grades, the next step is drilling to evaluate the mineralization at 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.

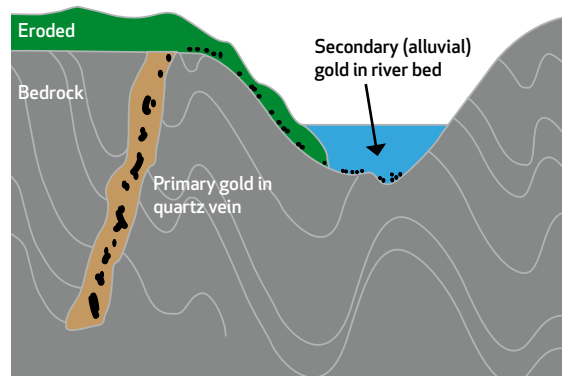
As a rule of thumb, only one out of a hundred gold mineralizations identified ends up being a producing mine. The exploration process involves many phases, and costs increase as the project approaches a potential production start-up. Once the exploration work is completed, the deposit is evaluated to 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 in accordance with 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 annual production levels and gold recoveries/losses through mineral processing. It is also used as a basis for calculation of various taxes and commitments. The JORC-report is a globally accepted standard of reporting mineral resources and as such, the JORC-figures may be used when communicating with investors, banks or other international stakeholders.

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



The picture above visualizes how bedrock gold goes into the riverbed

FROM EXPLORATION TO MINING 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 a favourable tax legislation, amongst other factors, 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 is affected by the exchange rate of the Russian ruble. 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.

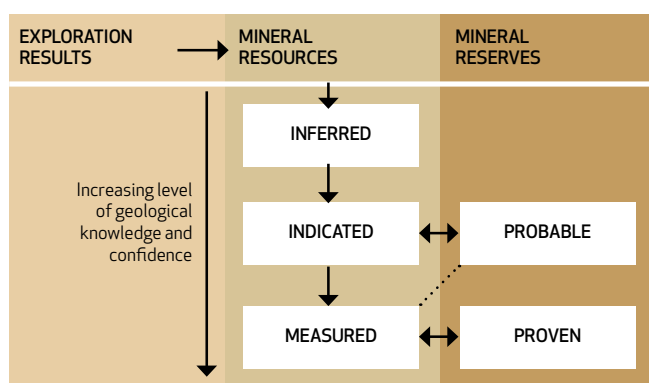
Mineral resources and ore reserves

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).

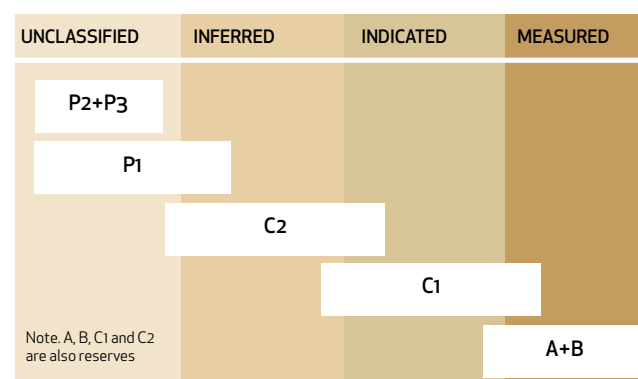
When deciding on commencing mining operations, normally the categories A, B, C1 and C2 are taken into consideration. This means that these categories could be roughly compared to the international system when it comes to measured and indicated ore reserves.

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



Legal framework

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

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

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

Designated usage

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

Holders of mining rights

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

Terms of mining rights

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

Grounds for provision of mining rights

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

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

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

Industrial safety and dangerous production facilities

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

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

Gold refining

The Law on Precious Metals and Precious Stones directs that extracted and produced precious metals shall be placed for gold refining to legal entities certified by the Government of the Russian Federation. However, holders of mining rights remain owners of precious metals and precious stones placed for gold refining unless otherwise agreed with gold refining companies.

Law on strategic deposits

In 2008, Russia introduced legislation relating to strategically and nationally important industries and assets, including certain mineral resources. A gold deposit of over 50 tonnes (1.6 Moz) of gold reserves is considered to be of national significance, and thus falls within this legislative framework. The Act means, among other things, that only Russian companies can hold these assets and that the authorities have certain rights relating to a strategic resource and the companies that exploit it, including appointing directors. The government may deny a foreign investor in a Russian company to develop a strategic deposit, in exchange for reimbursement of costs incurred according to a particular model.

The system of taxes and payments

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

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

Natural resources extraction tax (NRET)

Legal entities and sole entrepreneurs – users of subsoil resources – shall be considered as taxpayers. Extracted natural resources shall be considered as the object of taxation. The tax base is to be determined by the taxpayer with regard to every type of extracted natural resource, generally, as the value of extracted natural resources. The tax period of NRET is one calendar month. Tax rates depend on the type of the mineral resource. For gold, the current applicable tax rate is 6 per cent. The quantity and value of the extracted natural resources is determined directly (through the application of measurement means and devices) or indirectly (by means of calculations, by the data on the content of extracted natural resource in a natural raw material (waste, lost rock) extracted from subsoil). Regular mining payments may refer to annual payments for license holders regarding subsoil use for purposes of search, assessment and exploration, and water tax for the use of water on the license areas.

FEASIBILITY STUDIES 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.

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.⁶

3D-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 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. 3D-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.



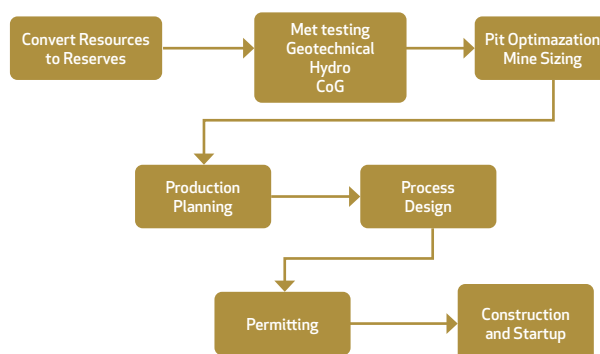
Optimising the project

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.

MINE DEVELOPMENT PROCESS



LENA GOLDFIELDS – GOLDEN HISTORY WITH HIGH FUTURE POTENTIAL

Kopy Goldfields' operations are mainly concentrated to Lena Goldfields in the Irkutsk area of Russia. Lena Goldfields has a long history associated with gold production. The regional center of the Lena Goldfields area is the city of Bodaibo, located approximately 880 km north east of Irkutsk. The Irkutsk region is bigger than France but has a population of only 2.5 million people. So far, alluvial production has been dominant with bedrock production initiated only some ten years ago. In total, more than 40 Moz of gold has been produced in Lena Goldfields to date, with large parts of the area still remaining to be explored



Eleven of the licenses are located in Lena Goldfields
– one of the most gold rich and underexplored area of the world

Location and geology

The area of Lena Goldfields covers 105,000 km² and lies between 57 and 60 degrees North latitude, approximately 900 km south of the Arctic circle. The region comprises a broad, subcircular topographic dome, termed the Patom Highland, rising to more than 1,800 meters with a diameter of approximately 350 km. 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 Goldfields is 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.

History

The gold rush began in Lena Goldfields 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. 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 (see page 25 for more

information). 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 leaving exploiting its other mineral reserves to primarily private companies. The Russian Central Bank has been the largest buyer of gold for a number of years – only beaten by Turkey in 2019 - and now has the fifth largest gold reserves in the world, with about 30 per cent of the total Russian gold production being conducted by international companies.

Infrastructure

The regional centre of Lena Goldfields, Bodaibo, is a lively city of more than 16,000 citizens, with schools, colleges, hospital and other service facilities, and the majority of the population have a relation to the gold mining industry. The area has developed infrastructure with an airport in Bodaibo, state roads maintained all-year round to access the most important gold production sites, and hydropower plant located on the local Mamakan river. There are several established electric grids crossing Kopy Goldfields' Krasny site. In 2019, the project received an offer for electricity supply from the local national electricity land grid for 15 MW capacity which should be enough to support a production start. The Krasny site is located favorably, with the distance to the main state road – which runs north from Bodaibo to the town of Kropotkinsky – ranging between 1 and 10 km. The Maly Patom project is accessible by all-year-round roads.

The licenses owned by Kopy Goldfields have been grouped into projects with a geographical distribution that makes it possible to process ore from several deposits at one production plant per project.

SUKHOY LOG – ONE OF THE WORLD'S LARGEST GOLD RESERVES

With estimated reserves of some 1,953 tons of gold (62.8 Moz), 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 aiming to start gold production there in the mid 2020's.



History

Sukhoy Log – the name means “dry valley” – was discovered in 1961 and intensively explored in the 1970's. Although many internal reports were written, and a few papers got published in Russia, 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, of which 1,546 m 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 Verninsky, Vysochaishy and Ugakhan. The two major underground drives of the 1970's exploration program was 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, based in Sydney, Australia

Aimed production start mid 2020's

In January 2017, the right to develop Sukhoi Log was sold to a joint

venture of miner Polyus and state conglomerate Rostec. The joint venture, SL Zoloto, acquired the deposit for RUB 9.4 billion (MUSD 158), compared with the starting bid price of RUB 8.6 billion. Polyus is the largest gold producer in Russia and one of the top ten gold miners globally, by ounces produced. Polyus 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 Lo, aiming to start production in the mid 2020's. CAPEX is estimated at RUB 90-100 billion (approximately USD 1.5-1.7 billion) with development costs of some USD 4-5 billion. According to an estimate by AMC (same Australian engineering company which performed the Scoping study for Krasny in 2019) from October 2018, Sukhoy Log's gold resources currently stand at 962 mt of ore, grading 2.1 g/t gold for 63 Moz of contained gold. The expected annual production will be some 1.6 Moz per year, starting from 2026. Today, the gold production at Lena Goldfields corresponds to some 1% of the annual global gold production - when Sukhoy Log comes into production, this figure will increase to some 2.5%. 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.

GOLD SHINES BRIGHTER AS UNCERTAINTY SHAKES GLOBAL MARKETS

In 2019, gold enjoyed its best performance since 2010, rising by 18.4 per cent in US dollar terms. It also outperformed major global bond and emerging market stock benchmarks in the same period. Meanwhile, gold prices continued to surge to record levels during the first quarter 2020, as investors reassessed the metal as a “safe haven” and inflation hedge as the corona virus was shaking global financial markets. The gold market's future is considered as bright as the global economy deals with unprecedented stimulus during a time of unprecedented uncertainty.

In 2019, gold prices recorded its biggest rise between early June and early September as political uncertainty increased and interest rates fell. But investors' appetite for gold was apparent throughout the year, as seen by strong flows into gold-backed ETFs, growing gold reserves from central banks, and an increase in COMEX net longs positioning. Annual buying by central banks reached 650.3t – the second highest level for 50 years and only 6t less than in 2018. Central banks were net buyers of gold for the tenth consecutive year.

According to the World Gold Council, demand for gold-backed ETFs surged in 2019 as investors sought to diversify their portfolios and hedge against uncertainty in other markets. Inflows into gold-backed ETFs and similar products pushed global holdings to a record year-end total of 2,885.5t. Retail investment and jewelry demand sank, however.

Total annual gold supply edged up by 2 percent to 4,776.1 tons. An 11 per cent jump in recycling was the main reason for the increase, as consumers capitalized on the sharp rise in the gold price in the second half of the year. Annual mine production was marginally lower at 3,463.7 tons – the first annual decline in over ten years.

Continued demand expected in 2020

Looking ahead, The World Gold Council expects gold's “safe haven” qualities to remain at the forefront of investors' minds as they navigate global tensions, low yields, and stretched equity valuations. A wave of global central bank stimulus, including an emergency rate cut to zero and an aggressive bond purchase plan by the Fed, along with a pledge from leaders of the G7 nations to do whatever is necessary to respond to a global slowdown, have bolstered gold's prospects. The commodity is described by some analysts as the “currency of last resort” in the outbreak of COVID-19, the infectious disease that has caused a shutdown in

much of the world, predicting that it will help drive prices of bullion higher.

For 2020, Goldman Sachs forecasts that financial and geopolitical uncertainty combined with low interest rates will continue to bolster gold investment demand. It also predicts that gold purchases by central banks will remain robust, even if they are lower than the record highs seen in recent quarters. Momentum and speculative positioning may keep gold price volatility elevated, and while gold price volatility and expectations of weaker economic growth may result in softer consumer demand near term, structural economic reforms in India and China will support demand in the long term.

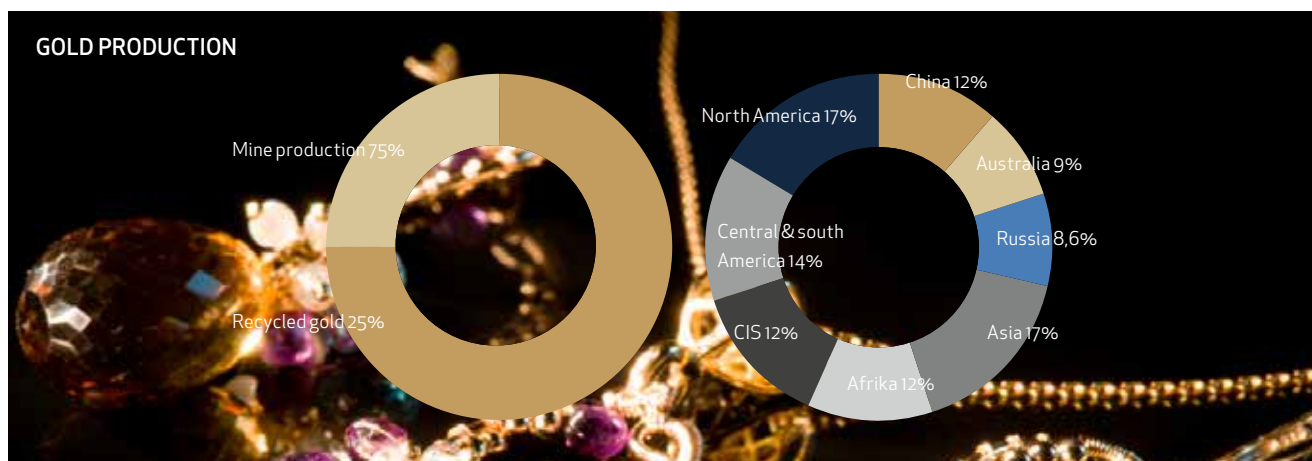
Popular investment tool

Gold is a popular precious metal for investment purposes due to several reasons. One reason is that gold, throughout history, has been used as a substitute for money, which has led to many central banks still holding large reserves of gold. Because of this, gold is still a significant part of the economic system and is considered a very stable asset class that protects the owner against inflation, turbulent stock markets and other uncertainties in the financial system. Today, there are some 165,000 metric tons 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 meters in any direction.

Gold differs from many other assets in the way that it is virtually indestructible, being one of the least reactive chemical elements, which means that all gold that has ever been produced, still exists. The price of gold is determined by supply and demand, but because gold can be re-used and production have long lead times, as for example, opening a mine can take several years, demand plays a bigger role than the supply on the price development.

Goldprice indexed chart from January 1, 2009 to April 2020 in USD and RUB.





Demand for gold is driven by several factors, but in general it can be said that the price correlates negatively with factors such as the stock market's rise and fall in inflation. The demand for gold derives from diverse sources in many geographies and sectors. Around 50 per cent of today's gold becomes jewelry, where India and China with their expanding economic power have been at the forefront of consumption in recent times. But jewelry 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 where mining is banned until 2048. 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 4,000 tons over the last ten years.

Mining is not the only way in which gold is supplied to the market, however. Mine production accounts for typically 75 per cent of gold supply each year. Recycled gold accounts for the remaining 25 per cent and is most responsive to the gold price and economic fluctuations. Gold production experience long lead times and it takes more than ten years before a mine is ready for production. That means mining output is relatively inelastic and unable to respond quickly to a change in price outlook. Because of the long lead times, even a sustained price rally does not translate easily into increased production.

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 2018, accounting for 12 per cent of total global production. Australia and Russia were the second and third largest producers, with 9 and 8.6 per cent of total global production respectively. Asia as a whole produced some 17 per cent of all newly mined gold. Around 12 per cent of the production came from Africa and 14 per cent from the CIS region. Central and South America produced around 14 per cent of the total, with North America supplying around 17 per cent.

Production growth in 2019 was largely from greenfield and brownfield development. Russian gold mine production saw an 8 per cent increase in 2019. The ramp up of greenfield sites and increases at several brownfield sites contributed to the growth in output. Similarly, in Australia, aggregate mine production rose by percent owing to higher production at several mines and the ramp up of projects. Mine production in Turkey leapt due to improvements in the regulatory environment and permitting

process, while West Africa again proved to be an engine of growth for mine production. Several of the region's nations, such as Ghana, Burkino Faso and Côte d'Ivoire, all saw increased gold production. But this was outweighed by declines in some top producing nations. In China, the world's largest producer, mine output fell 6 percent in 2019, the third consecutive year of decline. Chinese gold production was hampered primarily by the strict environmental restrictions that have come into force in recent years.

In 2019, global gold jewelry demand volumes fell 6 percent to 2,107 tons. The weakness was primarily due to higher gold prices, which impacted affordability. Together, the two gold consuming giants China and India accounted for 80 percent of the y-o-y decline. The demand is expected to persist for the longer term, however, supported by a greater proportion of middle-class consumers in emerging market economies, particularly in China and India, which are two of the largest consumers today.

Gold used in electronics fell 2 percent to 262.6 tons in 2019 as a result of the overall weakness of the sector during the year. Gold's use in technology, however, is expected to increase in the future, as its unique attributes make it the only alternative for certain critical applications. Gold can be used to build highly-targeted methods for delivering drugs into the human body, to create conducting plastics and specialised pigments, or advanced catalysts that can purify water or air. It has also been used in dentistry for centuries. Although most technological applications use low volumes of gold, their impacts are diverse and wide-reaching.

Market development in Russia

Interest in Russian gold mining projects has increased markedly in the wake of the weakening of the ruble and rising gold prices. From the beginning of January to the end of March 2020, the ruble plummeted by 29 percent against the USD to its lowest level in more than four years, as oil prices crashed following the breakdown of the Russia-Saudi Arabia pact to limit production. As Russian gold production costs are in ruble and revenues in USD, this immediately pushed up margins for Russian gold producers by 20-25 percent.

Mining commodities, including oil, gas and metals, contributes to 11 per cent of Russia's total GDP. Russia's gold mining industry amounts to USD 908 in exports every year. Over the last ten years, according to the Russian Union of Gold Producers, Russia has mined 2,189 tons of gold and also plans to increase the annual production to 400 tons by 2030. During the increase in gold mining production in recent years, Russia's weakened currency (RUB), has counteracted the relatively low global gold prices since 2014. There are a number of major gold mining regions in Russia. The regions of Amur and Magadan are the fastest growing gold hubs, while the Siberian city Irkutsk is also one of the most prominent mining areas in the country.

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

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

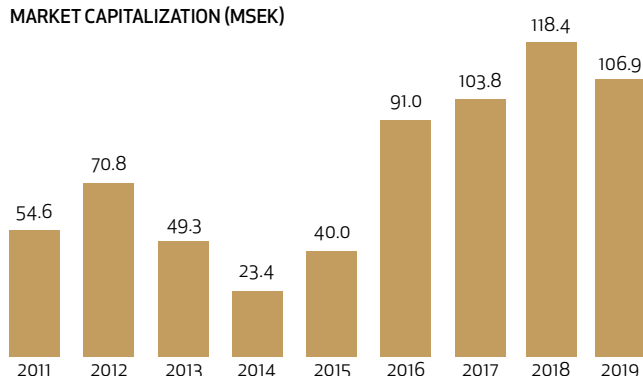
The ticker symbol for the share is KOPY and the Company has been listed on NASDAQ First North Growth Market Stockholm since August 2010. In 2019, the total number of shares traded amounted to 48,812,700, with a total value of MSEK 52.4. The corresponding number of shares traded in 2018 was 30,472,749 with a total value of MSEK 35.9. Share turnover for the Kopy Goldfields share — a measure of the share's liquidity — was 50 (35) percent during the period, compared with 45 (43) percent for First North over the same period. On average, 195,251 (121,891) shares were traded daily with a value of SEK 209,441 (154,324). The average spread between the bid and ask price during the year was 1.92 (1.95) percent.

Share price trend

Kopy Goldfields' share price on NASDAQ First North Growth Market Stockholm fell by 9.6 percent in 2019 (-12.3 percent in 2018) and closed at SEK 1.03 on December 30, 2019. The highest price paid for the share in 2019 was SEK 1.45 on June 19 and the lowest was SEK 0.86 on June 11. The average price was SEK 1.07. The index for the First North Basic Materials sector, to which Kopy Goldfields belongs, was unchanged in 2019.

Kopy Goldfields' total market capitalization on December 31, 2019 amounted to MSEK 106.9 (118.4).

MARKET CAPITALIZATION (MSEK)



Share capital

Kopy Goldfields' share capital on December 31, 2019 amounted to SEK 39,476,805 (39,476,805), divided into a total of 103,825,869 (103,825,869) shares with a quota value of SEK 0.38 per share. All shares are registered on NASDAQ First North Growth Market Stockholm and carry equal voting rights and equal rights to a share of the Company's capital and profits.

Ownership structure

The number of shareholders as of December 31, 2019 was 4,611 (4,783). The five largest shareholders are presented in the following table.

Shareholder	Number of shares	Shareholding (%)
KGK Holding AB	10,593,245	10.2%
Försäkringsbolaget Avanza Pension	9,993,822	9.6%
Tord Cederlund	8,250,119	8.0%
UBS Switzerland AG /Clients Account	7,198,350	6.9%
Nordnet Pensionsförsäkring	1,683,948	1.6%
Other shareholders	66,106,385	63.7%
Total shares	103,825,869	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 a foundation that generates cash flow and profit. 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 recommends that no dividend be paid for the 2019 financial year.

Share issue

In 2018, the Company issued 23,959,815 new shares with preferential rights for existing shareholders. For each share held, the holder received one (1) subscription right, and ten subscription rights entitled the holder to subscribe for three new shares at a subscription price of SEK 1.05 per share. The share issue, which was oversubscribed by 11.2% and raised MSEK 21.6 for the Company after issue expenses, was completed and registered in November 2018. The number of shares in Kopy Goldfields after the issue was 103,825,869 and the new share capital amounted to SEK 39,476,805.02.

Incentive programs

The 2019 AGM adopted two incentive programs 2019/2022: one for management and one for the Board of Directors. Up to 2,835,000 warrants can be issued under the programs. Each warrant entitles the holder to subscribe for one (1) new share in the Company, which means that share capital may be increased by up to SEK 1,077,927. The warrants are valid until December 31, 2022 and have an exercise price of SEK 1.30. A total of 2,835,000 warrants had been issued to participants in the program as of December 31, 2019.

The 2018 AGM adopted two incentive programs 2018/2021: one for management and one for the Board of Directors. A total of 1,700,000 warrants were issued under the programs. After recalculation following the 2018 share issue, each warrant entitles the holder to subscribe for 1.02 new shares in the Company, which means that share capital may be increased by up to SEK 659,304. The warrants are valid until December 31, 2021 and have an exercise price of SEK 1.67.

The 2017 AGM adopted two incentive programs 2017/2020: one for management and one for the Board of Directors. A total of 3,400,000 warrants were issued under the programs. After recalculation following the 2018 share issue, each warrant entitles the holder to subscribe for 1.02 new shares in the Company, which means that share capital may be increased by up to SEK 1,318,607. The warrants are valid until December 31, 2020 and have an exercise price of SEK 1.77.

See Notes 10 and 26 for more information about incentive programs.

SHARE PRICE DEVELOPMENT DURING 2019



Share information, 31 Dec 2019

Nasdaq First North Stockholm	KOPY
ISIN code	SE0002245548
Total shares	103,825,869

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, 2019.

Group structure and background

Kopy Goldfields AB is a Swedish gold exploration company listed on NASDAQ First North Growth Market under the ticker "KOPY".

Kopy Goldfields AB is the Swedish parent company and holds 100% of the Swedish subsidiaries AB Krasny Gold Fields and Kopy Development AB and 100% of the Russian subsidiaries LLC Vostochny, LLC Patom Gold, and LLC Nirungda Gold. All Russian subsidiaries are domiciled in Bodaibo in the Irkutsk region of Russia. At December 31, 2019, the Company also held 51% of the Russian subsidiaries LLC Enerkom, LLC Stanovoy and LLC Zolt, all domiciled in Blagoveshchensk in the Amur region of Russia, and 49% of the Cyprus-based company Bodaibo Holding Ltd, which in turn is 100%-owned by the Russian company LLC Krasny. In Q1 2020, Kopy Goldfields divested its shares in LLC Zolt and LLC Enerkom, while increasing its holding in LLC Stanovoy to 67 percent. The subsidiary LLC Taiga, which held four gold licenses, was sold in December 2018. All Russian subsidiaries 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, with a focus on Russia. The Company's business concept is to create value by identifying and acquiring high potential gold projects, located within established areas of alluvial gold mining in Russia, and to prospect and explore them until they reach the stage of either being ready to be sold for cash or developed in cooperation with a partner. The aim of Kopy Goldfields' operations is

to start gold production in cooperation with an industrial 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.

At December 31, 2019, Kopy Goldfields was exploring within 15 license areas having a total area of 2,247 sq. km, with two bedrock licenses and one alluvial license together constituting the Krasny project, of which the Company owns 49 percent, and four alluvial licenses, together constituting the Amur project, of which the Company owns 51 percent. Eleven licenses are located within the Lena Goldfields in the Irkutsk region of Siberia, Russia, while four are in the Amur region of the Russian Far East. 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 Artemovskiy district of Lena Goldfields with 20 Moz of historic alluvial gold production. Four of the Company's licenses are geographically concentrated within a 60 x 60 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. Seven licenses, which form the Maly Patom project, are geographically located 200-300 km from Bodaibo. They are served by public roads and have a history of alluvial production. All projects in the Bodaibo area are located 100-200 km from Sukhoy Log, which is the largest undeveloped gold deposit in Russia, with 60 Moz of mineral resources.

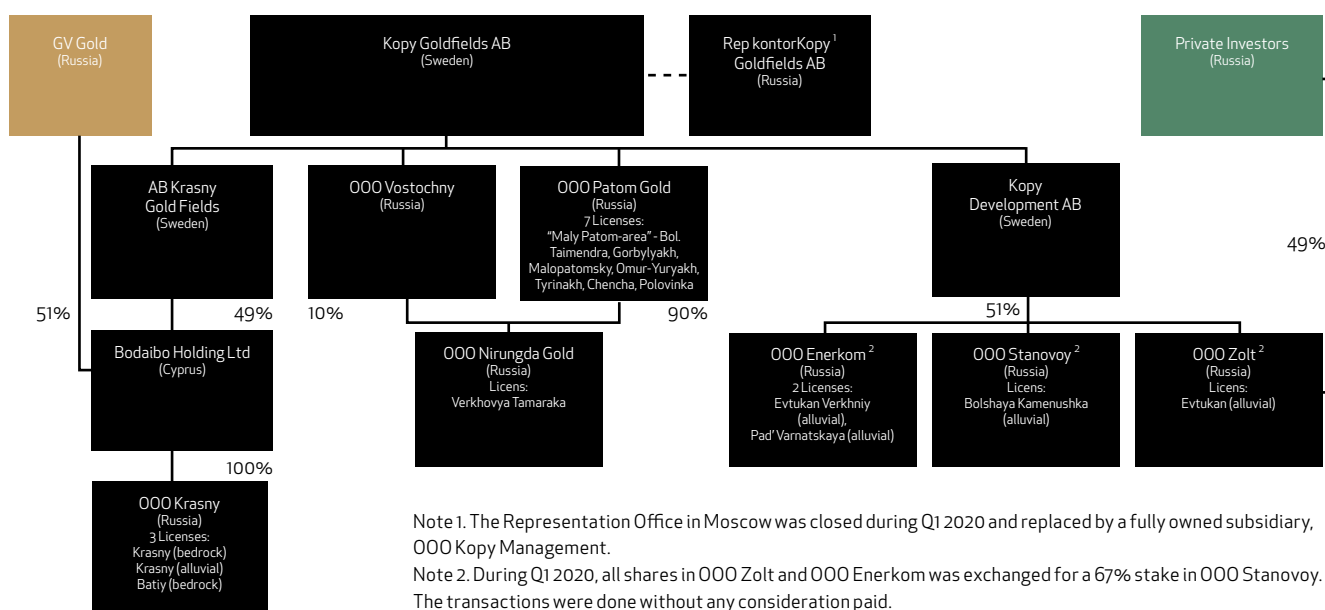
Kopy Goldfields currently holds one of the largest exploration areas in Lena Goldfields and has a diversified portfolio of exploration projects. The Company has identified several clusters to develop

or divest, which are briefly presented below. In 2019, the Company had two focus areas: the exploration program under the Maly Patom project and the Krasny project, where different options for exiting the project are being evaluated. In parallel with the planned divestment of the Krasny project, the process of identifying new growth opportunities was strengthened. For detailed information about the respective deposits and exploration activities, see the section "Exploration projects in different stages" starting on page 10.

Krasny project

Krasny is currently Kopy Goldfields' most advanced project. Kopy Goldfields began developing the Krasny license as a greenfield project in 2010 after acquiring the license at a public auction. The exploration activities between 2010 and 2014 culminated in the discovery of a gold mineralization and the first JORC mineral resource report. In the summer of 2014, Kopy Goldfields entered into a joint venture agreement with the Russian gold producer GV Gold regarding the Krasny deposit. Under the agreement, GV Gold obtained a 51 percent interest in the Krasny project by making a cash payment of MUSD 3 to Kopy Goldfields and investing MUSD 6 in exploration. In the period 2016 to 2019, another MUSD 6 was invested by GV Gold and Kopy Goldfields, pro rata, for further development of the project. Cumulative joint investments done by Kopy Goldfields and GV Gold in the Krasny project totaled MUSD 20.1 at the end of 2019.

With effect from February 2018, Kopy Goldfields is no longer the operator of the exploration program in the Krasny project. The role has been handed over to the joint venture partner GV Gold. A new mineral processing test for the Vostochny gold mineralization was completed in Q1 2018. The processing test was conducted by TOMS Engineering, a company from Irkutsk, Russia. The test confirmed that the ore from the Vostochny mineralization may be processed using the



processing flow chart proposed for the Krasny ore with total gold recovery of 90.2%. The report confirmed that the gold ore from Vostochny may be mixed in any proportions with the ore from the Krasny deposit with no loss of gold recovery.

The most recent mineral resource report for the project was published in early June 2018. The report was produced by Micon International, which also conducted the JORC mineral resource reports for Krasny in 2016 and 2017. The mineral resource estimation, based on a gold price of USD 1,250/oz, shows 1,832 koz of indicated and inferred gold resources for the Krasny project and includes both Krasny and Vostochny. For the Krasny deposit, the resource estimation shows 291 koz of indicated mineral resources (7,539,000 tons at an average grade of 1.20 g/t Au) and 1,202 koz of inferred mineral resources (18,515,000 tons at an average grade of 2.02 g/t Au). Vostochny shows a total of 339 koz of inferred mineral resources (6,689,000 tons at an average grade of 1.57 g/t Au). The report also includes 257 koz of probable gold reserves. As the mineralization is open along the strike and down dip, there is significant potential for increased gold resources.

In 2019, technical activities within the Krasny project were concentrated on arranging infrastructure support for future mining development. After a few years of negotiations, the project received a proposal for electricity supply through a connection to the local electricity grid with a capacity of 15 MW, which would be sufficient to start production.

In June 2019, a scoping study for the project was conducted by AMC Consultants Pty Ltd of Perth, Australia. The scoping study provides several production scenarios for developing the Krasny project, all with a positive NPV. The recommended production option for Kopy Goldfields, providing the highest internal rate of return (IRR), but not the highest NPV for the investments, shows a pre-tax NPV of MUSD 90 to 104 at an interest rate of 6 percent and a pre-tax IRR of 20 to 26 percent using a gold price of USD 1,300/oz. This scoping study provides both a valuation benchmark for the project and several potential mine development alternatives. The study is based on the most recent mineral resource estimation from 2018.

Kopy Goldfields is considering different development options for the Krasny project, varying from divestment to continuing exploration into production. This strategy will be further reviewed based on the recently announced Transaction with Amur Gold.

Maly Patom area

The total area of the Maly Patom project is 1,940 sq. km (194,000 ha) and, following the acquisition of the purchase of the Polovinka license in April 2019, it is now divided into seven 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 seven 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 Sukhoi 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 of field work was 2016 when the total license area of 1,852 sq. km was covered by a stream sediment survey with a density of 5-6 samples per sq. km. In total, 5,380 samples were taken and analyzed for gold and 24 other chemical elements. The collected geochemical data was then used to develop geochemical maps of gold and multiplicative anomalies for every license area. These anomalies, the result of exploration activities in 2016, were compared with historical exploration data existing before 2016. Based on the work done, 23 prospective clusters were selected for more detailed exploration.

In 2017, an exploration program was carried out, consisting of a detailed soil geochemical survey using a 200*50-meter grid, together with geological mapping, within the seven most promising gold anomalies in a total area of 122 sq. km. In total, 12,896 soil samples were collected and analyzed for 32 chemical elements plus gold. The results confirm the expectations of Maly Patom being an area with high exploration potential. In line with defined targets, it was possible to scale down the exploration area further and identify three anomalous geochemical areas with a total area of 10.2 sq. km. All three anomalies, Mezhdurechnaya, Sekushaya and Polovinka, correspond to the exploration parameters and the target gold deposits 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 for detailed geochemical surveying from 2016, comparable to the exploration done in 2017.

In April 2019, a new license area called Polovinka was added to the Maly Patom project. The new exploration license borders the Gorblyakh license area, which was already a part of the Maly Patom exploration project, and covers the potential extension of the previously identified soil gold anomaly, also called Polovinka. The new license, covering an area of 88 sq. km., provides entitlement to bedrock gold prospecting and exploration for seven years. The license was issued by the Russian State Federal authorities on a "first come, first served" basis, with no upfront payment. If gold is discovered within the license area, Kopy Goldfields is entitled to a priority production permit for the area.

During November - December 2019, a drilling program was carried out within the Maly project. A total of 2,505 meters of core holes were drilled and 2,338 meters of trenches were developed and sampled within three previously identified gold anomalies, starting with the Zhelanny target and proceeding with the Alemakitskiy targets. In

addition, a geophysical survey of 38 sq. km was conducted within the Zhelanny, Alemakitskiy and Russkaya Pech targets. Based on the activities, gold mineralizations at both the Zhelanny and Alemakitskiy areas were intersected with several intervals with anomalous gold content above 1 g/t. Presumably, these intervals represent syngenetic concentrations of gold within carboniferous rocks, a typical formation process for gold deposits in Lena Goldfields including the famous Sukhoi Log, and also in line with our initial models. Although no commercial gold mineralization has been identified yet, the exploration results are strong evidence of the existence of bedrock gold mineralization within our license area and represent one more step on the way to discovering a multi-million gold deposit.

Amur project

In October 2018, the acquisition of several new licenses in the Amur region of Russia was completed by means of registration of ownership of the Russian companies LLC Stanovoy, LLC Zolt and LLC Enerkom. Each of the subsidiaries holds an exploration license for alluvial gold. The Amur project includes four alluvial exploration licenses covering 104 sq. km. which are valid for five years. All licenses are located within 60 km of Blagoveshensk, the capital of the Amur region, in a historical gold mining area with a well-developed infrastructure.

Kopy Goldfields did not pay a consideration for the licenses, but instead received shares in the project based on investments in exploration activities. Partners in the project are well established local entrepreneurs. Kopy Goldfields has received a controlling interest of 51 percent in the project in return for future investments in exploration, with an option to increase to 75 percent.

A limited revision program, including some exploration drilling and sample testing, was completed in 2018, and was aimed at verifying historical data and confirming exploration potential. The project started with very high expectations, but at present the exploration results do not appear to correspond to these high expectations. Kopy Goldfields does not currently have any plans to invest further in the project and in line with the agreement, the ownership share will be reduced. As a result, the project has been written down to 0 at December 31, 2019. In Q1 2020, Kopy Goldfields divested its shares in LLC Zolt and LLC Enerkom, while increasing its holding in LLC Stanovoy to 67 percent.

Ownership structure

The number of shareholders on December 31, 2019 was 4,611. The five largest shareholders were KGK Holding AB (10.2%), Försäkringsbolaget Avanza Pension (9.6%), Tord Cederlund (8.0%), UBS Switzerland AG Clients Account (6.9%) and Nordnet Pensionsförsäkring (1.6%).

The share

The Company's share has been listed on NASDAQ First North Growth Market since August 2011.

The number of shares outstanding at December 31, 2019 was 103,825,869 and share capital

amounted to SEK 39,476,805.02. All shares have equal voting rights and equal rights to a share in the Company's capital and profits.

Earnings

The Company did not have any revenue during the period.

The Company sold the wholly-owned subsidiary LLC Taiga in December 2018. The total sales price corresponded to MUSD 6, to be paid in several installments. Following some changes to the initial production plan and the production permit process, the final payment date has been rescheduled for June 2022. However, if the payments are accelerated and finalized on December 31, 2020, the sale price will be discounted by MUSD 1 and amount to MUSD 5.

At December 31, 2018, the total sales amount of MUSD 5, corresponding to MSEK 45.2, was discounted and recognized in the income statement. The receivable at December 31, 2018, net of transaction costs, amounted to MSEK 32.2. In accordance with IFRS 10, historical exchange differences of MSEK 33.1 attributable to the Kopylovskoye project were recognized as an expense in the income statement, which resulted in an accounting loss of MSEK 20.4 on the sale of subsidiaries for the year 2018. Historical exchange differences from the Kopylovskoye project have been recognized directly in equity in previous periods. The expenses for 2018 are therefore only a reclassification and do not have a net impact on equity.

The total expected payments of MUSD 6 are discounted at the end of each reporting period. The receivable at December 31, 2019 is MSEK 38.6 and the income statement shows income of MSEK 6.4 in net financial items.

Operating earnings amounted to MSEK -6.4 (-40.5), which is MSEK 34.1 better than in the previous year. The change is primarily due to the effects of the sale of the subsidiary LLC Taiga in 2018. Earnings from joint ventures amounted to MSEK 7.6 (-7.4) for 2019. The difference of MSEK +15.1 is largely due to exchange differences. Impairment losses of MSEK 1.7 (0) on the Amur project are included in operating earnings.

Earnings after tax attributable to Parent Company shareholders amounted to MSEK -3.7 (-43.8). Net financial items for 2019 were MSEK 2.3 (-3.2), with the change being mainly an effect of the remeasurement of the receivable from the Taiga sale and interest expenses for long-term loans.

Comprehensive income for 2019 amounted to MSEK -6.4 (-5.0). The result in 2018 was an effect of historical exchange differences when the Kopylovskoye project was reclassified from other comprehensive income to the income statement.

Tax

Tax for the period was MSEK 0.4 (-0.2). Management's assessment is that the Group will not generate any taxable 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 for the year amounted to SEK -0.04 (-0.52). Equity per share amounted to SEK 1.16 (1.22).

Cash flow, liquidity and financial position

Cash flow from operating activities before changes in working capital amounted to MSEK -16.5 (-13.5), which includes interest payments of MSEK 4.7. The change in working capital was MSEK -0.7 (-2.4). Cash flow from investing activities was MSEK -11.9 (-6.6). The difference from the previous year was mainly due to investments in intangible assets which were MSEK 6.1 in 2019, compared with MSEK 2.5 in 2018, and investments in joint ventures which amounted to MSEK 5.7 (5.1). Cash flow from financing activities amounted to MSEK 15.3 (36.6), with the difference from the previous year attributable to the share issue in fall 2018, which brought MSEK 21.6, net of issue expenses.

In September 2019, the Company received a loan of MSEK 15 from Scandinavian Credit Fund I, resulting in interest-bearing liabilities of MSEK 46.7 (30) at year-end. Consolidated cash and cash equivalents amounted to MSEK 6.3 (20.1) at year-end.

The equity/assets ratio was 71 percent at year-end compared with 78 percent in the previous year. No dividend was paid to shareholders during the year.

Equity

The 2019 AGM adopted two incentive programs 2019/2022: one for management and one for the Board of Directors. Up to 2,835,000 warrants can be issued under the programs. Each warrant entitles the holder to subscribe for one (1) new share in the Company, which means that share capital may be increased by up to SEK 1,077,927. As of December 31, 2019, the number of warrants issued to participants was 2,835,000 and the effect on equity for 2019 was KSEK 544.

Investments

The Group's investments in exploration and evaluation amounted to MSEK 6.0 (2.5) during the year. One license was acquired during the year without direct payment, while five licenses were acquired for a total amount of KSEK 25 in the previous year. The Group also invested MSEK 5.7 (5.1) in the joint venture project for the Krasny license. Investments in buildings, machinery and equipment amounted to MSEK 0.1 (0) in 2019.

Depreciation for the year amounted to MSEK 0.2 (0.2).

The Company wrote down the Amur project to zero during the year and recognized an expense of MSEK 1.7 (0) in the income statement. The Group's property, plant and equipment and intangible assets were tested for impairment during the year. Other than the Amur project, no impairment was identified.

Parent Company

The Swedish Parent Company 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 -19.7 (-21.8) and equity was MSEK 88.3 (107.7) on December 31, 2019. Cash and cash equivalents

amounted to MSEK 6.2 (19.9).

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 2019.

Personnel

The average number of full-time employees in the Kopy Goldfields Group was 8 (9) in 2019, including 2 (1) female employees. The number of employees at the start of the year was 8 and the number was also 8 (7 male and 1 female) at the end of the year.

Work of the Board

During the period up to the 2019 Annual General Meeting, the Board consisted of three members. Since the AGM on May 29, 2019, the Board has had five members. The Board held 12 minutes meetings and stayed in continuous contact with each other during the 2019 financial year. The Board also maintained regular contact with management. During the year, Board work was focused on monitoring the joint venture agreement with GV Gold, the sales process for the Krasny project and following up exploration activities in the Maly Patom project.

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

SIGNIFICANT RISKS AND UNCERTAINTIES

Market-related risks

Risks related to macroeconomic factors

Negative developments in the world economy and a challenging environment for the global capital markets may affect the Company's operations and hinder the Company's ability to obtain financing in the future.

The outbreak of the Covid-19 virus escalated in March 2020. The extent of the virus effects is not expected to have a direct impact on the 2020 financial statements in terms of results, but may, however, have an indirect impact through macroeconomic effects such as the price of gold and exchange rates.

Gold price volatility

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 affect 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 taxation and legal systems in Russia are subject to frequent changes and are 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. A lack of advanced drilling equipment or rental equipment or delayed delivery of such equipment could increase costs and retard the Company's growth.

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 are more accident-prone industries 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, as 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 is normally 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 investments 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, as the Company is partly financed through debt. The discount rate and the assessed fair value of certain balance sheet items are 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 require additional capital in the future. 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

Events after the end of the financial year are now only presented in the notes. See Note 28 Events after the reporting date.

OPERATIONAL OUTLOOK 2020

In 2020, the Company will focus on implementing the reverse takeover of Amur Gold that was announced at the end of May 2020. The transaction is expected to be completed in August 2020 and will add gold production, revenue and cash flow to Kopy Goldfield's current exploration focus.

The existing exploration portfolio in Lena goldfields will be supplemented with the existing prospecting and exploration properties of Amur Gold in Khabarovsk region. The Company will take further decision on which exploration project to finance and in what sequence based on a

competitive merit basis.

To increase the potential for exploration, the Company will continue to evaluate new exploration areas in Russia for potential acquisition. The focus will be on land that is within the most geologically advantageous areas for significant bedrock discoveries, preferably within the regions of existing operations by the Company.

GOING CONCERN

Gold exploration is a capital-intensive activity and as disclosed elsewhere in these financial statements, the Company does not yet recognize any ongoing revenue. In December 2018, the Company signed an agreement to sell the wholly-owned subsidiary LLC Taiga at a price corresponding to MUSD 6. The purchase consideration will be paid in several installments until June 30, 2022, mainly at the end of the period. However, if the total consideration is paid before December 31, 2020, the total sales price will be reduced to an amount corresponding to MUSD 5.

On May 29, 2020, the Company entered into a conditional agreement with HC Alliance Mining Group Ltd. and Lessor Group SA where Kopy Goldfields acquires 100 percent of the shares of Amur Gold Company Limited, a mid-sized gold producing company based in Russia, through a reverse takeover. The Transaction is structured as a contribution in kind where Shareholders of Amur Gold contribute 100 percent of the shares in Amur Gold in exchange for a total 782,179,706 shares in Kopy Goldfields. The Transaction is subject to (i) shareholder approval at the annual general meeting of Kopy Goldfields on 30 June 2020 resolving to issue shares to the AZ Shareholders required for the Transaction (including changes to Kopy Goldfields' articles of association), (ii) that Kopy Goldfields is approved to continue trading on

Nasdaq First North and (iii) certain regulatory approvals such as merger control clearance. Shareholders representing approximately 30 percent of Kopy Goldfields' current outstanding share capital have undertaken to vote in favour of the proposed Transaction at the Annual General Meeting on June 30, 2020. The Transaction is expected to be completed in August 2020 and will turn Kopy Goldfields' business into a sustainable gold producer with long-term substantial organic growth opportunities. The growth is expected from production in existing mines and by added assets.

In June 2020, the Company was granted a loan of MSEK 3 from three major shareholders to finance the Company's operations until the Transaction has been completed. It cannot be excluded that further capitalization will be needed if the Transaction would be delayed or if it would be disrupted. The Board believes that the primary source of such funding shall be bridge financing or share issue. Given the estimated values of the Company's licenses, it is the Board's assessment that the Company can continue as a going concern.

PROPOSED APPROPRIATION OF PROFITS

At the disposal of the annual general meeting:

SEK

Share premium reserve	203,840,123
Fair value reserve	-6,895,349
Accumulated loss	-128,363,595
Net income	-19,727,728
Total	48,853,451

The Board proposes that this amount be carried forward 48,853,451.

MULTI-YEAR SUMMARY

	2019	2018	2017	2016	2015	2014	2013	2012
Earnings per share, SEK	-0.04	-0.52	-0.17	-0.08	-0.07	0.37	-2.27	-1.01
Equity/assets ratio, %	71.2	78.1	85.7	95.7	89.3	90.8	88.7	92.8
Investments in intangible assets, MSEK	6.0	2.5	2.3	1.9	2.7	1.9	19.4	36.6
Investments in joint ventures, MSEK	5.7	5.1	8.5	8.6	-	-	-	-
Market capitalization, MSEK	106.9	118.4	103.8	91.0	40.0	23.4	49.3	70.8

CONSOLIDATED INCOME STATEMENT

KSEK	Note	2019	2018
Other operating income	6	562	796
Total revenue		562	796
Operating expenses			
Other external costs	9	-5,655	-6,763
Personnel costs	10	-7,049	-6,491
Results from joint ventures	19	7,618	-7,453
Divestment of subsidiaries	18	-	-20,394
Depreciation and amortization of tangible and intangible assets	8	-1,897	-209
Operating earnings		-6,421	-40,514
Earnings from financial items			
Finance income	12	6,469	66
Finance costs	12	-4,162	-3,313
Earnings before tax		-4,114	-43,761
Tax on earnings for the year	13	400	-249
Net income		-3,714	-44,010
<i>Of which attributable to:</i>			
Parent company shareholders		-3,707	-43,844
Non-controlling interests		-7	-166
		-3,714	-44,010
Earnings per share before and after dilution*	14	-0.04	-0.52
Average number of shares before and after dilution*	14	103,825,869	83,710,877

*Earnings per share before and after dilution and Average number of shares before and after dilution were remeasured to reflect the share issue implemented in 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	2019	2018
Net income	-3,714	-44,010
Items that may be reclassified to profit or loss		
Translation differences on foreign operations	-2,731	38,851
Total comprehensive income	-6,445	-5,159
<i>Of which attributable to:</i>		
Parent company shareholders	-6,438	-4,993
Non-controlling interests	-7	-166
	-6,445	-5,159

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

KSEK	Note	2019-12-31	2018-12-31
ASSETS			
Non-current assets			
Exploration licenses and evaluation work	15	16,732	10,547
Buildings	16	798	836
Machinery and equipment	17	139	147
Investments in joint ventures	19	105,234	96,708
Other financial assets	18	38,589	32,221
Deferred tax assets	13	–	44
Total non-current assets		161,492	140,502
Current assets			
Inventories		1	11
Trade receivables		140	94
Other receivables		1,215	832
Prepaid expenses and accrued income		190	214
Cash and cash equivalents		6,326	20,078
Total current assets		7,872	21,229
TOTAL ASSETS		169,364	161,731
EQUITY			
Share capital	20	39,477	39,477
Other paid-in capital		301,780	301,236
Translation reserve		4,979	7,710
Retained earnings, incl. net income		-225,592	-221,885
Equity attributable to Parent Company shareholders		120,644	126,538
Non-controlling interests		-173	-166
TOTAL EQUITY		120,471	126,371
LIABILITIES			
Non-current liabilities			
Deferred tax	13	–	576
Non-current financial liabilities	21	46,586	15,000
Total non-current liabilities		46,586	15,576
Current liabilities			
Trade payables		218	305
Other current liabilities		490	15,688
Accrued expenses and deferred income	22	1,599	3,791
Total current liabilities		2,307	19,784
TOTAL EQUITY AND LIABILITIES		169,364	161,731

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KSEK	Equity attributable to Parent company shareholders					Non-controlling interests	Total equity
	Share capital	Other paid-in capital	Translation reserve	Retained earnings, incl. net income	Total		
EQUITY, JANUARY 1, 2018	30,367	288,699	-31,142	-178,041	109,883	-	109,883
Net income				-43,844	-43,844	-166	-44,010
Other comprehensive income			38,852		38,852		38,852
Total comprehensive income			38,852	-43,844	-4,993	-166	-5,159
Transactions with owners in their capacity as owners							
Subscription of warrants		50			50		50
Cost for incentive program		40			40		40
Share issue	9,110	16,048			25,158		25,158
Issue expenses		-3,601			-3,601		-3,601
Total	9,110	12,537			21,647		21,647
EQUITY, DECEMBER 31, 2018	39,477	301,236	7,710	-221,885	126,538	-166	126,371
Net income				-3,707	-3,707	-7	-3,714
Other comprehensive income			-2,731		-2,731		-2,731
Total comprehensive income			-2,731	-3,707	-6,438	-7	-6,445
Transactions with owners in their capacity as owners							
Subscription of warrants		254			254		254
Cost for incentive program		290			290		290
EQUITY, DECEMBER 31, 2019	39,477	301,780	4,979	-225,592	120,644	-173	120,471

CONSOLIDATED STATEMENT OF CASH FLOWS

KSEK	Note	2019	2018
Operating activities			
Earnings before tax ¹⁾		-4,114	-43,761
Adjustment for non-cash items	23	-12,343	30,311
Taxes paid		0	0
Cash flow from operating activities before changes in working capital		-16,457	-13,450
Cash flow from changes in working capital:			
Increase (-)/Decrease (+) in inventories		12	2
Increase (-)/Decrease (+) in operating receivables		-305	-937
Increase (+)/Decrease (-) in operating liabilities		-416	-1,445
Cash flow from operating activities		-17,165	-15,831
Cash flow from investing activities			
Acquisition of property, plant and equipment	16, 17	-54	-
Acquisition of intangible assets	15	-6,132	-2,500
Investment in joint ventures		-5,725	-5,131
Sale of property, plant and equipment	16, 17	58	-
Divestment of subsidiaries/licenses	24	-	1,078
Cash flow from investing activities		-11,853	-6,553
Cash flow from financing activities			
Share issue		-	25,158
Issue expenses		-	-3,601
Proceeds from warrants		254	50
Loans raised	21	15,000	15,000
Cash flow from financing activities		15,254	36,607
Cash flow for the year		-13,764	14,223
Cash and cash equivalents at start of year		20,078	5,871
Exchange gains/losses on cash and cash equivalents		12	-16
Cash and cash equivalents at end of year		6,326	20,078
Supplementary cash flow disclosures			
Cash and cash equivalents			
The following subcomponents are included in cash and cash equivalents:			
Cash and bank balances		6,326	20,078

¹⁾ Amount includes interest received, KSEK 15 (5), and interest paid, KSEK 4,700 (1,734). See also Note 21.

INCOME STATEMENT, PARENT COMPANY

KSEK	Note	2019	2018
Revenue	7	2,385	3,141
Total operating income		2,385	3,141
Other external costs	9	-3,831	-3,793
Personnel costs	10	-4,564	-3,679
Depreciation and amortization of tangible and intangible assets	8	-6	-6
Total operating expenses		-8,401	-7,478
Operating earnings		-6,016	-4,337
Earnings from investments in Group companies	11	-18,001	-14,914
Earnings from other financial assets	7, 12	8,350	595
Interest and similar income	7, 12	102	66
Interest and similar expenses	12	-4,163	-3,214
Earnings from financial items		-13,712	-17,467
Earnings after financial items		-19,728	-21,804
Appropriations		-	-
Earnings before tax		-19,728	-21,804
Income tax	13	-	-
Net income		-19,728	-21,804

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

KSEK	2019	2018
Net income	-19,728	-21,804
Other comprehensive income		
Translation differences	79	-91
Total comprehensive income	-19,649	-21,895

BALANCE SHEET, PARENT COMPANY

KSEK	Note	2019-12-31	2018-12-31
ASSETS			
Non-current assets			
Machinery and equipment	17	6	12
Investments in Group companies	11, 18	87,395	83,837
Other financial assets	11, 18	38,589	32,221
Receivables from Group companies	12	0	0
Total non-current assets		125,990	116,070
Current assets			
Receivables from Group companies		1,159	2,071
Other receivables		155	790
Prepaid expenses and accrued income		3,178	3,226
Cash and bank balances		6,246	19,938
Total current assets		10,738	26,025
TOTAL ASSETS		136,728	142,095
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	20	39,477	39,477
Total restricted equity		39,477	39,477
<i>Non-restricted equity</i>			
Share premium reserve		203,840	203,586
Fair value reserve		-6,895	-6,974
Retained earnings, incl. net income		-148,091	-128,364
Total non-restricted equity		48,853	68,248
TOTAL EQUITY		88,330	107,724
LIABILITIES			
Non-current liabilities			
Liabilities to credit institutions	21	46,586	15,000
Total non-current liabilities		46,586	15,000
Current liabilities			
Trade payables		185	276
Other current liabilities		28	15,304
Accrued expenses and deferred income	22	1,599	3,791
Total current liabilities		1,812	19,371
TOTAL EQUITY AND LIABILITIES		136,728	142,095

CHANGES IN EQUITY, PARENT COMPANY

KSEK	Share capital	Share premium reserve	Fair value reserve	Retained earnings, incl. net income	Total equity
Equity, December 31, 2017	30,367	191,089	-6,883	-106,560	108,014
Share issue	9,110	16,048			25,158
Issue expenses		-3,601			-3,601
Subscription of warrants		50			50
Other comprehensive income			-91		-91
Net income				-21,804	-21,804
Equity, December 31, 2018	39,477	203,586	-6,974	-128,364	107,724
Subscription of warrants		254			254
Other comprehensive income			79		79
Net income				-19,728	-19,728
Equity, December 31, 2019	39,477	203,840	-6,895	-148,091	88,330

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

STATEMENT OF CASH FLOWS, PARENT COMPANY

KSEK	Note	2019	2018
Cash flow from operating activities			
Earnings before tax ¹⁾		-19,728	-21,804
Adjustment for non-cash items	23	6,779	13,309
Cash flow from operating activities before changes in working capital		-12,949	-8,495
Cash flow from changes in working capital:			
Increase (-)/Decrease (+) in operating receivables		683	-1,789
Increase (+)/Decrease (-) in operating liabilities		-378	-662
Cash flow from operating activities		-12,644	-10,946
Cash flow from investing activities			
Shareholder contributions		-16,302	-9,757
Divestment of subsidiaries, net liquidity effect	24	-	1,078
Loans to Group companies		-	-2,252
Cash flow from investing activities		-16,302	-10,931
Cash flow from financing activities			
Share issue		-	25,158
Issue expenses		-	-3,601
Proceeds from warrants		254	50
Loans raised	21	15,000	15,000
Repaid loans	21	-	-247
Cash flow from financing activities		15,254	36,360
Cash flow for the year		-13,692	14,483
Cash and cash equivalents at start of year		19,938	5,455
Cash and cash equivalents at end of year		6,246	19,938
Supplementary cash flow disclosures			
Cash and cash equivalents			
The following subcomponents are included in cash and cash equivalents:			
Cash and bank balances		6,246	19,938

¹⁾ Amount includes interest received, KSEK 15 (5), and interest paid, KSEK 4,700 (1,734). See also Note 21.

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 Kopy Goldfields AB (publ) for the year ended December 31, 2019 was approved for publication by the Board of Directors on May 7, 2020 and will be presented to the Annual General Meeting for adoption on June 30, 2020.

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 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 Swedish Annual Accounts Act (1995:1554), and RFR 2, Accounting for legal entities. In accordance with RFR 2, the Parent Company is required to apply all IFRSs adopted by the EU to the extent possible within the framework of the Annual Accounts Act, considering the relationship between accounting and taxation. The recommendation specifies the exemptions from and additions to IFRS that are to be applied.

Shares in subsidiaries are carried at cost unless otherwise indicated. The consolidated financial statements have been prepared in accordance with the acquisition method and include the Parent Company, its subsidiaries and participations in joint ventures.

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 Group's accounting principles. 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 in 2019

IFRS 16 Leases is effective from January 1, 2019. The Group has adopted IFRS 16 Leases and has applied the standard since January 1, 2019. This standard supersedes all previous accounting for leases under IFRS. For the IFRS 16 transition, the Company has decided to apply the simplified approach and has not therefore restated comparatives for 2018, the year before the adoption. All right-of-use assets are measured at an amount corresponding to the lease liability at the date of adoption, adjusted for any prepaid or accrued lease costs. IFRS 16 primarily affects accounting for lessees and its main effect is on leases previously recognized as operating leases. Following the application of IFRS 16 with effect from January 1, 2019, no distinction is made between operating and finance leases; instead, every lease is recognized as a right-of-use asset and a lease liability.

Applying a practical expedient allowed by the new standard, the Group does not recognize a right-of-use asset and lease liability when reporting low-value leases. According to the standard, lessees may also choose not to recognize a right-of-use asset and lease liability for leases with a term of 12 months or less. The Company has leases for office premises, which are individually negotiated and contain different conditions. Common to all of the leases is that they are all short-term leases, which means that the Company uses the practical expedient and reports the rental payments in the income statement on a straight-line basis over the term of the lease.

IFRS 16 did not have any impact on the opening balances in the consolidated financial statements.

b) New or amended standards effective after 2019

The IASB made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which now contain a uniform definition of the concept of materiality, with guidance on whether disclosures relating to accounting policies are material or not. An author of a financial report should only provide disclosures relating to accounting policies that are material for a reader of the report. The new rules are effective from January 1, 2020. The amendments will not have a significant impact on the Group's financial reports, but could affect disclosures relating to accounting policies in the 2020 annual report.

Definition of a Business – Amendments to IFRS 3 (effective from 1 January 2020). The amended definition states that to be considered a business, an acquisition must include inputs and processes that together significantly contribute to the ability to create outputs. The definition of the term "output" has been amended to focus on goods and services that are the result of inputs and processes, and generate investment income or other income from activities. In the new definition, the previous wording "a return in the form of lower costs or other economic benefits" has been removed. The amendments are not expected to have any significant impact on the Group.

Other new and amended IFRSs with future adoption dates are not expected to have any material effect on the Company's financial statements.

NOTE 1 THE GROUP'S ACCOUNTING PRINCIPLE

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 constitutes acquisition of exploration licenses that are not part of a business, the purchase price is allocated to the separate identifiable assets and liabilities based on their relative acquisition-date fair values. Deferred tax is not accounted for in asset acquisitions.

The Company uses the acquisition method when accounting for acquisition 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. 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 impairment. The accounting principles for subsidiaries have been adjusted as necessary in order to guarantee consistent application of the Group's accounting principles.

Joint ventures

A joint venture is a form of joint arrangement that arises when two or more parties have joint control and 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 previously held interest in the subsidiary is adjusted to its acquisition-date fair value. Any profit or loss is recognized in the income statement.

The item shares of earnings in joint ventures, recognized in the income

statements, comprises the Group's share of joint ventures' earnings after tax, adjusted for amortization, depreciation and impairment, and any other remaining adjustments to the recognized acquisition-date fair values.

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).

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

All non-current assets are in Russia.

Foreign currency translation

The functional currency for each entity within the Group is determined taking into consideration the economic environment where the entity operates, and generally corresponds to the local currency of the relevant 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 is not likely in the foreseeable future. These differences are recognized as other comprehensive income in the consolidated statement of comprehensive income.

The following exchange rates have been used in the Group:

Currency	2019		2018	
	Closing rate	Average rate	Closing rate	Average rate
RUB	0.1507	0.1462	0.1291	0.1388
USD	9.32	9.46	8.9710	8.6921
EUR	10.43	10.59	10.2753	10.2567

Group companies

Earnings and financial position for all Group companies (none of which has a hyperinflation currency as its functional currency) with a functional currency that is 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. The item Cash and cash equivalents in the cash flow statement corresponds to the definition of cash and cash equivalents in the balance sheet.

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 overheads 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. Exploration work is generally performed for two main reasons: as a pure exploration activity aimed at finding new ores to mine or as an evaluation activity aimed at obtaining a better determination of the financial potential for extraction from an already proven mineral deposit.

Expenditure on pure exploration activity is recognized in the period in which it is incurred, while expenditure on evaluation work is recognized until the point in time when the Company has decided to extract ore from a deposit or considers it likely that such a decision will be made. 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 depreciated according to generally accepted principles as described below.

In several cases, auctioned licenses have been explored to a varying extent during the Soviet era. This normally means that a mineralization has already been determined in the license area and that additional exploration efforts will be focused on better evaluating the object's financial potential. However, the issuance of a Russian mineral license does not guarantee the existence of economically mineable minerals in the license area.

If the assessment of the economic potential of the capitalized exploration expenditures changes, they are written down immediately. All capitalized exploration expenditures are subject to annual impairment testing if circumstances indicate possible impairment.

The production licenses are amortized on commencement of production.

Property, plant and equipment

All items of property, plant and equipment are stated at cost less depreciation. Cost includes expenditure directly attributable to acquisition of the asset.

Subsequent costs are added to the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized on replacement. All other forms of repair and maintenance are recognized as costs in the income statement in the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of an asset down to its residual value, over the estimated useful life as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in the income statement under other operating income and other operating expenses.

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 purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating

units). Non-financial assets and assets other than goodwill for which an impairment loss was previously recognized are reviewed for possible reversal of the impairment at the end of each reporting period.

Financial instruments

Financial instruments recognized under assets in the balance sheet include cash and cash equivalents, trade receivables, other current receivables and other financial assets. Loans, trade payables and other current liabilities are recognized under liabilities.

Recognition and derecognition

A financial asset or liability is recognized in the balance sheet when the Company becomes a party to the instrument's contractual terms. Trade receivables are recognized when an invoice has been sent. A liability is recognized when the counterparty has delivered and there is a contractual obligation to pay, even if an invoice has not yet been received.

A financial asset is derecognized when the rights to receive benefits have been realized, have expired or the Company loses control over them. The same applies to a component of a financial asset. A financial liability is derecognized when the contractual obligation has been discharged or has expired in some other way.

A financial asset and a financial liability may be offset and the net amount recognized in the balance sheet only when there is a legally enforceable right to set off the amount and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Classification and measurement

On initial recognition, financial assets are classified as 'at fair value through profit or loss', 'at amortized cost' or 'at fair value through other comprehensive income'. Classification is based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A financial asset is measured at amortized cost if it is held for collection of contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (hold to collect). If the asset is held to collect contractual cash flows and sell financial assets (hold to collect and sell), it is measured at fair value through other comprehensive income. Financial assets not measured at either amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

The Group assesses future expected credit losses that are associated with assets recognized at amortized cost. The Group recognizes a loss allowance for these expected credit losses at each reporting date. The Group uses forward-looking variables for expected credit losses. The Group has chosen to use a loss allowance method based on whether there has been a significant increase in credit risk or not. Expected credit losses are reported in the consolidated income statement under Other external expenses.

All financial liabilities are classified in the measurement category 'at amortized cost'.

Financial assets

The following are classified as financial assets:

- Other financial assets
- Trade receivables
- Other receivables
- Cash and cash equivalents

All financial assets are measured at amortized cost.

Financial liabilities

The following are classified as financial liabilities:

- Loans
- Trade payables
- Other current liabilities

All financial liabilities are measured at amortized cost.

Trade payables

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

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.

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 current and deferred tax in prior years. All tax liabilities and receivables are measured 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 carryforwards 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 costs 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 is demonstrably committed to either terminating the employment of employees according to a detailed formal plan, without the possibility of revocation, or providing termination benefits as a result of an offer made to encourage voluntary termination. Benefits due more than 12 months after the end of the reporting period are discounted to present value.

Share-based payments

Warrant program

At the reporting date, Kopy Goldfields had three outstanding warrant programs. All warrants have been issued at a market value determined by an independent external adviser and, depending on the employee's domicile and prevailing tax situation, the warrants have been issued either free of charge or at a market price through cash payment. In cases where a cash payment has been made, a corresponding amount is recognized as an increase in equity. For warrants issued without consideration, the value on the grant date is recognized under personnel costs with a corresponding increase in equity.

Employee option program

The fair value of the service that entitles employees to be awarded options under the employee option program is recognized as a personnel expense in the income statement, with a corresponding increase in equity. The total amount to be recognized as an expense is based on the fair value of the options awarded. As there are no vesting conditions, the total expense is recognized directly in the income statement. The social security contributions that arise from the award of employee options are considered an integral part of the award and the cost is treated as a cash-settled share-based payment, i.e., a liability and a personnel expense.

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 and joint ventures

The Parent Company's investments in subsidiaries and joint ventures are recognized using 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.

Leases

The Parent Company does not apply IFRS 16, in accordance with the exemption allowed by RFR 2, and continues to recognize all leases as operating leases. The Parent Company did not have any outstanding lease liabilities on December 31, 2019.

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, and Note 6.

NOTE 4 FINANCIAL RISK FACTORS

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 30 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 or RUB. 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 158 (-318).

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

Currency	Revenue	Earnings
SEK	-	-3,693
RUB	8,180	-21
USD	-	-
EUR	-	-
Total	8,180	-3,714

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

Currency	Assets	Liabilities
SEK	6,089	48,400
RUB	11,920	493
USD	38,852	-
EUR	112,503	-
Total	169,364	48,893

The Group has chosen not to hedge any of the above translation exposures at present.

Interest rate risk

Kopy Goldfields is exposed to interest rate risk, as the Company is partly financed through debt. Net debt was MSEK -40.3 (-9.9) at the end of the year, consisting of cash and cash equivalents of MSEK 6.3 (20.1) and interest-bearing liabilities of MSEK -46.6 (-30.0). The interest-bearing liabilities carry fixed interest rates.

Credit risk

Credit risk is primarily linked to financial credit risk as the Company does not have any commercial trade or similar receivables.

Financial credit risk

Investments in financial instruments imply a risk that the counterparty will not fulfill its obligations. This exposure arises from investments of cash and cash equivalents and other financial instruments with positive unrealized earnings with 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 highly capital-intensive in nature and the Company will require significant capital to enable it to continue and develop its operations and meet future obligations. The Company must therefore have 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 loans outstanding on the reporting date had the following structure, interest and maturity profile.

2019

Loan	Interest (%)	Within 1 year	2-5 years	After 5 years	Total	Fair value
Other loans	11.75	-	63,625	-	63,625	46,586
Total		-	63,625	-	63,625	46,586

2018

Loan	Interest (%)	Within 1 year	2-5 years	After 5 years	Total	Fair value
Other loans	11.5	16,716	-	-	16,716	15,000
Other loans	11.75	1,763	16,662	-	18,425	15,000
Total		18,478	16,662	-	35,141	30,000

In March 2019, the Company's two long-term loans of MSEK 15 each were renegotiated and extended, while accumulated accrued interest of MSEK 2.8 was paid. The loans were merged into one loan of MSEK 30. In September 2019, a new loan of MSEK 15 was arranged and existing loans were renegotiated and extended. Accumulated interest of MSEK 1.9 was paid and all loans were merged into one loan of MSEK 45. The loan has an annual interest rate of 11.75 percent. As the interest is capitalized quarterly, there is no accrued interest at December 31, 2019. According to covenants, the Equity/Assets ratio must exceed 50% at every six months period end. As per December 31, 2019 the covenants were fulfilled.

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 them 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 acquisitions 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 conducted 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.

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.

Impairment losses of MSEK 1.7 on the Amur project were recognized in 2019. No other impairment was identified.

Measurement of loss carryforwards

Each year the Group reviews whether there is any need for capitalization regarding deferred tax assets related to tax loss carryforwards. 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 ongoing revenue. In December 2018, the Company signed an agreement to sell the wholly-owned subsidiary LLC Taiga at a price corresponding to MUS\$ 6. The purchase consideration will be paid in several installments until June 30, 2022, mainly at the end of the period. However, if the total consideration is paid before December 31, 2020, the total sales price will be reduced to an amount corresponding to MUS\$ 5.

On May 29, 2020, the Company entered into a conditional agreement with HC Alliance Mining Group Ltd. and Lexor Group SA where Kopy Goldfields acquires 100 percent of the shares of Amur Gold Company Limited, a mid-sized gold producing company based in Russia, through a reverse takeover. The Transaction is structured as a contribution in kind where Shareholders of Amur Gold contribute 100 percent of the shares in Amur Gold in exchange for a total 782,179,706 shares in Kopy Goldfields. The Transaction is subject to (i) shareholder approval at the annual general meeting of Kopy Goldfields on 30 June 2020 resolving to issue shares to the AZ Shareholders required for the Transaction (including changes to Kopy Goldfields' articles of association), (ii) that Kopy Goldfields is approved to continue trading on Nasdaq First North and (iii) certain regulatory approvals such as merger control clearance. Shareholders representing approximately 30 percent of Kopy Goldfields' current outstanding share capital have undertaken to vote in favour of the proposed Transaction at the Annual General Meeting on June 30, 2020. The Transaction is expected to be completed in August 2020 and will turn Kopy Goldfields' business into a sustainable gold producer with long-term substantial organic growth opportunities. The growth is expected from production in existing mines and by added assets.

In June 2020, the Company was granted a loan of MSEK 3 from three major shareholders to finance the Company's operations until the Transaction has been completed. It cannot be excluded that further capitalization will be needed if the Transaction would be delayed or if it would be disrupted. The Board believes that the primary source of such funding shall be bridge financing or share issue. Given the estimated values of the Company's licenses, it is the Board's assessment that the Company can continue as a going concern.

NOTE 6 OTHER OPERATING INCOME

	Group	
KSEK	2019	2018
Sale of services to joint venture	16	407
Sale of equipment	393	-
Other	153	389
Total	562	796

NOTE 7 INTRA-GROUP PURCHASES AND SALES

Of the Parent Company's net revenue, 100 (100) percent or KSEK 2,385 (3,141) is related to sales to other Group companies. Of the Parent Company's interest income, 85 (86) percent or KSEK 271 (416) is related to other Group companies.

NOTE 8 DEPRECIATION

KSEK	Group		Parent Company	
	2019	2018	2019	2018
Buildings	117	111	-	-
Machinery and equipment	83	98	6	6
Impairment of exploration licenses and evaluation work	1,697	-	-	-
Total depreciation	1,897	209	6	6

Of the amounts above for the Group, KSEK 0 (0) was carried over to intangible assets.

The Company recognized impairment losses of KSEK 1,697 on the Amur project. Kopy Goldfields does not currently have any plans to invest further in the project and the project has therefore been written down to 0 at December 31, 2019. See also Note 18.

NOTE 9 AUDIT FEES

KSEK	Group		Parent Company	
	2019	2018	2019	2018
<i>PwC</i>				
Audit engagement	295	-	295	-
Audit activities other than audit engagement	-	-	-	-
Tax consultancy	-	-	-	-
Other services	-	-	-	-
Total	295	-	295	-
<i>Ernst & Young</i>				
Audit engagement	1	247	1	247
Audit activities other than audit engagement	-	-	-	-
Tax consultancy	-	-	-	-
Other services	-	-	-	-
Total	1	247	1	247
<i>Other audit firms</i>				
Audit engagement	116	110	-	-
Audit activities other than audit engagement	-	-	-	-
Tax consultancy	-	-	-	-
Other services	-	-	-	-
Total	116	110	-	-
Total	412	357	296	247

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

NOTE 10 PERSONNEL

Average number of employees

	2019		2018	
	Total	Women	Total	Women
<i>Parent Company</i>				
Sweden	2	0	2	0
Group companies				
Russia	6	2	7	2
Group total	8	2	9	2

As of December 31, 2019, there were 5 (5) full-time permanent employees 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

	2019		2018	
	Number as of December 31	Of whom women	Number as of December 31	Of whom women
Board members	5	0	3	0
CEO and other senior executives	4	0	4	0
Group total	9	0	7	0

Salaries, remuneration and social security contributions

	Group		Parent Company	
	2019	2018	2019	2018
<i>Group</i>				
Board, CEO and management (of which variable)	4,858 (956)	4,273 (635)	3,483 (513)	2,995 (263)
Other employees	812	788	0	0
Total	5,670	5,061	3,483	2,995
Social security costs (of which pension costs)	1,379 (133)	1,430 (131)	1,081 (133)	1,010 (131)
Total	7,049	6,491	4,564	4,005

Remuneration of the Board and senior management during the 2019 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
Board member, Tord Cederlund ²⁾	50	0	0	0	0	50
Board member, Lennart Schönning ²⁾	50	0	0	0	0	50
CEO, Mikhail Damrin	1,449	33	0	0	144	1,626
Other management (3 persons)	1,892	470	0	133	309	2,804
Total Board and management	3,902	503	0	133	453	4,991

¹⁾ Recognized cost of 2019/2022 incentive programs

²⁾ Elected at 2019 AGM

Remuneration of the Board and senior management during the 2018 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	1,334	51	0	0	20	1,405
Other management (3 persons)	1,844	526	0	131	38	2,538
Total Board and management	3,638	577	0	131	58	4,403

¹⁾ Recognized cost of 2018/2021 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 total remuneration to the Board for the 2019 financial year amounted to KSEK 560 (460), of which KSEK 260 (260) was remuneration to the Chairman of the Board. For remuneration of other Board members, see the table above.

Incentive Programs 2019/2022

The 2019 AGM adopted two incentive programs 2019/2022: one for management and one for the Board of Directors. Up to 2,835,000 warrants can be issued under 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 (1) share in the Company and the warrants may be used for share subscription during the period June 1, 2020 to December 31, 2022 (inclusive) at an exercise price of SEK 1.30 per share. The number of issued warrants is 2,835,000. See Note 26.

Incentive Programs 2018/2021

The 2018 AGM adopted two incentive programs 2018/2021: one for management and one for the Board of Directors. A total of 1,700,000 warrants were issued under 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. After recalculation in accordance with the warrants' terms following the share issue, each warrant entitles the holder to subscribe for 1.02 new shares in the Company and the warrants may be used for share subscription during the period June 1, 2019 to December 31, 2021 at an exercise price of SEK 1.67 per share. See Note 26.

Incentive programs 2017/2020

The 2017 AGM adopted two incentive programs 2017/2020: one for management and one for the Board of Directors. A total of 3,400,000 warrants were issued under 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. After recalculation in accordance with the warrants' terms following the share issue, each warrant entitles the holder to subscribe for 1.02 new shares 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 1.77 per share. See Note 26.

Distribution of outstanding warrants, December 31, 2019

Board	2019/2022	2018/2021	2017/2020	Total
Kjell Carlsson (Chairman)	305,000	375,000	750,000	1,430,000
Andreas Forssell	160,000	190,000	380,000	730,000
Johan Österling	160,000	190,000	380,000	730,000
Tord Cederlund	160,000	0	0	160,000
Lennart Schönning	160,000	0	0	160,000
Total	945,000	755,000	1,510,000	3,210,000
Management	2019/2022	2018/2021	2017/2020	Total
CEO	750,000	375,000	750,000	1,875,000
Other management (3 positions)	1,140,000	570,000	1,140,000	2,850,000
Total	1,890,000	945,000	1,890,000	4,725,000

The CEO's remuneration and benefits

The CEO's remuneration amounted to KSEK 1,626 (1,405) for 2019. 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 (138) 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

	Parent Company	
KSEK	2019	2018
Capital gain/loss on sale of shares	-	-10,301
Impairment	-18,001	-4,613
Total	-18,001	-14,914

MSEK 14.9 of impairment for the year relates to the Russian subsidiaries LLC Vostochny and LLC Patom Gold and corresponds to total shareholder contributions paid for the year. The remaining amount, MSEK 3.1, relates to the Swedish subsidiary Kopy Development AB and corresponds to its stake in the Amur project, which was written down to 0 at December 31, 2019.

In December 2018, the Company sold 100% of the subsidiary LLC Taiga. The buyer represents a group of Russian private investors. The total sales price is MUS\$ 6, of which MRUB 8 (corresponding to MSEK 1.1) was paid in December 2018. The remainder will be paid in several installments until June 30, 2022. However, if the payments are accelerated and completed by December 31, 2020, the total price will be reduced by MUS\$ 1 to MUS\$ 5. At December 31, 2018, the total sales amount of MUS\$ 5, corresponding to MSEK 45.2, was discounted and recognized in the income statement. The receivable at December 31, 2018, net of transaction costs, amounted to MSEK 32.2. As a result of this transaction, the Parent Company reported earnings from divestment of subsidiaries of MSEK -10.3 for the 2018 financial year. The expected payments, totaling MUS\$ 6, are discounted at the end of each reporting period. The receivable at December 31, 2019 is MSEK 38.6 and the income statement for 2019 shows income of MSEK 6.4 in net financial items. See Note 12.

NOTE 12 FINANCE INCOME AND COSTS

	Group		Parent Company	
KSEK	2019	2018	2019	2018
<i>Finance income</i>				
Reversed impairment	-	-	1,711	179
Remeasurement of financial assets	6,368	-	6,368	-
Interest income	47	66	47	66
Interest income, Group companies	-	-	270	416
Exchange differences	55	-	55	-
Total finance income	6,470	66	8,451	661
<i>Finance costs</i>				
Interest expenses	4,163	-3,110	-4,163	-3,110
Exchange differences	-	-203	-	-104
Total finance costs	-4,163	-3,313	-4,163	-3,214
Total finance income and costs	2,307	-3,247	4,289	-2,553

Impairment for the year refers to reversal of impairment on intra-Group receivables from the Russian subsidiaries. The remeasurement of financial assets refers to the remaining portion of the total purchase consideration for the subsidiary LLC Taiga, sold in December 2018. See Note 11.

NOTE 13 TAX

Tax recognized in income statement:

	Group		Parent Company	
KSEK	2019	2018	2019	2018
Current tax	-	-	-	-
Deferred tax	400	-249	-	-
Total	400	-249	-	-

The differences between recognized tax expense and an estimated tax expense based on the current tax rate are as follows:

	Group		Parent Company	
KSEK	2019	2018	2019	2018
Earnings before tax	-4,114	-43,761	-19,728	-21,804
Tax at current tax rate	880	9,627	4,222	4,797
Difference in tax rate in foreign operations	-106	-296	-	-
<i>Tax effects from:</i>				
Earnings from joint ventures	1,630	-1,640	-	-
Sales of subsidiaries	-	-4,515	-	-2,163
Non-deductible items	-2	-10	-3,854	-1,025
Revaluation financial asset	1,225	-	1,225	-
Reversed impairment	366	39	366	39
Loss carryforwards for which deferred tax is not recognized	-3,594	-3,455	-1,959	-1,648
Recognized tax	400	-249	0	0

Tax rates are 21.4% in Sweden and 20% in Russia.

As of December 31, 2019, the Group had tax losses of approximately MSEK 101. Deferred tax assets attributable to tax losses are recognized only to the extent that it is probable that they will be utilized. As it is uncertain whether it will be possible for the Company to utilize any loss carryforwards, no deferred tax asset was recognized. The value of the tax losses is approximately MSEK 21.6, with MSEK 20.4 related to the Parent Company and subsidiaries in Sweden and MSEK 1.2 to Russian subsidiaries. The tax loss carryforwards can be utilized indefinitely.

Deferred tax liabilities and assets are attributable to the following:

	Group	
	2019	2018
<i>Deferred tax liabilities</i>		
Intangible assets	-	-576
Total deferred tax liabilities	-	-576
<i>Deferred tax assets</i>		
Other	-	44
Total deferred tax liabilities	-	44

NOTE 14 EARNINGS PER SHARE

Change in number of shares

	2019	2018
Shares outstanding at start of period	103,825,869	79,866,054
Share issue, October–November		23,959,815
Shares outstanding at end of period	103,825,869	103,825,869

On October 9, 2018, using the authorization granted by the AGM, the Board adopted an issue of new shares with preferential rights for existing shareholders. A total of 23,959,815 new shares were subscribed for and the issue was registered in November 2018.

Earnings per share before and after dilution

	2019	2018
Net income, KSEK, attributable to parent company shareholders	-3,707	-43,844
Weighted average number of shares before and after dilution	103,825,869	83,710,877
Earnings per share before and after dilution (SEK)	-0.04	-0.52

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.

With the result for 2018 and 2019 being negative, potential dilution from outstanding warrants is not taken into consideration, as earnings per share would improve if the dilutive effects were taken into consideration.

NOTE 15 EXPLORATION LICENSES AND EVALUATION WORK

	Group	
KSEK	2019	2018
Opening cost	10,547	74,468
Investments	5,987	2,543
Divestments	-	-65,415
Translation difference for the year	1,947	-1,049
Closing cost	18,481	10,547
Opening accumulated impairment	0	-47,145
Divestments	-	47,145
Impairment	-1,697	-
Translation difference for the year	-52	0
Closing accumulated impairment	-1,750	0
Net carrying amount	16,732	10,547

MSEK 1.5 (1.5) of the 'Exploration licenses and evaluation work' item represents acquired licenses and the remaining MSEK 15.2 (9) represents capitalized exploration and evaluation work.

In December 2018, the Company sold the wholly owned subsidiary LLC Taiga, which in turn holds the four gold licenses Kopylovskoye, Vostochnaya Ploshad, Pravovesenny and Takhtykan.

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. The Amur project was written down to 0 during the year. See also note 8.

NOTE 16 BUILDINGS

	Group	
KSEK	2019	2018
Opening cost	1,241	1,373
Divestments/retirements	-124	-
Translation difference for the year	204	-132
Closing cost	1,321	1,241
Opening accumulated depreciation	-404	-333
Depreciation for the year	-117	-111
Divestments/retirements	69	-
Translation difference for the year	-69	40
Closing accumulated depreciation	-522	-404
Net carrying amount	798	836

NOTE 17 MACHINERY AND EQUIPMENT

	Group		Parent Company	
KSEK	2019	2018	2019	2018
Opening cost	398	884	30	30
Investments	54	6	-	-
Divestments/retirements	-11	-440	-	-
Translation difference for the year	63	-52	-	-
Closing cost	503	398	30	30
Opening accumulated depreciation	251	-474	-18	-12
Depreciation for the year	-83	-98	-6	-6
Divestments/retirements	11	290	-	-
Translation difference for the year	-41	31	-	-
Closing accumulated depreciation	-364	-251	-24	-18
Opening accumulated impairment	-	-21	-	-
Impairment for the year	-	-	-	-
Divestments/retirements	-	21	-	-
Translation difference for the year	-	0	-	-
Closing accumulated impairment	-	-	-	-
Net carrying amount	139	147	6	12

NOTE 18 SHARES IN SUBSIDIARIES

	Parent Company	
KSEK	2019	2018
At start of year	83,837	119,236
Shareholder contributions	21,558	11,664
Sales	-	-42,451
Impairment	-18,001	-4,613
Carrying amount at end of year	87,395	83,837

The table below specifies the subsidiaries of the Group at 12/31/2019.

Company, KSEK	Corp. ID	Domicile	Equity, %	Carrying amount in Parent Company
AB Krasny Gold Fields	556955-9726	Stockholm, Sweden	100	81,618
Kopy Development AB	556858-1747	Stockholm, Sweden	100	50
LLC Nirungda Gold	1163850097663	Bodaibo, Russia	100	0
LLC Patom Gold	1123802000519	Bodaibo, Russia	100	0
LLC Vostochny	1103802000389	Bodaibo, Russia	100	0
LLC Stanovoy	1162801054184	Blagoveshchensk, Russia	50.95	0
LLC Zolt	1172801008071	Blagoveshchensk, Russia	51	0
LLC Enerkom	1092722007290	Blagoveshchensk, Russia	51	0

In June 2018, a new alluvial gold exploration project began in the Amur region of Russia after the Company's acquisition of 51% of the three Russian companies LLC Stanovoy, LLC Zolt and LLC Enerkom. The acquisition took place through the wholly owned subsidiary Kopy Development. The Company did not pay a consideration for the licenses, but instead receives a share of the project under an earn-in arrangement based on investments in exploration activities. As a first step, Kopy Goldfields received a controlling interest of 51% in the project in return for future investments in exploration. The project started with very high expectations, but at present the exploration results do not appear to correspond to these high expectations. Kopy Goldfields does not currently have any plans to invest further in the project and in line with the agreement, the ownership share will be reduced. As a result, the project has been written down to 0 at December 31, 2019. In Q1 2020, Kopy Goldfields divested its shares in LLC Zolt and LLC Enerkom, while increasing its holding in LLC Stanovoy to 67 percent.

In December 2018, the Company sold the wholly owned subsidiary LLC Taiga, which in turn holds the four gold licenses Kopylovskoye, Vostochnaya Ploshad, Pravovesenny and Takhtykan. The total sales price was MUS\$ 6, of which MRUB 8 (corresponding to MSEK 1.1) was paid in December 2018 and is reported under cash flow from investing activities for 2018. The remainder will be paid in several installments until June 30, 2022. However, if the payments are accelerated and completed by December 31, 2020, the total price will be reduced by MUS\$ 1 to MUS\$ 5. The total expected payments of MUS\$ 6 are discounted at the end of each reporting period. The receivable at December 31, 2019 is MSEK 38.6 (32.2) and the income statement shows income of MSEK 6.4. See Note 12.

NOTE 19 INVESTMENTS IN 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 summer 2018, the parties agreed to invest MUS\$ 2.3 in the Krasny project. The capital contribution was split 51/49 between Kopy Goldfields and GV Gold based on participating interest and was paid in two tranches. Kopy Goldfields' first installment, which amounted to KUSD 559 (corresponding to MSEK 5.1) was paid in November 2018 and is recognized in cash flow from investing activities for 2018. The remainder, KUSD 599 (corresponding to MSEK 5.7), including accrued interest, was paid in July 2019 and is recognized in cash flow from investing activities for 2019.

In the balance sheet, investments in joint ventures amounted to MSEK 105.2 (96.7) at year-end. In the income statement, earnings from joint ventures amounted to MSEK 7.6 (-7.5), with the decline being mainly attributable to translation differences.

KSEK	Group	
	2019	2018
At start of year	96,708	92,283
Investment in joint ventures	5,725	5,131
Net income	7,618	-7,453
Translation differences	-4,817	6,747
Carrying amount at end of year	105,234	96,708

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:

	Bodaibo Holding Ltd	LLC Krasny
Corp. ID	HE 318777	1103802000048
Domicile	Limassol, Cyprus	Bodaibo, Russia
Other income	6,339	15,591
Interest income	5,897	-
Interest expenses	-246	-5,855
Other expenses	-617	-3,211
Tax expense	-	-2,362
Net income	11,374	4,163
Current assets	3,603	170
<i>Of which cash, bank balances and equivalents</i>	3,024	61
Non-current assets	226,410	124,651
Total assets	230,013	124,821
Current liabilities	503	181
<i>Of which current financial liabilities</i>	-	-
Non-current liabilities	-	139,389
<i>Of which non-current financial liabilities</i>	-	138,343
Total liabilities	503	139,570
Net assets	229,510	-14,749
Share of equity	49%	49%
Carrying amount at end of year	112,460	-7 227

NOTE 20 CHANGES IN SHARE CAPITAL

Year	Event	Change in shared 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
2018	Preferential rights issue	9,110,032	25,157,806	23,959,815	0.38	39,476,805	103,825,869

NOTE 21 LOANS PAYABLE

At December 31, 2019, gross loans payable, including accrued interest, amounted to KSEK 46,586 (32,181). The following table shows a breakdown of financial liabilities. For information on interest rate risk, see Note 4.

KSEK	Group		Parent Company	
	2019	2018	2019	2018
<i>Current financial liabilities</i>				
Maturing within one year	-	15,000	-	15,000
Total current financial liabilities	-	15,000	-	15,000
<i>Non-current financial liabilities</i>				
Other non-current loans with maturity >1 year <5 years	46,586	15,000	46,586	15,000
Total non-current financial liabilities	46,586	15,000	46,586	15,000
Total financial liabilities	46,586	30,000	46,586	30,000

The fair value of financial liabilities is deemed to correspond with the carrying amount. The interest rate on current financial liabilities is in line with market rates.

In March 2019, the Company's two long-term loans of MSEK 15 each were renegotiated and extended, while accumulated accrued interest of MSEK 2.8 was paid. The loans were merged into one loan of MSEK 30. In September 2019, a new loan of MSEK 15 was arranged and existing loans were renegotiated and extended. Accumulated interest of MSEK 1.9 was paid and all loans were merged into one loan of MSEK 45. The loan has an annual interest rate of 11.75 percent. As the interest is capitalized quarterly, there is no accrued interest at December 31, 2019.

NOTE 22 ACCRUED EXPENSES

KSEK	Group		Parent Company	
	2019	2018	2019	2018
Interest	-	2,180	-	2,180
Board fees	385	268	385	268
Social security contributions	321	357	321	357
Other personnel-related items	669	790	669	790
Other	224	195	224	195
Total	1,599	3,791	1,599	3,791

NOTE 23 ADJUSTMENTS FOR NON-CASH ITEMS

KSEK	Group		Parent Company	
	2019	2018	2019	2018
Depreciation, amortization and impairment	1,897	209	16,296	4,440
Long-term incentive programs	290	40	-	-
Accrued interest	-594	2,180	-865	1,765
Investments in joint ventures	-7,618	7,453	-	-
Capital gain/loss on sale of property, plant and equipment	-2	6	-	-
Capital gain/loss on sale of subsidiaries	-	20,394	-	10,300
Remeasurement of receivable	-6,368	-	-6,368	-
Exchange differences	79	8	79	-91
Other non-cash items	-27	21	-2,363	-3,105
Total	-12,343	30,311	6,779	6,792

NOTE 26 OUTSTANDING WARRANTS

The 2019 AGM adopted two incentive programs 2019/2022: one for management and one for the Board of Directors. Up to 2,835,000 warrants can be issued under 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. The warrants do not carry entitlement to a dividend or voting rights. Each warrant entitles the holder to subscribe for one (1) share in the Company and the warrants may be used for share subscription during the period June 1, 2020 to December 31, 2022 (inclusive) at an exercise price of SEK 1.30 per share. The number of warrants issued is 2,835,000, which means that share capital may be increased by up to SEK 1,077,927.

KSEK	Incentive programs
	2019/2022
Exercise price, SEK 1)	1.30
Redemption of shares from	06/01/2020
Last exercise date	12/31/2022
Number of options issued during year	2,835,000
Exercised	-
Forfeited	-
At end of year	2,835,000
Of which fully vested December 31, 2019	2,835,000
Theoretical value per warrant on allotment, 2) SEK	0.192
Theoretical dilution	2.66%

1) The warrants' exercise price is 135 percent of the volume-weighted average of the last price paid for the Company's share on NASDAQ First North Growth Market during the 30 trading days before April 30, 2019 (the date of the notice of the AGM).

2) The theoretical value of issued warrants has been determined by an independent expert according to the accepted pricing model (Black & Scholes) at the time of issue. Volatility of 40 percent, a risk-free rate of -0.57 percent and an expected life of 3.7 years have been used. The value of the share has been determined based on the closing price on April 30, 2019 and amounted to SEK 0.97.

NOTE 24 DIVESTMENT OF SUBSIDIARIES/LICENSES

KSEK	Group		Parent Company	
	2019	2018	2019	2018
Sale of Taiga	-	1,078	-	1,078
Total	-	1,078	-	1,078

NOTE 25 PLEDGED ASSETS AND CONTINGENT LIABILITIES

KSEK	Group		Parent Company	
	2019	2018	2019	2018
Chattel mortgages to credit institutions	105,234	96,708	87,344	81,618
Total	105,234	96,708	87,344	81,618

There were no known ongoing disputes at the end of the reporting period.

KSEK	Incentive programs	Incentive programs
	2018/2021 ¹⁾	2017/2020 ²⁾
Exercise price, SEK	1.67	1.77
Redemption of shares from	06/01/2019	06/01/2018
Last exercise date	12/31/2021	12/31/2020
Number of options issued during year	1,700,000	3,400,000
Exercised	-	-
Forfeited	-	-
At end of year	1,700,000	3,400,000
Of which fully vested December 31, 2018	1,700,000	3,400,000
Theoretical dilution	1.64%	3.23%

1) The 2018 AGM decided to establish two incentive programs 2018/2021: one for management and one for the Company's Board. Up to 1,700,000 warrants can be issued under 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. The warrants do not carry entitlement to a dividend or voting rights. After recalculation in accordance with the warrants' terms following the preferential rights issue in 2018, each warrant entitles the holder to subscribe for 1.02 shares in the Company and the warrants may be used for share subscription during the period June 1, 2019 to December 31, 2021 at an exercise price of SEK 1.67 per share. The warrants' exercise price is 135 percent of the volume-weighted average of the last price paid for the Company's share on NASDAQ First North Growth Market during the 30 trading days before April 30, 2018 (the date of the notice of the AGM). The number of warrants issued is 1,700,000, which means that share capital may be increased by up to SEK 659,304.

2) 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 under 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. The warrants do not carry entitlement to a dividend or voting rights. After recalculation in accordance with the warrants' terms following the preferential rights issue in 2018, each warrant entitles the holder to subscribe for 1.02 new shares 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 1.77 per share. The warrants' exercise price is 135 percent of the volume-weighted average of the last price paid for the Company's share on NASDAQ First North Growth Market during the 30 trading days before May 2, 2017 (the date of the notice of the AGM). The number of warrants issued is 3,400,000, which means that the share capital may be increased by up to SEK 1,318,607.

NOTE 27 FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments recognized at amortized cost (trade receivables, other current receivables, cash and cash equivalents, trade payables and other current non-interest-bearing liabilities) are the same as their

fair values. The fair values of other current and non-current liabilities and assets are not considered to differ materially from their carrying amount. The Parent Company recognizes its financial instruments at amortized cost.

KSEK	Financial assets at amortized cost	Financial liabilities at amortized cost	Total carrying amount	Fair value
12/31/2019				
Assets in the balance sheet				
Trade and other receivables	1,355	–	1,355	1,355
Purchase consideration receivable	38,589	–	38,589	38,589
Cash and cash equivalents	6,326	–	6,326	6,326
Total financial assets	46,270	–	46,270	46,270
Liabilities in the balance sheet				
Loan payables	–	46,586	46,586	46,586
Trade payables	–	218	218	218
Other current liabilities	–	474	474	474
Total financial liabilities	–	47,278	47,278	47,278
2018-12-31				
Assets in the balance sheet				
Trade and other receivables	926	–	926	926
Purchase consideration receivable	32,221	–	32,221	32,221
Cash and cash equivalents	20,078	–	20,078	20,078
Total financial assets	53,225	–	53,225	53,225
Liabilities in the balance sheet				
Loan payables	–	30,000	30,000	30,000
Trade payables	–	305	305	305
Other current liabilities	–	665	665	665
Total financial liabilities	–	30,970	30,970	30,970

NOTE 28 EVENTS AFTER THE REPORTING DATE

In April 2020, the Company made an offer to the majority owner of the Krasny project, GV Gold, to either buy or sell the remaining stake in the Krasny project at a value of MUSD 39.2, corresponding to about MSEK 400. Kopy Goldfields proposed that GV Gold would sell its 51% stake in the Krasny project at a price of MUSD 20. As an alternative, the Company offered GV Gold the chance to acquire Kopy Goldfields' 49% stake in Krasny at the proportionate price of MUSD 19.2. The price level was based on market indicative bids received for the Krasny project that Kopy Goldfields observed over the last year. GV Gold never replied to this non-binding offer.

On May 29, 2020, the Company entered into a conditional agreement with HC Alliance Mining Group Ltd. and LEXOR Group SA where Kopy Goldfields acquires 100 percent of the shares of Amur Gold Company Limited, a mid-sized gold producing company based in Russia, through a reverse takeover. The total consideration for 100 percent of the shares of Amur Gold is 782,179,706 new shares in Kopy Goldfields. The Transaction is structured as a contribution in kind where the shareholders of Amur Gold contribute 100 percent of the shares in Amur Gold in exchange for a total 782,179,706 shares in Kopy Goldfields, whereby the current shareholders of Amur Gold will hold in total 88 percent of Kopy Goldfields after the completion of the Transaction. The Transaction is subject to (i) shareholder approval at the annual general meeting of Kopy Goldfields on 30 June 2020 resolving to issue shares to the Amur Gold Shareholders required for the Transaction (including changes to Kopy Goldfields' articles of association), (ii) that Kopy Goldfields is approved to continue trading on Nasdaq First North and (iii) certain regulatory approvals such as merger control clearance. Shareholders representing approximately 30 percent of Kopy Goldfields' current outstanding share capital have undertaken to vote in favor of the proposed Transaction. The Transaction will add gold production, revenue and cash flow to Kopy Goldfield's current exploration focus and will transform Kopy Goldfields' position from a high-impact exploration

business to a gold producer in Russia. The Transaction is expected to be completed in August 2020.

In June 2020, the Company was granted a loan of MSEK 3 from three major shareholders. The loan bears a yearly interest rate of 8 percent and is due for repayment on October 31, 2020.

The COVID-19 outbreak has developed rapidly in 2020 with a significant number of infections. Measures taken by different governments to limit the spread of the virus have affected economic activity. We have taken a number of measures to monitor and curtail the effects of the COVID-19 virus, such as health and safety measures for our employees (such as social distancing and working from home). At this stage, the impact on our operations and results is limited. We will continue to follow the policies and advice of the different national institutes, while doing our utmost to continue our operations in the best and safest possible way without jeopardizing the health of our employees.

NOTE 29 APPROPRIATION OF PROFITS

At the disposal of the annual general meeting::

SEK	
Share premium reserve	203,840,123
Fair value reserve	-6,895,349
Accumulated loss	-128,363,595
Net income	-19,727,728
Total	48,853,451
The Board proposes that this amount be carried forward	48,853,451

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 provide 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 June 30, 2020.

Stockholm, June 5, 2020

Kjell Carlsson
Chairman

Mikhail Damrin
CEO

Johan Österling

Andreas Forssell

Tord Cederlund

Lennart Schönning

Our Auditor's Report was issued on June 5, 2020

Öhrlings PricewaterhouseCoopers AB

Anna Rozhdestvenskaya
Authorized Public Accountant

AUDITOR'S REPORT

Unofficial translation

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 year 2019. The annual accounts and consolidated accounts of the company are included on pages 30-56 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2019 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 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Emphasis of matter

We would like to draw attention to the section Going concern in the Board of Directors' Report and in Note 5 where the Board's assessment of continued operations is presented.

On May 29, 2020, the Company entered into a conditional agreement with HC Alliance Mining Group Ltd. and LEXOR Group SA, whereby Kopy Goldfields, through a reverse acquisition, acquires 100 percent of the shares in Amur Gold Company Limited, a medium-sized gold production company based in Russia. The transaction is carried out as a non-cash issue, whereby the owners of Amur Gold contribute 100 percent of the shares in Amur Gold in exchange for 782,179,706 shares in Kopy Goldfields. The transaction is expected to be completed in August 2020 and is conditional on (i) the shareholders at the Annual General Meeting on June 30, 2020 deciding to issue shares to Amur Gold's shareholders (including amendments to Kopy Goldfield's Articles of Association), (ii) approving Kopy Goldfields for continued listing on Nasdaq First North, and (iii) that certain regulatory approvals, such as competition approval, are obtained.

In June 2020, the Company was granted a loan of MSEK 3 from three major shareholders to finance the Company's operations until the transaction has been completed. It cannot be excluded that further capitalization will be needed if the Transaction would be delayed or if it would be disrupted. The Board believes that the pri-

mary source of such funding shall be bridge financing or share issue. It is the Board's assessment that the Company can continue as a going concern.

Our opinion is not modified in respect of this matter.

Other matter

The audit of the annual accounts and consolidated accounts for year 2018 was performed by another auditor who submitted an auditor's report dated 7 May 2019, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 3-29 and 59-62. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Director's 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.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisorsnansvar. This description is part of the auditor's report.

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 Director's and the Managing Director of Kopy Goldfields AB (publ) for the year 2019 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 Director's 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 Director's 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.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisorsnansvar. This description is part of the auditor's report.

Stockholm 5 June 2020

Öhrlings PricewaterhouseCoopers AB

Anna Rozhdestvenskaya
Authorized Public Accountant

BOARD OF DIRECTORS

Organization

The Parent Company is responsible for the Group's strategy and manages the subsidiaries, while also 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. 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, 2019 and December 31, 2019 was eight, 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 Growth Market, which is not a regulated

market, and the Company is therefore not obliged to comply with the Code. The Company does not apply the Code at present but intends to do so eventually.

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

The Kopy Goldfields Board consists of five members, who are presented below. Kjell Carlsson is Chairman of the Board. All Board members are elected at the annual general meeting for the period until the end of the next annual general meeting. All shareholdings include related parties 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, Bruzaholms Bruk AB.

Relinquished activities over the last five years: Board member, EuroMaint Rail AB; Partner, Ingenjörssfirma C.J.Carlsson HB. Shareholding in Kopy Goldfields: 500,000 Warrants: 1,430,000



TORD CEDERLUND

Board member since 2019.

Born: 1941, Swedish citizen.

Education: M.Sc. Economics, Lund University

Work experience: Authorized Public Accountant PWC, Exec. chairman, Cederlund & Grandin AB finance company, Exec. Chairman, Bjurfors AB, CEO, Arctic Gold AB, CEO, Novatelligence AB

Other activities: Board member, CME Engineering AB, Medipal AB, Tarento Group AB, Terra Management Int AB, Uppsala Bostadsproduktion AB, Waya Finance & Technology AB, Ziot Solutions AS, Brf Duvgränd 5, Kritan 1, Morpheus 2. Relinquished activities over the last five years: Sarsys-Asft AB (publ), Arctic Gold AB (publ), Nordic Mines AB (publ) Shareholding in Kopy Goldfields: 11,947,390 Warrants: 160,000



ANDREAS FORSELL

Board member since 2011.

Born: 1971, Swedish citizen.

Education: M.Sc. Economics, 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; Board Deputy, DIYTI AB.

Relinquished activities over the last five years: Board member Crown Energy AB Shareholding in Kopy Goldfields: 218,400 Warrants: 730,000

**LENNART SCHÖNNING**

Board member since 2019.

Born: 1948, Swedish citizen.

Education: M.Sc. (Engineering), Chalmers University of Technology, Business Administration, Umeå University, Advanced Management Program, Harvard Business School.

Work experience: CEO, Åke Larson Construction, Inc., USA, and Näckebro AB (publ).

Other activities: Board chairman of several private limited liability companies in housing production, renewable energy and start-ups.

Relinquished activities over the last five years: Board chairman, Stenvalvet Fastigheter AB, Nordic Mines AB (publ) and others.

Shareholding in Kopy Goldfields: –
Warrants: 160,000

**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 member, AB Surditet; Board member, Human & heart HR AB; Board chairman, Kilimanjaro Gold AB; Board chairman, Penclic AB; Board chairman, JE Österling Förvaltning AB; Board chairman, AB Bröckeln (publ); Board chairman, Beizperr (publ); Board chairman, AB Ility.

Relinquished activities over the last five years: Board chairman, Göthes AB; Nomor AB (publ); Bofors Bruk AB; Hedera Group AB (publ); ByggBag AB; Fahlia AB.

Shareholding in Kopy Goldfields: 910,000
Warrants: 730,000

AUDITOR

Öhrlings PricewaterhouseCoopers AB,
Chief Auditor Anna Rozhdestvenskaya,
Authorized Public Accountant

SENIOR MANAGEMENT

Kopy Goldfields' Board consists of four members as presented below, of which Mikhail Damrin is the CEO. All shareholdings include related parties 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; CFO och Commercial Director at West Siberian Resources and Vostok Nafta Investment Ltd; Management position at Vostok Nafta Investment Ltd.
Other activities: Board member, LLC Krasny; Board member, Kopy Development AB
Relinquished activities over the last five years: –
Shareholding in Kopy Goldfields: 301,577
Warrants: 1,875,000



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; Board member, Kopy Development AB
Relinquished activities over the last five years: Board member, Brf Oxen Mindre 22
Shareholding in Kopy Goldfields: 1,090,000
Warrants: 950,000



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: 950,000



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 Yakutia, 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: 950,000

GLOSSARY

Alluvial gold

Mineralization in river beds at ground level.

Enrichment

Concentration of a constituent of a mixture to be processed.

Enrichment plant

Plant for processing.

Inferred mineral resource

The part of a mineral resource that is measured to a lesser degree and reliability than 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.

Chips

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

Cut-off

The lowest grade at which a deposit is economically mineable.

Open pit

Type of mine where superficial deposits are mined above ground.

Diamond drilling

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

Doré bars

Unrefined gold bullion containing mostly silver and gold.

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.

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.

JORC

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

Quartz

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

Measured mineral resources

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

Core drilling

Drilling method used to explore bedrock.

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.

Ore reserve

The economically mineable part of a mineral resource.

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 mineable in terms of quantity, grade, shape and physical characteristics.

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.

GKZ

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

Troy ounce (oz)

31.104 grams. Weight measure for gold.

Recovery

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



