



NORDICMINES



Annual Report 2016

CONTENTS

Administration Report	1
Corporate Governance Report 2016	7
Mineral Reserve and Mineral Resource	15
Five-Year Summary	17
Consolidated Statement of Comprehensive Income	18
Parent Company Income Statement	19
Parent Company Statement of Comprehensive Income	19
Balance Sheets	20
Consolidated Changes in Equity	22
Parent Company Changes in Equity	22
Cash Flow Statements	23
Accounting Principles	24
Notes	36
Auditor's Report	51
Board of Directors	55
Management	57
Definitions According to SveMin	59
Addresses	60

The English Annual Report 2016 is an unofficial translation of the Swedish original, and in the event of any discrepancies between the Swedish original and the English unofficial translation the Swedish original shall take precedence.

ADMINISTRATION REPORT

The Board of Directors and CEO of Nordic Mines AB (publ), CIN 556679-1215 ("Nordic Mines" or "the Company" and, together with the subsidiaries, "the Group"), hereby present the annual report and consolidated financial statements for the financial year from 1 January 2016 to 31 December 2016.

OPERATIONAL ACTIVITIES

Nordic Mines was founded in 2005 and is a Nordic mining and exploration company. The Group runs a gold mine, the Laiva mine, outside Raahe in central Finland and exploration in Finland and Sweden. However, since 2013, there has not been any exploration due to costs savings.

In May 2016, Nordic Mines released an updated Mineral Resource Estimate based upon several ore sorting tests on 72 tons of volcanics and quartz diorite material from the Laiva deposit. The JORC Code 2012 compliant Mineral Resource update is further based upon the Company's January 1, 2015 Mineral Reserve and Mineral Resource report using the January 1, 2015 pit shell data and mining cut off grades as benchmarks but reporting from updated pit shells based on updated costs and technical data as a result of the ore sorting scenario test work results.

Using a USD 1,400 gold price (previous USD 1,510) and a cut off grade at 0.3 g/t (previous 0.6 g/t), a reduction of 0.3 g/t due to the sorting, the Measured and Indicated Mineral Resource is 24,320,000 tons (1.13 g/t), containing gold of 885,000 tr.oz. In addition, the Inferred Mineral Resource is 4,370,000 tons (1.64 g/t), containing 231,000 tr.oz. This is a 13% increase in contained gold (measured/indicated) compared to the previous resource statement. Using the same gold price as in the previous model the increase in contained gold would be around 25%.

Mining at the Laiva mine began during the summer of 2011. The first doré bars were produced on 27 December 2011. During 2012 and 2013 gold production slowly increased, but also suffered from various operational disruptions. As a result of these disruptions, the production of gold was not profitable enough to cover costs and repay the Company's liabilities. In 2013, the Company applied for a reorganisation of all non-dormant companies.

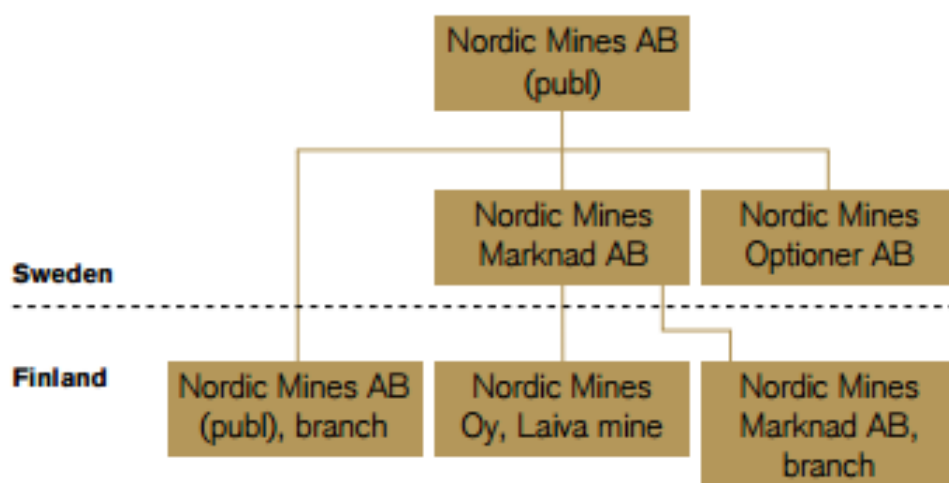
In March 2014, Nordic Mines entered into codetermination negotiations with representatives for the employees at the Laiva mine to realise additional cost savings. The negotiations resulted in the lay-off of employees at the mine and plant and a production stop was implemented until further notice. The production stop, which initially applied until the external financing required to restart operations had been secured, has not been lifted yet.

During 2014, Nordic Mines concluded its reorganisation proceedings with a combination of debt write-downs on outstanding bank loans, composition plans in Sweden and Finland and a new share issue with preferential right for the Company's existing shareholders.

In 2015, Nordic Mines reached a final agreement with its lenders to acquire all of their claims on Group companies in accordance with the existing project financing agreement. The acquisition was funded through a new share issue with preferential right for the Company's existing shareholders. As a result of the new share issue, the Company gained a new majority shareholder, Lau Su Holding AB ("Lau Su" or "the Majority Shareholder").

As at 31 December 2016, the Group had 39 employees. The Group's head office is located in Stockholm. Nordic Mine's shares are traded on the Nasdaq OMX Small Cap exchange in Stockholm.

The Nordic Mines Group consists of the Parent Company, Nordic Mines AB (publ), with a Finnish branch, Nordic Mines AB (publ), filial Finland, and the subsidiaries Nordic Mines Optioner AB and Nordic Mines Marknad AB, which in turn has a Finnish subsidiary, Nordic Mines Oy, and a Finnish branch, Nordic Mines Marknad AB, filial.



NORDIC MINES 2016 IN BRIEF

- In January Nordic Mines held an Extraordinary General Meeting to elect a new board of directors, being Mr. Hans Andreasson, Mr. Torsten Börjemalm, Mr. Salim Govani, Mr. Kari Langoja, Mr. Pranay Panda, Mr. D. Saradhi Rajan, Mr. Vinod Sethi and Mr. Krister Söderholm (re-election). Mr Vinod Sethi was elected Chairman of the Board.
- In January the Swedish Securities Council decided that the new issue of shares made to Lau Su Holdings AB by the previous management team was not in accordance with good practice on the stock market, despite the financial distress that the Company was in at the time of issue. This resulted, in July, in the Disciplinary Committee of Nasdaq Stockholm imposing a fine of seven times the annual listing fee [approx. MSEK 1,5] on Nordic Mines.
- Following the decision by the previous management team to pursue other opportunities on 3 February, Nordic Mines announced the appointment of a new management team. Mr. D. Saradhi Rajan was appointed as the new CEO of the Company. Also appointed to the management team were Mr. Nigel Pickett (Head, Strategy & Business Development), Mr. Andrew Malim (Head, Laiva Mine Development), Mr. Peter Finnäs (General Manager, Laiva) and Mr. Peter Kuiper (Development Manager, Laiva).
- The new management team determined that the most critical items to ensure the long term future of the company was to upgrade the company's resource statement and also re engineer the mining and processing flowsheets to bring down the company's very high historic cost of production.
- In May, the Company released a new resource statement based on encouraging work undertaken to test optical laser sorting on the ore from Laiva. Optical sorting allows the cost efficient upgrading of low grade ore deposits so they can be mined on an economic long term basis. Optical sorting is essentially a secondary strip and is able to differentiate accurately waste rock from qualifying mineralised material via laser surface mapping.

- Later in May, Nordic Mines released a preliminary economic assessment (“PEA”) for the Laiva project based on the new resource estimate. The PEA indicated 529,000 ounces of gold might be mined profitably giving a net present value of EUR 77 million over a 7 year mine life, assuming a long-term gold price of USD 1,250 (EUR 1,105) per tr.oz and a Discount Rate of 6%.
- On 30 June at the Company’s AGM, the board of directors were re-elected.
- In July, Nordic Mines hired Lars Vilhelmson as consultant CFO and Joakim Kindahl as IR-consultant.
- In August, Nasdaq Stockholm decided to give Nordic Mines’ share observation status due to the liquidity not being sufficient for the next three months.
- On 18 August, the Company announced that it had agreed a shareholder loan of USD 500,000.
- In September, Nordic Mines announced that it had successfully completed a 70-ton sorting test at the Björkdal mine, Sweden. The company was able to use the same sorting equipment and facilities that the Björkdal mine used in their 60,000-ton test on lower grade ore. During testing we confirmed that the laser sorting technique consistently detects Laiva’s gold bearing quartz veins and is therefore the appropriate technology for sorting the Laiva gold ore. Upon visual inspection, the sorting tests have shown very encouraging results. Sorted waste contained only minor amounts of visible ore particles. The sorted ore product has been clearly upgraded with quartz material by around 45%. Around 60-70% of the sorted sample was rejected as waste thereby upgrading the available ore which would be fed into the plant.
- A further USD 250,000 loan was received in October.
- In October, the Company announced several management changes. Mr Ola Walqvist was appointed as a Senior Adviser, Mr Tony Butler was appointed Chief Financial Officer, Mr Rune Nordström was appointed Head of Corporate Communications and Investor Relations and Ludmilla Lundberg as Senior Advisor.
- In November, Nordic Mines announced that it had received a proposal to outsource the process plant which might allow the Company to remodel the value chain. At the same time, Nordic Mines announced that the board of directors had, subject to approval by shareholders, resolved to issue common shares and preferential shares for SEK 23 million to the largest shareholder Lau Su Holdings AB. The Company also convened an Extraordinary General Meeting to be held on 9 January 2017 to approve the transaction. However the transaction and the EGM were subsequently cancelled due to the withdrawal of support by Lau Su Holdings AB. This support was conditional on a break up of the company such that the processing plant would be demerged from the mining operations. The board of directors did not believe that such a break up is in the best interests of all shareholders.
- In December, the Company announced the first assay results of its earlier sorting test. The results were very encouraging, evidencing that optical sorting systems have the potential to transform the economics at the Laiva mine. The forecast upgrades of ore feeding the plant to 1.33 g/t were close to best expectations, however the Company felt there is room for significant improvement with respect to the volcanics, the second of the ore types.

CONSOLIDATED RESULTS

Net income for 2016 was SEK 0.0 million (SEK 0.0 million) as a result of production stopping at the Laiva mine. Cost of sold goods amounted to SEK -32.0 million (SEK -51.2 million), of which SEK -16.8 million (SEK -23.6 million) were production costs and SEK -15.1 million (SEK -27.6 million) were depreciation, amortisation and impairment. The gross loss was SEK -32.0 million (SEK -51.2 million). Even though there was no production in 2016 and 2015, the Company has maintained some of the organisation around the Laiva mine, for example for maintenance work and environmental supervision. The mine and plant also have some fixed costs even when there is no production, for example the balancing of water levels in the mining area.

Administrative expenses amounted to SEK -24.5 million (SEK -35.9 million) and consist primarily of the costs of running the Group's head office, including legal expenses and maintaining the Company's listing on Nasdaq Stockholm. Other operating income and operating expenses consist primarily of the sales of timber and foreign exchange rate changes.

The Parent Company recorded an operating loss of SEK 6.2 million (SEK 31.8 million). Net financial income was SEK 19.2 million (SEK 7.6 million) and consisted primarily of accumulated interest. The Company's income tax for the year has an impact of SEK 0.0 million (SEK 0.0 million) on profit/loss.

The Group profit/loss for the year amounted to SEK -37.3 million (SEK 0.0 million). Comprehensive income was SEK 2.0 million (SEK -2.6 million).

Earnings per share after dilution amounted to SEK -0.06 (SEK -0.03).

CONSOLIDATED BALANCE SHEET AND CASH POSITION

Intangible fixed assets in the form of capitalised expenditure for exploration and evaluation assets amounted to SEK 64.7 million (SEK 63.2 million) at the end of the year. Due to cost savings, Nordic Mine's exploration work was more or less suspended at the beginning of 2013.

Property, plant and equipment amounted to SEK 421.4 million (SEK 423.6 million) at the end of the year. At the end of the year, inventories and construction in progress amounted to SEK 35.2 million (SEK 34.6 million). Current receivables were SEK 5.3 million (SEK 6.4 million). Cash and cash equivalents were SEK 2.9 million (SEK 32.6 million).

At the end of the year, total long-term liabilities were SEK 6.6 million (SEK 15.5 million). Current liabilities were SEK 28.7 million (SEK 15.6 million) at the end of the year.

At the end of the period, the Group's equity was SEK 489.7 million (SEK 524.9 million). Consolidated net liabilities amounted to SEK 8.5 million (SEK -31.6 million) and the equity ratio was 88.7 per cent (90.2 per cent).

Cash flow from operating activities including changes in working capital amounted to SEK -29.6 million (SEK -97.9 million) during the year.

Cash flow from investment activities amounted to SEK -2.1 million (SEK -0.8 million) and cash flow from financing activities amounted to SEK 1.4 million (SEK 50.6 million), which resulted in total cash flow and a change in cash and cash equivalents and current investments of SEK -30.3 million (SEK -48.1 million).

OPERATIONS AT THE LAIVA MINE IN 2016

Due to the production stop, no ore was processed during 2015 and 2016.

INVESTMENTS

Since the Company only conducted limited operations at the Laiva mine during 2016, only smaller investments have been made. Net investments during the year amounted to SEK 1.2 million, compared to SEK 0.8 million in 2015.

EMPLOYEES

The average number of employees in 2016 was 39 (62). At 31 December 2016 there were 36 (44) employees, of which the majority had been laid off in conjunction with the codetermination negotiations described above under Operations at the Laiva Mine in 2015.

ENVIRONMENT

The environmental licence granted to Nordic Mines means that it fulfils the requirements imposed by the Environment Protection Act for mining operations. The historic investments made into the environment are extensive. These investments in environmental protection measures are an advantage for future company operations. The Company has been conducting sampling for a long time and continuously collects samples from watercourses near the Laiva mine. Nordic Mines follows an adopted environmental policy in which care for people and the environment is a top priority for the Company. One of Nordic Mines' core values is therefore to plan and conduct operations on the basis of environmental considerations. The Company calls this approach the "Green Mines" concept.

SUPPLIERS

Nordic Mines works with a large number of suppliers, primarily in relation to the Laiva mine. However most of those relationships are on hold, since the Laiva mine is on care and maintenance. Several of those that are not are:

- Legacy Hill Resources Limited ("Legacy Hill") supports the Company in its operational management and the development of the Laiva mine through a management contract
- Raahen Vesi Oy handles water pipes and the sewer
- Metso delivers reserve parts and automation services

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

- On 9 January 2017, the Company cancelled the proposed EGM due to Lau Su Holdings AB's withdrawal of support for the proposed placement of common and preferential shares.
- On 18 January, Nordic Mines announced that Evli Bank plc would lead a rights issue and appointed Advokatfirman Lindahl KB, a leading Swedish law firm, to assist.
- Also on 18 January, Mr Pranay Panda resigned from the board of directors with immediate effect.
- On 15 March, the Company announced that it had resolved to undertake a rights issue for SEK 51 million at a subscription price of SEK 0.27 per share and to issue shares to Lau Su Holdings AB and Lao Tzu Investments AB on the same terms to offset their outstanding shareholder loans.
- Nordic Mines accordingly convened an extraordinary general meeting on 18 April 2017.
- On 10 April, Nordic Mines announced that it had signed a heads of agreement with the Canadian company Firesteel Resources Inc (TSXV: "FTR") whereby FTR will acquire a majority stake in the Laiva project by a combination of newly issued shares in Nordic Marknad AB ("NMM"), a wholly owned subsidiary of the Company, or buying shares in NMM from the Company. Under the terms of the transaction FTR will acquire 60% of NMM in two stages and fund the project back into production.

PROPOSED APPROPRIATION OF PROFITS IN THE PARENT COMPANY

The following funds are at the disposal of the Annual General Meeting (SEK thousand):

Share premium reserve	1,018,452
Accumulated loss	-933,700
Net profit for the year	12,777
Total	97,529

The Board of Directors proposes that no dividend be paid for 2016 and that earnings be appropriated such that SEK 97,529 is carried forward.

The earnings and general financial position of the Group and Parent Company are shown in the following profit and loss statements, balance sheets and cash flow statements with notes.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 28 June 2017 in Stockholm.

OWNERSHIP STRUCTURE

As per 30 December 2016, there were approximately 7,700 shareholders in Nordic Mines. The ten largest shareholders in the company are listed in the table below.

<i>Shareholders as at 30 December 2016</i>	<i>Number of shares</i>	<i>Holdings %</i>
EUROCLEAR BANK S.A/N.V, W8-IMY	143,801,629	25.4%
STATE STREET BANK & TRUSTCOM, BOSTON	51,356,381	9.1%
CBSG-PHILLIP SEC P/L-CL (INSTI NDVP)	47,754,771	8.4%
FÖRSÄKRINGSBOLAGET, AVANZA PENSION	18,069,220	3.2%
NORDNET PENSIONS FÖRSÄKRING AB	7,084,479	1.3%
SWEDBANK FÖRSÄKRING AB	6,360,547	1.1%
HANDELSBANKEN LIV	4,746,245	0.8%
HILMAND, BIRTE	4,600,000	0.8%
UBS FINANCIAL SERVICES INC	4,129,996	0.7%
MENDRIS, NICO	3,350,000	0.6%
OTHER	274,469,488	48.5%
Total	565,722,756	100.0%

Source: Euroclear

CORPORATE GOVERNANCE REPORT 2016

Legislation and Articles of Association

Nordic Mines AB (publ) is a Swedish limited liability company listed on Nasdaq Stockholm. Nordic Mines applies the Swedish Companies Act along with the regulations and recommendations applicable due to the Company's listing on Nasdaq Stockholm. In addition, Nordic Mines complies with the provisions stipulated in the Company's Articles of Association. The Company's Articles of Association are available in full at www.nordicmines.com.

Swedish Code of Corporate Governance

In accordance with the current listing requirements of Nasdaq Stockholm, the Swedish Code of Corporate Governance ("the Code") must be applied by all companies whose shares are either registered or listed on a stock exchange. Nordic Mines applies the Code (www.bolagsstyrning.se) with the following deviations in 2016:

Code Rule 1.1 *When the time and place for the Annual General Meeting has been determined, this information shall be announced on the Company's website without delay before the meeting and no later than in conjunction with the third quarter report. The information shall also state the deadline for when a request from shareholders to have a matter discussed at the Meeting must be received to be included in the notice to attend the Annual General Meeting.*

Comments: *The time and place for the Annual General Meeting was not decided at a time that enabled publication of the information in accordance with the deadline stated in the Code.*

Code Rule 2.1 *The Nomination Committee shall submit proposals for the Chairman of the Board and other Board members and fees and other remuneration for Board assignments for each of the Board meetings.*

Comments: *The Nomination Committee has not yet submitted such proposals.*

Code Rule 2.5 *The Company shall provide information on its website well in advance, although no later than six months before the AGM, about the names of the members of the Nomination Committee. If a member has been appointed by a specific owner, the owner's name shall be stated.*

Comments: *The composition of the Nomination Committee was not decided and announced at a time that enabled publication of the information in accordance with the deadline stated in the Code.*

Code Rule 2.6 *The Nomination Committee's proposal shall be presented in a notification of the general meeting at which the election of the Board or the auditor shall take place and on the Company's website.*

Comments: *The Nomination Committee's proposal for new appointments to the Board will be made ahead of the Annual General Meeting at which the elections shall be made.*

Corporate governance

The Annual General Meeting (AGM), the Board of Directors and the CEO form the basis of the Company's corporate governance. The Company's auditors, who are appointed at the Annual General Meeting, audit the Company's accounts and the administration by the Board of Directors and the CEO. The Nomination Committee prepares proposals for the AGM regarding matters such as the election and remuneration of the Board and the auditors.

General Meeting

The General Meeting is the highest decision-making authority at Nordic Mines AB (publ). Based on the owners' proposals, the Annual General Meeting decides on the election of Board members and the Company's auditors. The date of the AGM is announced no later than in conjunction with the publication of the third quarter report. Bulletins and minutes from the AGMs held by the Company are available at www.nordicmines.com. To the extent of the knowledge of the Company's Board of Directors there are no shareholder agreements or corresponding agreements between shareholders in the Company that would lead to a change in control over the Company or that would prevent transfers of shares in the Company.

General Meetings in 2016

2016 Annual General Meeting

The Annual General Meeting held in Stockholm on 30 June 2016 resolved, among other things, to adopt the Nomination Committee's and Lau Su Holding AB's proposals for the Board of Directors, to adopt principles for remuneration and other terms of employment for the management team in accordance with the Board's proposal. The Annual General Meeting's other resolutions are presented in the complete minutes from the Meeting.

Extraordinary General Meeting January 2016

The Extraordinary General Meeting held in Stockholm on 7 January 2016 resolved to elect a new Board of Directors of Nordic Mines. The General Meeting's other resolutions are presented in the minutes from the Meeting.

Nomination Committee

A Nomination Committee has been established in accordance with the AGM's resolution in 2016. The Nomination Committee draws up proposals to enable the AGM to decide on: the election of a Chair for the AGM, the number of Board members to be appointed by the AGM, the election of a Chair of the Board, other Board members and the auditors, and the remuneration for the Board and auditors, any other remuneration for committee work, as well as principles for the composition of the Nomination Committee. Members of the Nomination Committee who do not receive any other remuneration from the Company shall be remunerated in the amount of SEK 25,000 for the Chair of the Nomination Committee and SEK 15,000 for each of the remaining members. Any costs arising from the nomination process shall be borne by the Company. For the details of how the Nomination Committee is appointed, see www.nordicmines.com.

The Nomination Committee comprises of Mr. Nikul Sarin, Mr. Ajay Anand, Mrs. Catharina Lagerstam, Mr. Fredrik Zettergren and Mr. Torbjörn Bygden. Mr. Zettergren and Mr. Bygden represent Lau Su Holding AB. Mrs. Catharina Lagerstam represents the minor shareholders of Nordic Mines. Mr. Ajay Anand has been appointed to Chairman of the Nomination Committee.

Board of Directors

The Board of Directors is responsible for the Company's organisation and the administration of the Company's business. The work of the Board is headed by the Chairman of the Board. Board members are appointed by the AGM to serve for a mandate period through the end of the next AGM. According to the Articles of Association, the Board shall consist of a minimum of three and a maximum of eight regular Board members and a minimum of zero and a maximum of four deputy members (according to the Code, however, a deputy member to an AGM-appointed Board member shall not be appointed). Following their appointment to the board of directors at the EGM on 7 January 2016, the AGM on 30 June 2016 re-elected Vinod Sethi Chairman and Krister Söderholm, Hans Andreasson, Torsten Börjemalm, Salim Govani, Kari Langoja, Pranay Panda and D. Saradhi Rajan as Board members. For a more detailed presentation of the Board members, see www.nordicmines.com and 55 of this

annual report.

D. Saradhi Rajan is dependent in relation to Nordic Mines and the executive management of Nordic Mines.

The division of responsibility between the Board of Directors, the Chairman and the CEO, and reporting guidelines, are regulated in the standing orders of the Board of Directors, the instructions for the CEO and the instructions for reporting. These documents are reviewed and revised as needed and at least once a year in conjunction with the statutory Board meeting.

The work and remuneration of the Board of Directors

The Board of Directors held 17 meetings in 2016, compared to 30 in 2015. The meetings were scheduled on the basis of an agenda established by the Board to meet its requirements for information on the Company's earnings and financial position, exploration and production results, financing and other matters in addition to information on current issues. For the attendance of each Board member at the 2016 Board meetings and their fees, please refer to the table below. Fees refer to resolved fees by the 2015 and 2016 Annual General Meetings of Nordic Mines.

	Elected	Independence		Attendance	Fee, SEK (Pro Rata)
		Company and Mgt / Owners	Committees		
Lennart Schonning	2009	Yes/Yes	Remuneration/Audit/Nomination	1 / 1	300,000
Helve Bohman	2013	Yes/Yes	Remuneration/Audit	1 / 1	100,000
Krister Söderholm	2013	Yes/Yes	Remuneration/Audit	17 / 17	200,000
Ulla-Britt Fräjdin-Hellqvist	2015	Yes/Yes	Remuneration/Audit	1 / 1	125,000
Tord Cederlund	2015	Yes/Yes	Remuneration/Audit	1 / 1	100,000
Manfred Lindvall	2015	Yes/Yes	Remuneration/Audit	1 / 1	100,000
Vinod Sethi (Chair)	2016	Yes/Yes	Remuneration	15 / 16	Nil
Salim Govani	2016	Yes/Yes	Remuneration	14 / 16	Nil
Hans Andreasson	2016	Yes/Yes	Remuneration	16 / 16	Nil
Torsten Börjemalm	2016	Yes/Yes	Remuneration	15 / 16	200,000
Kari Langoja	2016	Yes/Yes	Remuneration/Audit	15 / 16	Nil
D. Saradhi Rajan	2016	No/Yes	Remuneration/Audit	15 / 16	Nil
Pranay Panda	2016	Yes/No	Remuneration/Audit	15 / 16	Nil

Board members prior to the EGM on 7 January 2016:

Lennart Schöning (Chair), elected 2009

Helve Bohman, elected 2013

Krister Söderholm, elected 2013

Ulla-Britt Fräjdin-Hellqvist (Deputy Chair), elected 2015

Tord Cederlund

Manfred Lindvall

Board members elected on 7 January 2016 unless otherwise stated:

Vinod Sethi (Chair)

Salim Govani

Krister Söderholm, elected 2013

Hans Andreasson

Torsten Börjemalm

Kari Langoja

D. Saradhi Rajan

Pranay Panda*

* Mr Panda resigned from the board of directors on 18 January 2017.

The above fees refer to earned fees in 2016 based on 2015 and 2016 AGM resolutions. The 2016 AGM resolved to pay a fee for the work up to the 2017 AGM of SEK 300,000 for the Chair of the Board, a fee of SEK 250,000 to the Deputy Chair of the Board and a fee of SEK 200,000 to each of the other Board members. No separate remuneration is paid for committee work. The Extraordinary General Meeting on 7 January 2016 resolved on an annual fee of SEK 200,000 for members independent of Nordic Mines and its management and of the Company's primary owners. The costs of remuneration claimed during 2016 for each member are presented in the table in Note 3.

Evaluation of the work of the Board of Directors

The work of the Board of Directors, like that of the CEO, is to be evaluated annually in a systematic and structured process. The purpose of this is to form a basis for the development of the Board of Directors itself and to provide the Nomination Committee with a basis for nominations. The Chairman of the Board of Directors is responsible for undertaking the evaluation.

Audit and Remuneration Committees

In accordance with the Swedish Companies Act and the Code, the Company has established an Audit Committee and a Remuneration Committee.

The Audit Committee consisted of Kari Langenoja, D. Saradhi Rajan and Pranay Panda following the EGM on 7 January 2016. Mr Panda resigned from the Board in January 2017 and hence the Audit Committee. The Audit Committee shall (i) monitor the Company's financial statements, (ii) with regard to the financial statements, monitor the effectiveness of the Company's internal control, internal audit and risk management, (iii) stay informed about the audit of the annual report and the consolidated financial statements, (iv) review and monitor the auditor's impartiality and independence and thus note in particular if the auditor provides services to the Company other than auditing services, and (v) assist in the preparation of proposals for the AGM's resolution regarding the election of an auditor.

The Remuneration Committee consists of all members of the Board. The primary tasks of the Remuneration Committee are to deal with issues of remuneration and other employment terms for the Company's management and to follow and evaluate the application of the guidelines for remuneration to senior management as resolved by the AGM and with regard to remuneration structures and remuneration levels in the Company.

Other Board Committees

After a new Board was elected at the Extraordinary General Meeting held on 7 January 2016, a number of additional committees were also established: Environmental Committee consisting of D. Saradhi Rajan and Krister Söderholm, Authorisation Committee, consisting of D. Saradhi Rajan and Krister Söderholm, Finance Committee consisting of Salim Govani and Pranay Panda, prior to his resignation, and the Operational Committee consisting of D. Saradhi Rajan and Torsten Börjemalm.

CEO

The CEO is appointed by the Board and is responsible for the ongoing administration in accordance with the Board's guidelines and instructions.

Audit

Auditors are appointed annually by the AGM. At the AGM in June 2016, the auditing firm PricewaterhouseCoopers AB was re-elected as auditor for the Company, with Martin Johansson as auditor-in-charge, for the period extending until the end of the 2017 AGM.

Martin Johansson, authorised public accountant, does not own any shares in Nordic Mines.

Since 2006, the Company has been applying the International Financial Reporting Standards (IFRS/IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC/SIC), which have been approved by the European Commission, when preparing the consolidated financial statements.

In accordance with a decision at the AGM, remuneration paid for auditing assignments is to be fair and based on invoices. Remuneration paid to auditors in 2016 amounted to SEK 803,000 (868,000) for the Group, of which SEK 41,000 (106,000) related to services over and above the audit assignment. The interim report for the third quarter of 2016 was examined by the Company's auditor.

Remuneration to senior executives

The 2016 AGM approved the Board's entire proposal regarding guidelines for determining remuneration and other employment terms for senior executives. The guidelines mainly state that the Company must strive to offer its senior executives remuneration and other employment terms in line with market conditions; that the criteria for this are to be based on the importance of their work duties, competency requirements, experience and performance; and that salary and remuneration are to consist of the following components:

- fixed basic salary,
- variable salary,
- pension benefits, and
- other benefits

Participation in long-term incentive programmes, such as warrants, can be offered to supplement the above and is based, when applicable, on decisions and guidelines approved by the general meeting.

The term "senior executives" refers to the CEO and other senior executives in the Company and its subsidiaries. Senior executives are entitled to pension benefits on market terms, where basic salary provides the basis for pensionable income.

The Board is authorised to deviate from these guidelines if there is a special reason for this in individual cases. For the CEO and other senior executives, a notice period of up to six months may apply in the event of termination. In the event of termination, senior executives may be entitled to severance pay corresponding to up to six monthly wages. The complete guidelines are available at www.nordicmines.com.

See Note 3 for more information about remuneration to senior executives.

Internal control and risk management with regard to financial reporting

The Board of Directors is responsible for the existence of an efficient system for internal control and risk management. At a statutory meeting following the AGM, the Board establishes the rules of procedure for the Board of Directors and its Audit Committee and Remuneration Committee. In addition, the instructions and authorisation instructions of the CEO are adopted.

Nordic Mines' CEO has operational responsibility for the internal control. On the basis of the Board's guidelines and laws and regulations regarding financial reporting, the management has an established division of roles and responsibilities for individuals working with the Company's financial reporting. Responsibility and authority are further defined in policies, such as the finance policy, the IT policy and the insider policy, as well as certification instructions.

Important accounting issues and issues relating to financial reporting are prepared by the Audit Committee and dealt with by the Board of Directors. At least once a year, the Audit Committee and the Board of Directors as a whole have a meeting with the auditor. The Company has no separate auditing function (internal audit). The Board of Directors has assessed that there are no particular circumstances of the business or other conditions that justify the establishment of such a function.

Board and Management evaluate the control activities that are linked to the risks associated with an unreliable accounting. Control activities are designed to prevent and detect errors and / or fraud in a way and to an extent corresponding to the size and complexity of the business. The controls include established accounting principles, process controls and reconciliations, the rules for approval of transactions, limitation of rights in systems and analytic procedures for all financial records. Unexpected deviations are followed up.

Information policy

Nordic Mines endeavours to provide open, quick and accurate information to the stock market, the general public and government authorities in accordance with the information policy established for the Company. During 2017, for the period following the AGM, Nordic Mines intends to publish financial statements on 22 August 2017 (report for the second quarter of 2017) and 21 November 2017 (report for the third quarter of 2017).

SHARE INFORMATION

The Nordic Mines share has been traded on the Nasdaq Stockholm's Small Cap list since July 2008. The ticker symbol for the share is NOMI and the ISIN code is SE0007491105.

SHARE CAPITAL AND OPTIONS

As at 30 December 2016, the share capital amounted to SEK 249,707,137.86 divided between 565,722,756 shares with a quota value of around 0.5 SEK each. For more information, see Notes 3 and 14 regarding Share option programmes and Warrants previously issued by Nordic Mines.

For more information about the Company's shareholders, please refer to the table presenting the shareholders at 31 December 2016.

RELATED PARTY TRANSACTIONS

In 2016, none of the Board members, senior executives or the Group's auditors at that time – individually or indirectly, through companies or related parties – participated directly or indirectly in business transactions that were, or are, unusual in nature. The Group has not granted loans or given guarantees or sureties in 2016 to the benefit of Board members, senior executives or the Group's auditor at that time. A new Board of Directors of Nordic Mines was elected at the Extraordinary General Meeting on 7 January 2016.

SIGNIFICANT RISKS AND UNCERTAINTIES

All enterprise is associated with a certain degree of risk. Nordic Mines' operations must be assessed based on the risk, cost and difficulty that companies in the mining and exploration business often face. The risks in the majority of cases are such that the Company cannot protect itself from them.

The risk faced by mining and exploration companies is mainly associated with the outcome of the exploration itself, the production and the market price on the metal markets, but there is also risk associated with licensing issues related to exploration, processing and the environment.

The Group is also exposed to a number of financial risks: liquidity risk, credit risk, gold price risk and currency risk. The Board and the Company's executive management attempt to address these risks by identifying, evaluating and mitigating the risks listed above where appropriate.

Liquidity risk

The Company does not have sufficient liquidity as of the reporting date to cover its needs for the next twelve months. Cash and cash equivalents amounted to SEK 2.9 million at the end of the fourth quarter of 2016, and the Company basically does not have any income since production at the mine was stopped, other than some minor income for forestry or sales of unused equipment. The Company is dependent on external capital to continue operating.

The Company does not currently have the funds to finance the re-start of operations at the Laiva mine. Nordic Mines has entered into the transaction with Firesteel, outlined above, which will, when concluded, result in Firesteel financing the restart of operations. Should the deal with Firesteel not be concluded, the Company will need to seek alternative capital both to continue to maintain Laiva on care and maintenance and to restart operations in due course.

If the Company cannot acquire additional capital infusions, there is a risk that a liquidity deficit will occur. There is therefore a risk that the Finnish composition plan will fail, which could lead to a new reorganisation, bankruptcy or other winding down of the Company.

Taken as a whole, this means that there are significant factors of uncertainty that could lead to extensive doubt regarding the ability of the Company to continue to be a going concern.

See Note 23 Going Concern Principle for more information.

Composition plan for Nordic Mines Oy

On 31 July 2014, the Uleåborg District Court decided to adopt the composition plan proposal filed with the court by the administrator for Nordic Mines' Finnish subsidiary. The composition plan includes conditions that allow the Company's creditors and the composition plan supervisor, attorney Hannu Ylönen from the Krogerus law firm, to apply for the composition to be revoked under certain conditions (which are presented in more detail in the composition plan). The grounds for termination, for example, include cases where the Group companies cannot fulfil their payment obligations in accordance with the composition plan.

If Nordic Mines Oy breaches the Finnish composition plan, there is a risk that it will fail, which could lead to a new reorganisation, bankruptcy or other winding down of the Company. In the event that the Finnish composition plan fails, the relevant claims of creditors return to Nordic Mines Oy, at their full amount, and in the event of a bankruptcy all shareholders will completely forfeit their previously paid share capital.

A more detailed description of the composition plan in Nordic Mines Oy is available in the 2015 prospectus, which is available on the Company's website, www.nordicmines.com.

Gold price risk

Sales commenced in January 2012 and essentially have consisted of a single product, doré bars, containing gold, silver and copper. A decline in the price of gold could have a negative impact on the Group's future profit as well as a negative impact on the Company's possibilities for restarting the Laiva mine.

Currency risk

Gold is quoted in USD, the majority of the costs occur in EUR and the Group is consolidated in SEK. Accordingly, the company is directly dependent on exchange rates for these currencies. If USD strengthens against EUR, this has a positive effect. If EUR strengthens against SEK, this has a positive effect on sales, but a negative effect on costs. See Note 25 for more information.

Employees

Nordic Mines currently has a small organisation and is dependent on a number of key individuals. A limited expected lifetime and to date weak profitability for the Laiva mine can result in restricted opportunities to recruit key personnel once the mine restarts its operations.

Other risks

In addition to these risks, the more general risks faced by just about all companies involved in business must be taken into account, such as economic trends, competitors, technology and market development, suppliers, customers, acquisitions, qualified personnel, legislation and regulation, intellectual property rights and stock market risk. Other risks and uncertainties of which Nordic Mines is not currently aware, or that are not deemed significant, may also develop into factors that may affect the future of Nordic Mines.

MINERAL RESERVE AND MINERAL RESOURCE

Nordic Mines is a member of SveMin, an employers and industry association for mines and mineral and metal producers in Sweden. Nordic Mines therefore complies with joint recommendations regarding the publication standards of companies involved in exploration, development and mineral mining.

On 16 May 2016 the Company announced an updated Mineral Resource Estimate, based upon recent ore sorting tests of a small tonnage throughput from the Laiva deposit. The JORC Code 2012 compliant Mineral Resource update is further based upon the Company's January 1, 2015 Mineral Reserve and Mineral Resource report using the January 1, 2015 pit shell data and mining cut off grades as benchmarks but reporting from updated pit shells based on updated costs and technical data as a result of the ore sorting scenario test work results.

Using a USD 1,400 gold price (previous USD 1,510) and a cut off grade at 0.3 g/t (previous 0.6 g/t), a reduction of 0.3 g/t due to the sorting, the Measured and Indicated Mineral Resource is 24,320,000 tons (1.13 g/t), containing gold of 885,000 tr.oz. In addition, the Inferred Mineral Resource is 4,370,000 tons (1.64 g/t), containing 231,000 tr.oz. This is a 13% increase in contained gold (measured/indicated) compared to the previous resource statement. Using the same gold price as in the previous model the increase in contained gold would be around 25%.

The Mineral Resource Estimate was reported in accordance with the current JORC code ("JORC Code 2012"). The Competent Person accepting the professional responsibility for the Mineral Resource Estimate is Dr John Arthur, who is a Chartered Geologist and Fellow of the Geological Society of London. Nordic Mines's presentation of the Company's mineral resource and mineral reserve complies with the Fennoscandian Review Board's (FRB) regulations for public disclosure of information.

The tables below shows the most recent update to the Mineral Resource estimate that includes ore sorting that reduces the amount of waste rock and the previous Mineral Resource estimate without sorting.

Laiva Mineral Resource – With sorting (16 May 2016)

Category	Tonnage (t)	Au Grade (g/t)	Gold (kg)	Gold (tr.oz)
Measured	-	-	-	-
Indicated	24,317,397	1.13	27,535	885,000
Measured + Indicated	24,317,397	1.13	27,535	885,000
Inferred	4,374,277	1.64	7,187	231,000

The mineral resource is reported at a cut off of 0.3 g/t. The calculation of the mineral resource was based on an assumed five-year gold price of € 1,225 per tr.oz (USD 1,400 per tr.oz).

Laiva Mineral Resource – Without sorting (1 January 2015)

Category	Tonnage (t)	Au Grade (g/t)	Gold (kg)	Gold (tr.oz)
Measured	-	-	-	-
Indicated	15,970,000	1.52	24,300	780,000
Measured + Indicated	15,970,000	1.52	24,300	780,000
Inferred	3,220,000	2.08	6,700	215,000

The mineral resource is reported at a cut-off grade of 0.6 g/t.

The model for the calculation of the mineral resource is limited by an assumed gold price of € 1,300 per troy ounce (USD 1,510 per troy ounce).

The reported mineral resource includes the mineral reserve shown below.

Laiva Mineral Reserve – Without sorting (1 January 2015)

Category	Tonnage (t)	Au Grade (g/t)	Gold (kg)	Gold (tr.oz)
Proved	-	-	-	-
Probable	9,367,000	1.19	11,200	360,000
Proved + probable	9,367,000	1.19	11,200	360,000

The mineral reserve is reported at a cut-off grade of 0.6 g/t.

The calculation of the mineral reserve was based on an assumed five-year gold price of € 1,020 per troy ounce (USD 1,184 per troy ounce).

For definitions, see the section *Definitions in accordance with SveMin*.

Five-year Summary

Group overview		2016	2015	2014	2013	2012
Net sales	SEK thousand	-	-	62,898	325,314	247,122
Profit/loss after financial items	SEK thousand	-37,248	-22	287,536	-788,562	-235,384
Balance sheet total	SEK thousand	552,329	582,209	674,126	860,527	1,434,476
Number of employees		39	62	83	116	109
Equity/assets ratio	%	88.7	90.2	69.2	26.6	41.8
Return on total capital	%	Neg	2	40	Neg	Neg
Return on equity	%	Neg	Neg	27	Neg	Neg

Parent Company overview		2016	2015	2014	2013	2012
Net sales	SEK thousand	-	-	-	-	-
Profit/loss after financial items	SEK thousand	12,780	-24,248	-171,532	-840,312	6,231
Balance sheet total	SEK thousand	388,686	365,331	328,426	317,523	1,002,127
Number of employees		3	6	8	12	15
Equity/assets ratio	%	96.0	98.8	82.3	97.3	92.2
Return on total capital	%	3.3	Neg	Neg	Neg	0.9
Return on equity	%	3.4	Neg	Neg	Neg	0.7

Consolidated Statement of Comprehensive Income

Amounts in SEK thousand	Note	Group	
		2016	2015
Sales revenue		-	-
Cost of goods sold	1,3	-31,982	-51,155
<i>of which production costs</i>		-16,844	-23,573
<i>of which depreciation</i>		-15,138	-27,582
<i>of which impairment</i>		-	-
Gross profit/loss		-31,982	-51,155
Sales and administration costs	1,2,3	-24,460	-35,870
Other operating income	4	31,730	4,868
Other operating expenses	4	-12,496	-10,116
Operating profit/loss		-37,208	-92,273
Financial income	5	253	105,310
Financial expenses	5	-293	-13,059
Profit/loss after financial items		-37,248	-22
Income tax	6	-6	-2
Profit/loss for the year		-37,254	-24
Other comprehensive income			
Exchange rate differences	14	2,028	-2,543
Total other comprehensive income for the year		2,028	-2,543
Total comprehensive income for the year		-35,226	-2,567
Net profit/loss for the period related to: the Parent Company's shareholders		-37,254	-24
		-37,254	-24
Total comprehensive income related to: the Parent Company's shareholders		-35,226	-2,567
		-35,226	-2,567
Average number of shares before dilution, in thousands		565,723	93,661
Average number of shares after dilution, in thousands		565,723	93,661
Earnings per share before dilution		-0.07	0.00
Earnings per share after dilution		-0.07	0.00
Total earnings per share before dilution		-0.06	-0.03
Total earnings per share after dilution		-0.06	-0.03

Parent Company Income Statement

Amounts in SEK thousand	Note	2016	2015
Sales revenue		-	-
Cost of goods sold	1,3	-	-
<i>of which production costs</i>		-	-
<i>of which depreciation</i>		-	-
<i>of which impairment</i>		-	-
Gross profit/loss		-	-
Sales and administration costs	1,2,3	-21,389	-27,039
Other operating income	4	27,649	5,280
Other operating expenses	4	-12,482	-10,065
Operating profit/loss		-6,222	-31,824
Financial income	5	19,177	7,579
Financial expenses	5	-175	-3
Profit/loss after financial items		12,780	-24,248
Income tax	6	-3	-
Profit/loss for the year		12,777	-24,248
Average number of shares before dilution, in thousands		565,723	93,661
Average number of shares after dilution, in thousands		565,723	93,661
Earnings per share before dilution		0.02	-0.26
Earnings per share after dilution		0.02	-0.26

Parent Company Statement of Comprehensive Income

Amounts in SEK thousand	Note	2016	2015
Profit/loss for the year		12,777	-24,248
Other comprehensive income		-	-
Exchange rate differences	14	-	-
Total other comprehensive income for the year		-	-
Total comprehensive income for the year		12,777	-24,248
Average number of shares before dilution, in thousands		565,723	93,661
Average number of shares after dilution, in thousands		565,723	93,661
Total earnings per share before dilution		0.02	-0.26
Total earnings per share after dilution		0.02	-0.26

Balance Sheets

		Group		Parent Company	
Amounts in SEK thousand	Note	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
ASSETS					
Fixed assets					
Intangible fixed assets					
Capitalised expenditure for exploration and evaluation assets	7	64,684	63,188	63,879	62,383
Property, plant and equipment					
Buildings and land	8	25,340	25,397	25,340	25,397
Mining assets	8	110,284	110,284	-	-
Machinery and equipment	8	5,796	6,622	5,796	6,046
Production facility	8	280,018	281,305	-	-
		421,438	423,608	31,136	31,443
Financial assets					
Other receivables	9,13	22,781	21,821	-	-
Receivables from Group companies		-	-	188,776	138,091
Participations in Group companies	10	-	-	101,627	101,627
		22,781	21,821	290,403	239,718
Total fixed assets		508,903	508,617	385,418	333,544
Current assets					
Inventories and construction in progress	11	35,233	34,586	-	-
Current receivables					
Receivables from Group companies		-	-	1,149	550
Other receivables		838	1,776	342	1,117
Prepaid expenses and accrued income	12	4,474	4,628	80	159
		5,312	6,404	1,571	1,826
Cash and cash equivalents	13,16	2,881	32,602	1,697	29,961
Total current assets		43,426	73,592	3,268	31,787
TOTAL ASSETS		552,329	582,209	388,686	365,331

Balance Sheets

		Group		Parent Company	
Amounts in SEK thousand	Note	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
EQUITY AND LIABILITIES					
Equity					
Share capital		249,707	249,707		
Other contributed capital		1,138,281	1,138,281		
Translation differences		-40,401	-42,429		
Profit/loss brought forward		-857,922	-820,668		
Equity attributable to the Parent Company's shareholders		489,665	524,891		
Restricted equity					
Share capital	14			249,707	249,707
Statutory reserve				26,000	26,000
				275,707	275,707
Non-restricted equity					
Share premium reserve				1,018,452	1,018,452
Accumulated profit or loss				-933,700	-909,132
Profit/loss for the year				12,777	-24,248
				97,529	85,072
Equity				373,236	360,779
Provisions	15	27,357	26,204		
Non-current liabilities					
Intercompany liabilities				68	68
Other liabilities	13	6,623	15,467		
		6,623	15,467	68	68
Current liabilities					
Accounts payable	13	13,750	9,408	2,578	1,443
Borrowings	18	11,355	1,024	11,355	-
Other liabilities	13	578	1,894	446	1,781
Accrued expenses and deferred income	17	3,001	3,321	1,003	1,260
		28,684	15,647	15,382	4,484
TOTAL EQUITY AND LIABILITIES		552,329	582,209	388,686	365,331

Consolidated Changes in Equity

Amounts in SEK thousand	Share capital	Other contributed capital	Reserves	Profit/loss	Total equity
Opening balance, 1 January 2015	391,835	935,444	-39,886	-820,644	466,749
Comprehensive income					
Profit/loss for the year	-	-	-	-24	-24
Other total comprehensive income for the year	-	-	-2,543	-	-2,543
Total comprehensive income for the year	-	-	-2,543	-24	-2,567
Transactions with shareholders					
Redemption of warrants	-	-13,457	-	-	-13,457
New share issue	5,117	97,222	-	-	102,339
Issue costs	-	-28,173	-	-	-28,173
Write-down of share capital	-147,245	147,245	-	-	-
Total transactions with shareholders	-142,128	202,837	-	-	60,709
Total equity as of 31 December 2015	249,707	1,138,281	-42,429	-820,668	524,891
Opening balance, 1 January 2016	249,707	1,138,281	-42,429	-820,668	524,891
Comprehensive income					
Profit/loss for the year	-	-	-	-37,254	-37,254
Other total comprehensive income for the year	-	-	2,028	-	2,028
Total comprehensive income for the year	-	-	2,028	-37,254	-35,226
Total equity as of 31 December 2016	249,707	1,138,281	-40,401	-857,922	489,665

Parent Company Changes in Equity

Amounts in SEK thousand	Share capital	Statutory reserve	Share premium reserve	Profit/loss brought forward	Profit/loss for the year	Total equity
Opening balance, 1 January 2015	391,835	26,000	909,444	-885,157	-171,532	270,590
Transactions reported directly under equity			39,959			39,959
New share issue	5,117		97,222			102,339
Issue costs			-28,173			-28,173
Write-down of share capital	-147,245			147,245		-
Appropriation in accordance with AGM resolution				-171,532	171,532	-
Translation difference				312		312
Profit/loss for the year					-24,248	-24,248
Closing balance, 31 December 2015	249,707	26,000	1,018,452	-909,132	-24,248	360,779
Opening balance, 1 January 2016	249,707	26,000	1,018,452	-909,132	-24,248	360,779
Appropriation in accordance with AGM resolution				-24,248	24,248	-
Translation difference				-320		-320
Profit/loss for the year					12,777	12,777
Closing balance, 31 December 2016	249,707	26,000	1,018,452	-933,700	12,777	373,236

Cash Flow Statements

Amounts in SEK thousand	Note	Group		Parent Company	
		2016	2015	2016	2015
Operating activities					
Loss before financial items		-37,208	-92,273	-6,222	-31,824
Adjustments for non-cash items:	20	4,416	-79,933	-1,497	348
Financial income		253	105,310	19,177	4
Financial expenses		-293	-13,059	-175	-3
Cash flows from operating activities before changes in working capital		-32,832	-79,955	11,283	-31,475
Cash flows from changes in working capital					
Changes in inventories and work in progress		-647	-3,066	-	-
Changes in current receivables		1,092	5,513	255	-1,003
Changes in accounts payable		4,342	-7,827	1,135	-836
Changes in current liabilities		-1,598	-12,531	-1,592	970
Cash flows from operating activities		-29,643	-97,866	11,081	-32,344
Investing activities					
Acquisition of intangible fixed assets	7	-	-	-	-
Acquisition/Disposal of property, plant and equipment	8	-1,168	-838	-	38
Repayment/Acquisition of financial assets	9,10	-960	-	-50,685	-33,633
Cash flows from investing activities		-2,128	-838	-50,685	-33,595
Financing activities					
New share issue		-	60,709	-	74,166
New loans		11,355	-	11,355	-
Loan amortisation		-9,906	-10,137	-	-13,459
Cash flows from financing activities		1,449	50,572	11,355	60,707
Change in cash and cash equivalents and current investments for the year		-30,322	-48,132	-28,249	-5,232
Cash and cash equivalents and current investments at the start of the period		32,602	83,197	29,961	35,764
Change in foreign exchange rate in cash and cash equivalents		601	-2,463	-15	-571
Cash and cash equivalents and current investments at the end of the period		2,881	32,602	1,697	29,961

ACCOUNTING PRINCIPLES

GENERAL INFORMATION

Nordic Mines AB (publ) (the Parent Company) and its subsidiary companies (jointly the Group) comprise a Nordic mining and exploration company. The Parent Company is a registered limited liability company with its registered office in Stockholm. The address of the head office is c/o Advokatfirman Lindahl KB, P.O Box 1065 101 39 Stockholm, Sweden. The shares are listed on the Nasdaq OMX Nordic Exchange Stockholm, Small Cap list. Unless otherwise stated, all amounts are in SEK thousands. Figures in parentheses refer to the previous year. A summary of the significant accounting principles is presented below.

BASIS FOR PREPARATION OF THE REPORTS

The consolidated financial statements for the Nordic Mines AB Group have been prepared in accordance with the Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Group Accounts and the International Financial Reporting Standards (IFRS) as adopted by the EU. They have been prepared in accordance with the cost method, with the exception of revaluations of financial assets and liabilities (including derivative instruments) measured at fair value via the profit and loss statement.

The preparation of financial statements in accordance with IFRS requires the use of several key accounting-related estimates. Furthermore, the management is required to make certain assessments in the application of the Company's accounting principles. Areas that require a more in-depth assessment, that are complex or other areas where the assumptions and estimates are of significant importance for financial reporting purposes, are reported in the section Important estimates and assessments for accounting purposes below.

CHANGES IN ACCOUNTING PRINCIPLES AND DISCLOSURES

(a) New and revised standards applied by the Group

No new standards are applied by the Group for the first time for the financial year starting 1 January 2016.

(b) New standards and interpretations that have not yet been applied by the Group

A number of new standards and interpretations enter into force for financial years that start after 1 January 2016 and were not applied when preparing these financial statements.

IFRS 9 Financial Instruments concerns the classification, valuation and reporting of financial assets and liabilities. The full version of IFRS 9 was published in July 2014. It replaces the parts of IAS 39 that concern the classification and valuation of financial instruments. IFRS 9 retains a mixed valuation approach but simplifies this approach in certain respects. There will be three valuation categories for financial assets, amortised cost, fair value through comprehensive income and fair value through the income statement. How an instrument should be classified depends on the company's business model and the characteristics of the instrument. Investments in own capital instruments must be recognised at fair value through the income statement, but it is also possible, when the instrument is first recognised, for it to be recognised at fair value through other comprehensive income. No reclassification to the income statement will then take place in connection with disposal of the instrument. IFRS 9 also introduces a new model for calculating credit loss reserves based on expected credit losses. For financial liabilities, the classification and valuation are not changed except where a liability is recognised at fair value through the income statement based on the fair value alternative. Changes in value attributable to changes in own credit risk must then be recognised in other comprehensive income. IFRS 9 reduces the requirements for application

of hedge accounting by replacing the 80-125 criterion with requirements for an economic relationship between the hedging instruments and the hedged object and for the hedging quota to be the same as that used in risk management. Hedging documentation is also changed slightly compared with that prepared under IAS 39. The standard must be applied for the financial year beginning 1 January 2018. Earlier application is permitted. The EU has not yet adopted this standard. The Group has not yet evaluated the effects of IFRS 9.

IFRS 15 “Revenue from contracts with customers” regulates how revenue should be recognised. The principles upon which IFRS 15 is based should provide the users of financial reports with more useful information about the company's revenue. The expanded disclosure obligation entails that information about types of revenue, the timing of the settlement, uncertainties linked to revenue recognition and cash flow attributable to the company's customer contracts must be provided. According to IFRS 15, revenue must be reported when customers receive control of the sold good or service and are able to use or obtain the benefit from the good or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and related SICs and IFRICs. IFRS 15 enters in force on 1 January 2018. Earlier application is permitted. The Group has not yet evaluated the effects of IFRS 15.

IFRS 16 Leases – In January 2016 IASB published a new leasing standard that will replace IAS 17 Leases and related interpretations, IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities attributable to all leases, with a few exceptions, be reported in the balance sheet. This approach is based on the view that the lessee has a right to use an asset during a specific period of time and at the same time an obligation to pay for this right. The reporting for the lessor will remain the same in all material respects. The standard is applicable for the financial year beginning 1 January 2019. Earlier application is permitted. The EU has not yet adopted this standard. The Group has not yet evaluated the effects of IFRS 16.

None of the other IFRS or IFRIC interpretations that have not yet entered into effect are expected to have any significant impact on the Group.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are prepared in accordance with the purchase method, which means that the subsidiary companies' equity at the time of acquisition, established as the difference between the actual values of the assets and liabilities, is eliminated in its entirety. In this way, the consolidated financial statements only include that part of the subsidiary companies' equity that has been added since the acquisition. Subsidiaries are all companies (including structured companies) over which the Group exercises a controlling influence. The Group controls a company when it is exposed to or has the right to variable returns from its holdings in the company and has the possibility to influence the return through its influence in the company. Subsidiary companies are included in the consolidated accounts from the date when the controlling influence is transferred to the Group. They are excluded from the consolidated financial statements as of the date when the Group no longer has a controlling interest.

Intra-Group transactions and balance sheet items, and unrealised gains from transactions between Group companies, are eliminated. Unrealised losses are also eliminated unless the transaction constitutes evidence of a write-down requirement (impairment) for the transferred asset.

In certain instances, the accounting principles for subsidiaries have been revised in order to guarantee consistent application of the Group's accounting principles.

FOREIGN CURRENCY TRANSLATION

Functional currency and reporting currency

Items that are included in the financial statements for the various units belonging to the Group are measured in the currency that is used in the economic environment where the Company primarily has its operations (functional currency). The consolidated financial statements are reported in SEK, which is the Parent Company's functional currency and reporting currency.

Transactions and balance sheet items

Transactions in foreign currency are translated to the functional currency using the exchange rate that is in effect on the transaction date. Exchange gains and losses that arise when such transactions are paid and when translating monetary assets and liabilities in a foreign currency at the rate on the balance sheet date, are reported in the profit and loss statement.

Exchange differences that arise when translating financial assets and liabilities are reported in the profit and loss statement under financial items. However, other exchange differences are reported as other operating income and other operating expenses, respectively.

Group companies

Profit/loss and financial position for all Group companies that have a different functional currency than the reporting currency, are translated to the Group's reporting currency as follows:

- a) assets and liabilities for each balance sheet are translated at the rate on the balance sheet date;
- b) income and expenses for each of the income statements are translated at the average exchange rate (provided this average rate constitutes a reasonable approximation of the accumulated effect of the exchange rates that apply on the transaction date, otherwise income and expenses are translated to the rate on the transaction date), and
- c) all exchange rate differences that arise are reported in other comprehensive income.

CASH FLOW STATEMENT

The cash flow statement has been prepared in accordance with the indirect method. The reported cash flow only comprises transactions that result in cash payments.

SEGMENT REPORTING

A business segment is a group of assets and operations that provide products or services, and which is subjected to risks and opportunities that differ from the other business segments. Geographic regions provide products or services within an economic environment that is exposed to risks and opportunities that differ from those that other economic environments are exposed to.

As of January 2013, the Group left the segment division as there is only one productive mine in Finland within the Group and that is how the Group's result is monitored and valued.

REVENUE RECOGNITION

Sales of gold and other minerals are recognised as revenue as soon as there is a binding purchase agreement and delivery to the customer has taken place. Any income from activities that are not part of ordinary operations is reported as other operating income.

INTANGIBLE FIXED ASSETS

Capitalised expenditure for exploration and evaluation assets

Mining claims and capitalised exploration expenditure are reported in accordance with IFRS 6.

Exploration for and evaluation of mineral resources

Mining claims and capitalised exploration expenditure are valued at cost and pertain to all expenditure directly related to the exploration and evaluation of mineral resources. Capitalised exploration and evaluation assets include expenditure for exploration, test drilling, underground mining, laboratory analyses, enrichment experiments, geological studies and restoration costs. When it can be proven that it is technically possible and commercially feasible to extract a mineral resource, the capitalised development expenditure will no longer be classified as exploration and evaluation assets. The assets will then be reclassified and reported in accordance with IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets, depending on how the assets have been reclassified. Exploration and evaluation assets are tested for impairment and any such write-downs are reported before such reclassification takes place.

In accordance with IFRS 6, impairment testing of exploration and evaluation assets takes place when facts and circumstances suggest that the carrying amount of the assets may exceed their recoverable amount. When facts and circumstances suggest that the carrying amount of the assets may exceed their recoverable amount, evaluation and classification are performed and disclosures are provided in accordance with IAS 36 Impairment of Assets.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are reported at cost less accumulated depreciation and impairment losses. The cost includes expenditure that is directly related to the acquisition of the asset. Borrowing costs attributable to financing the development or completion of significant items of property, plant and equipment are included in the cost of acquisition. Preparation costs are comprised in part of the removal of overburden and waste rock quarrying in order to access the ore and in part of work pertaining to roads, drift mining, shafts, crosscut mining, etc. Preparation costs that have a useful life in excess of 3 years are capitalised. Additional expenditure is added to the asset's carrying amount or reported as a separate asset, depending on which is most appropriate, only to the extent that it is likely that the future economic rewards associated with the asset will flow to the Group and when it is possible reliably to measure the asset's cost of acquisition. All other types of repairs and maintenance are reported as costs in the profit and loss statement in the period that they arise.

Depreciation and impairment principles for property, plant and equipment

Land is not depreciated. Depreciation of other assets, in order to adjust the cost of acquisition or the re-valued amount down to the estimated residual value during the estimated useful life, is made as follows:

- Capitalised preparations, facilities and equipment in mines are depreciated at the rate that the extracted ore from the underlying mines is utilised, i.e. production-based depreciation.
- Permanent buildings in the business are depreciated on a straight-line basis over 20 years. However, the depreciation period may not exceed the mine's useful life.
- Structural engineering devices (e.g. air and heating installations, elevators, etc.) that are worn out more quickly are depreciated on a straight-line basis over a 10 year period.
- Production machinery and similar equipment are depreciated on a straight-line basis over a 10 year period.

- Pumps and other technical designs exposed to a great deal of wear and tear are depreciated on a straight-line basis over a maximum of 3 years.
- Cars and other means of transport are depreciated on a straight-line basis over a maximum of 5 years.

The Group applies the component depreciation method, which means that large process facilities are divided into components that have different useful lives and thus different depreciation periods.

The useful life of a mine is calculated by summing up the mineral assets at a site that contains mineral reserves and then dividing that figure by the average estimated annual production plan. 100% of the portion that contains mineral reserves is included in the calculations, whereas the rest of the mineral resources are included at a probable value that is based on a qualified assessment and prior experience. The production plans for the useful life of mines are prepared annually.

Residual values and estimated useful lives of assets are assessed on every balance sheet date and adjusted as necessary. An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount exceeds its assessed recoverable amount. Profit or loss arising in conjunction with disposal of an asset is established on the basis of a comparison between the proceeds of the sale and the asset's carrying amount. This is reported in the profit and loss statement as Other profits/losses.

LEASING

Non-current assets that are utilised via leasing are classified in accordance with the financial significance of the leasing agreement. Leasing objects that are utilised via financial leasing are presented as non-current assets and future leasing fees are presented as interest-bearing liabilities in the consolidated financial statements. For leasing objects that are classified as operational leasing, the leasing cost is presented as an operating cost in the profit and loss statement. Leasing of non-current assets, where the Group retains substantially all of the financial risks and rewards associated with ownership, are classified as financial leasing agreements. Financial leasing is reported at the start of the leasing period at the actual value of the leasing object or the current value of the leasing fees, whichever is the lower. Other leasing agreements are classified as operational leasing agreements. Payments that are made during the leasing period are charged to costs in the profit and loss statement on a straight-line basis over the leasing period. In the Parent Company, all leasing agreements are reported as operational.

FINANCIAL ASSETS AND LIABILITIES

The Company's financial assets and liabilities are divided into the following categories: Loan receivables and accounts receivables and Other financial liabilities. New categories are established as needed. The management team establishes the classification of financial assets at the first reporting occasion. No financial assets that are derivatives are reported in this annual report.

Loan receivables and accounts receivables

Loan receivables and accounts receivable are financial assets that are not derivatives, which have fixed or determinable payments and are not quoted in an active market. They are included in current assets, except for items that fall due more than 12 months after the end of the reporting period. In such case, they are classified as fixed assets. The Group's assets in this category are only comprised of cash and cash equivalents and cash and cash equivalents pledged in the balance sheet.

Loan receivables and accounts receivable are recognized at the time of acquisition at amortized cost using the effective interest method.

Other financial liabilities

A financial liability is included in the balance sheet when the Company becomes a party to the instrument's contractual terms. Liabilities are included when the other party has performed its duties and there is a contractual obligation to pay, even if no invoice has been received. Accounts receivable are included in the balance sheet when the invoice has been received. A financial liability is removed from the balance sheet when the obligation in the agreement is fulfilled or otherwise ceases.

Financial liabilities are classified as other financial liabilities, which means that they are initially reported at the received amount after deductions for transaction costs. After the time of acquisition, liabilities to credit institutions are valued at the amortised cost in accordance with the effective interest method. Non-current liabilities have an anticipated remaining term of longer than one year, whereas current liabilities have a remaining term of less than one year.

IMPAIRMENT OF FINANCIAL ASSETS

Assets carried at amortised cost

At the end of each reporting period, the Group assesses whether there is objective evidence of impairment for a financial asset or a group of financial assets.

A financial asset or group of financial assets has become impaired and is written down only to the extent that there is objective evidence of impairment as a result of one or more events having occurred after the asset was initially reported (a "loss event"), and this event (or events) has an impact on the estimated future cash flows generated by the financial asset or group of financial assets. It must also be possible to reliably measure the amount of such future cash flows.

One example of criteria used by the Group to determine whether there is objective evidence of impairment is significant financial difficulties experienced by one of its debtors.

INVENTORIES

Inventories are reported at cost or the net sales value, whichever is the lower. Cost is determined using the first in, first out method (FIFO). The cost for finished goods and construction in progress comprises raw materials, direct salaries, other direct costs and attributable indirect manufacturing costs (based on normal manufacturing capacity). Loan costs are not included. The net sales value is the estimated sales price in operating activities, less applicable variable sales costs.

ACCOUNTS PAYABLE

Accounts payable are obligations to pay for goods or services that have been acquired from suppliers as part of operating activities. Accounts payable are classified as current liabilities if they fall due within one year or less (or during the normal business cycle, if it is longer). Otherwise, they are classified as non-current liabilities.

Accounts payable are initially reported at fair value. After that, they are carried at amortised cost and the effective interest method is applied.

BORROWINGS

Borrowings are initially carried at fair value, less transaction costs. Afterwards, they are reported at amortised cost and any difference between the amount obtained (less transaction costs) and the amount to be repaid is reported in the income statement, distributed over the loan period, and having applied the effective interest method.

Fees that are paid for loan commitments are reported as transaction costs for borrowings to the extent that it is likely that a portion of, or the entire credit margin, will be utilised. In such instances, the fees are recognised when the credit margin is utilised. When there is no evidence that it is likely that a portion (or all) of the credit margin will be utilised, the fee is recognised as a prepayment for financial services and it is distributed over the term of that loan commitment.

Borrowing costs

General and special borrowing costs that are directly attributable to purchasing, construction or production of qualifying assets, which are assets that necessarily take a significant amount of time to complete for their intended use or sale, are recognised as a part of these assets' acquisition cost. Capitalisation ceases when all activities that are required to complete the asset for its intended use or sale have primarily been completed.

Financial income that has arisen when special borrowed capital has been temporarily invested pending being used to finance the asset, reduces the borrowing costs that can be capitalised. All other borrowing costs are charged to costs when they arise.

INCOME TAX

Reported income taxes include tax to be paid or received for the current year, adjustments regarding the relevant tax in previous years as well as changes in deferred tax.

All tax liabilities are valued at nominal amounts and in accordance with the tax regulations and tax rates that have been adopted, or that have been announced and in all likelihood will be adopted.

In accordance with the balance sheet method, deferred tax is reported in its entirety for all temporary differences that arise between the tax base and the carrying amount of assets and liabilities in the consolidated financial statements. If deferred tax arises from a transaction associated with the initial recognition of an asset or liability that is not a business combination and which, at the time of the transaction, has no effect on either reported profit or taxable profit, it is not recognised. Deferred tax is calculated using the tax rates (and legislation) that have been decided or announced as of the balance sheet date and that are expected to apply when the deferred tax asset concerned is realised or when the deferred tax liability is settled.

Deferred tax assets are recognised to the extent it is probable that the temporary differences can be used against future taxable surpluses.

Deferred tax is calculated on temporary differences that arise on participations in subsidiaries and associated companies, except when the Group is able to control the timing for reversal of the temporary differences and when it is likely that the temporary differences will not be reversed in the foreseeable future.

EMPLOYEE BENEFITS

Pensions

Nordic Mines does not have any defined-benefit pension plans. All of its pension solutions are defined-contribution plans. A defined-contribution pension plan requires the Group to pay fixed fees to a separate legal entity. The Group does not have any legal or informal obligations to pay additional fees if that legal entity does not have sufficient assets to pay all remuneration to employees that is associated with service performed by employees during the current year or previous periods. For defined-contribution pension plans, the Group pays fees to public or privately administered pension plans on an obligatory, contractual or

voluntary basis. The Group does not have any further payment obligations once the fees have been paid. The fees are reported as personnel expenses when payment is due. Prepaid fees are reported as an asset to the extent that the Group can expect cash repayment or a decrease in future payments.

Termination benefits

Termination benefits are paid if an employee's employment is terminated before the ordinary retirement date or when an employee agrees to voluntary termination in exchange for such benefits. The Group reports severance pay when it is demonstrably committed to either 1) terminating the employment in accordance with a detailed formal plan and the decision may not be revoked, or 2) providing termination benefits in conjunction with an offer that has been made to encourage voluntary resignation. Benefits that fall due more than 12 months after the balance sheet date are discounted to present value.

Share-based remuneration

The Group has a number of share-based remuneration plans, where remuneration is performed with shares and where the Company receives services from employees as payment for the Group's equity instruments (options). The fair value of the service that entitles employees to an allocation of options is charged to costs. The total amount charged to costs is based on the fair value of the allocated options:

- including all market-related terms (e.g. share target price),
- excluding any effect from employment terms and non-market-related terms for earnings (e.g. profitability, targets for sales increases and the fact that the employee remains in the employment of the company for a specified period of time), and including the effect of terms that do not constitute terms in relation to earnings (e.g. demands that employees must save).
- no remuneration is reported if the options are “out-of-money”

It may occasionally be the case that employees perform services before the allocation date, and in such cases an estimate is made of the fair value, in order that a cost can be reported as distributed over the period from the time when the employee starts performing services until the allocation date.

At the end of each reporting period, the Group reassesses its assessments of how many shares are expected to be earned based on the non market-related earnings terms. Any deviation in relation to the original assessments to which the reassessment gives rise, is reported in the profit and loss statement and corresponding adjustments are made in equity.

When the options are utilised, the Company issues new shares. Received payments, after deductions for any directly attributable transaction costs, are credited to the share capital (quota value) and other contributed capital.

The social security contributions that arise at the allocation of share options are viewed as an integral part of the allocation, and the cost is treated as a cash-regulated share-based payment.

PROVISIONS

Provisions for environmental restoration measures, restructuring costs and legal requirements are reported when the Group has a legal or informal obligation as a result of past events and when settlement is expected to result in an outflow of resources and when the amount has been estimated reliably. No provisions are made for future operating losses. The provisions are measured at the present value of the amount that is expected to be required in order to settle the obligation.

Provisions for restoration of land are made for the current value of the assessed future costs in accordance with the Company's production according to the mining plan. An assessment of the earmarked amount takes place continuously.

During the course of the mining, the Company will continuously restore the land which is no longer actively processed in the production.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash, bank deposits and other short-term investments that fall due within three months of the acquisition date.

SHARE CAPITAL

Common stock is classified as equity. Transaction costs that are directly attributable to the issue of new shares or options are reported (net after tax) to equity as a deduction from the issue proceeds.

CALCULATION OF FAIR VALUE

The nominal value, less any assessed credits, of accounts receivable and accounts payable is assumed to be equivalent to the fair value, since these items are short-term in nature. The fair value of financial liabilities is calculated, for disclosure in a note, by discounting the future contracted cash flow at the current market interest rate that is available to the Group for similar financial instruments.

SIGNIFICANT RISKS AND UNCERTAINTIES

All enterprise is associated with a certain degree of risk. Nordic Mines' operations must be assessed based on the risk, cost and difficulty that companies in the mining and exploration business often face. The risks in the majority of cases are such that the Company cannot protect itself from them.

The risk faced by mining and exploration companies is mainly associated with the outcome of the exploration itself, the production and the market price on the metal markets, but there is also risk associated with licensing issues related to exploration, processing and the environment.

The Group is also exposed to a number of financial risks: liquidity risk, credit risk, gold price risk and currency risk. The Board and the Company's executive management attempt to address these risks by identifying, evaluating and mitigating the risks listed above where appropriate.

Liquidity risk

The Company does not have sufficient liquidity as of the reporting date to cover its needs for the next twelve months. Cash and cash equivalents amounted to SEK 2.9 million at the end of the fourth quarter of 2016, and the Company basically does not have any income since production at the mine was stopped, other than some minor income for forestry or sales of unused equipment. The Company is dependent on external capital to continue operating.

The Company does not currently have the funds to finance the re-start of operations at the Laiva mine. Nordic Mines has entered into the transaction with Firesteel, outlined above, which will, when concluded, result in Firesteel financing the restart of operations. Should the deal with Firesteel not be concluded, the Company will need to seek alternative capital both to continue to maintain Laiva on care and maintenance and to restart operations in due course.

If the Company cannot conclude the transaction with Firesteel in a timely manner, acquire additional capital infusions or agree payment plans with suppliers and creditors, there is a risk that a liquidity deficit will occur. There is therefore a risk that the Finnish composition plan will fail, which could lead to a new reorganisation, bankruptcy or other winding down of the Company.

Taken as a whole, this means that there are significant factors of uncertainty that could lead to extensive doubt regarding the ability of the Company to continue to be a going concern.

See Note 23 Going Concern Principle for more information.

Composition plan for Nordic Mines Oy

On 31 July 2014, the Uleåborg District Court decided to adopt the composition plan proposal filed with the court by the administrator for Nordic Mines' Finnish subsidiary. The composition plan includes conditions that allow the Company's creditors and the composition plan supervisor, attorney Hannu Ylönen from the Krogerus law firm, to apply for the composition to be revoked under certain conditions (which are presented in more detail in the composition plan). The grounds for termination, for example, include cases where the Group companies cannot fulfil their payment obligations in accordance with the composition plan.

If Nordic Mines Oy breaches the Finnish composition plan, there is a risk that it will fail, which could lead to a new reorganisation, bankruptcy or other winding down of the Company. In the event that the Finnish composition plan fails, the relevant claims of creditors return to Nordic Mines Oy, at their full amount, and in the event of a bankruptcy all shareholders will completely forfeit their previously paid share capital.

A more detailed description of the composition plan in Nordic Mines Oy is available in the 2015 prospectus, which is available on the Company's website, www.nordicmines.com.

Gold price risk

Sales commenced in January 2012 and essentially have consisted of a single product, doré bars, containing gold, silver and copper. A decline in the price of gold could have a negative impact on the Group's future profit as well as a negative impact on the Company's possibilities for restarting the Laiva mine.

Currency risk

Gold is quoted in USD, the majority of the costs occur in EUR and the Group is consolidated in SEK. Accordingly, the company is directly dependent on exchange rates for these currencies. If USD strengthens against EUR, this has a positive effect. If EUR strengthens against SEK, this has a positive effect on sales, but a negative effect on costs. See Note 25 for more information.

Employees

Nordic Mines currently has a small organisation and is dependent on a number of key individuals. A limited expected lifetime and to date weak profitability for the Laiva mine can result in restricted opportunities to recruit key personnel once the mine restarts its operations.

Other risk

In addition to these risks, the more general risks faced by just about all companies involved in business must be taken into account, such as economic trends, competitors, technology and market development, suppliers, customers, acquisitions, qualified personnel, legislation and regulation, intellectual property rights and stock market risk. Other risks and uncertainties of which Nordic Mines is not currently aware, or that are not deemed significant, may also develop into factors that may affect the future of Nordic Mines.

IMPORTANT ESTIMATES AND ASSESSMENTS FOR ACCOUNTING PURPOSES

Preparing the financial reports in accordance with IFRS requires the Company management to make assessments and estimates, as well as to make assumptions that influence the application of the accounting principles and the recognised amounts for assets, liabilities, income and expenses.

The actual result may differ from these estimates and assessments. The estimates and assumptions are reviewed regularly. Changes to estimates are reported in the period during which the changes are made if the changes have only influenced that period, or in the period during which the change is made and in future periods if the change affects both the current period and future periods.

The estimates and assumptions that entail a considerable risk of significant adjustments to carrying amounts for assets and liabilities during subsequent reporting periods are outlined below.

Testing for impairment of Intangible assets

In accordance with IFRS 6, impairment testing of exploration and evaluation assets takes place when facts and circumstances suggest that the carrying amount of the assets may exceed their recoverable amount. The value may need to be written down if: 1) the conditions should change for the underlying assessments that were used to assess the value of the intangible assets; or 2) facts and circumstances should emerge that indicate a need for impairment testing in accordance with IAS 36.

Property, plant and equipment

Impairment testing of property, plant and equipment takes place when circumstances suggest that the carrying amount of such an asset may exceed the recoverable amount. The value may need to be written down if: 1) the conditions should change for the underlying assessments that were used to assess the value of the intangible assets; or 2) facts and circumstances should emerge that indicate a need for impairment testing in accordance with IAS 36.

The value of the assets is dependent in part on:

- Obtaining a permit to extract ore
- The start of extraction activities
- The sum of incurred expenses, along with the discounted value of future expenditure to extract minerals, is less than the present value of the income that is expected to be generated from the extraction of minerals.

The value of the assets in the form of capitalised development expenses for mining operations is dependent on the Group obtaining a mining permit for the locations where exploration is taking place.

Restoration of land

Provisions are made for the estimated costs for the restoration of land in accordance with the prepared mining plan. An assessment of the earmarked amount takes place continuously.

Assessment of loss carry-forward

Every year, the Group's management and Board of Directors assess the potential to capitalise deferred tax assets with regard to taxable loss carry-forwards. Deferred tax receivables are only entered in the event it has been deemed assured that these can be used against taxable surpluses. Utilisation of the taxable loss carry-forwards assumes full funding.

Legal issues

The Board of Directors continually assesses the risk of financial consequences of disputes. These assessments include a certain measure of estimation as regards outcome and required provisions.

PARENT COMPANY ACCOUNTING PRINCIPLES

The Parent Company has prepared its annual report in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. RFR 2 requires the Parent Company, as the legal entity, to apply all of the EU approved IFRS and statements, to the extent that this is possible within the framework of the Annual Accounts Act, and taking into account the correlation between accounting and taxation. This recommendation specifies the exceptions from and additions to IFRS that may be applied. Participations in subsidiaries are reported in accordance with the cost method.

Notes

Unless otherwise indicated, all amounts are in SEK

Note 1 Costs distributed per type of cost

	Group		Parent Company	
	2016	2015	2016	2015
Changes in stock and work in progress	866	-3,066		
Raw material and consumables	10,543	16,446		
Expenses for employee benefits	13,192	20,919	7,628	10,726
Depreciation and impairment losses	15,153	27,930	339	348
Other expenses	16,688	24,796	13,422	15,965
	56,442	87,025	21,389	27,039

Note 2 Fees and remuneration to auditors

	Group		Parent Company	
	2016	2015	2016	2015
PwC				
- Audit assignment	762	762	650	633
- Auditing tasks in addition to the audit assignment	41	106	41	106
	803	868	691	739

The audit assignment includes the audit of the annual report, accounting records and the administration of the Board of Directors and the CEO, as well as other duties that the Company's auditor is obliged to conduct and advice or other assistance resulting from observations made during the audit or performance of these other duties. Any other services provided are included in "other assignments".

Note 3 Personnel

Average number of employees	Group				Parent Company			
	Total 2016	Of which women	Total 2015	Of which women	Total 2016	Of which women	Total 2015	Of which women
Sweden	1	0%	3	20%	1	0%	3	20%
Finland	38	8%	59	12%	2	0%	3	22%
	39	7%	62	7%	3	0%	6	21%

Gender breakdown in the Board and management (including CEO) (Number at end of the reporting period)

	Group				Parent Company			
	2016	Of which women	2015	Of which women	2016	Of which women	2015	Of which women
Board members in the Parent Company	8	0	5	1	8	0	5	1
Senior executives (incl. CEO)	9	1	4	1	8	1	4	1

Salaries, other remuneration and social security expenses

	Group				Parent Company			
	2016 Salaries & other remuneration	2016 Social security expenses	2015 Salaries & other remuneration	2015 Social security expenses	2016 Salaries & other remuneration	2016 Social security expenses	2015 Salaries & other remuneration	2015 Social security expenses
Sweden (of which pension expenses, Sweden)	4,310	2,571	8,395	3,781	4,310	2,571	8,395	3,781
		(1 019)		(1 377)		(1 291)		(1 377)
Finland (of which pension expenses, Finland)	5,479	1,030	10,664	1,810	947	182	889	197
		(915)		(1 490)		(155)		(162)
Total	9,789	3,601	19,059	5,591	5,257	2,753	9,284	3,978

Salaries, other remuneration and social security expenses for the CEO, senior management and other employees

	Group				Parent Company			
	2016 CEO and senior executives	2016 Other employees	2015 CEO and senior executives	2015 Other employees	2016 CEO and senior executives	2016 Other employees	2015 CEO and senior executives	2015 Other employees
Sweden (of which bonus, etc.)	4,310		5,798	2,596	4,310		5,799	2,596
	(–)		(–)		(–)		(–)	
Finland (of which bonus, etc.)	743	4,736	2,036	8,628	744	203	716	173
	(–)		(–)		(–)		(–)	
Total	5,053	4,736	7,834	11,224	5,054	203	6,515	2,769

REMUNERATION TO SENIOR EXECUTIVES

Principles

A fee is paid to the independent non-executive members of the Board of Directors in accordance with a resolution adopted at the Annual General Meeting. The Company must endeavour to offer its senior executives a competitive salary and employment terms. The criteria must therefore be based on the importance of the assigned tasks, required skills, experience and performance. Remuneration to senior executives consists of a fixed basic salary, pension benefits and other benefits. Besides the CEO, senior executives are individuals who are a part of the Group management team and who report directly to the CEO. Pension premiums are paid at an amount based on the ITP plan (supplementary pensions for salaried employees in industry and commerce in Sweden) or under the system in Finland. Pension-based salary consists of basic salary.

REMUNERATION AND OTHER BENEFITS DURING THE YEAR TO THE CEO AND MANAGEMENT AND THE PERIOD OF NOTICE

Six individuals are included for the item Salary and other remuneration to the CEO and senior executives. In 2016, the CEO received a salary and other taxable remuneration of KSEK 2,910 (2,945) in total. In 2016, the senior executives received salary and other taxable remuneration of KSEK 2,145 (4,889) in total. Benefits to the CEO and senior executives, with a value of SEK 40,063 (41,031) of which the CEO SEK 0 (317).

Pensions

Of the pension expenses in Sweden, SEK 1,019,372 (SEK 1,376,789) pertains to the Group CEO and senior executives, of which SEK 636,809 (SEK 532,022) pertains to the CEO. Of the pension expenses in Finland, SEK 129,407 (SEK 358,235) pertains to the Group CEO and senior executives. Pension provisions in Sweden are made in accordance with the general agreement SIF-SAF. Pension provisions in Finland are made in accordance with Finnish labour code legislation.

Remuneration and other benefits during the year

Annual remuneration to the Board members who are not employees of the Company and independent of any major shareholders is as follows: SEK 200,000 for each Board member, is paid from 1 July to 30 June the following year.

2015	Elected	Remuneration (SEK)
Lennart Schönning (Chair)	2009	300,000
Krister Söderholm	2013	200,000
Helve Boman	2013	200,000
Ulla-Britt Fräjdning-Helqvist (Deputy Chair)	2015	125,000
Tord Cederlund	2015	100,000
Manfred Lindvall	2015	100,000
		1,025,000

2016	Elected	Remuneration (SEK)
Krister Söderlund	2013	200,000
Torsten Börjemalm	2016	200,000
		400,000

Employee share options programme

The AGM on 19 May 2011 resolved to issue 510,000 warrants to key personnel within the organisation in the form of a long-term incentive programme. Nordic Mines Optioner AB, 556751-0671, a wholly owned subsidiary of Nordic Mines AB (publ), will be entitled to subscribe, with deviation from the preferential rights of the shareholders. The subsidiary will issue options for the right to acquire the warrants for certain key individuals in, and consultants engaged by, Nordic Mines AB (publ), branch Finland, and Nordic Mines Oy. Subscription took place on 25 May 2011. The vesting period is three years from subscription. Each warrant, after conducted issues and consolidation, grants the entitlement, during the period from 16 June 2014 until 14 June 2024, to subscribe to 0.69 new shares in Nordic Mines AB (publ), at a price per share amounting to the volume-weighted average call price for the Company's shares on Nasdaq Stockholm for a period of ten (10) trading days immediately after the 2011 AGM, however always at least at the share quota value. The original subscription price of SEK 63.77 is translated after issues and consolidation as per March 2014 to SEK 92.3. All warrants have been allocated, but nothing has been expensed since the subscription price is significantly higher than the price of the share. No warrants have been utilised. At full utilisation of outstanding warrants within the framework of this warrant programme, the Company would obtain SEK 32,480,370, of which 32,325,041 constitutes an increase in share capital. The number of shares would increase by 351,900, which corresponds to a dilution of around 0.06 per cent based on the total number of shares.

The AGM on 23 May 2012 resolved to issue 280,000 warrants to key personnel within the organisation in the form of a long-term incentive programme. Nordic Mines Optioner AB, 556751-0671, a wholly owned subsidiary of Nordic Mines AB (publ), will be entitled to subscribe, with deviation from the preferential rights of the shareholders. The subsidiary will issue options for the right to acquire the warrants for certain key individuals in, and consultants engaged by, Nordic Mines AB (publ), branch Finland, and Nordic Mines Oy. Subscription took place on 29 May 2012. The vesting period is three years from subscription. It must be possible to increase the share capital by a maximum of SEK 44,800 when all the warrants are used. Each warrant, after conducted issues and consolidation, grants the entitlement, during the period from 15 June 2015 until 12 June 2025, to subscribe to 0.69 new shares in the Company, at a price per share amounting to the volume-weighted average call price for the Company's shares on Nasdaq Stockholm for a period of ten (10) trading days immediately after the 2011 AGM, however always at least at the share quota value. The original subscription price of SEK 16.64 is translated after issues and consolidation as per March 2014 to SEK 24.4. All warrants have been allocated, but nothing has been expensed since the subscription price is significantly higher than the price of the share. No warrants have been utilised. At full utilisation of outstanding warrants within the framework of this warrant programme, the number of shares would increase by 193,200, which corresponds to a dilution of around 0.03 per cent based on the total number of shares.

Updated terms and conditions for the warrants

Resolved	Warrants	Authorised shares	Shares per warrant	Subscription price	Start of subscription period	End of subscription period
23/05/12	280,000	193,200	0.69	24.40	15/06/2015	12/06/2025
19/05/11	510,000	351,900	0.69	92.30	16/06/2014	14/06/2024

Note 4 Other operating income and expenses

	Group		Parent Company	
	2016	2015	2016	2015
Exchange gains	25,266	4,868	20,616	4,722
Exchange losses	-12,496	-10,116	-12,482	-10,065
Forest sales	6,464	-	6,464	-
Income for administrative services to subsidiaries	-	-	569	558
Total other operating income and expenses	19,234	-5,248	15,167	-4,785

Note 5 Financial income and expenses

	Group		Parent Company	
	2016	2015	2016	2015
Interest income, cash and cash equivalents	253	54	1	4
Interest income, Group companies			19,176	7,575
Gains acquisition bank debt	-	105,256		
Total financial income	253	105,310	19,177	7,579
Interest expenses, bank loans	-	-10,150		
Interest expenses, financial leasing	-4	-260		
Other interest expenses	-289	-2,649	-175	-3
Total financial expenses	-293	-13,059	-175	-3
Total financial income and expenses	-40	92,251	19,002	7,576

Testing for impairment

Impairment testing of internal loans takes place when facts and circumstances suggest that the carrying amount of internal loans may exceed their recoverable amount. Management makes the assessment of such facts.

Gains acquisition bank debt, Group

During the fourth quarter of 2015, Nordic Mines AB acquired all of the claims on the Group held by the previous project funders in accordance with the existing project financing agreement ("the Bank Debt"). Nordic Mines AB also acquired the warrants held by the lenders, see Note 14 Warrants. Nordic Mines AB has paid EUR 5 million for the Bank Debt and the warrants, which corresponds to SEK 45,818,000. Since the previous recognized amount for the outstanding Bank Debt in the balance sheet was higher than the amount Nordic Mines AB paid, Nordic Mines is reporting gains at the consolidated level for the acquisition of the Bank Debt amounting to SEK 105,256,000. The nominal amount, including accrued charges, amounted to SEK 137,617,000 and of the consideration, SEK 32,361,000 was allocated thereto.

Note 6 Income taxes and Deferred tax claims

	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Current tax				
Tax on profit/loss for the year	6	2	3	-
Total current tax	6	2	3	-
Deferred tax				
Origination and reversal of temporary differences	-	-	-	-
Total income tax	-	-	-	-
Reported profit/loss before taxes	-37,248	-22	12,780	-24,248
Tax according to the applicable tax rate Tax effects:	8,195	5	-2,812	5,335
Non-deductible expenses	-8	-13	-3	-13
Non-taxable revenue	-	36	-	-
Issue costs	-	1,164	-	1,164
Previously unrecognised tax losses used to reduce tax expense	-	-	2,818	-
Taxable deficit for which no deferred tax has been reported	-8,181	-1,190	-	-6,486
Total income tax	6	2	3	-

The applicable tax rate for the Parent Company and its Swedish subsidiaries is 22%. For the Finnish subsidiaries it is 20%.

Tax losses

Unused tax losses for which no deferred tax asset has been recognised	838,425	801,177	110,031	122,829
Potential Tax asset	169,552	162,365	24,207	27,022

Note 7 Intangible fixed assets

	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Opening cost	63,188	64,341	62,383	63,536
Exchange rate differences	1,496	-1,153	1,496	-1,153
Closing carrying amount	64,684	63,188	63,879	62,383

Testing for impairment

Impairment testing of exploration and evaluation assets takes place when facts and circumstances suggest that the carrying amount of the exploration and evaluation assets may exceed their recoverable amount. Management makes the assessment of such facts. The Company, in accordance with IFRS 6, has written down the accumulated exploration costs to SEK 0 million based on a decision to settle related assets.

	Group	
	2016	2015
Capitalised exploration costs & Impairment per area		
Area around the Laiva mine	-	-
Other areas, Finland	-	-
Sweden	-	-
	-	-

No exploration took place during 2015 or 2016 due to cost savings.

Note 8 Property, plant and equipment

	Group				Total property, plant and equipment
	Buildings, land and land improvements	Mining assets	Machinery and equipment	Production facility	
Amounts in SEK thousand					
As of 1 January 2015					
Cost or revalued amount	25,895	140,000	53,695	956,590	1,176,180
Accumulated depreciation	-441	-20,184	-38,275	-111,692	-170,592
Accumulated impairment	-	-9,532	-	-535,419	-544,951
Carrying value	25,454	110,284	15,420	309,479	460,637
Financial year 2015					
Opening carrying value	25,454	110,284	15,420	309,479	460,637
Acquisitions	-	-	-	831	831
Disposals	-	-	-38	-580	-618
Exchange differences	-	-	-78	-9,895	-9,973
Depreciation/amortisation	-57	-	-8,682	-18,530	-27,269
Closing carrying amount	25,397	110,284	6,622	281,305	423,608
As at 31 December 2015					
Cost or revalued amount	25,895	140,000	53,579	946,946	1,166,420
Accumulated depreciation	-498	-20,184	-46,957	-130,222	-197,861
Accumulated impairment	-	-9,532	-	-535,419	-544,951
Carrying value	25,397	110,284	6,622	281,305	423,608
Financial year 2016					
Opening carrying value	25,397	110,284	6,622	281,305	423,608
Acquisitions	-	-	31	1,137	1,168
Disposals	-	-	-	-	-
Exchange differences	-	-	13	12,390	12,403
Depreciation/amortisation	-57	-	-870	-14,814	-15,741
Closing carrying amount	25,340	110,284	5,796	280,018	421,438
As at 31 December 2016					
Cost or revalued amount	25,895	140,000	53,623	960,473	1,179,991
Accumulated depreciation	-555	-20,184	-47,827	-145,036	-213,602
Accumulated impairment	-	-9,532	-	-535,419	-544,951
Carrying value	25,340	110,284	5,796	280,018	421,438

The item Machinery and equipment includes leasing objects which the Group holds according to financial leasing agreements of the following

	2016	2015
Cost or revalued amount	-	24,390
Accumulated depreciation	-	-23,814
Carrying value	-	576

Testing for impairment

Impairment testing of property, plant and equipment takes place when facts and circumstances suggest that the carrying amount of such assets may exceed their recoverable amount. Management makes the assessment of such facts. Based on Laiva's mineralisation and the updated mineral resource as of 16 May 2016 and the mineral reserve as of 1 January 2015, the Board has assessed the recoverable amount of the assets in the operations. This includes the value of both the mine assets and the assets the Company uses for mining and gold production.

The recoverable amount has been determined among other methods as a discounted cash flow for the planned operations. Central assumptions in this calculation include assumptions regarding the head grade, the price of gold and production costs.

- The updated mineral resource estimate is based upon both ore sorting tests and the mineral reserve and mineral resource report as of 1 January 2015 as determined by the independent mining consultancy company, SRK Ltd, served as the basis for the assumption regarding the head grade. The total proved and probable mineral reserve in Laiva as of 1 January 2015 is 9,367,000 tonnes with an average grade of 1.19 grams of gold per tonne (cut-off 0.6 grams per tonne). The gold content in the mineral reserve corresponds to around 11,200 kg (360,000 troy ounces).

- The updated mineral resource estimate is based upon both ore sorting tests and the mineral reserve and mineral resource report as of 1 January 2015 as determined by the independent mining consultancy company, SRK Ltd, served as the basis for the assumption regarding the head grade. The measured and indicated mineral resource in Laiva as of 16 May 2016 is 24,320,000 tonnes with an average grade of 1.13 grams of gold per tonne (cut-off 0.3 grams per tonne). The gold content in the mineral resource corresponds to around 27,500 kg (885,000 troy ounces).

- The calculation of the mineral resource was based on a long term forecast of €1,225 per troy ounce (USD1,400 per troy ounce).

- The calculation of the mineral reserve was based on an assumed five-year gold price of € 1,020 per troy ounce (USD 1,184 per troy ounce). A yield requirement of 10% was applied.

- Production costs were based on the Company's mining plan, which in turn is based on historical costs from the area as well as a measurement of what the changed business plan will entail in terms of mining.

- Additional investments were considered to the extent that they are part of the business plan and thus are known at the time of calculation.

- The measurement assumes full funding when mining starts.

Note 8 Property, plant and equipment (cont'd.)

	Parent Company		
	Buildings, land and land improvements	Machinery and equipment	Total property, plant and equipment
Amounts in SEK thousand			
As at 1 January 2015			
Cost or revalued amount	25,895	10,451	36,346
Accumulated depreciation	-441	-4,076	-4,517
Carrying value	25,454	6,375	31,829
Financial year 2015			
Opening carrying value	25,454	6,375	31,829
Acquisitions	-	-	-
Disposals	-	-38	-38
Exchange differences	-	-	-
Depreciation/amortisation	-57	-291	-348
Closing carrying amount	25,397	6,046	31,443
As at 31 December 2015			
Cost or revalued amount	25,895	10,413	36,308
Accumulated depreciation	-498	-4,367	-4,865
Carrying value	25,397	6,046	31,443
Financial year 2016			
Opening carrying value	25,397	6,046	31,443
Acquisitions	-	31	31
Disposals	-	-	-
Exchange differences	-	-	-
Depreciation/amortisation	-57	-281	-338
Closing carrying amount	25,340	5,796	31,136
As at 31 December 2016			
Cost or revalued amount	25,895	10,444	36,339
Accumulated depreciation	-555	-4,648	-5,203
Carrying value	25,340	5,796	31,136

Note 9 Deposit Centre for Economic Development, Transport and the Environment in Finland

	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Infrastructure work EUR 0 thousand (0)				
Management of water, processing, checks and maintenance EUR 500 (500) thousand	4,783	4,582		
Processing systems of leachate EUR 602 thousand (602)	5,752	5,514		
Extraction waste EUR 1,280 thousand (1,280)	12,246	11,726		
	22,781	21,821	-	-

Note 10 Participations in Group companies

			Parent Company	
			31 Dec 2016	31 Dec 2015
Opening and closing accumulated cost and carrying value			101,627	101,627
Subsidiaries	CIN	Registered office	Share, %	Carrying amount
Nordic Mines Marknad AB	556767-4980	Stockholm	100%	101,488
– Nordic Mines Oy	2296579-4	Piehinki	100%	-
Nordic Mines Optioner AB	556751-0671	Stockholm	100%	139
				101,627

Note 11 Inventories and construction in progress

	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Mined ore in stock				
Consumables	35,233	34,586		
Construction in progress				
Doré bars				
Total inventories	35,233	34,586	-	-

Note 12 Prepaid expenses and accrued income

	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Prepaid rent	-	71	-	71
Prepaid lease	6	6	6	6
Prepaid insurance	63	446	54	52
Prepaid warranties	46	173	20	-
Prepaid electricity costs	179	-	-	-
Prepaid consumables	-	94	-	-
Prepaid machinery work	1,135	1,087	-	-
Other prepaid expenses	3,045	2,751	-	30
Total prepaid expenses and accrued income	4,474	4,628	80	159

Note 13 Financial instruments by category

	Derivatives used for hedging purposes	Loan receivables and accounts receivable	Total
Assets in the balance sheet at 31 December 2016			
Cash and cash equivalents and deposits	-	25,662	25,662
Total financial assets	-	25,662	25,662

	Derivatives used for hedging purposes	Other financial liabilities	Total
Liabilities in the balance sheet at 31 December 2016			
Borrowings (bank loans)	-	11,355	11,355
Accounts payable and other liabilities excluding non-financial liabilities	-	20,951	20,951
Total financial liabilities	-	32,306	32,306

	Derivatives used for hedging purposes	Loan receivables and accounts receivable	Total
Assets in the balance sheet at 31 December 2015			
Cash and cash equivalents and deposits	-	54,423	54,423
Total financial assets	-	54,423	54,423

	Derivatives used for hedging purposes	Other financial liabilities	Total
Liabilities in the balance sheet at 31 December 2015			
Debts regarding financial leasing	-	1,024	1,024
Accounts payable and other liabilities excluding non-financial liabilities	-	26,729	26,729
Total financial liabilities	-	27,753	27,753

Note 14 Equity

The total number of shares is 565,722,756 with a quota value of 50 öre per share. All issued shares have been fully paid. Each share carries full entitlement to an equal voting right at the AGM and a share of the Company's assets and profits. Each share also provides the shareholder with preferential rights to new issues of shares, warrants and convertibles in proportion to the number of shares owned, along with the right to partake in dividends and any surplus upon liquidation.

Share capital	Number of shares (thousand)	
Opening balance, 1 January 2015		5,403,043
Consolidation of shares (1:100)	1	-5,349,012
New share issue	2	397,273
Offsetting issue	2	114,419
Closing balance as at 31 December 2015		565,723
Closing balance as at 31 December 2016		565,723

1. Following resolution by the Annual General Meeting held on 30 June 2015, a consolidation of the shares was conducted via a reverse split on a 1 for 100 basis.

2. Following resolution by the Extraordinary General Meeting held on 21 October 2015, a new issue was conducted in October 2015 for 511,692,324 shares, of which 114,419,495 were paid for by offsetting a share-based compensation for the commitment. The new issue, after offsetting the compensation for the commitment but before other transaction expenses, raised approximately SEK 80 million for the Company.

Dividend policy

In the event a dividend is paid, consideration must be given to the Company's liquidity, future income, financial situation, capital requirement and position in general.

Stock options, employee stock option programme

See Note 3.

Warrants

The Company also issued warrants in 2014 targeting the Company's lenders. The number of new shares in the Company that could be subscribed by utilising the options corresponded to an ownership of 12 per cent of the Company. The parties intended that the new shares would be paid by offsetting outstanding loans under the loan agreement. The warrants were repurchased and cancelled by Nordic Mines AB in conjunction with the acquisition of all of the lenders' claims on Group companies by Nordic Mines AB in December 2015. For more information, see Note 16 regarding bank loans. At the consolidated level and for the Parent Company, the effects of the repurchase of the warrants are reported as Transactions reported directly under equity. For the Parent Company, the effect was positive, SEK 39,959,000, and for the Group the effect was negative, -13,457,000. At the parent company level, there was a liability of SEK 53,416,000 related to the warrants. 13 457 thousand was paid as the exercise amount.

Reserves in the Group

	Translation reserve	Hedging reserve	Total
As at 1 January 2015	-39,886	-	-39,886
Exchange differences	-2,543	-	-2,543
As at 31 December 2015	-42,429	-	-42,429

	Translation reserve	Hedging reserve	Total
As at 1 January 2016	-42,429	-	-42,429
Exchange rate differences	2,028	-	2,028
As at 31 December 2016	-40,401	-	-40,401

Note 15 Provisions

Amounts in SEK thousand	Restoration of environment	Total
As at 1 January 2016	26,204	26,204
Recognised in the income statement		
- exchange rate difference	1,153	1,153
Carrying amount at 31 December 2016	27,357	27,357
Provisions consist of:	2016	2015
Long-term component	27,357	26,204
Short-term component	-	-
Total	27,357	26,204

Note 16 Borrowing

	Loan currency	Group		Parent Company	
		31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Long-term					
Group companies	SEK			68	68
Total long-term borrowings		-	-	68	68
Short-term					
Other loans	SEK	11,355	-	11,355	-
Debts regarding financial leasing	EUR/SEK	-	1,024	-	-
Total short-term borrowings		11,355	1,024	11,355	-
Total borrowings		11,355	1,024	11,423	68
Net liabilities		8,474	-31,578	9,726	-29,893
Bank loans					
		2016	2015		
Within 1 year		-	-		
1–5 years		-	-		

Debts regarding financial leasing

Leasing debts are effectively secured, as the rights of the leased assets recur to the lessor in the event of non-payment.

Gross liabilities for financial leasing - minimum leasing fees	2016	2015
Within 1 year	-	1,024
1–5 years	-	-
	-	1,024
Current value for financial leasing liabilities	-	1,027

Loan liabilities within Group companies

Nordic Mines Oy has internal loans from the Parent Company of KSEK 296,238. These loans have been issued under an agreement. The repayment of the loans, including interest, shall only occur when the conditions are in place for repayment.

Bank loans

All of the loans were valued using hierarchy level 3 in accordance with IFRS 7.

During the fourth quarter of 2015, Nordic Mines AB acquired all of the claims on the Group held by the previous project funders in accordance with the existing project financing agreement ("the Bank Debt"). The purchase of the Bank Debt means that Nordic Mines AB acquired the Bank Debt for EUR 5 million, which corresponds to an additional write-down of the original loan amount by around EUR 10 million. Before the first write-down in the summer of 2014, the Bank Debt amounted to more than EUR 45 million. Nordic Mines AB also acquired the warrants held by the lenders, which corresponded after subscription to a shareholding of 12 per cent in Nordic Mines AB. The warrants were then cancelled. Through the purchase, the Group regained full control over the assets that are pledged in accordance with the project financing agreements. The previous Bank Debt is currently an intra-Group claim from Nordic Mines AB on Nordic Mines Oy.

Financial leasing liabilities

Leasing fees consist in part of minimum lease payments and in part variable fees. The leasing fees are based on a variable rate of interest and are included in the minimum lease payments based on the prevailing interest rate at the start of the agreement. Future changes in the interest rate are included in the variable fees. The total amount of leasing fees paid during the period was KSEK 826 (10,002).

Other loans

Nordic Mines AB has during the third and fourth quarter received short-term loans from the company's major shareholders totalling \$1,250,000.

Note 17 Accrued expenses and deferred income

	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Accrued salaries/holiday pay	1,277	1,497	245	297
Accrued Board fees	150	384	150	384
Accrued social security contributions	94	222	57	187
Interest	176	-	176	-
Production costs	464	385	-	-
Financial consultant costs	729	767	362	392
Legal consultant costs	-	48	-	-
Other accrued expenses	111	18	13	-
	3,001	3,321	1,003	1,260

Note 18 Pledged assets

	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
For own liabilities and provisions:				
Blocked funds, Deposit Centre for Economic Development, Transport and the Environment in Finland	22,781	21,821		
Restricted bank funds Tuukes (EUR 65 thousand)	622	596		
Pledged shares in subsidiary, Nordic Mines Marknad AB	198,409	-	101,488	-
	221,812	22,417	101,488	-

A significant portion of the project funding raised in March 2011 is from the land around Laiva, the properties and machinery owned by the Company, which was pledged to the benefit of the project financiers. In conjunction with the acquisition by Nordic Mines of all of the claims of the project funders on the Group in accordance with the existing project financing agreement, Nordic Mines regained full control over the assets that are pledged in accordance with the project financing agreements. The value was set by the National Land Survey of Finland at EUR 730 million. The carrying amount has been historically been reported at a significantly lower level than the corresponding assets.

Pledging of shares in the subsidiary, Nordic Mines Marknad AB, is to the benefit of the Company's lenders. The given value of the pledge is equivalent to the equity capital at the closing date of the subsidiary Nordic Mines Marknad AB.

Note 19 Contingent liabilities

	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Guarantee to AB Tallqvist AB (EUR 1 million)	9,567	9,164	9,567	9,164
Guarantee to AB Atlas Copco AB (max amount)	-	15,840	-	15,840
Guarantee Nordea Oy (EUR 1.1 million)	-	9,958	-	9,958
	9,567	34,962	9,567	34,962

Note 20 Adjustments for non-cash items

	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Depreciation and impairment losses	15,741	27,269	339	348
Provisions	1,153	-889	-	-
Gains acquired bank debt	-	-105,256	-	-
Other non-liquidity items	-12,478	-1,057	-1,836	-
	4,416	-79,933	-1,497	348

Note 21 Earnings per share**Before dilution**

Earnings per share before dilution are calculated by dividing the earnings related to the Parent Company's shareholders by a weighted average number of outstanding shares.

	31 Dec 2016	31 Dec 2015
Net loss for the year related to the Parent Company's shareholders	-37,254	-24
Weighted average number of outstanding shares (thousands)	565,723	93,661
Earnings per share before dilution	-0.07	0.00

After dilution

For calculating the earnings per share after dilution, the weighted average number of outstanding shares are adjusted for the dilution effect of all potential shares. The Parent Company has one category of potential shares with dilution effect: share options. For share options a calculation of the number of shares which could have been purchased at actual value is conducted (calculated as the year's average market price for the Parent Company's shares), for an amount equivalent to the monetary value of the subscription rights which are linked to outstanding share options. The number of shares calculated in accordance with the above is compared to the number of shares which would have been issued on the assumption that share options are utilised.

	31 Dec 2016	31 Dec 2015
Net profit/loss for the year related to the Parent Company's shareholders	-37,254	-24
Weighted average number of outstanding shares (thousands)	565,723	93,661
Weighted average number of outstanding shares for calculation of earnings per share after dilution (thousands)	565,723	93,661
Earnings per share after dilution	-0.07	0.00

Note 22 Transactions with related parties

In 2016 and 2015, none of the Board members, senior executives or the Group's auditors at that time – individually or indirectly, through companies or related parties – participated directly or indirectly in business transactions that were, or are, unusual in nature. The Group has not granted loans or given guarantees or sureties in 2016 or 2015 to the benefit of Board members, senior executives or the Group's auditor at that time. A new Board of Directors of Nordic Mines was elected at the Extraordinary General Meeting on 7 January 2016. Of the new Board, Vinod Sethi (Chair), Salim Govani, Pranay Panda, D. Saradhi Rajan, Hans Andreasson and Kari Langenja are dependent in relation to the Company's Majority Shareholder, Lau Su Holding AB. Mr Pranay Panda resigned from the Board on 18 January 2017. During Q3 and Q4 2016, Lau Su Holding AB and Lao Tzu Investments AB, a company with whom Mr Vinod Sethi is associated, made shareholder loans to Nordic Mines AB. The loans are secured against a pledge of the shares in Nordic Mines Marknad AB.

Note 23 Going concern principle

Nordic Mines concluded the Group's reorganisation proceedings for the Parent Company and its subsidiaries during the third quarter of 2014. Since then Nordic Mines has worked toward and planned a restart of operations at the Laiva mine. A restart at the mine is contingent on the Company having sufficient liquidity to be able to finance such a restart. There are no guarantees that, at the point in time when a decision must be made about the restart of operations, Nordic Mines will have sufficient liquidity to finance a restart of operations at the Laiva mine. It is intended that 60% of Nordic Mines Marknad AB will be sold to Firesteel Resources Inc and that Firesteel will finance the restart of operations, however there is no guarantee that they will conclude the transaction. See Liquidity Risk in the Administration Report.

If the Group's continued operations can no longer be assumed, there is a risk that the Group's assets as well as the Parent Company's carrying amounts on receivables to Group companies and participations in subsidiaries will be subject to significant impairment.

Note 24 Events after the balance sheet date

On 9 January 2017 the Company cancelled the proposed EGM due to Lau Su Holdings AB's withdrawal of support for the proposed placement of common and preferential shares.

On 18 January, Nordic Mines announced that Evli Bank plc would lead a rights issue and appointed Advokatfirman Lindahl KB, a leading Swedish law firm, to Also on 18 January, Mr Pranay Panda resigned from the board of directors with immediate effect.

On 15 March, the Company announced that it had resolved to undertake a rights issue for SEK 51 million at a subscription price of SEK 0.27 per share and to issue shares to Lau Su Holdings AB and Lao Tzu Investments AB on the same terms to offset their outstanding shareholder loans. Nordic Mines accordingly convened an extraordinary general meeting on 18 April 2017.

On 10 April, Nordic Mines announced that it had signed a heads of agreement with the Canadian company Firesteel Resources Inc (TSXV: "FTR") whereby FTR will acquire a majority stake in the Laiva project by a combination of newly issued shares in Nordic Marknad AB ("NMM"), a wholly owned subsidiary of the Company, or buying shares in NMM from the Company. Under the terms of the transaction FTR will acquire 60% of NMM in two stages and fund the project back into production. The Board have therefore resolved to cancel the rights issue and the EGM in order to pursue the transaction with FTR.

The Board of Directors and CEO hereby declare that this annual report provides a true and fair view of the Company's and the Group's business activities, financial position and performance. The significant risks and uncertainty factors facing the Company and its subsidiaries have also been described.

Note 25 Sensitivity analysis

	31 Dec 2016			31 Dec 2015		
	Impact on profit/loss	Other comprehensive income	Equity	Impact on profit/loss	Other comprehensive income	Equity
Interest rate effect on a change of EURIBOR on bank loans in accordance with Note 17:						
+100 basis points (1%) of change in EURIBOR						
-100 basis points (1%) of change in EURIBOR						
Effect from change of foreign exchange rates:						
+1% of the change in the foreign exchange rate between SEK and EUR	2,985		2,985	1,386		1,386
-1% of the change in the foreign exchange rate between SEK and EUR	-2,985		-2,985	-1,386		-1,386

Note 26 Proposed appropriation of profits in the Parent Company

The following funds are at the disposal of the Annual General Meeting

	31 Dec 2016	31 Dec 2015
Share premium reserve	1,018,452	1,018,452
Accumulated loss	-933,700	-909,132
Net profit for the year	12,777	-24,248
Total	97,529	85,072

The Board of Directors proposes that no dividend be paid for 2016 and that earnings be appropriated such that SEK 97,529 is carried forward.

The Board of Directors and the CEO declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The statutory administration report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

The statements of income and balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting on 28 June 2017.

Stockholm 27 April 2017

Vinod Sethi
Chair of Board

Hans Andreasson
Director

Torsten Börjemalm
Director

Salim Govani
Director

Kari Langenoja
Director

Krister Söderholm
Director

D. Saradhi Rajan
CEO

Our audit report was submitted 27 April 2017 and deviates from the standard wording
Pricewaterhouse Coopers AB

Martin Johansson
Authorized Public Accountant



Auditor's Report

To the Annual General Meeting of Nordic Mines AB (publ), Corporate Identity Number 556679-1215

Report on the audit of the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Nordic Mines AB (publ) for the year 2016 except for the corporate governance report on pages 7-14. The annual accounts and consolidated accounts of the company are included in on pages 1-50 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as at 31 December 2016 and of its financial performance and cash flows 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 at 31 December 2016 and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinion does not include the corporate governance report on pages 7-14. 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 for the Group.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities according to these standards are further described in the Auditor's Responsibility 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 audit opinion.

Our audit approach

Scope of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered areas where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. The mothercompany, the Swedish subsidiaries and the Finnish subsidiary which is operative, has been subject to audit. In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at each entity.

The group audit team has performed the audit of the mothercompany, the consolidation, the annual accounts, significant assessments and estimates and the group's impairment tests. Based on the performed procedures, we believe the audit evidence we have obtained is sufficient to provide a basis in forming our opinion on the annual accounts and consolidated accounts as a whole.

Materiality

The scope of our audit are influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. Apart from the circumstances described in the section Emphasis of matters regarding application of going concern, we have concluded that the matters described below are the Key Audit Matters to be communicated in the audit opinion.

Key audit matter	How our audit addressed the Key audit matter
<i>Impairment test for tangible and intangible fixed assets and shares in subsidiaries</i> In Accounting Principles Important estimates and assessment for accounting purposes, disclosure 1 Costs distributed per type of costs, disclosure 7 Intangible fixed assets, disclosure 8 Property, plant and equipment and disclosure 10 Participations in group companies, the company explains the principles for impairments tests, historical write-downs and the result of this year's impairment test. In accordance with IFRS, management should perform a yearly impairment test. The impairment test for intangible and tangible fixed assets is based on the company's forecasted cash-flow based on the production- and business-plan together with forecasted development. The planning horizon is assessed from the estimated lifetime of each mine and the concentrator. The entire mine is assessed to be one cash generating unit. Changes in discount rate, foreign exchange rates, market-price on gold and grades have large impact on the group's future cash-flow. The value of shares in subsidiaries is directly dependent on above. This year's impairment test has not indicated any impairment in neither the group's tangible and intangible fixed assets nor in the mothercompany's shares in subsidiaries. All valuations are dependent on full financing being achieved.	In our audit, we have assessed the valuation model used by management and concluded that the main assumptions in the model correlates with the company's production- and business-plan. We have as well assessed the reasonability of management's estimates and assessments. This has been done through analysis of in what degree previous years' estimates and assessments have been achieved and what impact changes both internally and externally have had on the business. We have challenged management's estimates, primarily linked to the key assumptions which have the greatest impact on the impairment test such as discount rate and future market prices on gold. This has been done by comparisons with forecasts of the economy in general, the mining industry and comparable companies. We have further tested the company's valuation model for mathematical accuracy and performed sensitivity analysis of key assumptions such as discount rate and market prices. We have assessed Nordic Mines AB (publ)'s accounting principles and the disclosures regarding important estimates and assessment as well as sensitivity analysis in the annual report. Our audit has not resulted in any material issues besides in relation to the financial situation.

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 55-60. The Board of Directors and Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover the 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 the 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.

Emphasis of matters regarding application of going concern

Without qualifying our opinion, we would like to draw attention to pages 13 and 32 section "Liquidity risks" and Note 23 in the annual accounts and consolidated accounts, which states that the company needs additional financing and implies that there is an element of substantial uncertainty which could result in significant doubt as to whether the company can continue as a going concern.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and 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, as concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and 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 concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities

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 ISA and generally accepted auditing standards in Sweden will always detect a material misstatements when it exists. Misstatements can arise from fraud or error and are considered material if, individually or 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 Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/re_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinion

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

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

Basis for opinion

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

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

Responsibilities of the Board of Directors and Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of dividend, this include an assessment of whether the dividend is justifiable consideration the requirements which the company's and the group's type of operations, 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 organisation of 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 organisation 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 ongoing administration according to the Board of Directors' guidelines and instructions and for among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's Responsibilities

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 Board member 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 Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/re_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Auditor's report on the corporate governance statement

It is the board of directors who is responsible for the corporate governance statement for the year 2016 on pages 8-15 and that it has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 *The auditor's examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 27 April 2017

PricewaterhouseCoopers AB

Martin Johansson
Authorized public accountant

BOARD OF DIRECTORS

Vinod Sethi

(born 1962)

Permanent member and chairman of the Board of Nordic Mines since January 7, 2016.

Mr. Sethi is a former Managing Director of Morgan Stanley Asset Management Inc. Current board duties include Lau Su Holding AB, Lau Su Investments AB, LAO TZU Investments AB, TVRS Capital AB, TVRS Investments AB, KCP Sugar and Industries Corporation Ltd (India), Advanta Ltd, UPL Ltd, Amethyst Cafe Pvt Ltd, Sethi Funds Management Ltd, Anibrain Pvt Ltd and Anibrain Digital Technologies Pvt Ltd. Mr. Sethi is independent in relation to Nordic Mines and the Nordic Mines Management.

Hans Andreasson

(born 1965)

Permanent member of the Board of Nordic Mines since January 7, 2016.

Mr. Andreasson was a Senior Partner of the Swedish law firm Mannheimer Swartling Advokatbyrå AB until 2016, and is now an independent investor. Current board duties include Luciholding AB, TNG Group AB, Invici AB, To find out AB, Isterius & partners Capital Advisors AB, SingPost AB, Key People Group AB, Noor Capital Management AB, Elfström & Taflin Fastighets AB, Key People AB. Mr. Andreasson is independent in relation to Nordic Mines and the Nordic Mines Management.

Torsten Börjemalm

(born 1939)

Permanent member of the Board of Nordic Mines since January 7, 2016.

Mr. Börjemalm carried out board duties during 2016 at Lovisagruvan AB (publ), Lovisagruvan Utveckling AB, Arctic Gold AB (publ), Arctic Gold Operations AB and TB Management AB. Mr. Börjemalm is independent in relation to Nordic Mines and the Nordic Mines Management.

Salim Govani

(born 1964)

Permanent member of the Board of Nordic Mines since January 7, 2016.

Mr. Govani is an Indian based investment professional with extensive experience of investing within a diverse range of industries. Mr. Govani is a Managing Director of Foresight Holdings Pvt and a Board Director of LAO TZU Investments AB, Missionaim Capital AB, Bloom Packaging Pvt Ltd, Sethi Funds Management Pvt Ltd, Himalayan Ventures Pvt Ltd, Goyal Consulting Pvt Ltd, Gifting Online India Pvt Ltd, SWAL Corporation Limited and Foresight Holdings Singapore Pte Ltd. Mr. Govani is independent in relation to Nordic Mines and the Nordic Mines Management.

Kari Langenoja

(born 1953)

Permanent member of the Board of Nordic Mines since January 7, 2016.

Mr. Langenoja is a financial and accountant consultant with extensive experience from several companies in different industries. Master in Business Administration from Stockholm School of Economics. Other positions: Managing Director of Flipper Marin AB, Permanent member of the Board of Flipper Förvaltning AB, Flipper Marin AB, KaChi AB, Karla Ekonomi AB, LAO TZU Investments AB, Missionaim Capital AB, Silvi AB, TVRS Capital AB, TVRS Investments AB, Vimmerby Datorservice AB, Zoothera AB, Zenaida AB, Galvanoservice A Hansen AB, Schlötter Svenska AB and Svenska Skydd AB. Mr. Langenoja is independent in relation to both Nordic Mines and the Nordic Mines Management.

D. Saradhi Rajan

(born 1967)

Permanent member of the Board of Nordic Mines since January 7, 2016 and CEO of Nordic Mines.

Mr. Rajan is founder and Managing Director of Legacy Hill Resources Ltd and a former Senior Vice President of Vedanta Resources plc. He has led the acquisition, profitable rehabilitation and growth of natural resource assets across the world. Current Board duties of Legacy Hill Resources. Mr. Rajan is also a partner in Associated Agents and Merchants and a Trustee of the A.S.K.R. Trust. Mr. Rajan is dependent in relation to Nordic Mines and the Nordic Mines Management.

Krister Söderholm

(born 1950)

Permanent member of the Board of Nordic Mines since May 23, 2013.

Education: Masters in Geology, Åbo Akademi. Other positions: Director of the Board of Arctic Gold AB, CEO of KrisConsulting Oy. Previous positions: Kevitsa Mining Oy/First Quantum Minerals Ltd, Outokumpu Mining Oy, Chief Inspector of Mines (Finland), Viscaria AB (Sweden), A/S Bidjovagge Gruber (Norway) etc. Independent both of the company and its management. Krister Söderholm is a shareholder of the company.

Pranay Panda

(born 1971)

Permanent member of the Board of Nordic Mines from January 7, 2016 to January 18, 2017.

M.B.A Corporate Finance, Stockholm School of Economics, Bachelor of Science in Applied Mathematics, University of Poona. Current board duties include Lau Su Holding AB (Chairman), Lau Su Investment AB (Chairman) and Blue Star Holding AB (Director). Mr. Panda was independent in relation to Nordic Mines and the Nordic Mines Management but dependent in relation to Nordic Mines' main owner Lau Su Holding AB.

Lennart Schönning

(born 1948)

Permanent member and Chair of the Board until January 7, 2016.

Other positions: Sole-proprietorship via Property Dynamics AB. Previous assignments: Managing Director of Åke Larson Byggare in USA and of the real-estate company Näckebro, Stockholm, previously listed on the Stockholm Stock Exchange. Independence: Independent both of the company and its management and of the company's major shareholders.

Ulla-Britt Fräjdin Hellqvist

(born 1954)

Permanent member and Deputy Chair until January 7, 2016.

Other positions: Chair of the Board Karlstad Innovation Park and Vindora Holding AB, Board member ANNA+Cie, DataRespons ASA, e-man AB, HRM Affärsutveckling AB and Mycronic AB and active in companies owned by her family where she primarily focuses on issues related to industry, the environment, research and societal development. Previous positions: Chair of the Board of Kongsberg Automotive ASA, management positions at Volvo Cars, for example Environmental Manager, Manager of the Volvo Cars' design and concept centre in California and Vice President of Quality. She has also worked as the Development Manager at Svenskt Näringsliv, where she was responsible for a number of business policy areas, including the environment, energy, sustainable development, transports, IT, labour market, discrimination, education and research. Chair of the Board and Board member of listed, private and state-owned companies and foundations as well as non-profit organisations. Independence: Independent both of the company and its management and of the company's major shareholders.

Tord Cederlund

(born 1941)

Permanent member until January 7, 2016.

One of the founders of Nordic Mines and previous Board member during the years 2007-2012. Other positions: MD and Board Member of Arctic Gold since May 2012. Previous assignments: Tord Cederlund was the founder of one of the first private finance companies, Cederlund & Grandin AB, and has been involved in the formation of a large number of companies in Sweden and abroad. Tord Cederlund lived in Brussels for many years, during which time he served as a member of the mining industry's lobby organisation, Euromines Gold Group. He has broad experience in Board work in Europe as well as in the mining industry in Sweden and Finland. Tord Cederlund was involved as early as 1996 in the formation of Endomines and in 2005 in the formation of Nordic Mines. Independence: Independent both of the company and its management and of the company's major shareholders.

Manfred Lindvall

(born 1952)

Permanent member until January 7, 2016.

Previous positions: Directorships for the Environment, the Working Environment and Occupational Health, Technology and Exploration at Boliden, Lundin Mining and Northland Resources Independence: Independent both of the company and its management and of the company's major shareholders.

MANAGEMENT

D. Saradhi Rajan

(born 1967)

CEO of Nordic Mines.

Mr. Rajan is the founder of the mining firm Legacy Hill Resources. He has worked in the natural resources and energy sectors in corporate operation, as an investor and as a banker. Mr. Rajan was a Senior Vice President at Vedanta Resources Plc. Whilst at Vedanta he led a series of transformational acquisitions and financings across different jurisdictions including the acquisition of Cairn India, Anglo Zinc and iron ore assets in Liberia. Prior to that he was a Principal with a leading emerging markets hedge fund where he was involved in a number of complex acquisitions, financings and restructurings in the mining and energy sectors. He has also worked as an investment banker, latterly as a Managing Director with Bank of America Merrill Lynch and prior to that with Donaldson, Lufkin & Jenrette and Lazard. He qualified as a Chartered Accountant with PwC, has a Bachelor of Commerce from Loyola College and was educated at The Doon School.

Andrew Malim

Head, Laiva Mine Development.

An experienced mining analyst and entrepreneur with over 35 years dedicated to the analysis of mining projects and financing and management of mining companies. He has a strong working knowledge of geology and geologic structures and has been associated with a number of significant mineral discoveries in Canada, Africa, the USSR, the US and China. Mr. Malim was a founding member of the James Capel mining team and subsequently founded Lion Mining Group, which was associated with Diamondfields (Voisey's Bay nickel), Delaware Resources (SNIP gold mine), Blackdome Mining (Blackdome gold mine) and First Quantum Copper (Zambian copper). He has been a director of several listed mining companies.

Nigel Pickett

Head, Strategy & Business Development.

Mr. Pickett commenced his working career in mechanical and production engineering. He spent 15 years in the coal-mining sector; 7 years in mechanical engineering on surface and underground installations and 8 years in mineral processing plant management. During this time he worked on several technical and business performance improvement projects including the redevelopment of the last process plant of which he was Plant Manager. He then spent 2 years in R&D developing a new process for the pelletisation of anthracite coal fines. Mr. Pickett has worked for SRK UK, as a Principal Consultant in the Due Diligence Group. In this role, he has led technical and business projects on placer, open pit and underground mines on platinum, diamonds, coal, lignite and phosphate deposits. Mr. Pickett has been the Project Leader for Feasibility Studies for mines in Pakistan and Saudi Arabia, Innovation Audit in Russia, Business and Technical improvement projects in Russia and a confidential review for a possible acquisition in Colombia and of a review of contracting work in Poland. He had a key role in the formation of SRK Kazakhstan. Mr. Pickett is a Chartered Manager, a Fellow of the Chartered Management Institute and holds an MBA from Cardiff Business School.

Peter Finnäs

(born 1962)

General and Explorations Manager the Laiva mine

Peter Finnäs has many years of experience of the mining business and holds a degree of Bachelor of Science in geology and mineralogy. He has previously worked as exploration geologist for Endomines Oy and Kalvinit Oy as well as both mining and exploration geologist for Terra Mining AB. He lives in Finland.

Peter Kuiper

(born 1961)

Development Manager

Peter Kuiper has many years of experience of managing and assisting boards in the mining business. He holds a degree of Bachelor of Science in geology and is appointed qualified person by SweMin. He has previously held positions as board members of TerraMining and Scanor Mining AS. He has also been head of exploration of TerraMining as well as chief technical officer and head of development of ScaMining.

Tony Butler

Chief Finance Officer

Mr. Butler is Head of Finance at Legacy Hill Resources. Tony was previously a director at Cutfield Freeman & Co, where he spent 8 years and has worked as Vice President at Metals & Mining at Nomura International. Tony has led transactions including public market M&A, debt and equity fundraising, as well as joint ventures such as project and offtake finance for mining companies, ranging from Rio Tinto and Anglo American to single asset juniors. Tony has worked with companies listed on the London, Australian and Toronto stock exchanges amongst others. Tony has degrees from Merton College, Oxford, Kings College, London and a Graduate Diploma in Law.

Rune Nordström

(born 1958)

Head of Corporate Communications and Investor Relations

Mr. Nordström is an expert in corporate communications, public affairs & investor relations, with over 20 years of experience. He has previously worked with institutions such as AstraZeneca, SWECO Cres, Sector Alarm, the Government Offices of Sweden, Stockholm County Council and the City of Stockholm. Rune has a degree in business communications from IHM Business School, Stockholm, as well as a degree from Stockholm University.

Ludmilla Lundberg

Senior Advisor, Compliance & Reporting

Mrs. Lundberg comes with 20 years of experience in compliance and reporting with positions as financial controller and chief economist in large listed companies, including Skanska, SEB, and ABB, as well as in Vattenfall. She was also the acting CFO of a listed mining company, Copperstone Resources AB.

Ola Wahlquist

Senior Advisor

Mr. Wahlquist is ex Audit Partner of the Year 2015, at Ernst & Young. Mr Wahlquist is a subject matter expert in Risk Management, Compliance and Audit related issues, having more than 30 years of experience through being associated with many large and mid sized public listed companies in the Nordic Markets some of them including mining related assets.

Definitions according to SveMin

A **Mineral Resource** is a concentration of occurrences of materials in or on the earth's crust in such form, quality and quantity that is of interest financially and for which financially profitable extraction is deemed possible. The location, quantity, grade, continuity and other geological characteristics of a mineral resource are measured, estimated or interpreted based on specific geological facts, tests and knowledge. On the basis of its geological certainty, a mineral resource is classified into the following categories: inferred mineral resource, indicated mineral resource and measured mineral resource.

An **Inferred Mineral Resource** is the part of a mineral resource for which the tonnage, density of occurrences, form, physical characteristics, grade and mineral content can be estimated with a low level of confidence. This is inferred from geological evidence, tests and assumed but not verified geological or grade continuity. It is based on information obtained through exploration and testing of, for example, outcrops, trenches, pits, workings and drill holes. The information is limited or of uncertain quality and reliability.

An **Indicated Mineral Resource** is the part of a mineral resource for which the tonnage, density of occurrences, form, physical characteristics, grade and mineral content can be assumed with a reasonable level of confidence. It is based on information obtained through exploration and testing of, for example, outcrops, trenches, pits, workings and drill holes. However, this information is too inconsistent or inappropriately distributed to guarantee geological or grade continuity.

A **Measured Mineral Resource** is the part of a mineral resource for which the tonnage, density of occurrences, form, physical characteristics, grade and mineral content can be assumed with a high level of confidence. It is based on information gathered using appropriate techniques through detailed and reliable exploration and testing of, for example, outcrops, trenches, pits, workings and drill holes. This information is sufficiently consistent to prove geological and/or grade continuity.

A **Mineral Reserve** is the part of a measured or indicated mineral resource that is deemed to be economically feasible for extraction. This includes diluting material and losses which may occur when the material is mined. Appropriate assessments and studies have been conducted and modified taking into consideration realistic assumptions related to mining, metallurgical, economic, marketing, legal, environmental, social and political factors. These assessments show on the reporting date that extraction can be reasonably justified. On the basis of their geological certainty, mineral reserves are classified into the following categories: probable mineral reserve and proven mineral reserve.

When using the term "mineral reserve", there is an expectation that studies have been conducted at the Pre-Feasibility level as a minimum, including a mining plan that is technically appropriate and economically viable.

A **Probable Mineral Reserve** is the part of an indicated or under some circumstances measured mineral resource for which extraction is economically viable. This includes diluting material and losses which occur when the material is mined. Studies at a minimum of the Pre-Feasibility level have been conducted and modified to take into consideration mining, metallurgical, economic, marketing, legal, environmental, social and political factors. These assessments show on the reporting date that extraction can be reasonably justified.

A **Proven Mineral Reserve** is the part of a measured mineral resource for which extraction is deemed to be economically viable. This includes diluting material and losses which occur when the material is mined. Studies at a minimum of the Pre-Feasibility level have been conducted and modified to take into consideration mining, metallurgical, economic, marketing, legal, environmental, social and political factors. These assessments show on the reporting date that extraction is justified.

Addresses

Nordic Mines AB (publ)
c/o Advokatfirman Lindahl KB
PO Box 1065
SE-101 39 Stockholm
Sweden
www.nordicmines.com
+46 (0) 70 602 6520

Nordic Mines Oy
Laiva Office
Laivakankaantie 503
FI-92 230 Mattilanperä
Finland
+358 (0) 8 22 94 04

Nordic Mines AB, filial Finland
Exploration Office
Ylipääntie 637
FI-922 20 Piehinki
Finland
+358 (0) 8 22 94 00

AUDITORS

PricewaterhouseCoopers AB
PwC Sverige
SE-113 97 Stockholm