

# KOPYLOVSKOYE

GOLD EXPLORATION & PRODUCTION

This document is an English translation of the Swedish Prospectus. In the event of any discrepancy between this English translation and the Swedish Prospectus, the Swedish Prospectus shall prevail.



Invitation to subscribe for shares  
in Kopylovskoye AB (publ)

December 2010

**MANGOLD™**  
FONDKOMMISSION AB

## IMPORTANT INFORMATION

This Prospectus has been prepared in connection with the Rights Issue in Kopylovskoye. The Company has prepared a Prospectus in Swedish and an English translation thereof. The Swedish language version of this Prospectus has been approved by and registered with the Swedish Financial Supervisory Authority (Sw: *Finansinspektionen*) (the "SFSA") in accordance with the provisions of Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (Sw: *lag (1991:980) om handel med finansiella instrument*). Approval and registration by the SFSA do not imply that the SFSA guarantees that the factual information provided in the Prospectus is correct or complete. In case of any discrepancies between this English language translation of the Prospectus and the Swedish language Prospectus, the latter shall prevail.

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

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

Disputes concerning, or related to, the Rights Issue, the contents of this Prospectus or any connected legal relation shall be settled exclusively in accordance with Swedish law and by Swedish courts. The district court of Stockholm (Sw: *Stockholms tingsrätt*) shall be the court of first instance.

This Prospectus is available in the Company's office and on the website [www.kopylovskoye.com](http://www.kopylovskoye.com), Mangold Fondkommission's website [www.mangold.se](http://www.mangold.se) and in Swedish on the SFSA's website [www.fi.se](http://www.fi.se).

Mangold is acting exclusively for the Company and no one else in the connection with the Rights Issue. Mangold will not regard any other person (whether or not a recipient of this Prospectus) as its client in relation to the Rights Issue and will not be responsible to anyone other than the Company for providing the protection afforded to its client for not giving advice in relation to the Rights Issue or any transaction or arrangement referred to herein.

Except where explicitly stated, no information in the Prospectus has been audited or reviewed by the Company's auditors.

Mangold Fondkommission is acting exclusively for the Company and no one else in the connection with the Rights Issue. Mangold Fondkommission will not regard any other person (whether or not a recipient of this Prospectus) as its client in relation to the Rights Issue and will not be responsible to anyone other than the Company for providing the protection afforded to its client for not giving advice in relation to the Rights Issue or any transaction or arrangement referred to herein.

Certain figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

### **Forward-looking statements, market information etc.**

This Prospectus contains certain forward-looking statements that reflect Kopylovskoye's current views with respect to future events and financial and operational performance. Forward-looking statements can be identified by the fact that they do not relate strictly to historic or current facts or by the use of the terminology, including, but not limited to, terms such as "may", "will", "expects", "believes", "anticipates", "plans", "intends", "wants", "estimates", "projects", "targets", "forecasts", "seeks", "aim", "could", "should" or, in each case, the negative of such terms, and other variations on such terms or comparable terminology.

Any forward-looking statements are solely based on the circumstances as of the date on which they are made and the Company undertakes no obligation to publicly update or revise any such information, whether due to new information, new conditions or other circumstances. No undertakings or warranties are provided that these forward-looking statements will be realized or shown to be correct. Prospective investors must make their own assessment of the importance, if any, of the forward-looking statements herein.

A description, however not complete, of factors which may have the effect that factual results or performances differs materially from forward-looking statements is included in the section "Risk factors". The Prospectus contains historical market information and business projections including information regarding the size of markets where Kopylovskoye expects to be active. Certain information has been obtained from several different sources and Kopylovskoye has aimed to reproduce such information correctly in this Prospectus. Although the Company consider the sources to be liable, such sources have not been independently verified, and the accurateness or completeness can thus not be guaranteed. Market statistics is however, by nature, associated with uncertainties and do no necessarily reflect actual market conditions. The value of comparisons on different markets is limited due to many reasons, inter alia due to that markets are defined differently and that information may have been collected by the use of different methods and with different assumptions. Hence, readers of this Prospectus should pay special attention to the fact that market statistics presented in this Prospectus are associated with uncertainties and that no assurances can be made that such statistics is accurate. To the knowledge of Kopylovskoye and as far as the Company has been able to confirm by comparison with other publicly available information provided by the third parties which have provided the information, no information has been omitted which would render the reproduced information inaccurate or misleading.

### **Documents incorporated by reference**

The following documents have been submitted to the SFSA and are incorporated in the Prospectus by reference and should be considered part of the Prospectus: Kopylovskoye's annual report for 2007, which has been audited by Lindebergs Grant Thornton AB; Kopylovskoye's annual reports for 2008 and 2009, which have been audited by Öhrlings PricewaterhouseCoopers AB, and Kopylovskoye's interim report for the period January–September 2010, which not has been subject to review or audit by the Company's auditors.

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## FINANCIAL CALENDAR

Year-end report 2010	25 March 2011
Annual report 2010	28 April 2011
Interim report January–March 2011	12 May 2011
Annual general meeting 2011	12 May 2011

## DEFINITIONS AND ABBREVIATIONS

### Kopylovskoye or the Company

The Kopylovskoye group, with the parent company Kopylovskoye AB (publ), corporate registration number 556723-6335, and subsidiaries, unless otherwise stated.

### Mangold Fondkommission

Mangold Fondkommission, corporate registration number 556723-6335.

### Euroclear

Euroclear Sweden AB, corporate registration number 556112-8074.

### First North

NASDAQ OMX First North Stockholm.

### Kton

Thousand tonnes.

### Oz/Koz/Moz

Troy ounces/thousand troy ounces/million troy ounces.

### SEK/KSEK/MSEK

Swedish kronor/thousand Swedish kronor/million Swedish kronor.

### RUB/MRUB

Russian rubles/million Russian rubles.

### USD

US-dollars.

### The Prospectus

This prospectus.

### The Rights issue

The offering of new shares in Kopylovskoye together with Warrants 2010/2011 as described in the Prospectus.

### Warrants 2010/2011

Attached, free of charge warrants under the terms of the Prospectus, whereby two (2) subscribed, assigned and paid shares in the Rights Issue entitle to one (1) warrant.

## INFORMATION ABOUT THE KOPYLOVSKOYE SHARE AND RELATED INSTRUMENTS

Marketplace for trading:	First North
Ticker, shares:	KOPY
ISIN code, shares:	SE0002245548
ISIN code, subscription rights:	SE0003652221
ISIN code, paid and subscribed shares (BTA1):	SE0003652239
ISIN code, paid and subscribed shares (BTA2):	SE0003652247
ISIN code Warrants 2010/2011:	
This will be communicated after Rights Issue and issue of warrants have been registered on Swedish companies registration office	



# Summary of Prospectus

*Please note that this summary should be seen as an introduction to the Prospectus and any decision to invest in the shares with attached warrants to be offered for subscription by the Prospectus shall be based on an assessment of Prospectus in its entirety. Civil liability for data contained in or omitted in the summary or a translation of it can only be imposed on those persons who have tabled the summary or translation if this is misleading, inaccurate or inconsistent with other parts of the Prospectus. If an investor brings court action based on information in the prospectus, the investor may have to bear the costs of translating the Prospectus.*

## TERMS OF THE RIGHTS ISSUE IN BRIEF

### Preferential rights for existing shareholders

Shareholders registered owning shares in Kopylovskoye have the preferential right to subscribe for four (4) new shares for five (5) existing shares .

### Subscription rights

Shareholders of Kopylovskoye receive one (1) subscription right for each, on the record date, owned share. Five (5) subscription rights are required to subscribe for four (4) new shares.

### Subscription price

22.00 SEK per share.

### Last day of trading in shares entitling participation in Rights Issue

November 26, 2010.

### Record Date

December 1, 2010.

### Subscription

December 6 to December 22, 2010.

### Trading in subscription rights

December 6 to December 17, 2010.

### Trade with BTA

December 7, 2010 until the rights issue has been registered at Swedish companies registration office.

### Subscription with preferential rights

Subscription under preferential rights during the subscription period through simultaneous payment, i.e. by December 22, 2010.

### Subscription without preferential right

Applications for subscription can also be done without preferential rights. Such notification shall be made during the subscription period, i.e. by December 22, 2010.

### Payment for shares subscribed without preferential rights

Payment for shares subscribed for without preferential rights shall be made in accordance with the distributed contract note.

## TERMS OF WARRANTS 2010/2011 IN BRIEF

### Allotment

Two (2) subscribed, assigned and paid shares in the rights issue entitles to one (1) gratuitous Warrant 2010/2011.

### Terms of Warrants 2010/2011

One (1) Warrant 2010/2011 entitles the holder to subscribe for one (1) new share of the Company during the period May 16 to June 16, 2011 at a subscription price of 25.00 SEK per share.

### Delivery of Warrants 2010/2011

Warrants 2010/2011 will be delivered after the Rights Issue and the issue of warrants are registered at the Swedish companies registration office and the Warrants 2010/2011 shifted out of Euroclear. This is expected during week 3, 2011.

## BACKGROUND AND REASONS

Kopylovskoye is a gold exploration company located in Lena Goldfields, in the Irkutsk region in Russia. For over 150 years alluvial gold (riverbed gold) has been produced in the area, with a total production of over 30 Moz, in the Lena Goldfields only. The productivity of the alluvial production has declined and gold production from deposits in bedrock has gradually increased in relation to alluvial production. Kopylovskoye focuses on developing bedrock deposits and is currently working on 15 projects at seven wholly-owned licenses in the area of Lena Goldfields, which is only about 40 km from the city Bodaibo.

Kopylovskoye has since its start acquired five licenses, three of which in 2010. In total, the Company has invested approximately 149.0 MSEK, excluding translation differences, in license acquisitions and exploration activities in projects within the license areas. For the past twelve months the Company has been financed mainly by equity and to some extent by bridge financing from shareholders and loans from financial institutions.

To increase the possibility of raising capital for the ongoing development and to achieve the long-term objective of an annual production of 0.2 Moz gold and mineral resources of 5.0 Moz of gold, Kopylovskoye was listed on First North on August 27, 2010.

The proceeds from the Rights Issue, if fully subscribed, may provide the Company with approximately 64.8 MSEK before transaction costs, estimated to about 7.6 MSEK, which, in order of priority, is planned to be spent on repayment in cash or by set-off, of all bridge loans (approximately 16.2 MSEK), continued development work and investments in the Kopylovskoye license (approximately 25.0 MSEK), which includes: the completion of a mineral resource report in accordance with the International JORC standard in the first quarter of 2011, deep drillings of 10,000–15,000 meter, a pre-feasibility study and the commencement of a feasibility study in 2011, other needed working capital for current management and administrative costs (approximately 6.0 MSEK). Limited exploration of Kavkaz, Obrucheva and Zolotoy projects in accordance with the licensing requirements (approximately 10.0 MSEK).

However it is the board of directors intention that the Warrants 2010/2011 will be fully utilized and will provide the Company with an additional approximately 36.8 MSEK before transaction costs, mainly to be spent on financing additional exploration and the development of the Uspenskiy deposit on the Prodolny license and the Kavkaz-license, which also includes the commencement of a mineral resource report in accordance with the JORC standard, scheduled to be completed 2011/2012.

## THE OFFER

The Board of Kopylovskoye decided on November 16, 2010, with authorization from the AGM on June 29, 2010, to issue shares with preferential rights for shareholders of the Company (Rights Issue). Further the Board decided on November 16, 2010, subject to shareholder approval, to issue accompanying warrants. An Extraordinary General Meeting on December 1, 2010 approved the Board's decision to issue warrants (Warrants 2010/2011). Rights issue and the Warrant 2010/2011 together constitutes the Offer.

Those who are registered as shareholders on the record date December 1, 2010, have the preferential right to subscribe for four (4) new shares for each five (5) existing shares at a subscription price of 22.00 SEK per share. Two (2) subscribed, assigned and paid shares in the Rights Issue entitles to one (1) gratuity Warrant 2010/2011. Subscription price per share subscribed by virtue of Warrants 2010/2011 is 25.00 SEK. Following the Rights issue, the share capital may increase by maximum 17,345,739.69 SEK (not more than 39,027,917.25 SEK) by issuing a maximum 2,945,306 new shares. Assuming full exercise of Warrants 2010/2011 the share capital will increase by up to 8,672,869.85 SEK (to a maximum of 47,700,787.10 SEK) through a issue of maximum 1,472,653 new shares.

# Summary of Prospectus

The Rights Issue would add approximately 64.8 MSEK to Kopylovskoye before transaction costs, estimated at 7.6 MSEK, including guarantee compensation representing about 3.7 MSEK. Assuming full exercise of Warrants 2010/2011, the Company may be added an additional approximately 36.8 MSEK before transaction costs, which is estimated at around 0.7 MSEK.

## RISK FACTORS

Investors should carefully consider the risks associated with Kopylovskoye business, industry and the offer. These risks relate to, among other things, but not limited to, risks related to the macro-economy factors, volatility in gold price, insurance, policy risks, risks related to the legal and tax system, risks related to corruption and organized crime, inflation risk, risks relating to Russia's international relations, other land-related risks, geological risks, technological risks, environmental risks, license management, mine life, suppliers, acquisitions, dependent on qualified personnel, accident, booking and reporting processes, risks related to the parent company, currency risks, interest rate risk, financing risk, impairment testing of assets, limited liquidity in Kopylovskoye shares, price declines in the stock market, no previous dividends, risks with warrants, no established trading of the warrants, fluctuations in Kopylovskoye share price and the subscription and underwriting commitments regarding the Rights Issue.

These are not ranked and do not claim to be comprehensive. All risk factors relevant to The Company cannot be described in the summary why each potential subscriber must also consider other information in the prospectus and make their own assessment of its importance to the Company's future development, results and financial position, and make a general assessment of the environment. For more detailed information, see "Risk factors" in the Prospectus.

## KOPYLOVSKOYE IN SHORT

### Business concept

Kopylovskoye's business concept is to prospect and explore bedrock gold deposits in Lena Goldfields, Russia and to develop these deposits into production.

### Vision

Kopylovskoye's vision is to create a world-class exploration and production company.

### Short-term targets

In the short-term, the Company plans to:

- Complete estimation of the Kopylovskoye deposit's resource potential with issue of a JORC compliant resource report during first quarter 2011.
- Commence a feasibility-study for Kopylovskoye deposit during 2011.
- Estimate resource potential of the Uspenskiy deposit at Prodolnyy and the Kavkaz project, and issue JORC compliant resource report in early 2011/2012.

### Long-term targets

The Company's long-term goal is to control mineral resources of 5 million oz gold and have a production capacity of 200,000 oz gold per annum within five years. In order to reach this goal, Kopylovskoye aims to:

- Start production on the Kopylovskoye deposit in 2013.
- Further develop Kavkaz and Prodolnyy deposits into production.
- Identify and develop new projects.
- Acquire new licenses.

### Project portfolio

The Company is currently developing 15 identified exploration projects within six bedrock gold exploration and production licenses. In addition, the company owns a license relating to exploration and production in the riverbed. All licenses are located in Lena Goldfields close to the city of Bodaibo in the Irkutsk Region. The licenses are:

- Kopylovskoye bedrock (acquired 2007).
- Kopylovskoye riverbed (acquired 2007).
- Kavkaz (acquired 2008).
- Krasnyy (acquired 2010).
- Prodolnyy (acquired 2008).
- Pravovesenniy (acquired 2010).
- Vostochnaya (acquired 2010).

## Summary of Prospectus

The projects are in different development stages, with Kopylovskoye being in the most advanced stage. The total license area is 225 km<sup>2</sup> and all the Company's licenses provide the right to bedrock exploration and production.

### PICTURE OF TOTAL MINERAL RESOURCES

Classification	Kton	Grade (g/ton)	Gold		Method
			oz	kg	
C1	80	2.9	7,400	231	TKZ
C2	2,341	3.5	265,500	8,257	TKZ
P1	3,483	n/a	997,300	31,015	TKZ
P2	n/a	n/a	578,800	18,000	TKZ

### THE MARKET

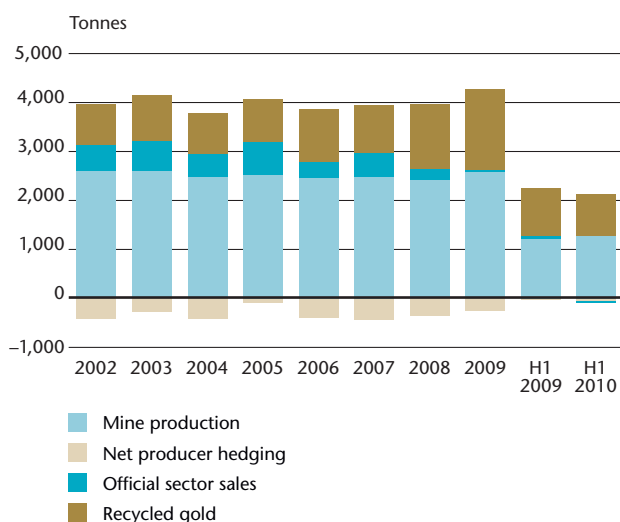
#### The global gold market

Gold is today mined on all continents except Antarctica, with the total global mining production being relatively stable at an average of 2,485 tonnes per year during the last five-year period. Newly developed mines mainly replace the production from old mines being taken out of production, rather than increasing the overall mining output. The demand for gold is world-wide, and rapid demographical and socio-economical shifts in a number of emerging markets create new demand patterns.

Total gold supply increased by 11 per cent during 2009 compared to 2008. Recycling was the main force behind the increased supply, although mining production and hedging activities were also positive net contributors. Global mine supply for 2009 was estimated by U.S. Geological Survey at 2,350 tonnes, up by four per cent compared to 2008. China, Australia, USA, South Africa and Russia contributed nearly half of the total, with China producing 300 tonnes, Australia 220 tonnes, USA 210 tonnes, South Africa 210 tonnes and Russia 185 tonnes. Total gold demand decreased in 2009 by 11 per cent, with investments being the only demand-side sector showing an increase, with a growth of eight per cent compared to 2008. Total world consumer demand in 2009 was 2,424 tonnes, with India being the largest consumer market with a total demand of 480 tonnes. India, China and USA accounted for almost half of total consumer demand in 2009, with an aggregate demand of 1,171 tonnes.

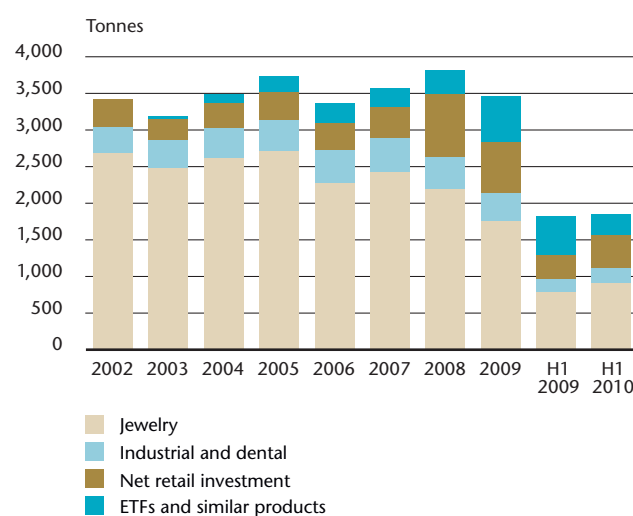
The USD gold price averaged 972 USD/oz during 2009, ending the year with an increase by 12 per cent compared to 2008. During the fourth quarter of 2009, the gold price was significantly higher with an average of 1,100 USD/oz. During 2010, the gold price has shown a strong performance, with an increase of 26 per cent, and a spot price of 1 365,50 USD/oz as of November 12, 2010.

#### WORLD GOLD SUPPLY 2002 – H1 2010 (TONNES)



Source: World Gold Council

#### WORLD GOLD DEMAND 2002 – H1 2010 (TONNES)



Source: World Gold Council

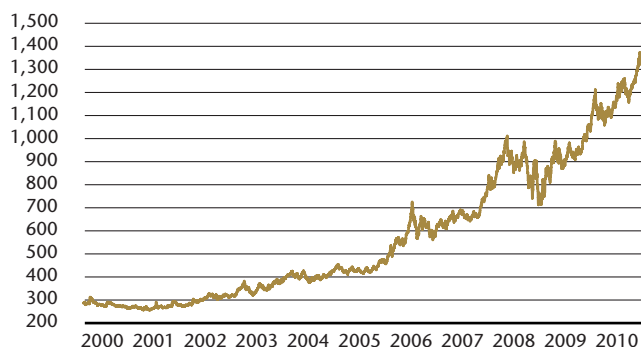
# Summary of Prospectus

## The Russian gold market

According to the U.S. Geological Survey<sup>5)</sup>, total Russian gold mining production increased during 2009 to 185 tons compared to 176 tons for 2008, on the back of mining start in a number of mines in the Chukotka, Amur and Kamchatka districts. After 15 years of stagnation following the breakdown the Soviet Union, gold production, prospecting and exploration activities have increased significantly in Russia during recent years. Russian gold production has for a long time been centered around alluvial production, with bedrock production overtaking alluvial production as late as 2003. For 2009, bedrock production accounted for an estimated 70 per cent of total mine output, with alluvial production at 30 per cent, according to the Russian Union of Gold Miners.

The six primary gold producing districts in Russia are Krasnoyarsk, Chukotka, Yakutiya, Amur, Khabarovsk and Irkutsk. Between 1890–2009, the gold output from these districts has totalled 6,930 tonnes, of which 995 tonnes is bedrock gold. During 2009, these districts accounted for 76 per cent of total Russian goldmine production.

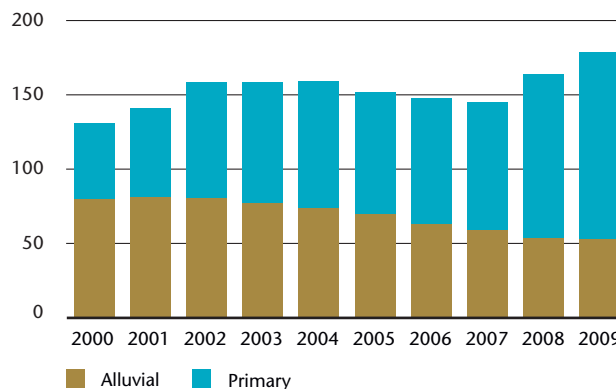
## GOLD PRICE DEVELOPMENT (USD PER OZ)



Source: World Gold Council

1) U.S. Geological Survey, Mineral Commodity Summaries, januari 2010

## RUSSIAN GOLD PRODUCTION 2000–2009 (TON)



Source: Russian Union of Gold Miners

## MARKET PLACE AND TRADING

The Company's shares are traded at First North since August 27, 2010. The share's abbreviation is KOPY. Up until November 12, 2010 the total traded volume was 726,065 shares, corresponding to 18.2 MSEK in totally 2,114 trades. Since the listing the highest closing rate has been 31.50 SEK and the lowest 17.00 SEK. The closing rate on November 12, 2010 was 26.30 SEK, which gave a total market capitalization on Kopylovskoye of approximately 100 MSEK. As of November 19, 2010 Kopylovskoye had 4,512 shareholders. The ten largest shareholders as of November 19, 2010 and thereafter know changes are shown in the table below.

## SHAREHOLDERS AS OF NOVEMBER 19, 2010 AND THEREAFTER KNOWN CHANGES

Shareholders	No of shares	No of votes and capital %
Håkan Knutsson with company	471,697	12.8%
SIX SIS	441,134	12.0%
Benchmark Oil & Gas AB <sup>*)</sup>		10.7%
Ulrika Hagdahl with company	334,971	9.1%
Euroclear Bank S.A	281,484	7.6%
Sergei Petrov through company	166,554	4.5%
LGT Bank in Liechtenstein Ltd	123,021	3.3%
Michail Malyarenko	115,266	3.1%
Morgan Stanley & Co Inc.	100,000	2.7%
Faustina Sweden AB	80,000	2.2%
Others	1,172,758	31.9%
<b>Total</b>	<b>3,681,633</b>	<b>100.0</b>

<sup>\*)</sup> Will change name to Commodity Quest AB (publ).

Källa: Euroclear



## BOARD OF DIRECTORS, MANAGEMENT AND AUDITOR

Name	Function	Elected since
Kjell Carlsson	Chairman	2010
Mikhail Damrin	Boardmember and CEO	2009
Björn Fernström	Boardmember	2010
Ulrika Hagdahl	Boardmember	2007
Claes Levin	Boardmember	2009
Markku Mäkelä	Boardmember	2010
Sergei Petrov	Boardmember	2009

Name	Function	Since
Mikhail Damrin	CEO	2009
Anna Daun Wester	Vice President, IR	2010
Alexander Mikhailov	Vice President, Exploration	2010
Gunnar Danielsson	CFO	2010
Alexander Vamboldt	CEO for OOO Kopylovskiy	2010
Vladimir Pachuyev	Production manager for OOO Kopylovskiy	2007
Yevgeny Pachuyev	Account manager OOO Kopylovskiy	2008
Alexander Krasnoschekov	Chief geologist	2007

Name	Responsible auditor	Since
Ernst & Young AB	Per Hedström	2010

Kopylovskoyes financial adviser in conjunction with the Offer is Mangold Fondkommission. Legal advisers are Ramberg Advokater AB and Egorov Puginsky Afanasiev & Partners.

## GENERAL INFORMATION

Kopylovskoye AB, with corporate registration number 556723-6335, was registered at Swedish Companies Registration Office on February 14, 2007. The Company's legal form of business entity is limited liability company and is regulated by the Companies Act (2005:551). The company is public. The provisions in the articles of association are not more far-reaching than those in the Companies Act as far as it comes to changing the shareholder rights. The shares in the Company are freely transferrable.

The company will develop production and / or exploration of minerals, in their own name, through subsidiaries or through small partnerships also engaged in related operations. The registered office is in Stockholm municipality.

Except as described in the section "Legal issues and Additional Information "under" Disputes and legal relations" the Company is not, and has not during the last twelve months been, been a party to any court or arbitration proceedings, which have recently had or have had significant effects on the Company financial position or profitability. The company is not aware of any other legal proceedings or arbitration proceedings which may arise.

Kopylovskoye is one of Euroclear Sweden connected record company, which means that all of the Company shares are book-entry form by Euroclear Sweden. Address Euroclear Sweden can be found in the "Addresses" in Prospectus. Annual reports, year-end, quarterly reports, press releases and other information there, during the entire duration of the prospectus; available on the Company website [www.kopylovskoye.com](http://www.kopylovskoye.com). The documents can also be ordered from the Company.

# Summary of Prospectus

## FINANCIAL OVERVIEW

The following table gives a summary of the Company's accounts and key ratios. For a more detailed description of accounts and ratios, please see "Summary of financial information" and "Comments on the financial development" in the Prospectus.

Amounts in KSEK	2010-01-01 – 2010-09-30	2009-01-01 – 2009-09-30	2009-01-01 – 2009-12-31	2008-01-01 – 2008-12-31	2007-02-14 – 2007-12-31
<b>INCOME STATEMENT</b>					
Net turnover	0.0	0.0	0.0	0.0	0.0
Other revenue	0.2	0.3	0.5	0.4	0.5
Work performed by the Company for its own use and capitalized	9.2	4.8	6.6	5.9	2.7
Operating expenses	–19.1	–10.9	–12.3	–20.1	–48.6
<b>Operating result</b>	<b>–9.7</b>	<b>–5.8</b>	<b>–5.2</b>	<b>–13.8</b>	<b>–45.4</b>
Result from financial items	–1.6	–0.4	–0.4	0.2	–1.5
<b>Result after financial items</b>	<b>–11.3</b>	<b>–6.2</b>	<b>–5.6</b>	<b>–13.6</b>	<b>–46.9</b>
Tax	0.1	1.2	–3.0	–4.8	–0.7
<b>Net income</b>	<b>–11.2</b>	<b>–5.0</b>	<b>–8.6</b>	<b>–18.4</b>	<b>–47.6</b>
<b>BALANCE SHEET</b>					
Non-current assets	134.2	101.6	113.6	104.8	76.9
Current assets	21.6	5.2	11.3	18.6	77.9
Equity	127.0	88.0	105.5	103.5	123.5
Non-current liabilities	9.0	4.7	7.7	11.3	14.0
Current liabilities	19.8	14.2	11.7	8.6	17.3
Balance sheet total	155.8	106.8	124.9	123.4	154.7
<b>DATA PER SHARE</b>					
Number of shares at the end of the period	3,681,633	84,900	2,105,945	84,900	100
Share price at the end of the period, SEK	21.5	n/a	n/a	n/a	n/a
Market capitalization at the end of the period, MSEK	79.2	n/a	n/a	n/a	n/a
Equity per share, SEK	34.5	1036.1	50.1	1218.9	123.5
<b>EMPLOYEES</b>					
Number of employees	64.0	43	45	79	58

# Risk factors

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

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

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

## MARKET-RELATED RISKS

### Risks related to macroeconomic factors

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

### Volatility in gold price

A decline in the gold price as an effect of reduced demand, increased supply, fluctuations in the US dollar or other macroeconomic factors, could negatively affect the Company's future revenue, income and financial position.

### Insurance

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

## RISKS RELATED TO RUSSIA

To operate in Russia is subject to a number of political, legal and economic factors that may affect the Company's operations and financial position. The Company see the following risks as the biggest challenges with operating in Russia.

### Political risks

Conflicts in the Russian federal system, including illegal or profit making state events may develop uncertainty in the daily operations. This could negatively impact the Company's operations and financial position.

### Risks related to the legal and tax system

The Company is dependent on the approval of state and local authorities which may be a complicated and lengthy process. There is a risk of liquidation of the Company due to lack of formal agreements between the Company and the State. Changes in laws, which currently prevent the nationalisation of international assets, may have a negative effect on the Company's operations and financial position. There is also a risk that Russia would not accept decisions in a foreign court of law and pursue issues to local arbitration. The tax and legal system in Russia is subject to frequent changes and these are difficult to anticipate, creating a risk that the Company may not be in full compliance with current legislation. Furthermore the Russian tax system is subject to different interpretations on federal, regional and local level, creating uncertainties as to which tax rules should be applied, potentially affecting the Company's income and financial position.

# Risk factors

## Risks related to corruption and organised crime

Crime and corruption and the use of illegal or unacceptable business methods are more common in business relations in Russia than in most Western countries. If affected by such acts, the Company's operations, income and financial position could be impacted negatively.

## Inflation risks

Inflation in Russia has historically been high, compared to Western standards. For 2009, the inflation rate measured in average consumer prices was 11.7 per cent according to the International Monetary Fund's World Economic Outlook Database. Continued high or rising inflation may affect the Company's income and financial position negatively.

## Risks related to Russia's international relations

The planned entry of Russia into the World Trade Organisation ("WTO") may be delayed or rejected. The relations between Russia and the EU may also be worsened. This could negatively affect the Company's operations and the possibilities of obtaining financing outside of Russia for the Company.

## Other country-related risks

Russia's infrastructure is to some extent underdeveloped and may impair or delay the Company's operations or lead to increased costs.

## RISKS RELATED TO KOPYLOVSKOYE'S OPERATIONS

### Geological risk

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

## Technical risks

Technical risks relates to interruptions in exploration and future production work that could negatively affect the Company. Lack of or delay of advanced drilling equipment or rental of equipment could lead to increased costs and delays for the Company.

## Environmental risk

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

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

## License management

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

## Mine life

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



## Suppliers

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

## Risks related to acquisitions

The acquisition of licenses is part of the Company's strategy. All acquisitions and divestments are associated with risks and uncertainty. While the Company believes it is in a favourable position to make a fair assessment of development opportunities and risks associated with exploration and production licenses, there can be no guarantee that the expected potential of acquired licenses in terms of value creation for the Company will ultimately be realized.

In addition, it should be noted that some of the Company's Russian subsidiaries were established before they were acquired by the Company and that the history of the shares in these companies therefore is not entirely transparent. Hence, it can not be excluded that the title to shares in these subsidiaries might be challenged based on historical grounds, for example due to actual or alleged deficiencies in the formation of the company, payment of the charter capital or previous share transfers.

## Dependence on qualified personnel

The Company's development is to a great extent dependent on existing management and organisation and their ability to recruit and retain experienced personnel for the future operations. The workforce in the Bodaibo area may be attracted to move to bigger cities, which can make it difficult to recruit competent personnel.

## Accidents

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

## Accounting and reporting processes

The accounts of the Russian subsidiaries are primarily prepared for reporting to fiscal authorities. The subsidiary accounts are transformed from local accounting standards into international financial reporting standards for the purposes of reporting to the Swedish parent company. Russian accounting standards deviate from international accounting standards in several ways, which entails a risk for errors in the transformation process.

## Risk related to the parent company

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

## FINANCIAL RISKS

### Currency risks

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

### Transaction exposure

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

### Translation exposure

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

# Risk factors

## Interest-rate risks

Kopylovskoye is to a relatively small extent exposed to interest rate risk, since the Company currently only has a small portion of loan financing. The discount interest rate and the fair value of certain balance sheet items are however affected by changes in the underlying interest. Interest income and cost is also affected by changes in interest rates.

## Financing risks

### *Need for additional capital*

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

### *Liquidity risk*

The liquidity risk is that Kopylovskoye cannot meet its short term payment obligations due to lack of cash funds or illiquid cash reserves. Since the Company is expected to show negative cash flow from operations during a foreseeable future period, the Company must continue to raise external capital to be able to continue to develop the operations and to meet future obligations.

### *Re-financing risk*

The re-financing risk is the risk that Kopylovskoye cannot finance its outstanding liabilities on acceptable terms, or at all, at a given point in time. Since the Company has little outstanding financial debt, the re-financing risk is considered limited.

## Impairment of assets

Each year the Company reviews if any needs for write down exists for exploration licenses and evaluation work, buildings, and machinery and equipment in accordance with the current accounting principles. Recoverable values for cash generating units have been determined by calculating values in use. Certain estimates are made for these calculations related to, *inter alia*, the discount rate, the gold price and mineral resource estimates.

## RISKS RELATED TO THE OFFERING

### Limited liquidity of the Kopylovskoye share

Even though the Company fulfils the listing requirements of First North, there may in the future be insufficient trading volume in the share, and potential investors may therefore face difficulties in realising the underlying value of their investment by selling their shares in Kopylovskoye.

### Fall in stock market

An investment in Kopylovskoye is related to risk. There are no guarantees for the shareprice to increase. The market could fall for many reasons like interest rate increase, political changes, currency changes and worse economic system. Psychology factors affect the market. A share like Kopylovskoye could be affected similar as other shares could, which could be hard to predict.

### No previous dividends

It shall be noted that for a foreseeable period of time, the only way of obtaining any return on the investment for an investor in Kopylovskoye shares is a possible capital gain, since the Company does not plan to distribute any dividends within a foreseeable future.

### Risks associated with warrants

In the event that Kopylovskoye shares at the time of exercise of Warrants 2010/2011 has a rate lower than the strike price of the warrant there will be no need to use the warrant. The warrants may then be losing its value.

### **No established trading in the warrants**

The warrants issued in connection with The offer is new securities, which may have a restricted distribution and for which there is currently not an established trade. The Company intention is to apply for admission for trading of warrants on First North. However, there is no guarantee that applications will be accepted or that a liquid trading in the warrants will be established.

### **Fluctuations in share price for Kopylovskoye**

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

### **Subscription and underwriting commitments regarding Rights Issue**

Some shareholders have undertaken to subscribe for shares in the Rights Issue. Subscription commitments amounted to 43.7 per cent of the Rights Issue. In addition, The Company has entered into an agreement

with the underwriters (shareholders and other external investors) who have committed to subscribe for shares in the Rights Issue in the case shareholders and others do not register their interest to subscribe shares in the Rights Issue to the extent that the rights offering is fully subscribed. Underwriters will amount to 56.3 percent of the Rights Issue. Existing Guarantee Agreement, together with obtained subscription undertakings, representing 100 per cent of the total issuance. The Company has not demanded that the underwriters must ensure all their guarantees by deposit of cash, pledges of securities, the presentation of bank guarantee or otherwise. Those who entered into agreements regarding the subscription service and underwriting are aware that and underwriting are aware that agreements involve a legally binding obligation against the company and promising to maintain the necessary resources available in the event the undertaking shall be claims. However, there is a risk that one or more of those who have given undertakings to subscribe and / or Underwriting can not meet them, which would could have a negative effect on the Company's ability to successful implementation of the Rights Issue. For information on subscription commitments and guarantee agreements see the "Legal issues and additional information".

# Invitation to subscribe for shares with accompanying warrants in Kopylovskoye AB (publ)

The Board of Kopylovskoye decided on November 16, 2010, with authorization from the AGM on June 29, 2010, to issue shares with preferential rights for shareholders of the Company (Rights Issue). Further the Board decided on November 16, 2010, subject to shareholder approval, to issue accompanying warrants. An Extraordinary General Meeting on December 1, 2010 approved the Board's decision to issue warrants (Warrants 2010/2011). Those who are registered as shareholders on the record date December 1, 2010, have the preferential right to subscribe for four (4) new shares for each five (5) existing shares at a subscription price of 22.00 SEK per share. Two (2) signed, assigned and paid shares in the Rights Issue are entitled to one (1) gratuity Warrant 2010/2011.

Subscription for shares with preferential rights is through simultaneous cash payment. Applications for subscription of shares can also be done without subscription rights, see the section "Terms and Conditions". The Board may allow set-off, if applicable, Chapter 13, § 41 Act, see the section "Terms and Conditions".

In the Rights issue, the share capital may increase by a maximum of 17,345,739.69 SEK (to a maximum 39,027,917.25 SEK) by issuing a maximum of 2,945,306 new shares. New issue of shares through the exercise of Warrants 2010/2011 shall be made from and as of May 16, 2011 to and including June 16, 2011. Subscription price per share of Warrant 2010/2011 is 25.00 SEK. Assuming full exercise of Warrants 2010/2011 the share capital will increase with maximum 8,672,869.85 SEK (to a maximum of 47,700,787.10 SEK) through the issue of maximum 1,472,653 new shares.

The Rights Issue would add approximately 64.8 MSEK to Kopylovskoye before transaction costs, estimated at 7.6 MSEK, including guarantee compensation representing about 3.7 MSEK. Assuming full exercise of Warrants 2010/2011, the Company may be added an additional approximately 36.8 MSEK before transaction costs, which is estimated at around 0.7 MSEK. The shareholders who are not using subscription rights to subscribe for shares, under current conditions will experience a dilution of its stake of around 44 percent in connection with the Rights Issue.

Assuming full exercise of Warrants 2010/2011, the overall dilution will be around 55 percent of the capital and votes.

Underwriting commitments and subscription of 100 per cent of the Rights Issue have been obtained from existing shareholders and other external investors. Some shareholders through subscription commitments, which amount to approximately 43.7 per cent, representing approximately 28.3 MSEK of the Rights Issue, committed, without compensation, exercise their rights to subscribe for shares in Kopylovskoye. Furthermore, shareholders and other guarantees representing 56.3 per cent or approximately 36.5 MSEK of the Rights Issue. Compensation to underwriters are paid as a cash payment from Kopylovskoye about ten percent of the guaranteed amount. Guarantee reimbursement thus amounts to a total of approximately 3.7 MSEK.

With background of above, existing shareholders, public and institutional investors are invited to subscribe for shares with attached warrants in Kopylovskoye under the terms of the Prospectus.

Stockholm, 1 December 2010

Kopylovskoye AB (publ)  
*The Board of Directors*



# Background and Reasons

Kopylovskoye is a gold exploration company located in Lena Goldfields, in the Irkutsk region in Russia. For over 150 years alluvial gold (riverbed gold) has been produced in the area, with a total production of over 30 Moz, in the Lena Goldfields only. The productivity of the alluvial production has declined and gold production from deposits in bedrock has gradually increased in relation to alluvial production. Kopylovskoye focuses on developing bedrock deposits and is currently working on 15 projects at seven wholly-owned licenses in the area of Lena Goldfields, which is only about 40 km from the city Bodaibo.

Kopylovskoye has since its start acquired five licenses, three of which in 2010. In total, the Company has invested approximately 149.0 MSEK, excluding translation differences, in license acquisitions and exploration activities in projects within the license areas.

For the past twelve months the Company has been financed mainly by equity and to some extent by bridge financing from shareholders and loans from financial institutions. In 2010, exploration has focused primarily on Kopylovskoye, Kavkaz-and Prodolny licenses, and until 30 September 2010, a total of 77.0 MSEK has been spent as follows:

- 52.0 MSEK on exploration activities, equipment and laboratory equipment.
- 10.0 MSEK on purchase of three licenses.
- 9.0 MSEK on other expenses.
- 6.0 MSEK on repayment of loans.

To increase the possibility of raising capital for the ongoing development and to achieve the long-term objective of an annual production of 0.2 Moz gold and mineral resources of 5.0 Moz of gold, Kopylovskoye was listed on First North on August 27 2010.

The proceeds from the Rights Issue, as if fully subscribed, may provide the Company with approximately 64.8 MSEK before transaction costs, estimated to about 7.6 MSEK, which, in order of priority, is planned to be spent on:

- Repayment in cash or by set-off, of all bridge loans (approximately 16.2 MSEK).
- Continued development work and investments in the Kopylovskoye license (approximately 25.0 MSEK), which includes: the completion of a mineral resource report in accordance with the International JORC standard in the first quarter of 2011, deep drillings of 10000–15000 meter, a pre-feasibility study and the commencement of a feasibility study in 2011.
- Other needed working capital for current management and administrative costs (approximately 6.0 MSEK).
- Limited exploration of Kavkaz, Obrucheva and Zolotoy projects in accordance with the licensing requirements (approximately 10.0 MSEK).

If the Warrants 2010/2011 are fully exploited the Company will raise an additional approximately 36.8 MSEK before transaction costs, which is estimated to about 0.7 MSEK, mainly to be spent on financing additional exploration and the development of the Uspenskiy deposit on the Prodolny license and the Kavkaz-license, which also includes the commencement of a mineral resource report in accordance with the JORC standard, scheduled to be completed 2011/2012.

It builds confidence that several of the major shareholders of the company have undertaken to subscribe for the corresponding 43.7 per cent in the Rights Issue and that the remaining 56.3 percent is guaranteed through issued guarantees from existing share holders and external investors. The Board looks forward to including new investors of Kopylovskoye willing to participate in the Offer, thus interested in joining and contributing to the development of the company.

Please find a detailed report in the Prospectus, which has been prepared by the Board of Kopylovskoye by purpose of the Offer. The Board of Kopylovskoye is responsible for the content of the Prospectus and the Board hereby ensures that all reasonable precautions have been taken in order to assure that the information in the Prospectus, as far as the Board knows, is in accordance with factual circumstances and contains no omission likely to affect its meaning.

Stockholm December 1, 2010

*Board of directors Kopylovskoye AB (publ)*

# A Word from the Chairman

Kopylovskoye is located in the middle of an environment where gold production has been carried out for 150 years. Since 2008 The company has an independent history after spinning off from Central Asia Gold. Several small gold exploration companies in the Bodaibo area focus on alluvial gold production, that is, in practice, mechanical gold panning of loose rock material in the riverbed. The prerequisites for this have been created by the gradual wear and tear of nature for millions of years on the gold in the gold veins that go in the day which caused the gold to detach and flow into the river bed. This is a crucial signal of significant gold assets hidden in the bedrock that has not yet been subject to exploration. The area is characterized by the historic gold panning through landfills of pyramid-like hills of only partially panned riverbed material. Many mounds have been re-panned as a consequence of the inefficiency of the alluvial production. Just as the landscape has historically been affected, this work has been carried out with a low extraction efficiency relatively similar to production in open pit or underground mining. Therefore, we can see a gradual change of refractive techniques.

Kopylovskoye is ahead of most players in the area and aims to operate with a focus on traditional open pit gold mining. We have over 15 projects within seven wholly-owned licenses. These constitute a relatively wide project base which is a necessity from a risk element to ensure future gold production. It is important in this context, to stress our confidence in the Kopylovskoye license where we are currently working on converting former Russian mineral classification C2 and C1 to international JORC classification inferred and indicated in 2011. Our plan, after the feasibility study and final financing of Kopylovskoye deposit is completed and production has started, is to use the cash contribution of the deposit to finance other projects of the company. We have a very interesting base of licenses with short distances between them and well developed infrastructure of electricity supply and roads. Our goal is to ensure mineral resources of 5 Moz to support future production of up to 200 000 ounces per year.

I am the Chairman of the Board since the 2010 AGM. This is a very interesting role in a promising international exploration company with a view to future mining operations. I have seen a large number of mines in my past activities as a manager of Sandvik and Atlas Copco as suppliers of drilling equipment. My perspective is thus mining industry and opportunities for exploration. Kopylovskoye have good relations with local authorities in Bodaibo and Irkutsk. We have highly experienced geologists with strong prospecting skills and work towards the establishment of industrial production in 2013. Our basic plan is to fund this through equity and bank loans, alternatively we have the opportunity to invite some appropriate and strategically interesting international player as partial funder of our projects. Kopylovskoye work from a solid mineral base and is well known in the region and could therefore be an interesting opportunity for different capital-rich exploration operators.

I have great confidence in all our licenses and in the potential for bringing these to production through focused exploration. We have all factors on our side, including a team of highly qualified people. My hope is that you as shareholders and people who are not shareholders will find it interesting and participate in the rights issue.

Welcome to subscribe for shares in Kopylovskoye.

Stockholm December 1, 2010

Kjell Carlsson

# A Word from the CEO

Dear Shareholder,

Thank you for your interest in and support for Kopylovskoye. The company is now entering the most critical period in the history of the company, when the goal is to confirm the mineral resources under the JORC standard in the Kopylovskoye deposit. After the confirmation we hope that the market is ready to value all investments made and activities in the company since 2007. In the second part of 2010, we focused on the following activities:

- Continued exploration with a focus on the Kopylovskoye deposit.
- Expanding exploration potential in the Lena Goldfields region by license acquisitions.
- Strengthening of the management team by recruiting the production experienced Alexander Vamboldt.
- Annual development and listing on First North.

We have a strong belief in the Lena Goldfields, which creates unique opportunities for gold exploration. Historically, the area was one of the world's premier alluvial gold producing regions, and now there is an opportunity for Lena Goldfields to regain its position by shifting from alluvial to bedrock production.

We plan to achieve our goal: to start production on the Kopylovskoye deposit and hold long-term mineral resources of 5 Moz, by continuing to prepare the Kopylovskoye deposit for production and continue the confirmation of the mineral resources in several of our deposits.

Most of the exploration investment will go to Kopylovskoye deposit where we begin with 10 000–15 000 meters RC drilling to upgrade the mineral resource and begin preparations for prefeasibility and feasibility studies. We are also evaluating various options to utilize the existing test process plant at the Kopylovskoye deposit. In parallel, we intend to carry out limited exploration on the other licenses in 2011 to meet the license conditions.

With the board and management behind me, I do assure that we are putting all our effort and resources on confirming and increasing the resources as soon as possible in the most cost-effective way, in order to start moving towards production and thereby increase shareholder value.

Welcome to subscribe for shares in Kopylovskoye.

Bodaibo December 1, 2010

Mikhail Damrin

# Terms and Conditions

## RIGHTS ISSUE

The Board of Kopylovskoye decided on November 16, 2010, with authorization from the AGM on June 29, 2010, to issue shares with preferential rights for the Company's shareholders (Rights Issue). Furthermore, the Board on November 16, 2010, with subject to shareholder approval, on the issuance of the accompanying warrants. An Extra General Meeting on December 1, 2010 approved the Board's decision on issuing warrants (Warrants 2010/2011). Two (2) subscribed, allocated and paid shares in the Rights Issue entitles to one (1) gratuitous Warrant 2010/2011. Warrants 2010/2011 will be delivered after the Rights Issue and the issue of warrants has been registered with the Companies Registration Office and when the Warrants 2010/2011 have been shifted from Euroclear. This is expected during week 3, 2011.

This section sets out the terms and conditions for the Rights Issue. The terms of Warrants 2010/2011 are summarized below in the section "Conditions for Warrants 2010/2011 in brief" and reproduced in the section "Conditions for warrants 2010/2011" entitlement to subscribe for new shares in Kopylovskoye AB (publ) "in the Prospectus.

## PREFERENTIAL RIGHTS TO SUBSCRIPTION

On the record date of December 1, 2010 shareholders registered owning shares in Kopylovskoye have the preferential right to subscribe for four (4) new shares for five (5) existing shares. Two (2) subscribed, allocated and paid shares in the Rights Issue are entitled to one (1) gratuitous Warrant 2010/2011.

## SUBSCRIPTION RIGHTS

Shareholders of Kopylovskoye receive one (1) subscription right for each, on the record date, owned share. Five (5) subscription rights are required to subscribe for four (4) new shares.

## SUBSCRIPTION RATE

The subscription rate is 22.00 SEK per share. The subscription rate is decided by the Board based on the market price of the share, prevailing market conditions and the historical development of the business.

## COMMISSION

Commission will not be charged.

## RECORD DATE

The record date with Euroclear for participation in the rights issue with preferential rights is December 1, 2010. The last day of trading in shares, including the right to participate in the Rights Issue was November 26, 2010. The first day of trading in shares, excluding the right to participate in the Rights Issue was November 29, 2010.

## SUBSCRIPTION TIME

Share subscriptions are to take place during the period from December 6, 2010 to December 22, 2010. After the expiry of the subscription time, unexercised subscription rights will be void and without value. Unexercised subscription rights, without notice from Euroclear, will be removed from the securities account. The board is entitled to extend the subscription period. In the event of the board deciding to extend the subscription period, the decision will be notified in the press by December 22, 2010.

## TRADING IN SUBSCRIPTION RIGHTS

Trading in subscription rights will take place on First North during the period from December 6, 2010 through December 17, 2010. Banks and securities houses with the necessary permits are available to assist with the purchase and sales of subscription rights. Anyone wishing to buy or sell warrants is therefore to contact their bank / trustee.

Acquired subscription rights must either be used for subscription of shares by December 22, 2010 or sold by December 17, 2010 in order not to lose their value. Any shareholder not using their subscription rights to subscribe for shares, will under the current conditions experience a dilution of their stake of 44 percent in connection with the Rights Issue. Upon full utilization of all the Warrants 2010/2011 there will be a total dilution of 55 percent of the capital and the votes.

## ISSUE STATEMENTS TO DIRECT REGISTERED SHAREHOLDERS

The shareholders or representatives of shareholders who on the aforementioned record date are registered in the Euroclear on behalf of the Company share register, receive a pre-printed issue statement with an attached deposit slip from Euroclear, an application form, teaser and newsletters. In the pre-printed issue statement is information on, among other things, the number of



received subscription rights. Those registered in the specific list of pledgees and others, receive no issue statement but will be notified separately. VP notice recording the registration of the subscription rights of shareholders' VP account will not be sent out.

## NOMINEE SHAREHOLDERS

Shareholders whose shares are nominee registered at a bank or other nominee will receive neither an issue statement nor a special application form, however, a teaser and newsletters will be mailed out. Subscription and payment is instead to be made in accordance with instructions from each nominee respectively.

## SUBSCRIPTION BASED ON PREFERENTIAL RIGHTS

Subscription rights takes place through simultaneous cash payment from December 6, 2010 to and including December 22, 2010. The board may allow set-off where appropriate under Chapter 13, § 41 Companies. Subscription by payment is to be made either with , along with the issue statement attached, pre-printed payment slip or with the payment slip attached to the specific acceptance form in accordance with the following options:

### 1) Payment form

In case all of the subscription rights on the record date received are used, only the pre-printed payment form is to be used as a basis for subscription by cash payment. The application form is not to be used in this case.

*Please note that registration is binding.*

### 2) Application form

In case warrants are acquired or disposed of, or a different number of subscription rights than suggested by the pre-printed statement are subscribed for, the special application form is to be used for subscription by cash payment. The shareholder is to indicate on the application form under the heading "Application 1", the number of shares that they wish to subscribe for and fill out the amount due on the payment form . Payment is thus utilized by using the payment form. Incomplete or incorrect application forms may be disregarded. Application forms are obtained from Mangold Fondkommission on the telephone number below. Com-

pleted application forms are to be sent or delivered to the address below in connection to payment and be Mangold Fondkommission at hand no later than 3 pm December 22, 2010. It is permitted to submit one (1) application form only. In the event of more than one submitted application form only the last received one will be considered. Other application forms will thus be disregarded.

*Note that subscription is binding.*

Mangold Fondkommission  
Subject: Kopylovskoye  
PO Box 55 691  
102 15 Stockholm  
Street address: Engelbrektsplan 2  
Phone: 08-503015 80  
Fax: 08-503015 51

## SUBSCRIPTION WITHOUT SUBSCRIPTION RIGHTS

Subscription of shares without subscription rights may amount to any number and be made during the same subscription period as that of shares with preferential rights, that is, from December 6, 2010 through December 22, 2010. Subscription without preferential rights is made by filling out the application form below the heading entitled "Submission 2", signing and sending the form to Mangold Fondkommission on the address above. No payment is to be made in connection to the subscription of shares but is made in accordance with what is listed below. The application form is to be Mangold Fondkommission at hand no later than 3 pm on December 22, 2010. It is not allowed to submit more than one (1) application form. In the case of more than one application form sent in only the last received one will be considered. Other application forms will thus be rejected.

*Please note that registration is binding.*

## ALLOTMENT OF SHARES WITHOUT PREFERENTIAL RIGHTS

Shares not subscribed with support of subscription rights will be allocated under the decision of the board. Allotment is in that respect in the first place to those who subscribed for subscription rights, regardless of

# Terms and Conditions

whether the subscriber was a shareholder on the record day or not and, in case allotment to these cannot be done in full, in proportion to the number of subscription rights exercised for subscription of shares and, insofar as this is not possible, by drawing of lots. Secondly, the allotment will be made to others who have subscribed for shares without subscription rights and, in case allotment to these cannot be done in full, in proportion to the number of shares that each and everyone has reported for subscription and, to the extent this is not possible, by drawing of lots. Finally, the allotment will be made to those who have guaranteed the preferential rights issue and, in case allotment to these cannot be done in full, in relation to set out issue guarantees and, to the extent this is not possible, by drawing of lots.

Notification of any allotment of shares subscribed for without preferential rights is made by transmitting allotment information in the form of a contract note. The contract note is estimated to be sent out around December 30, 2010. Payment must be made within three (3) business days following the issuance of the bill. The Board may want to permit set-off, if applicable, according to Chapter 13, § 41 Companies. Notification is not granted those who did not receive allotment. Payment not liquidated in time may result in the shares being transferred to someone else. If the sale price of such a transfer amounts to less than the price of the Rights Issue; the person who originally was allocated these shares may have to settle all or part of the difference. The allotment is not dependent on when during the registration period the notification was received. In the event of over-subscription allotment can be withheld or be done with a smaller number of shares than indicated in the application.

## FOREIGN SHAREHOLDERS

Shareholders who reside outside of Sweden (does not however regard shareholders residing in the United States, Australia, Japan, New Zealand, Hong Kong, South Africa or Canada or any other country participating in the Offer in full or in part is subject to legal restrictions) and who are entitled to subscription to the Rights Issue, may turn to Mangold Fondkommission on telephone 08-503015 80 for information on subscription and payment.

## PAID FOR AND SUBSCRIBED SHARES ("BTA")

Subscription through payment is registered with Euroclear as soon as possible, which normally means a few business days after payment. Thereafter, the subscriber will receive a notice confirming the BTA booking on the subscriber's securities account. Paid subscribed shares are titled BTA on the securities account until the Rights Issue is registered with the Companies Registration Office. According to the Law of Companies, under certain circumstances part of the rights issue may be registered at the Companies Registration Office. Should this possibility of partial registration be used in this Rights issue several series of BTA will be issued, of which the first series will be titled "BTA 1" in the VP system. BTA 1 will be converted into shares beginning with the first possible occurrence of a partial registration. A second series of BTA ("BTA 2") will be issued for subscription which has occurred at such a time that the subscribed shares could not be included in the first partial registration and will be converted into shares once the Rights Issue is finally registered, which is at the end of week 3, 2011. Shareholders having their shareholdings registered in custody of a bank or stockbroker receive information from each nominee respectively.

## TRADE WITH BTA

Trade with the BTA is possible on First North as from December 7, 2010 until the Rights Issue has been registered at Company registration. In the event of partial registration when the Rights Issue is made, and several series of BTA are issued, these series may be traded simultaneously on First North. Final registration is scheduled for the end of week 3, 2011.

## DELIVERY OF SHARES

As soon as the share capital increase has been registered with Companies Registration Office, which is expected by the end of week 3, 2011, BTA is converted into shares without any special notification from Euroclear. However, partial registrations of the Rights Issue may occur with the Registration Office. Shareholders who have their shareholdings nominee registered will receive information from each nominee.

## RIGHT TO DIVIDEND

The new shares carry rights to dividend on the record date for dividends immediately after the Rights Issue registered at the Companies Registration Office, provided that the new shares are registered and listed in the Euroclear share register on the record date for such dividends.

## LISTING

Kopylovskoye is a VPC-company connected to Euroclear which means that all shares are recorded by Euroclear. The address to Euroclear is found in section “Addresses” in the Prospectus. Shares of Kopylovskoye are admitted to trading in SEK on First North and are traded under the symbol KOPY and ISIN SE0002245548. Shares are traded in blocks of one (1) share. After the Rights Issue is registered with the Companies Registration Office, the newly issued shares will be listed on First North, which is expected by the end of week 3, 2011.

## ANNOUNCEMENT OF RIGHTS ISSUE

As soon as possible after the end of the subscription period and at latest about around December 30, 2010, the Company will publish the outcome of the Offer. Publication will be done through press releases and will be available on the Company website.

## GENERAL INFORMATION ABOUT SUBSCRIPTION AND ALLOTMENT

The Board has no right to cancel the Rights Issue and is not entitled to reduce the number of shares which are concerned for a subscription with preferential rights. The board has not reserved the right to withdraw the Rights Issue permanently or temporarily. Neither is it possible to withdraw the Rights Issue after the trading of shares has commenced. A subscription of shares is binding.

Incomplete or incorrect applications may be disregarded. If the subscription price is paid late or is inadequate, the subscription may also be disregarded.

# Summary of Terms and conditions for the “Warrants 2010/2011”

Two (2) signed, assigned and paid shares in the Rights Issue entitle to one (1) gratuitous Warrant 2010/2011. The full terms of the warrants are reproduced in the section “Conditions for warrants “2010/2011” entitling to subscribe for new shares in Kopylovskoye AB (publ) “ in the Prospectus. The terms will also be available on the Company website, [www.kopylovskoye.com](http://www.kopylovskoye.com). Below is a summary of the essential terms for the warrants.

## **WARRANTS AND RIGHT TO SUBSCRIBE FOR NEW SHARES**

The number of Warrants 2010/2011 amounts to a maximum of 1 472 653. One (1) Warrant 2010/2011 provides holders the right to subscribe for one (1) new share of the Company to a subscription price of 25.00 SEK per share. Subscription can only relate to a full share.

## **APPLICATION FOR SUBSCRIPTION**

Subscription for shares in the Company by virtue of a warrant 2010/2011 may take place during the period from May 16, 2011 through June 16, 2011.

## **THE CONVERSION OF THE SUBSCRIPTION PRICE ETC**

The subscription price and the number of shares of the Company which each warrant entitles the holder to subscribe for may be recalculated in case of a bonus issue, a rights issue and in certain other cases in accordance with the terms and conditions of Warrants, see section “Terms and Conditions for warrants “2010/2011” entitling to subscribe for shares of Kopylovskoye AB (publ) “in the Prospectus.

## **DIVIDEND ON NEW SHARES**

Shares issued for subscription through the Warrant 2010/2011 carry rights to dividend for the first time on the record day for dividend, which occurs immediately after the subscription is executed, provided that the share obtained through such a subscription is registered and listed in the Euroclear share register on the record day for distribution.

## **TRADING IN WARRANTS**

Kopylovskoye will apply for admission to trading of Warrants 2010/2011 at First North. Provided that the required distribution of the warrants is obtained and that the application for admission to Trade is approved, the warrants will be admitted to trading on First North since the Rights Issue and issuance of warrants registered on the Companies Registration Office and Warrants 2010/2011 shifted from Euroclear. This is expected to occur in week 3, 2011. In the event that First North does not approve the warrants for trading the Board of Directors of the Company will examine the possibility for warrants to be traded on another trading site.

## **OTHER**

Mangold Fondkommission is to be signing the warrants with the right and obligation to transfer the warrants to those who have subscribed, have been allocated and have paid for shares in the Rights Issue in accordance with what is indicated above and otherwise in the Prospectus.



# Introduction to Kopylovskoye

7

EXPLORATION  
AND PRODUCTION  
LICENSES

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PROJECTS IN  
DIFFERENT  
STAGES

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MILLION SEK INVESTED  
IN LICENSES AND  
EXPLORATION

273

OZ RUSSIAN  
C1+C2 MINERAL  
RESOURCES

2013

PLANNED  
PRODUCTION  
START

## BUSINESS CONCEPT

Kopylovskoye's business concept is to prospect and explore bedrock gold deposits in Lena Goldfields, Russia and to develop these deposits into production.

## OPERATIONS

Kopylovskoye is currently developing 15 bedrock gold projects within six license areas, all controlled in full by the Company. All projects are located in the Lena Goldfields area of the Irkutsk region of Russia. The projects are in different development stages, with the Kopylovskoye deposit being in the most advanced stage:

- Kopylovskoye shall commence feasibility study
- Kavkaz is in the advanced exploration phase
- Krasnyy-deposit at Krasnyy-license and the Uspenskiy deposit at Prodolnyy-license are ready for resource drilling
- Bannoye- and Bannoye East-deposits at Vostochnaya-license; Gromovsky North-, Obrucheva-, Vladmirovskiy- and Zolotoy-deposit on Prodolnyy-license; Krasnyy East-, and Krasnyy North-deposit on Krasnyy-license and Kapustinskiy-deposit at Pravovesenniy-licenses are in early exploration phase

The licenses are geographically concentrated within a 15 x 20 km large area, with 40–75 km distance to the area's main town Bodaibo. The distance from the deposits to the main road is between 1 and 10 km. From Kavkaz in the west to Kopylovskoye in the east is the distance only 23 km, creating a good opportunity for servicing several deposits from one processing plant.

## VISION AND TARGETS

### Vision

Kopylovskoye's vision is to create a world-class exploration and production company.

### Short-term targets

In the short-term, the Company plans to:

- Complete estimation of the Kopylovskoye deposit's resource potential with issue of a JORC compliant resource report during first quarter 2011.
- Commence a feasibility-study for Kopylovskoye-deposit during 2011.
- Estimate resource potential of the Uspenskiy deposit at Prodolnyy and the Kavkaz project, and issue JORC compliant resource report in early 2011/2012

### Long-term targets

The Company's long-term goal is to control mineral resources of 5 million oz gold and have a production capacity of 200,000 oz gold per annum within five years.

In order to reach this goal, Kopylovskoye aims to:

- Start production on the Kopylovskoye deposit in 2013
- Further develop Kavkaz and Prodolnyy deposits into production
- Identify and develop new projects
- Acquire new licenses

# Introduction to Kopylovskoye

## GEOGRAPHIC FOCUS

Kopylovskoye's projects are located in Lena Goldfields, near the city of Bodaibo, in the Irkutsk region of Russia. The projects are close to the town of Artemovskiy, located 40 km northeast of Bodaibo and 880 km northeast of Irkutsk.

Gold has been mined in the Bodaibo area for more than 150 years, and placer production was conducted as early as in the 1840s. Until today, the accumulated gold production in the Irkutsk region is nearly 43 Moz, of which over 98 per cent is alluvial gold.<sup>3)</sup> During 2009, total gold production in the region was 0.48 Moz, of which 0.38 Moz was alluvial gold.

The area around Bodaibo includes a number of world class bedrock gold deposits, such as Vysochaishiy, Verny, Pervenets, Chertovo Koryto and Sukhoy Log, the latter with over 60 Moz in estimated gold resources. Bodaibo became the regional center for alluvial gold production during the late 19th century, and the gold mining industry is still the area's most important industry.

## Local infrastructure

Bodaibo is a lively city of more than 16,000 citizens, with schools, hospitals and other service facilities, and the majority of the population has some relation to the gold mining industry. The area has developed infrastructure with an airport in Bodaibo, state roads maintained all-year round to access the most important gold production sites, and hydropower from the local Mamakan river.

The Kopylovskoye site has a ready connection to the local utility's VitimEnergo's electric grid in place, which in turn is connected to the national Russian grid. The Krasnyy and Prodolnyy sites are also equipped with heavy current electric mains.

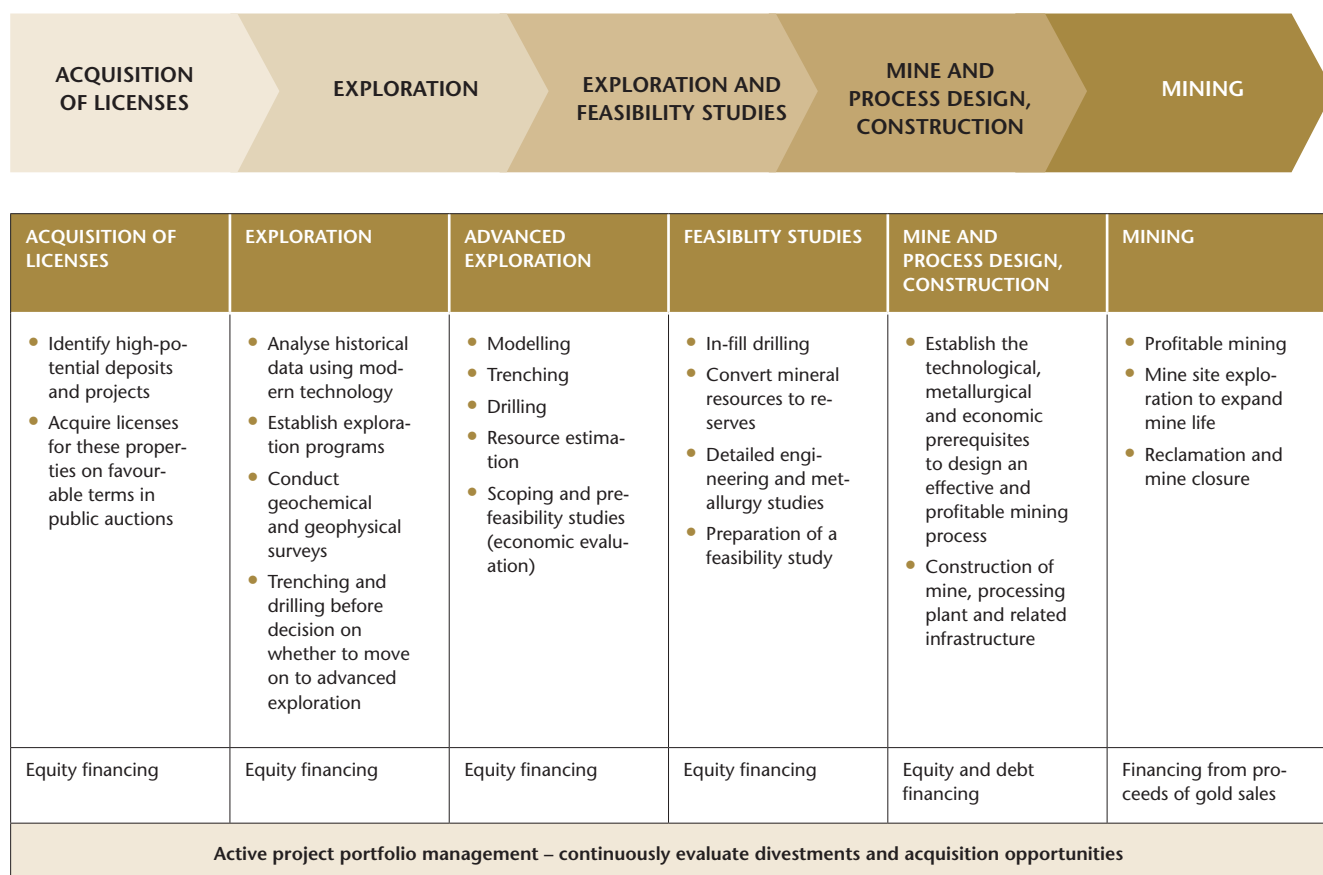
All the Company's project sites are located close to each other, with the distance to the main state road – which runs north from Bodaibo to the town of Kropotkinsky – ranging between 1 and 10 km. The distance between the Kavkaz and the Kopylovskoye sites is only 23 km, making it possible to process ore from several deposits at one production plant.

## OVERVIEW OF RUSSIAN GOLD PRODUCING AREAS

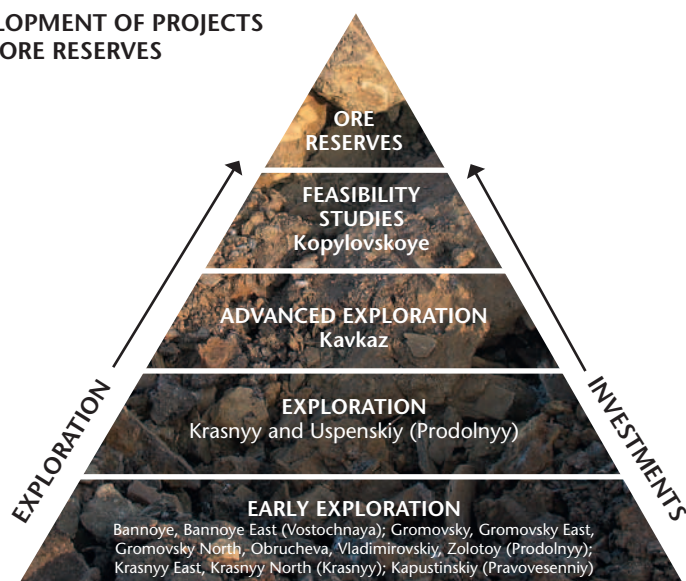


3) Mungalov N.N. Lena gold fields. Historic essay. In 2 parts. Part 1: 1846–1920. Part 2: 1921–2006. Irkutsk. OOO Reprocenter. 2006–2007

## BUSINESS MODEL

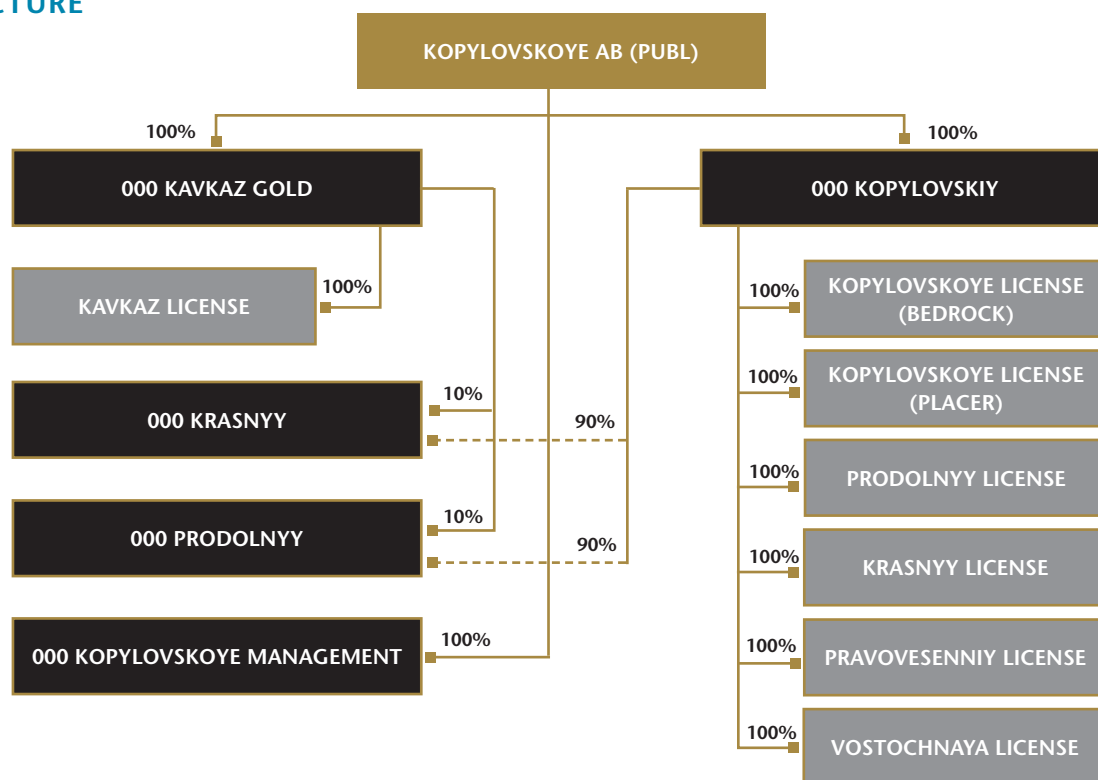


## DEVELOPMENT OF PROJECTS INTO ORE RESERVES



# Introduction to Kopylovskoye

## GROUP STRUCTURE



## HISTORY AND KEY EVENTS

- November 2006: Central Asia Gold AB ("CAG") enters into an agreement to acquire 000 Kopylovskiy and the Kopylovskoye licenses.
- February 2007: Kopylovskoye AB is formed as a subsidiary to CAG.
- April 2007: Kopylovskoye AB becomes the owner of 000 Kopylovskiy, and a private placement in the Company raises 70 MSEK to finance exploration.
- April 2008: Acquisition of the Prodolnny license.
- November 2008: Acquisition of the Kavkaz license.
- Autumn/winter 2008: A cost-cutting programme is introduced in the wake of the global financial crisis, and exploration is limited to a minimum.
- December 2008: Kopylovskoye becomes a stand-alone company when spun out to the shareholders of CAG.
- Beginning of 2009: SRK Consulting ("SRK") is retained to evaluate the Company's projects and to advise on further exploration work.
- Summer 2009: Exploration activities are resumed, on the back of reaffirming results from SRK's evaluation.
- September 2009: 20 MSEK is raised through a rights issue to finance operations, continued exploration and license acquisitions.
- Autumn/winter 2009: The exploration work is focused on Kavkaz, Prodolnny and Kopylovskoye.
- March 2010: Acquisition of the Krasnyy and Pravovesenniy licenses.
- April 2010: 24 MSEK is raised through a rights issue to finance operations, the year's drilling programme for the Kopylovskoye deposit, and license acquisitions.
- July 2010: 23 MSEK is raised through the exercise of warrants.
- August 2010: Acquisition of the Vostochnaya license.
- August 2010: The Company is listed on First North.

# Market overview

## THE WORLD GOLD MARKET<sup>4)</sup>

Gold is today mined on all continents except Antarctica, with the total global mining production being relatively stable at an average of 2,485 tonnes per year during the last five-year period. Newly developed mines mainly replace the production from old mines being taken out of production, rather than increasing the overall mining output. The demand for gold is world-wide, and rapid demographical and socio-economical shifts in a number of emerging markets create new demand patterns. One consequence of this is that South East Asia, the Indian continent and the Middle East together accounted for 70 per cent of world demand in 2009. Five countries account for 55 per cent of global demand: India, Italy, Turkey, USA and China.

## SUPPLY, DEMAND AND PRICES

### Supply

Total gold supply increased by 11 per cent during 2009 compared to 2008. Recycling was the main force behind the increased supply, although mining production and hedging activities were also positive net contributors. However, these positive supply factors were in part mitigated by official sector divestments, which totalled almost 44 tons during 2009, compared to an average of 444 tons during the last five-year period. In 2009, a major supply increase was registered during the first quarter, but a sharp decline in supply from recycling and

significant official sector net purchases led to a decrease in supply during the following quarters of 2009.

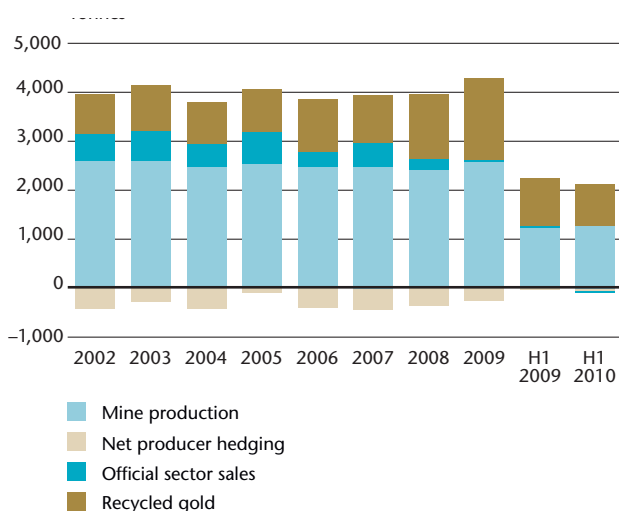
In the first half of 2010, global gold supply decreased by eight per cent to 2,030 tonnes compared to 2,215 tonnes for the first half of 2009. The decrease was mainly attributable to less recycled gold and lower official sector sales.

Global mine supply for 2009 was estimated by U.S. Geological Survey at 2,350 tonnes, up by four per cent compared to 2008. China, Australia, USA, South Africa and Russia contributed nearly half of the total, with China producing 300 tonnes, Australia 220 tonnes, USA 210 tonnes, South Africa 210 tonnes and Russia 185 tonnes.

### Demand

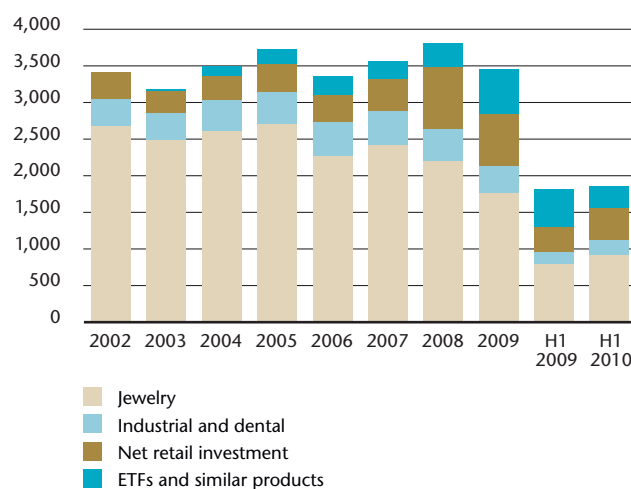
Total gold demand decreased in 2009 by 11 per cent, with investments being the only demand-side sector showing an increase, with a growth of eight per cent compared to 2008. Industrial and dental and jewelry demand for gold decreased by 16 and 20 per cent, respectively. China was the only large jewelry market to grow during 2009, although India rebounded during the fourth quarter and finished the year with positive demand growth. The industrial sector demand was primarily driven by increased demand for electrical components, related to the rebound of industrial output and growth in the wake of the global financial crisis.

WORLD GOLD SUPPLY 2002 – H1 2010 (TONNES)



Source: World Gold Council

WORLD GOLD DEMAND 2002 – H1 2010 (TONNES)



Source: World Gold Council

4) The sources for the information in this section are GFMS Ltd and the World Gold Council, unless otherwise stated



## Market overview

Investment-wise, strong investment in gold in the western markets during 2009 was mitigated by less investment in general in non-western markets. The only non-western country to show a positive net growth in gold investments in 2009 was China. India drove down total investments during the beginning of the year by selling off some of the official reserves. This was however followed by a recovery later when the country acquired 200 tons of gold for reserve purposes.

During the first half of 2010, global gold demand was 1,857 tonnes, up by two per cent from 1,820 tonnes for the same period 2009. Jewelry, industrial and retail investment demand recorded increases of 16, 21 and 31 per cent respectively, while ETF investment demand decreased by 43 per cent.

Total world consumer demand in 2009 was 2,424 tonnes, with India being the largest consumer market with a total demand of 480 tonnes. India, China and USA accounted for almost half of total consumer demand in 2009, with an aggregate demand of 1,171 tonnes.

### The gold price

The USD gold price averaged 972 USD/oz during 2009, ending the year with an increase by 12 per cent compared to 2008. During the fourth quarter of 2009, the gold price was significantly higher with an average of 1,100 USD/oz.

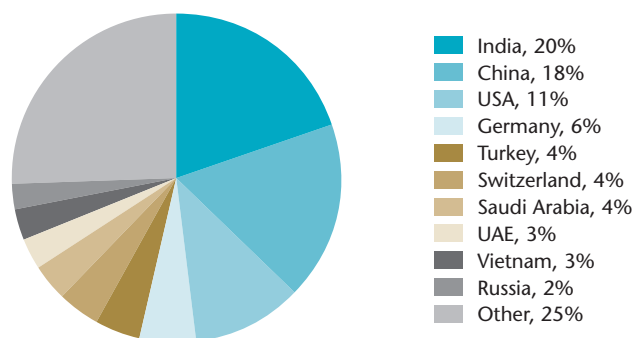
During 2010, the gold price has shown a strong performance, with an increase of 26 per cent, and a spot price of 1 365,50 USD/oz as of November 12, 2010.

### THE RUSSIAN GOLD MARKET

According to the U.S. Geological Survey<sup>5)</sup>, total Russian gold mining production increased during 2009 to 185 tons compared to 176 tons for 2008, on the back of mining start in a number of mines in the Chukotka, Amur and Kamchatka districts. After 15 years of stagnation following the breakdown the Soviet Union, gold production, prospecting and exploration activities have increased significantly in Russia during recent years.

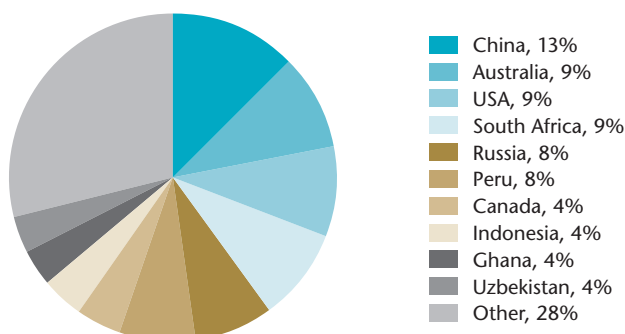
Russian gold production has for a long time been centered around alluvial production, with bedrock production overtaking alluvial production as late as 2003. For 2009, bedrock production accounted for an estimated 70 per cent of total mine output, with alluvial

### GOLD CONSUMER DEMAND BY COUNTRY 2009



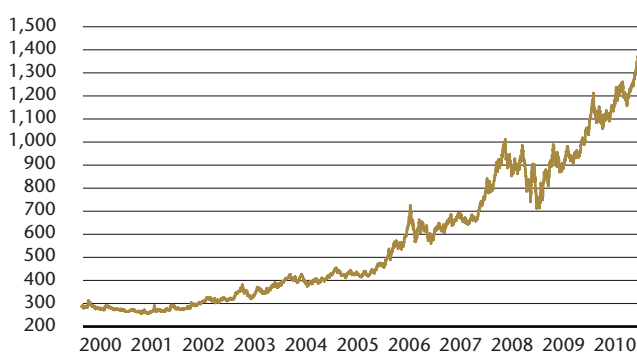
Source: World Gold Council

### GOLD MINE SUPPLY BY COUNTRY 2009



Source: U.S. Geological Survey

### GOLD PRICE DEVELOPMENT (USD PER OZ)



Source: World Gold Council

5) U.S. Geological Survey, Mineral Commodity Summaries, January 2010

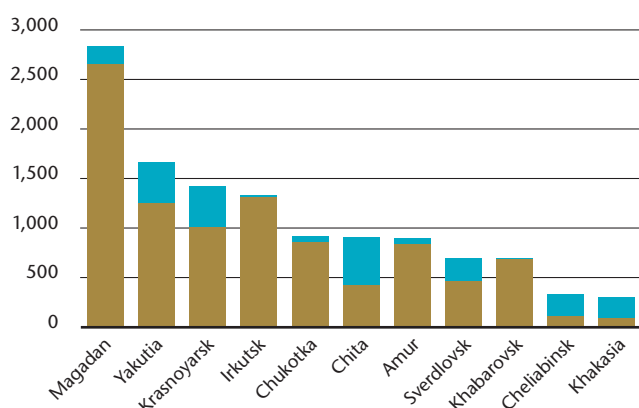
production at 30 per cent, according to the Russian Union of Gold Miners.

The six primary gold producing districts in Russia are Krasnoyarsk, Chukotka, Yakutiya, Amur, Khabarovsk and Irkutsk. Between 1890–2009, the gold output from these districts has totalled 6,930 tonnes, of which 995 tonnes is bedrock gold. During 2009, these districts accounted for 76 per cent of total Russian gold mine production.

In 2009, the 15 largest gold producing companies accounted for 74 per cent of the total Russian gold production, with the eight largest producers displayed below.<sup>6)</sup>

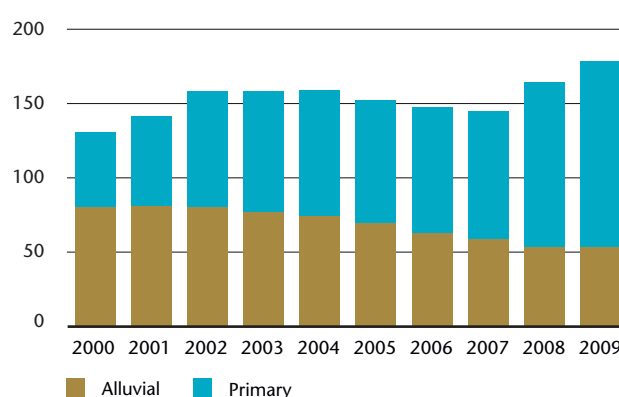
In the Irkutsk region, there are a number of gold mining companies operating, with the majority being national entities. A list of known companies operating in this region is displayed in the table on the next page.

**ESTIMATE OF TOTAL RUSSIAN GOLD PRODUCTION BY REGION 1890–2009 (TONNES)**



Source: Russian Union of Gold Miners

**RUSSIAN GOLD PRODUCTION 2000–2009 (TONNES)**



Källa: Russian Union of Gold Miners

## INTERNATIONAL GOLD MINING COMPANIES OPERATING IN RUSSIA

Company	Domicile	Stock market listings	Gold production from Russian operations (kg)		
			2009	2008	2007
Kinross Gold	Canada	New York, Toronto	25,591	15,433	1,942
Petropavlovsk	UK	London, New York	14,835	12,240	8,405
Highland Gold Mining	UK	London	5,145	5,120	4,623
Leviev Group	USA	–	1,969	1,221	134
Angara Mining	UK	London	1,594	1,057	949
Central Asia Gold	Sweden	Stockholm	666	846	1,073
High River Gold Mines	Canada	Toronto	–	1,867	4,683
Bema Gold <sup>7)</sup>	Canada	–	–	–	110
<b>Total</b>			<b>49,155</b>	<b>37,784</b>	<b>22,564</b>
<b>% of total Russian production</b>			<b>27%</b>	<b>22%</b>	<b>13%</b>

Source: Russian Union of Gold Miners

6) Russian Union of Gold Miners

7) Bema Gold förvärvades av Kinross Gold 2007

# Market overview

## GOLD MINING COMPANIES OPERATING IN THE IRKUTSK REGION

Company	Domicile	Stock market listings	Operations/licenses in the Irkutsk region	Total yearly gold production (kg)
Polyus Gold	Russia	Moscow, London	Zapadnoye, Vernenskoye, Pervenets, Chertovo Krito	40,400 <sup>*)</sup>
GV Gold (OJSC Vysochaishy)	Russia	–	Golets Vysochaishy, Ozherelie, Ykanskoye, Leprindo	3,450
Zoloto Resources	Canada	Toronto	Ozherelie, Ykanskoye	–
LenSib	Russia	–	Nevskoye	500
Redkon	Russia	–	Elektricheskoye	500
Severstal Gold	Russia	Moscow, London	Uryakhskoye	6,000 <sup>*)</sup>

<sup>\*)</sup> Group total

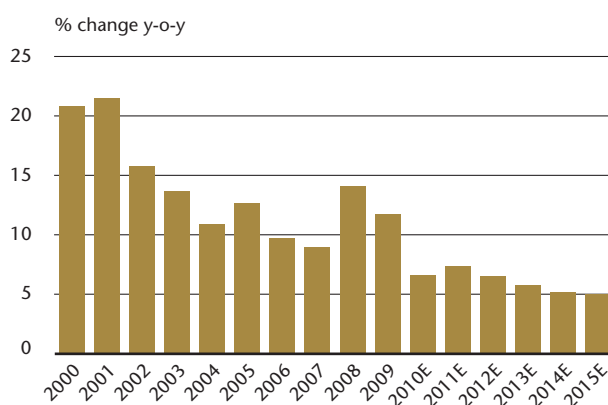
Sources: company websites and presentations, Kopylovskoye

## RUSSIAN ECONOMICS<sup>8)</sup>

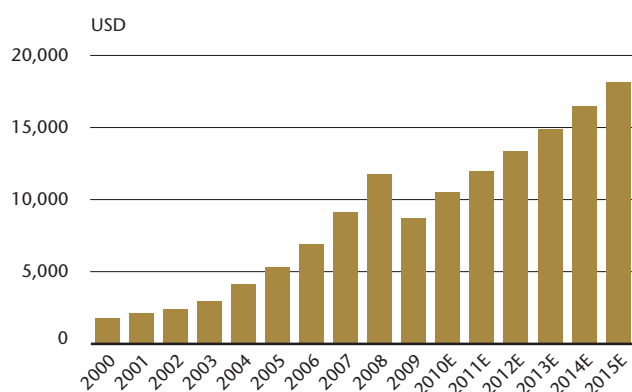
Russian national economics has improved greatly after the financial crisis of 1998, when falling commodity prices and resulting lower tax revenue combined with a fiscal deficit put the country in a tight spot. On the back of booming oil and gas prices and increased foreign investment during the 2000s, Russia's economy has rebounded strongly, and remained strong even through the recent global recession of 2008–2009.

According to the IMF, Russian GDP per capita for 2010 is estimated at 10,522 USD, with inflation of 6.6 per cent and government net borrowing of –4.8 per cent of GDP. GDP per capita is expected to grow at an average annual rate of 13 per cent from 2009 to 2015, with continuously decreasing inflation. Meanwhile, government finances are expected to remain healthy.

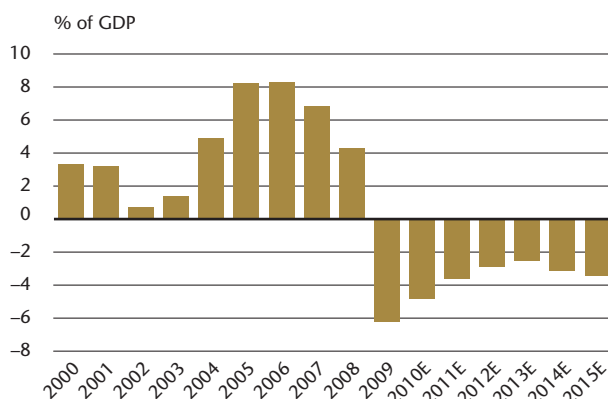
## INFLATION, CHANGE IN AVERAGE CONSUMER PRICES



## GDP PER CAPITA 2000–2015E (USD)



## GOVERNMENT NET BORROWING AS % OF GDP



<sup>8)</sup> IMF, World Economic Outlook Database, October 2010

# From exploration to mining in Russia

## RUSSIAN MINERAL RESOURCES CLASSIFICATION SYSTEM<sup>9)</sup>

The Russian mineral resources classification system differs from the international systems (e.g. JORC, SAMREC and NI 43-101) in a number of ways, the most important being the focus on total objectivity. The international systems provide a consistent framework within which a qualified person is responsible for the final report and results, whereas the Russian system leaves little or no room for professional judgement but relies instead on a detailed prescription on how the entire process of exploration, resource computation and reporting should be conducted in a by-the-book, fully objective way.

The Russian system was developed in the 1960s and later revised in 1981. The system's overseeing governmental body is the GKZ, the State Commission on Mineral Reserves, which in turn oversees regional sub-committees called TKZ, Territorial Commission on Mineral Reserves. All approvals of mineral resource and reserves estimates are made by the TKZ, or for large-scale deposits, by the GKZ.

### Reserve/resource classification

The Russian system utilizes a distinct system for classifying mineral occurrences according to a set of properties and characteristics. First, there are the three major groups:

- Fully-explored reserves or resources (A, B and C1)
- Evaluated reserves or resources (C2)
- Prognostic resources (P1, P2, P3)

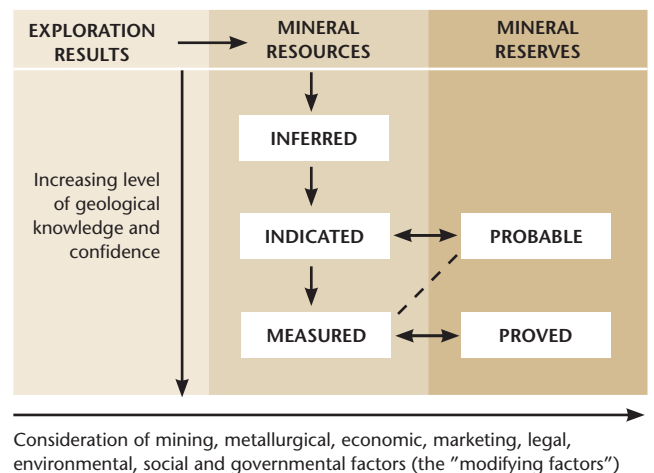
Second, mineral occurrences are classified as belonging to one of seven categories:

- A (reserves that are known in detail, and in production)
- B (reserves that have been explored but are known only in fair detail, and in production)
- C1 (reserves that have been estimated based on a sparse grid of trenches, drill holes or underground workings)
- C2 (reserves that have been estimated based on an extremely loose exploration grid with little data)
- P1 (resources that have been estimated on data from trenches, geochemical/geophysical surveys and sporadic drilling)

## COMPLEXITY CLASSES AND HIGHEST CATEGORY OF RESOURCES/RESERVES NORMALLY ACHIEVABLE

I	II	III	IV
A	A,B	C1	C2

## BASIC WESTERN APPROACH FOR MINERAL RESOURCES CLASSIFICATION



## RECONCILIATION OF RUSSIAN AND INTERNATIONAL REPORTING SYSTEMS

UNCLASSIFIED	INFERRED	INDICATED	MEASURED
P2+P3			
P1			
	C2		
		C1	
			A+B

*Note: A, B, C1 and C2 can also be reserves*

(Source for all of the above: Mining Journal, London, 20 August 2004)

9) Mining Journal, London, August 20, 2004

# From exploration to mining in Russia

- P2 (resources representing possible mineral structures that have been estimated on data from geochemical/geophysical surveys)
- P3 (resources that have been estimated based on being located in a "favourable geological environment" and derived from figures of similar deposits in the region)

In deciding on starting mining, the categories normally taken into account are A, B, C1 and C2, making these categories roughly equivalent to the international concept of proved and probable reserves.

## Deposit categories and complexity classes

Furthermore, the Russian system classifies deposits according to their complexity, size and shape. The categories overlap to a large extent, in that a deposit in complexity class I often is classified as a size/shape group 1 deposit.

The complexity classes are:

- I (no structural complexity, uniform thickness and homogeneous grades)
- II (more complex, non-uniform thickness and significant grade variability)
- III (highly complex structure, significant variations in thickness and very uneven grade distribution)
- IV (extremely complex structure, extreme variations in thickness and in grade distribution)

Under the Russian system, the maximum level of confidence regarding the properties of a mineral concentration that can be achieved depends on the type of the deposit. In practice, this means that deposits with complexity classes of III or IV can normally not be awarded a higher reserve classification than C1, because there is a limit to the amount of certainty that can be achieved from additional work on the deposit due to its specific characteristics.

From the complexity classification system also follows that deposits of a certain mineral tend to be in a specific complexity class. For instance, coal, iron and copper deposits tend to be in complexity classes I and II, with gold deposits in complexity classes III and IV.

## LEGAL FRAMEWORK

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

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

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

## Designated usage

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

## Holders of mining rights

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

## Terms of mining rights

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

## Grounds for provision of mining rights

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

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



# From exploration to mining in Russia

The most important document which evidences the existence of mining rights is the license. The license is issued provided there is at least one ground for provision of mining rights. The license can be supplemented by the mining terms and conditions and contract. The mining terms and conditions cannot contravene the provisions of the license.

Licenses can be suspended, revoked or limited if a holder of mining rights (the licenseholder) violates the Subsoil Law or requirements or obligations set forth in the license or, as the case may be, in the mining terms and conditions and the contract. Suspension, revocation or limitation of the license can be challenged either in court or administrative proceedings.

## Industrial safety and dangerous production facilities

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

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

## Gold refining

The Law on Precious Metals and Precious Stones directs that extracted and produced precious metals shall be placed for gold refining to legal entities included in the list approved by the Government of the Russian Federation. However, holders of mining rights remain

owners of precious metals and precious stones placed for gold refining unless otherwise agreed with gold refining companies.

## Law on strategic deposits<sup>10)</sup>

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

## THE SYSTEM OF TAXES AND PAYMENTS

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

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

## Natural resources extraction tax (NRET)

Legal entities and sole entrepreneurs – users of subsoil resources – shall be considered as taxpayers. Extracted natural resources shall be considered as the object of taxation. The tax base is to be determined by the taxpayer with regard to every type of extracted natural resource, generally, as the value of extracted natural resources. The tax period of NRET is one calendar month. Tax rates depend on the type of the mineral resource. For gold, the current applicable tax rate is six per cent.

The quantity and value of the extracted natural resources is determined directly (through the application of measurement means and devices) or indirectly (by means of calculations, by the data on the content of extracted natural resource in a natural raw material (waste, lost rock) extracted from subsoil).

Regular mining payments may refer to annual payments for license holders regarding subsoil use for purposes of search, assessment and exploration, and water tax for the use of water on the license areas.

<sup>10)</sup> Vinson & Elkins LLP

# Projects and mineral resources

## PROJECT PORTFOLIO

The Company is currently developing 15 identified exploration projects within six bedrock gold exploration and production licenses. In addition, the company owns a license relating to exploration and production in the riverbed. All licenses are located in Lena Goldfields close to the city of Bodaibo in the Irkutsk Region. The licenses are:

- Kopylovskoye bedrock (acquired 2007)
- Kopylovskoye riverbed (acquired 2007)
- Kavkaz (acquired 2008)
- Krasnyy (acquired 2010)
- Prodolnyy (acquired 2008)
- Pravovesennyi (acquired 2010)
- Vostochnaya (acquired 2010)

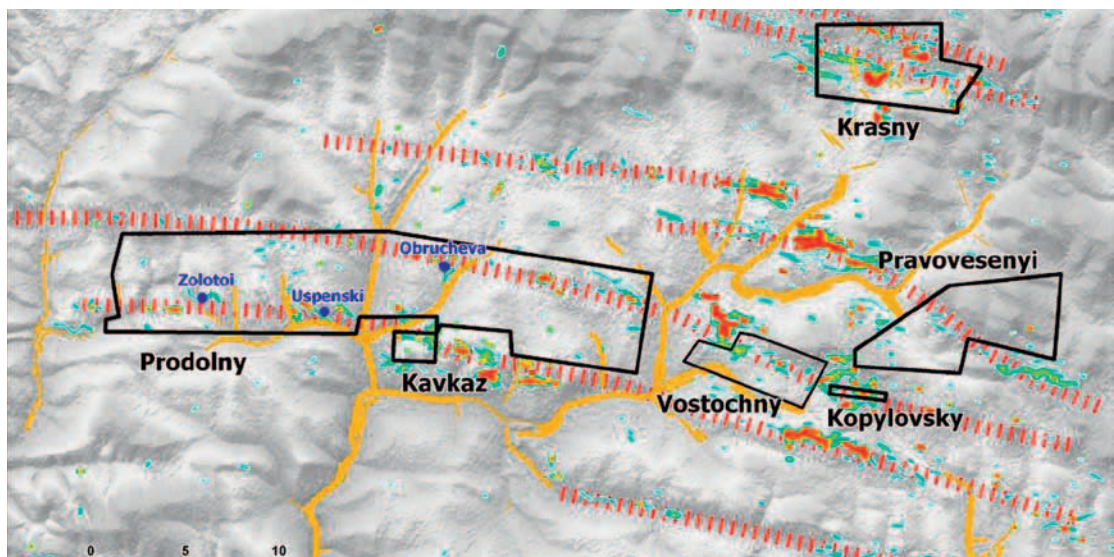
The projects are in different development stages, with Kopylovskoye being in the most advanced stage. The

total license area is 225 km<sup>2</sup> and all the Company's licenses provide the right to bedrock exploration and production.

## PRODUCTION TARGETED FOR 2013

The Company is targeting mining start at the Kopylovskoye deposit in 2013. All the Company's deposits are projected to be mined as open-pits, with continued underground mining if grades and ore quantity are good enough. Processing is planned to be conducted in a centrally located concentration plant, with capacity to handle mined ore from a number of the Company's deposits. The most efficient processing flow will be developed after bulk sampling and metallurgical testing. The end product after processing is expected to be doré bars which will be sent to an independent smelter for production of gold banking bars.

## OVERVIEW OF THE COMPANY'S PROJECTS



- |   |  |                                       |                                      |
|---|--|---------------------------------------|--------------------------------------|
| 1. Kopylovskoye (feasibility study stage) | 5. Vladimirovsky (early exploration)   | 9. Gromovsky (early exploration)      | 13. Krasnyy East (early exploration) |
| 2. Kavkaz (advanced exploration)          | 6. Obrucheva (early exploration)       | 10. Bannoye (early exploration)       | 14. Krasnyy (exploration)            |
| 3. Uspenskiy (exploration)                | 7. Gromovsky North (early exploration) | 11. Bannoye East (early exploration)  | 15. Kapustinskiy (early exploration) |
| 4. Zolotoy (early exploration)            | 8. Gromovsky East (early exploration)  | 12. Krasnyy North (early exploration) |                                      |

## TOTAL MINERAL RESOURCES OVERVIEW

Classification	Kton	Grade (g/ton)	Gold		Method
			oz	kg	
C1	80	2.9	7,400	231	TKZ
C2	2,341	3.5	265,500	8,257	TKZ
P1	3,483	n/a	997,300	31,015	TKZ
P2	n/a	n/a	578,800	18,000	TKZ



# The projects

## KOPYLOVSKOYE

The Kopylovskoye license is located 45 km northeast of Bodaibo and the license area covers approximately 1.5 km<sup>2</sup>. The deposit was first discovered in the 1970s through a state managed regional geological survey program. The Kopylovskoye bedrock gold mineralization neighbours the Kopylovskoye alluvial deposit, which was in production during the 1990s. The first exploration and production license for the Kopylovskoye bedrock gold occurrence was issued in April 1999. During 2000–2005, extensive exploration work within a limited part of the license area was carried out, resulting in the filing of a Russian reserve report covering a small part of the mineralization. In 2005, a gravitation enrichment pilot processing plant with 100 ktons of annual rock capacity was put into operation.

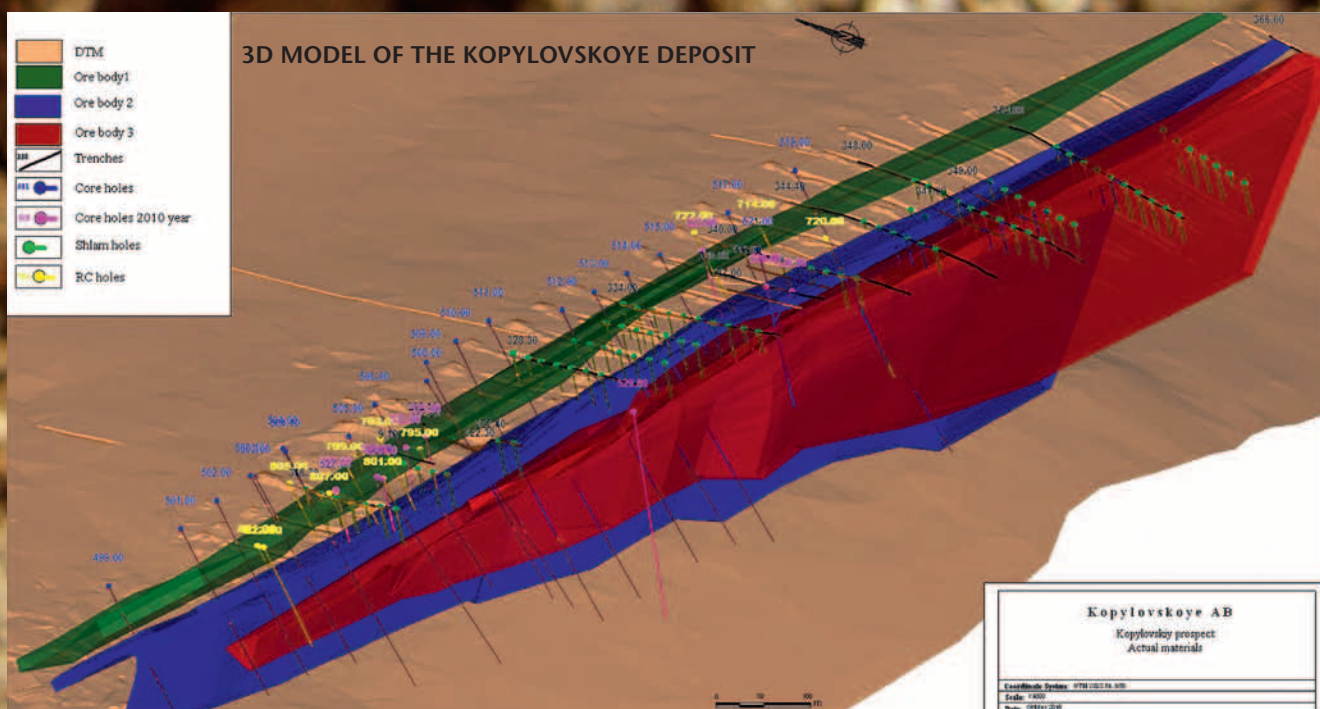
## Geology

The gold mineralization at Kopylovskoye is preferentially hosted in sericite-altered carbonaceous shale/slate spatially and genetically associated with saddle reefs and quartz vein stockworks, with occasional pyrite that have exploited cleavage and bedding planes in the hinge zone, limbs and parasitic folds of a highly compressed overturned anticline.

The Kopylovskoye anticline has been mapped and modeled from drilling over a strike length of 2.0 km.



The axial plane of the anticline is oriented with a strike of 282° dipping 70° to the northeast. It is a highly compressed asymmetric fold with a north-dipping (45–50°) north limb and a slightly overturned, near vertical south limb. The crest is narrow, open and is well delineated by surface excavations. The fold axis is double plunging. It plunges shallowly (7–10°) to the southwest at an azimuth of 282°, and plunges at an angle of 2–3° in an easterly direction (azimuth 100–110°). However, due to rising surface topography to the east, the fold hinge is buried increasingly deeper eastward beneath cover.





## The projects

The fold-hinge stockwork-vein zone is by far the most important and potentially most economic structural setting for gold mineralization at Kopylovskoye. Where the hinge of the fold is shallow and has been preserved, i.e. not eroded, it has the highest potential for economic mineralization on the property. The hinge zone will be mined as a shallow open pit with minimal dilution.

Two new mineralization zones have been identified during 2009, and the potential is high to discover more similar zones in the eastern part of the license area.

### Exploration

#### *Historic*

A grain size analysis of gold conducted in 2005 indicated that the gold from the fold-hinge stockwork-vein zone is coarse, with approximately 50 per cent of the gold in grain sizes over 1 mm. In regards to processing, the coarse gold may be free milling.

The hinge zones two and three were identified during 2009 (marked with yellow and red on the 3D model on the previous page). There is a potential of discovering new hinge zones in the eastern part of the license area.

#### *2007–2010*

Shortly after the Company's acquisition of the bedrock Kopylovskoye license, a Company team of geologists prepared a comprehensive exploration program for the bedrock deposit. The program was focused on exploring mineralization at depth and outside the contour of proven reserves.

During 2007–2008, the following exploration work was carried out:

- 4,081 meters of core wells of 76 mm diameter were drilled at 45 degrees. Core sample recovery was 96 per cent with a core diameter of 61 mm.
- 117,000 m<sup>3</sup> of trenches with total length of 6,160 meters were excavated. By the end of 2008, 1,443 meters of trench surface were documented, with 1,405 channel samples taken.
- 112 RAB wells were drilled with a total length of 2,941 meters to a depth of 40 m. Drilling was done with 110 mm diameter drilling bit at angle of 60 degrees.

In 2009, exploration efforts on the Kopylovskoye deposit were focused to digest and interpret exploration results of 2007–2008. During 2009, all the remaining core, RAB and trench samples were processed and analyzed, including:

- Trenching: 982 samples
- RAB: 538 samples
- Core cuttings: 1,000 samples

The new assay tests identified a mineralized gold interval in trench 340 of 69 meter with a grade of 5.3 g/ton (including an interval of 19 meters with a grade of 19.2 g/ton). Trench 340 was found to cross the outcrop of saddle reef structure 2 at surface, thus confirming its high resource potential. Trench 348 was found to cross 49 meters of mineralized zone with an average grade of 0.6 g/ton, including a 22 meter interval with a grade of 1.4 g/ton. This trench crosses the outcrop of saddle reef structure 3.

Based on the new and historic data, a 3D geological model for the deposit was developed.

During 2010, the following exploration work has been carried out:

- Trenching: 443 m, with sample analysis
- RC drilling: 900 m
- Core drilling: 950 m

Only the western part of the deposit has been explored thoroughly enough to establish C1/C2 reserves. The current C1/C2 reserves are contained within zone 1 of the deposit. Drilling has been conducted at a maximum depth of 35–45 m.

### Mineral resources

Based on historic exploration activities, the Russian TKZ has registered the total mineral resources as presented below. The estimates are based on exploration down to 25–30 meters in the bedrock, and covers only approximately 1/10 of the total surface area of the license.



## MINERAL RESOURCES, KOPYLOVSKOYE LICENSE

Classification	Kton	Grade (g/ton)	Gold (oz)	Cut-off (g/ton)	Method
C1	80	2.9	7,400	1.0	TKZ
C2	2,231	3.2	232,200	1.0	TKZ
P1	3,308	3.1	333,400	n/a	TKZ

### Licenses and license terms

The bedrock deposit is covered by a license that provides rights to bedrock gold exploration and production, and according to the current license terms, expires in 2020. In addition to the bedrock license, the Company also holds a license to placer production on the Kopylovskoye alluvial deposit, which expires in 2011.

In order to comply with the bedrock license terms, the Company needs to produce and receive approval from the state authorities of a mineral reserve report no later than the second quarter of 2011. Pilot production should start no later than 2012, with commercial production during 2013.

### Further development

For 2011, the Company plans to perform a pre-feasibility study of the Kopylovskoye deposit, in order to assess the economical viability for mining the deposit.

## KAVKAZ

The Kavkaz license is located 35 km northeast of Bodaibo and the license area covers approximately 3.4 km<sup>2</sup>. The deposit was first discovered in the 1940s and has been explored since 1984 by the Bodaibo state exploration team, with minor exploration conducted by the former owners OOO Artelj Lena.

### Geology

The Kavkaz license is located in an area with a large cluster of soil gold anomalies, known as the Vasilievskii Ore Field, close to the southern border of the Prodolnyy license area.

The main targets of historical exploration were quartz veins. Most of the quartz veins on the Vasilievskii ore field are concentrated in the form of a width of the belt and varies from 200 m to 800 m. Outside this belt of concentration of quartz veins, there are single quartz veins of no practical interest due to their typically narrow thickness (0.1 m to 0.5 m), short length, and low metal grades both in veins and in adjacent host rocks. Sub-meridional veins fill ruptures with dip direction azimuths of 330 to 30 degrees, and inclination angles of 70 to 90 degrees. They are characterized by high variability of thicknesses and short strike and down dip extent.

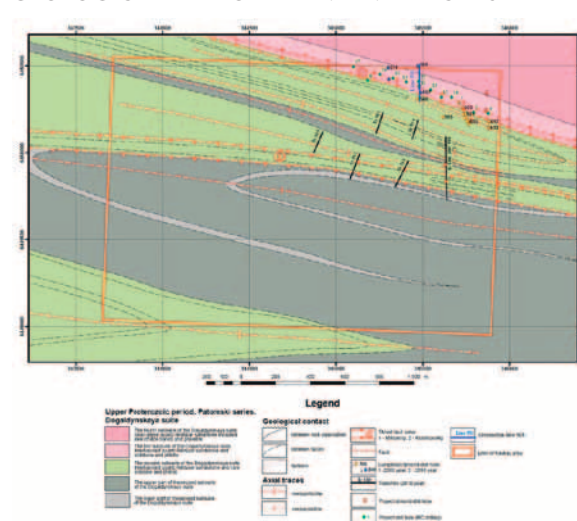
### Exploration

#### Historic

In 2003, OOO Artelj Lena, the former owner of the Kavkaz license proved 1,037 kg of C2 gold reserves



## GEOLOGICAL MAP OF THE KAVKAZ LICENSE





## The projects

in zone 1 area in accordance with Russian classification. P1 gold mineral resources amounted to 1,645 kg. In zone 4 area two veins were identified. They were exposed for 650 meters and the veins were followed to the depth of 200 m. P1 gold mineral resources in this zone amounted to 975 kg. Afterwards, no new reserve/resources calculations were submitted for State approval.

### 2007–2010

After the Company's acquisition of the Kavkaz license, new surface trenches were excavated and chip sampled on site. When assayed, the samples confirmed that gold is present not only in the quartz veins but also in the host rock. The exposed ore zone has a thickness of up to 45 meters.

During 2008, a limited-scale revision exploration program was carried out at Kavkaz. The activities included:

- Trenching: 2,655 m<sup>3</sup>
- Chip samples: 850 samples
- Sediment samples: 400 samples of 40 kg each
- Fire assays: 202 samples

The samples were processed at the Company's own sample preparation laboratory in Bodaibo, using gravitation enrichment method. Concentrate and

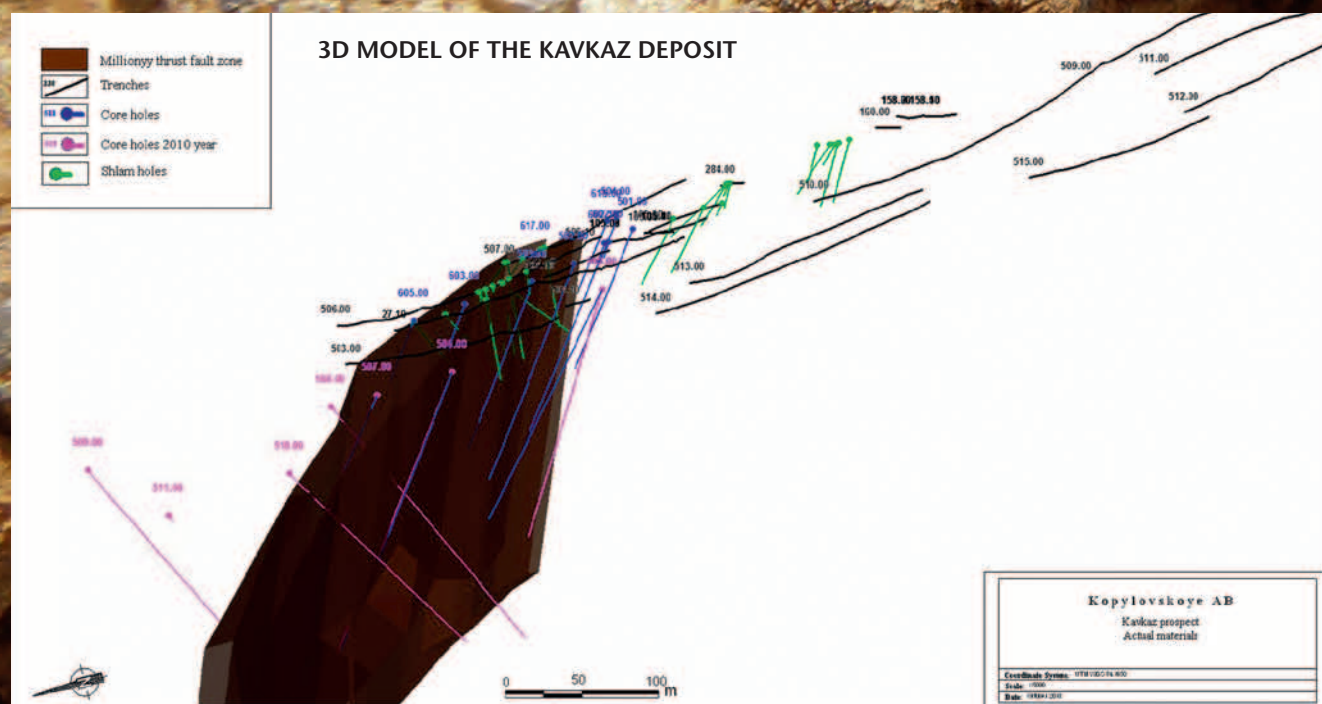
tailings of each of the samples were assayed at the independent Stewart Group Lab in Moscow. The results showed that 60 per cent of sediment samples contained coarse gold with grain sizes ranging from 0.5 to 1 mm. 20 per cent of the chip and sediment samples contained nugget gold with grain size above 1 mm. Gold purity was between 77 and 84 per cent.

During 2009, the following exploration activities were conducted:

- Trenching: 49,000 m<sup>3</sup>
- Trench sampling: 800 meters
- Core drilling: 800 meters
- RAB drilling: 900 meters
- Fire assay analysis: 1,700 samples
- XRA SE (spectral) analysis: 800 samples
- Hg analysis: 400 samples
- Mineralogical analysis: 300 samples

The Company identified a rich stockwork type gold mineralization at the northern flank of zone 1. The mineralization is hosted within a quartz vein stockwork zone, represented by carbon-quartz-feldspar. The zone is open to the north. Some of the more notable results from the trench sampling were:

- Trench 507: 3.752 g/t for 54 meters





- Trench 503: 2.5 g/t for 54 meters and 3.95 g/ton for 24 meters
- Trench 105: 2.66 g/t for 120 meters

During 2010, the following exploration work has been carried out:

- Trenching: 880 m
- Core drilling: 400 m

## Mineral resources

Based on historic exploration activities, the Russian TKZ registered the total mineral resources as presented below. The estimates are based on surface trenches, underground developments and core drilling done by state owned exploration team from Bodaibo.

### MINERAL RESOURCES, KAVKAZ LICENSE

Classification	Kton	Grade (g/ton)	Gold (oz)	Cut-off (g/ton)	Method
C2	110	9.4	33,300	1.0	TKZ
P1	175	9.4	52,900	n/a	TKZ

## License and license terms

The deposit is covered by a license that provides rights to bedrock gold exploration and production, and according to the current license terms, expires in 2015.

In order to comply with the license terms, the Company must in the short-term prepare and file an exploration plan no later than 2011.

## Further development

During 2011, the Company will conduct 1,500 RC drilling to assess inferred mineral resources. Thereafter will a decision be made on how to proceed.

## PRODOLNYY

The Prodolnyy license is located 40 km northeast of Bodaibo and the license area covers approximately 141 km<sup>2</sup>. The deposit was first discovered in the 19th century and contains about 10 delineated exploration targets, of which three have been subject to current exploration work: Uspenskiy, Zolotoy and Obrucheva.

## Geology

Geologically the Prodolnyy license is located in the central part of Bodaibo Complex Syncline (synclorium), which is composed of interlayered sandstone, limestone and siltstone with variable carbon content (commonly known as black schists). Folding is complicated by regional faults cutting fold axes at low angles. These faults potentially control the distribution of gold mineralization. Previous research delineated sub-meridional "hidden" zones of structural complications based on interpretation of geophysical data. Some north-south structural zones are clearly seen on digital terrain model maps, and many of the recent stream drainages are oriented north-south. Intersection of these north-south and northeast structural zones with faults running sub-parallel to the axis of the folds, in favorable lithology, are prospective locations for the deposition of disseminated gold mineralizations.

## Exploration

### Historic

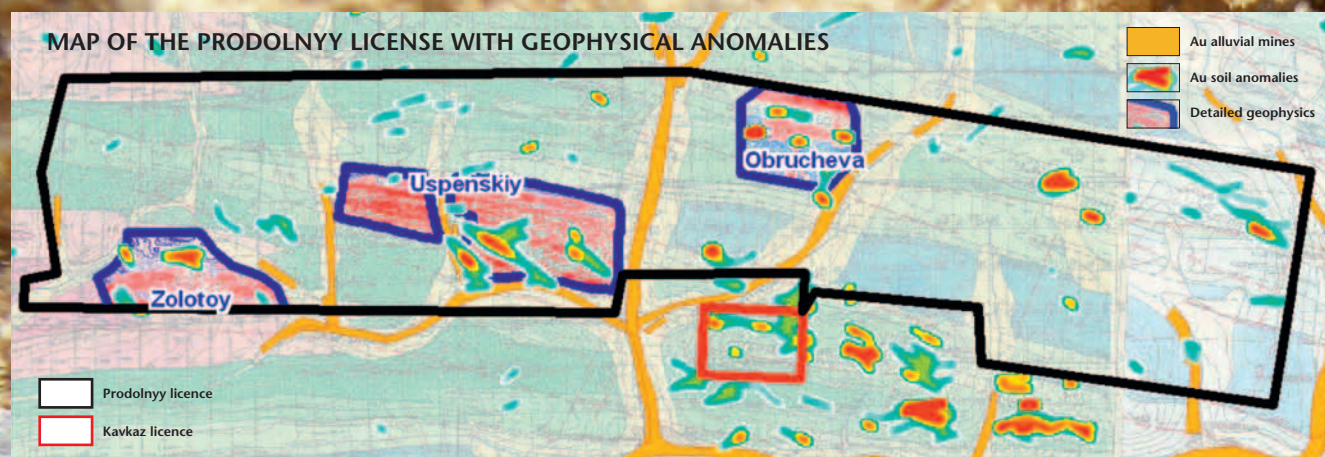
Regional soil sampling defined several linear belts of gold anomalies trending east-west to east-southeast. At least two of these belts cross the Prodolnyy license. Anomalies consist of gold and pathfinder elements.

Detailed historical exploration has only been conducted over small areas of the Prodolnyy license, and not always in the best locations (commonly in outcrop areas only). In most cases, the work has confirmed the presence of gold mineralizations, but with an insufficient amount of information to allow for judgments on the exploration potential. Most attention was paid to vein zone areas, with little attention paid to possible disseminated mineralization targets.

A number of quartz vein type mineralization targets has been identified: Uspenskiy, Zolotoy, Vladimirovsky, Obrucheva, Nizhny, Gromovsky, and the Vasilievskoe and Gromovskoe ore fields (the latter including the Plotnikova and Spirtovoy mineralizations). Even then, the quartz veins have been poorly sampled and not thoroughly assayed.



## The projects



### 2007–2010

In 2009, geophysical mapping of the Uspenskiy mineralization and the southwest part of the deposit was completed. Trenching samples were also collected, with a total trench length of 516 m.

During 2010, the following exploration work was carried out:

- Trenching: 900 m on the Uspenskiy mineralization
- Detailed geophysical and geochemical works on the Zolotoy and Obrucheva mineralizations

### Mineral resources

Based on historic exploration activities, the Russian TKZ has registered the mineral resources for a limited part of the Prodolnyy license as presented below. The estimates are based on prospective mineral structures.

### MINERAL RESOURCES, PRODOLNYY LICENSE

Classification	Kton	Grade (g/ton)	Gold (oz)	Cut-off (g/ton)	Method
P2	n/a	n/a	579,000	n/a	TKZ

### License and license terms

The deposit is covered by a license that provides rights to bedrock gold exploration and production, and according to the current license terms, expires in 2033.

In order to comply with the license terms, the Company must in the short-term complete exploration and estimation works no later than 25 June 2012.

### Further development

For 2011, the Company plans to:

- Complete resource assessments at the Uspenskiy, Obrucheva and Zolotoy deposits
- Continue with detailed geochemical and geophysical works
- Verify the prospective structures through trenching and drilling.





## KRASNY

The Krasny license is located 75 km north of Bodaibo and the license area covers approximately 31 km<sup>2</sup>. The mineralisation was first discovered in 1979 and preliminary resource assessment was conducted during 1981–1986 by the Bodaibo state exploration team. The license was acquired by the Company in February 2010.

### Geology

The Krasny license area is in a very prospective lithological and stratigraphical position. The area is characterized by intensive geochemical gold anomalies and rich alluvial gold deposits in nearby streams. Limited exploration work conducted in the past has demonstrated the presence of a primary gold mineralization at the surface and at the depth in two continuous mineralized zones.

### Exploration

#### Historic

The license area has been intensively prospected in previous years:

- Detailed geochemical and geophysical survey at 1:25,000 scale
- 14,723 meters of diamond boreholes drilled
- 110,797 meters of trenches
- 130 meters of underground shifts

#### 2007–2010

During 2010, the Company conducted reconnaissance visits and prepared an exploration plan for the license.



## Mineral resources

Based on historic exploration activities, the Russian TKZ has registered the total mineral resources as presented below.

### MINERAL RESOURCES, KRASNY LICENSE

Classification	Kton	Grade (g/ton)	Gold (oz)	Cut-off (g/ton)	Method
P1	n/a	2.7	611,000	n/a	TKZ

### License and license terms

The deposit is covered by a license that provides rights to bedrock gold exploration and production, and according to the current license terms expires in 2035.

In order to comply with the license terms, the Company must in the short-term prepare and receive approval of the project plan for exploration and estimation no later than 25 January 2011, and commence the exploration and estimation works no later than 25 April 2011.

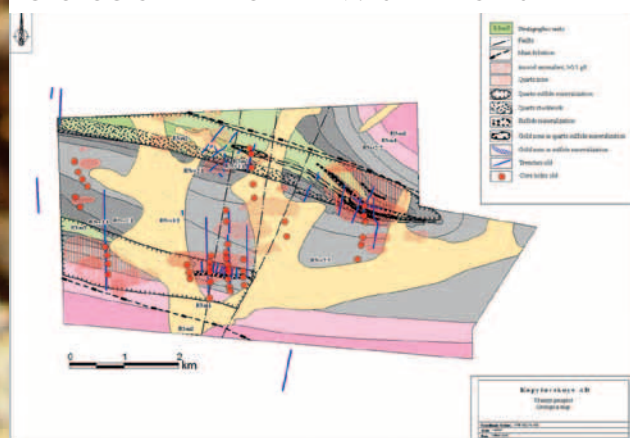
### Further development

For 2011, the Company plans to conduct test drilling and complete resource assessments.

## PRAVOVESENNIY

The Pravovesenniy license is located 54 km north of Bodaibo and the license area covers approximately 35 km<sup>2</sup>. The mineralization has been known since the 19th century and studied by the Bodaibo state exploration team during 1981–1986. The license was acquired by the Company in February 2010.

### GEOLOGICAL MAP OF THE KRASNY LICENSE





# The projects

## Geology

Pravovesenniy license area covers a prospective anticline structure with favorable lithology outcropping in the central part of the fold. Based on the Company's exploration model, discovery of saddle-shaped mineralized zones is expected. Geological information and the presence of alluvial deposits in nearby streams indicate wide distribution of the gold mineralisation.

## Exploration

During 2010, the following exploration work was carried out:

- Preparation of an exploration plan
- Commencement of field activities and analysis

## Mineral resources

There is a number of gold mineralizations within the license area. The most explored is the Kapustinsky mineralization. No mineral resource estimates have been registered.

## License and license terms

The deposit is covered by a license that provides rights to bedrock gold exploration and production, and according to the current license terms expires in 2030.

In order to comply with the license terms, the Company must in the short-term prepare and receive approval of the project plan for exploration and estimation no later than 30 January 2011, and commence the exploration and estimation works no later than 30 April 2011.

## Further development

For 2011, the Company plans to conduct geophysical and geochemical surveys, together with test drilling.

## VOSTOCHNAYA

The Vostochnaya deposit is located 44 km northeast of Bodaibo, just one kilometer west of the Kopylovskoye deposit, and the license area covers approximately 13 km<sup>2</sup>. The deposit was discovered in the beginning of the 20th century, and was preliminary assessed by the Bodaibo state exploration team during 1971–1973. The license was acquired by the Company in August 2010.

## Geology

From a geological perspective, the Vostochnaya deposit is part of the wider Kopylovskoye Elektricheskoye Bannoye hard rock gold occurrence, and is structurally very similar to the Kopylovskoye deposit. The Vostochnaya property has an identified gold mineralization which will be the initial exploration target.

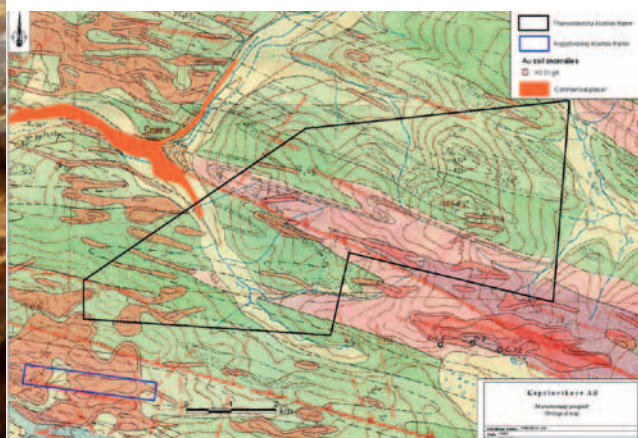
## Exploration

Kopylovskoye intends to commence exploration activities in early 2011, following appraisal of the Kopylovskoye project. The Vostochnaya deposit will be a possible supplement for the Kopylovskoye deposit, as rock from Vostochnaya can be processed in a plant at Kopylovskoye, which could reduce project development costs and the time needed to put the deposits into production.

## Mineral resources

The Bannoye mineralisation is mapped on the surface with detentions of up to 700 m length and a width of about 12–18 meters. Gold grades vary from 0.6 to 6.0 g/t with an average grade of 3.5 g/ton. Part of the mineralised zone has been assessed with trenches, exploration shafts (up to 20 m depth) and underground crosscuts. No mineral resource estimates have been registered.

## GEOLOGICAL MAP OF THE PRAVOVESENNIY LICENSE





### **License and license terms**

The deposit is covered by a license that provides rights to bedrock gold exploration and production, and according to the current license terms, expires in 2035. In order to comply with the license terms, the Company must in the short-term develop and receive approval for an exploration program no later than May 2011.

### **Further development**

For 2011, the Company plans to conduct geophysical surveys followed by test trenching and test drilling.

# Summarised financial development

*The summarised financial information below related to the financial years 2008 and 2009 has been derived from the audited consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards, ("IFRS") as adopted by the European Union. For the financial year February 14 – December 31, 2007 the information has been transformed in accordance with IFRS as presented in the Company's annual report for the financial year 2008. Information related to unaudited consolidated financial statements for the the nine-month periods January 1 – September 30, 2010 and 2009 respectively has been derived from the Company's consolidated financial statements which have been prepared in accordance with IAS 34.*

*The summary below of the Company's accounts should be read in conjunction with the section "Comments to the financial development", the audited consolidated financial statements and related notes for the financial years 2007, 2008 and 2009 which are included by reference and the interim report for the period January 1 – September 30, 2010, which is included later in this prospectus.*

Condensed consolidated income statement, MSEK	1 Jan–30 Sept 2010	1 Jan–30 Sept 2009	1 Jan–31 Dec 2009	1 Jan–31 Dec 2008	14 Feb–31 Dec 2007
Net turnover	0.0	0.0	0.0	0.0	0.0
Other revenue	0.2	0.3	0.5	0.4	0.5
Work performed by the Company for its own use and capitalized	9.2	4.8	6.6	5.9	2.7
Other external expenses	-7.6	-5.4	-4.3	-8.4	-40.7
Personnel expenses	-10.7	-4.6	-7.3	-9.7	-5.4
Depreciation	-0.8	-0.9	-0.7	-2.0	-1.3
<b>Operating result</b>	<b>-9.7</b>	<b>-5.8</b>	<b>-5.2</b>	<b>-13.8</b>	<b>-45.4</b>
Financial items	-1.6	-0.4	-0.4	0.2	-1.5
<b>Result after financial items</b>	<b>-11.3</b>	<b>-6.2</b>	<b>-5.6</b>	<b>-13.6</b>	<b>-46.9</b>
Tax	0.1	1.2	-3.0	-4.8	-0.7
<b>Net income</b>	<b>-11.2</b>	<b>-5.0</b>	<b>8.6</b>	<b>-18.4</b>	<b>-47.6</b>

Condensed consolidated balance sheet, MSEK	30 Sept 2010	30 Sept 2009	31 Dec 2009	31 Dec 2008	31 Dec 2007
<b>ASSETS</b>					
<b>Non-current assets</b>					
<i>Intangible fixed assets</i>					
Exploration licenses and evaluation work	129.1	99.2	111.3	100.1	68.6
<i>Tangible fixed assets</i>					
Buildings, machinery and equipment	5.1	2.4	2.2	4.7	8.3
<b>Total non-current assets</b>	<b>134.2</b>	<b>101.6</b>	<b>113.6</b>	<b>104.8</b>	<b>76.9</b>
<i>Current assets</i>					
Inventory	0.9	0.6	0.6	0.4	0.9
Receivables	10.7	4.3	5.0	5.1	31.0
Cash and cash equivalents	10.1	0.3	5.7	13.2	46.0
<b>Total current assets</b>	<b>21.6</b>	<b>5.2</b>	<b>11.3</b>	<b>18.6</b>	<b>77.9</b>
<b>TOTAL ASSETS</b>	<b>155.8</b>	<b>106.8</b>	<b>124.9</b>	<b>123.4</b>	<b>154.7</b>
<b>EQUITY AND LIABILITIES</b>					
Equity	127.0	88.0	105.5	103.5	123.5
<b>Total non-current liabilities</b>	<b>9.0</b>	<b>4.7</b>	<b>7.7</b>	<b>11.3</b>	<b>14.0</b>
<b>Total current liabilities</b>	<b>19.8</b>	<b>14.2</b>	<b>11.7</b>	<b>8.6</b>	<b>17.3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>155.8</b>	<b>106.8</b>	<b>124.9</b>	<b>123.4</b>	<b>154.7</b>



## Summarised financial development

Condensed consolidated cash flow statement, MSEK	1 Jan–30 Sept 2010	1 Jan–30 Sept 2009	1 Jan–31 Dec 2009	1 Jan–31 Dec 2008	14 Feb–31 Dec 2007
Cash flow from operating activities	–9.8	–3.9	–1.9	2.4	–11.9
Cash flow from investing activities	–37.4	–8.4	–19.1	–19.5	–34.7
Cash flow from financing activities	51.6	–0.4	13.7	–16.2	92.6
<b>Cash flow for the period</b>	<b>4.5</b>	<b>–12.8</b>	<b>–7.4</b>	<b>–33.2</b>	<b>46.0</b>

Key ratios	1 Jan–30 Sept 2010	1 Jan–30 Sept 2009	1 Jan–31 Dec 2009	1 Jan–31 Dec 2008	14 Feb–31 Dec 2007
EBITDA, MSEK	–8.9	–0.9	–0.7	–2.0	–1.3
Equity / Debt ratio, %	81.5	82.3	84.5	83.8	79.8
Return on equity, %	–9.7	–5.2	–8.2	–17.0	–77.0
Return on total capital, %	–6.9	–5.1	–4.2	–8.7	–57.7
Investments in exploration work and acquisition of licenses, MSEK	28.5	8.7	18.8	33.0	68.8
Average number of employees	64	43	45	79	58

Data per share, SEK <sup>11)</sup>	1 Jan–30 Sept 2010	1 Jan–30 Sept 2009	1 Jan–31 Dec 2009	1 Jan–31 Dec 2008	14 Feb–31 Dec 2007
Earnings per share, SEK	neg	neg	neg	neg	neg
Equity per share, SEK	34.49	1,036.10	50.10	1,218.93	123.50
Dividend per share, SEK	0.00	0.00	0.00	0.00	0.00
Share price at the end of the period, SEK	21.50	n/a	n/a	n/a	n/a
Market capitalization, MSEK	79.2	n/a	n/a	n/a	n/a
Average number of shares	3,530,540	84,900	527,269	84,900	13,154
Number of shares at the end of the period	3,681,633	84,900	2,105,945	84,900	100

11) Adjusted for the effect of the reverse split 1:100 in 2010 and the reverse split 1:100 in 2009.

### KEY RATIO DEFINITIONS

#### EBITDA

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

#### Debt/equity ratio

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

#### Return on equity

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

#### Return on total capital

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

#### Equity per share

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

#### Earnings per share

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

# Comments to the financial development

## INTRODUCTION

Kopylovskoye is an exploration company with the objective of starting production to start production in 2013. The Company thus has not yet reported any revenue from sale of gold and will not report any revenue from the operations until production of gold starts.

## JANUARY 1 – SEPTEMBER 30 2010 COMPARED TO JANUARY 1 – SEPTEMBER 30 2009

### Result

Other revenue amounted to 0.2 MSEK for the first three quarters of 2010, compared to 0.3 MSEK for the corresponding previous year. Out of exploration and evaluation work 9.2 MSEK (4.8) was related to work performed by the Company for its own use and capitalized. The operating result amounted to –9.7 MSEK compared to –5.8 MSEK for the corresponding period 2009. The change is primarily due to increased operating costs which for the first three quarters amounted to 19.1 MSEK (11.0). The net income for the period amounted to –11.2 MSEK, a change compared to –5.0 MSEK for the first three quarters of 2009. Tax expense was positive for the period and amounted 0.1 MSEK compared to 1.2 MSEK for the corresponding period in the previous year.

### Investments

Gross investments for the first three quarters amounted to 28.5 MSEK (8.7) of which 23.9 MSEK (8.7) was related to exploration and evaluation work and 4.6 MSEK was related to acquisition of new licenses.

### Assets, equity and liabilities

Total assets amounted to 155.8 MSEK as of September 30, 2010 compared to 106.8 MSEK as of September 30, 2009. Out of the total assets, exploration licenses and evaluation work amounted to 129.1 MSEK (99.2), tangible fixed assets 5.1 MSEK (2.4) and total current assets 21.6 MSEK (5.2) of which cash and cash equivalents amounted to 10.1 MSEK (0.3).

Equity amounted to 127.0 MSEK as of September 30, 2010, compared to 88.0 MSEK as of September 30, 2009. Non-current liabilities amounted to 9.0 MSEK at the end of the third quarter 2010 compared to 4.7 at the end of the third quarter previous year. Current liabilities amounted to 19.8 MSEK compared to 14.2 MSEK as of September 30, 2009.

## Cash flow

Cash flow from the operating activities for the first three quarters 2010 amounted to –9.8 MSEK, compared to –3.9 MSEK for the corresponding period in the previous year.

Cash flow from investing activities amounted to –37.4 MSEK (–8.4) where the change mainly is due to increased investments in exploration and evaluation work and acquisition of new licenses.

Cash flow from financing activities amounted to 51.6 MSEK (–0.4) during the period. The change is mainly due to a rights issue and utilization of subscription options which together raised 47.9 MSEK (0.0) to the Company before issue costs.

Cash flow for the first three quarters amounted to 4.5 MSEK (–12.8).

## JANUARY 1 – DECEMBER 31 2009 COMPARED TO JANUARY 1 – DECEMBER 31 2008

### Result

Other revenue during 2009 amounted to 0.5 MSEK, related to sale of inventory and certain equipment, compared to 0.4 MSEK for 2008. Exploration work performed by the Company for its own use and capitalized amounted to 6.6 MSEK (5.9). Operating result amounted to –5.2 MSEK compared to –13.8 MSEK for 2008, mainly due to lower exploration and personnel costs. Net income amounted to –8.6 MSEK, an improvement from –18.4 MSEK from 2008. Tax expense for 2009 amounted to –3.0 MSEK compared to –4.8 MSEK for 2008.

### Investments

Total gross investments for 2009 amounted 19.7 MSEK (33.8), of which 18.8 MSEK (18.8) was related to exploration work and 0.9 MSEK (0.7) was related to equipment. During 2009 there were no investments in new licenses (14.2 MSEK) or buildings (0.1 MSEK).

### Assets, equity and liabilities

Total assets per December 31, 2009 amounted to 124.9 MSEK, compared to 123.4 MSEK per December 31, 2008. Out of the total assets, exploration licenses and evaluation work amounted to 111.3 MSEK (100.1), tangible fixed assets 2.2 MSEK (4.7) and total current assets 21.6 MSEK (5.2) of which cash and cash equivalents amounted to 11.31 MSEK (18.6).

## Comments to the financial development

Equity amounted to 105.5 MSEK per December 31, 2009, compared to 103.5 per December 31, 2008. Non-current liabilities amounted to 7.7 MSEK (11.3) at the end of the year, while total current liabilities amounted to 11.7 MSEK (8.6). Interest bearing liabilities as of December 31, 2009 amounted to 6.4 MSEK (11.0), while the interest bearing net liability amounted to 0.7 MSEK compared to –2.1 as of December 31, 2008.

### Cash flow

Cash flow from the operating activities for 2009 amounted to –1.9 MSEK (2.4) of which changes in operating capital amounted to –2.7 MSEK (14.0). The reduced cash flow was mainly related to a lower positive change in current receivables compared to 2008.

Cash flow from investing activities in 2009 amounted to –19.1 MSEK compared to –19.5 in 2008 where the change mainly is due to lower investments in acquisition of new licenses.

Cash flow from financing activities amounted to 13.7 MSEK in 2009, a rights issue which raised 18.3 MSEK and repayment of loans of 4.7 MSEK, compared to –16.2 MSEK in 2008 when there was no rights issue and loan of 15.9 MSEK were repaid.

Total cash flow for 2009 amounted to –7.4 MSEK (–33.2) which resulted in a cash and cash equivalent balance of 5.7 MSEK as of December 31, 2009 (13.2 as of December 31, 2008).

### JANUARY 1 – DECEMBER 31 2008 COMPARED TO FEBRUARY 14 – DECEMBER 31 2007

#### Result

Other revenue during 2008 amounted to 0.4 MSEK, related to sale of inventory and certain equipment, compared to 0.5 MSEK for 2007. Exploration work performed by the Company for its own use and capitalized amounted to 5.9 MSEK (2.7). Operating result amounted to –13.8 MSEK compared to –45.4 MSEK for 2007, mainly due to absence of write-downs in 2008 (36.6 MSEK in 2007 related to a write-down of carrying value of buildings and equipment and tools). Net income amounted to –18.4 MSEK, an improvement from –47.6 MSEK from 2007, mainly due to absence of write-downs. Tax expense for 2008 amounted to –4.8 MSEK compared to –0.7 MSEK for 2007.

### Investments

Total gross investments for 2008 amounted 33.8 MSEK (113.8), of which 18.8 MSEK (2.7) was related to exploration work and 14.2 MSEK (66.1) related to acquisition of licenses, 0.7 MSEK (11.0) related to equipment and 0.1 MSEK (34.0) related to buildings.

### Assets, equity and liabilities

Total assets per December 31, 2008 amounted to 123.4 MSEK, compared to 154.7 MSEK per December 31, 2007. Out of the total assets, exploration licenses and evaluation work amounted to 100.1 MSEK (68.6), tangible fixed assets 4.7 MSEK (8.3) and total current assets 18.6 MSEK (77.9).

Equity amounted to 103.5 MSEK per December 31, 2008, compared to 123.5 per December 31, 2007. Non-current liabilities amounted to 11.3 MSEK (14.0) at the end of the year, while total current liabilities amounted to 8.6 MSEK (17.3). Interest bearing liabilities as of December 31, 2008 amounted to 11.0 MSEK (27.1), while the interest bearing net liability (asset) amounted to –2.1 MSEK compared to 18.9 as of December 31, 2007.

### Cash flow

Cash flow from the operating activities for 2008 amounted to 2.4 MSEK (–11.9) of which changes in operating capital amounted to 14.0 MSEK (–2.0). The improved cash flow was mainly related to a large reduction in current receivables compared to 2007.

Cash flow from investing activities in 2008 amounted to –19.5 MSEK compared to –34.5 in 2007 where the change mainly is due to lower investments in acquisition of new licenses, buildings and equipment.

Cash flow from financing activities amounted to –16.2 MSEK in 2008, due to a repayment of loans 15.9 MSEK, compared to 92.6 MSEK in 2007 when a rights issue raised 65.5 MSEK and new loans brought 27.1 MSEK to the Company.

Total cash flow for 2008 amounted to –33.2 MSEK (46.0) which resulted in a cash and cash equivalent balance of 13.2 MSEK as of December 31, 2008 (46.0 as of December 31, 2007).



# Financial position and related information

## FINANCIAL POSITION

As of September 30, 2010 the Company's interest bearing liabilities amounted to 14.8 MSEK. At the same time cash and cash equivalents amounted to 10.1 MSEK which means that the interest bearing net liability amounted to 4.8 MSEK as of September 30, 2010. Equity, including accumulated losses, amounted to 127.0 MSEK as of September 30, 2010 which corresponds to a debt/equity ratio of 85.1 per cent. The table below shows the equity and net liability of the Company as of September 30, 2010.

Equity and indebtedness, MSEK	As of Sept 30, 2010
<b>Total current liabilities</b>	<b>14.5</b>
Against guarantee	0.0
Against security <sup>12)</sup>	0.7
Unsecured credits	13.7
<b>Total non-current liabilities</b>	<b>1.1</b>
Against guarantee	0.0
Against security <sup>12)</sup>	1.1
Unsecured credits	0.0
<b>Equity (excl. losses carried forward)</b>	<b>203.3</b>
Share capital	21.7
Restricted reserves	0.0
Other reserves	181.6
<b>Total capitalization (excl. losses carried forward)</b>	<b>218.8</b>

Net indebtedness, MSEK	As of Sept 30, 2010
A. Cash	0.0
B. Cash equivalents	10.1
C. Quickly realizable securities	0.0
<b>D. Total liquidity (A+B+C)</b>	<b>10.1</b>
E. Current financial receivables	0.0
F. Current bank debt	0.0
G. Current portion of non-current liabilities	0.0
H. Other current liabilities	13.7
<b>I. Total current liabilities (F+G+H)</b>	<b>13.7</b>
<b>J. Net current indebtedness (I-E-D)</b>	<b>3.6</b>
K. Non-current bank loans	1.1
L. Issued bonds	0.0
M. Other non-current loans	0.0
<b>N. Total non-current liabilities (K+L+M)</b>	<b>1.1</b>
<b>O. Net indebtedness (J+N)</b>	<b>4.8</b>

12) The loans against security relates to a financial leasing agreement in the subsidiary OOO Kopylovskiy. The agreement is guaranteed by Kopylovskoye AB (publ).

## FINANCIAL RESOURCES

Kopylovskoye is conducting exploration activities in Lena Goldfields in the Irkutsk region in Russia. The Company is focusing on developing bedrock deposits and is currently working with 15 projects on seven wholly owned licenses and has the longterm objective of starting gold production on the Kopylovskoye deposit during 2013, to reach an annual production capacity of 0.2 Moz gold and to control mineral resources of 5.0 Moz on a long term basis.

The development work and exploration activities is and will thenceforth be capital intensive, at the same time as the Company has not reported any revenues from sale of gold and is not expected to do so until gold production commences. The Company has therefore, since inception, been financed through rights issues, issues in kind and to some extent through loans. The Board continuously reviews different alternatives of financing which can secure the capital needs of the Company until bank financing can be obtained and production commence. Financing alternatives which can come into question are, except financing through equity and smaller bridge loans, partner financing via joint ventures, project financing or proceeds from sale of one or more of the licenses.

Proceeds from rights issues in 2007 and 2009 have, together with the loan received from the sellers of the Kopylovskoye license, mainly been used to finance the acquisition of the Kopylovskoye deposit, exploration activities and to repay the interest bearing liabilities of the Company.

During the past twelve months the Company has been financed mainly through equity and to a lesser extent through bridge financing from shareholders and loans from credit institutions. During 2010 work has primarily been focused on Kopylovskoye-, Kavkaz- and Prodnolny licenses, and up to September 30, 2010 a total of 77.0 MSEK has been spent, of which 52.0 MSEK on exploration activities, machinery and laboratory equipment, 10.0 MSEK to acquire three licenses and 9.0 MSEK on other operating expenses and 6.0 MSEK to repay loans.

# Financial position and related information

## OPERATING CAPITAL

As of September 30, 2010 Kopylovskoye's cash and cash equivalents amounted to 10.1 MSEK. In addition the Company received bridge loans amounting to 6.5 MSEK in October and November.

The Board assess that the existing operating capital is not sufficient to cover the needs of the Company for the next twelve months as of the date of the prospectus, but is only sufficient up until and through January 2011. The Company's operating capital deficit, before proceeds of the rights issue, is estimated to approximately 90 MSEK and includes budgeted and forecasted capital need for 2011. The Board therefore, with support of the authorization approved by the annual general meeting on June 29, 2010, resolved to issue new share with preferential rights for the Company's existing shareholders. The Board further resolved, under the provision of approval at an extra general meeting, to issue subscription warrants. On December 1, 2010 an extra general meeting approved the Board's resolution regarding subscription warrants. Proceeds from the preferential rights issue will, at full subscription, amount to 64.8 MSEK before issue costs which are estimated to 7.6 MSEK. Proceeds from the attached subscription warrants will, at full subscription, amount to approximately an additional 36.8 MSEK before issue costs which are estimated to 0.7 MSEK. The proceeds will thus be a maximum of 101.6 before issue costs.

The proceeds from the Preferential Rights Issue is planned to be used, with the following estimated amounts, to repay, in cash alternatively by off-set<sup>14)</sup>, all bridge loans (approximately 16.2 MSEK), continued exploration work and investments on the Kopylovskoye license which among other things include the completion of a mineral resource report in accordance with the JORC-standard (approximately 25.0 MSEK), other operating capital needs which relate to administrative costs (approximately 6.0 MSEK) and limited exploration of the Kavkaz-, Obrucheva- and Zolotoy projects in accordance with the license agreements (approximately 10.0 MSEK).

The proceeds from the subscription warrants 2010/2011, where fully utilized, is mainly planned to be used to further finance the exploration and develop-

ment of the Uspenskiy deposit within the Prodolny license and the Kavkaz license, which also includes the initiation of a mineral resource report in accordance with the JORC-standard. The report is planned to be completed 2011/2012.

The capital injection through the Offer is a condition for the Company to be able to complete the current development work during 2011, but also to strengthen the balances sheet by repaying existing bridge loans and cover the losses of the Company. The Preferential Rights Issue is fully guaranteed by subscription obligations and issue guarantees.

It is the opinion of the Board that the operating capital, after the completion of the Offer, is sufficient to cover the needs of Kopylovskoye for the next twelve months as of the date of the Prospectus. In the case that the Preferential Rights Issue and the Subscription Warrants 2010/2011 is not fully subscribed, or is not fully utilized respectively, the Board has to assess whether it is possible to make another rights issue, raise funds via loans, enter into a joint venture agreement, alternatively obtain project financing. In the case where it is not possible to do a rights issue, raise funds via loans, enter into joint venture agreements or obtain project financing the Company may have to cut down the operations alternatively sell one or a few of the licenses.

## INVESTMENT COMMITMENTS

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

## TRENDS

Kopylovskoye is not aware of any trends, uncertainties, potential debts or other claims, commitments or events that can be expected to have a significant effect on the Company's prospects during the current year.

Kopylovskoye is also not aware of any public, economical, tax policies, monetary policies or other political measures that, directly or indirectly, significantly has influenced or could influence the Company's operations.

14) In the case that off-set cannot be allowed 11.2 MSEK is due to be repaid in January 2011 while the remaining 5.0 MSEK is due to be repaid within five business days following the registration of the rights issue at the Swedish Companies Registration Office, which is estimated to be done in January 2011.

# Financial position and related information

## SIGNIFICANT CHANGES IN THE COMPANY'S POSITION

There have been no significant changes in the Company's financial position or position on the market after November 10, 2010 when the Company published its interim report for the period January 1 – September 30, 2010.

## TAX SITUATION

Kopylovskoye currently conducts operations in Russia with the administration of the parent company in Sweden and is subject to tax with a tax rate of 20.0 per cent in Russian and 26.3 per cent in Sweden. The Company's unutilized loss carry forwards amounted to 14.3 MSEK as of December 31, 2009.

### Loss carry forward provisions

As a general rule, a Russian taxpayer is entitled to carry over a corporate tax loss to be set off against future taxable profits.

In case a corporate tax loss is not fully set off in the same financial year, it can be carried over to be set off against future taxable profits. The loss which cannot be set off in the same year can be carried over to a maximum of ten years immediately following the assessment year for which loss was first computed.

A taxpayer is entitled to reduce the tax base of profits tax for the tax period with the sum of losses incurred as a result of preceding tax period(-s). If upon the results of a tax period the company earns profit which is taxable according to the specific tax rates (for example, dividends), along with losses from the general activity, then the sum of carried over losses shall not be reduced for such profit. The carryover of losses for future periods is allowed both upon results of reporting or tax periods.

In case a taxpayer incurred losses in more than one tax period, the carryover of such losses for future tax periods is carried out as they were incurred in the order of precedence.

The Tax Code provides specific deductibility rules for the following types of losses:

- Losses from transfer of securities and depreciable assets
- Losses from operations with term transaction financial instruments
- Losses from assignment of receivables.

### Russian Taxation of Dividend Distribution

Income of foreign legal entities in the form of dividends received from the Russian subsidiaries is subject to withholding tax at a source in Russia. Under the general rules, provided by the Clause 3.3 of Article 284 of the Russian Tax Code such income is subject to tax at the rate of 15%.

The tax for profit in the form of dividends payable to a foreign legal entity from sources in Russia shall be calculated and withdrawn by the Russian company which pays dividends to the foreign legal entity each time when the dividends are paid, according to the procedure stipulated in Article 310 of the Tax Code.

### Swedish-Russian Double Tax Treaty ("Treaty")

According to the Treaty, the Russian withholding tax on dividends paid by a Russian subsidiary may be reduced provided that the recipient of the dividends meets the following requirements:

1. is tax resident of Sweden within the meaning of the Treaty;
2. does not act through a permanent establishment in Russia;
3. is the beneficial owner which owns 100 % of charter capital of the company which pays the dividends; or, in case of joint venture, not less than 30 % of capital of such joint venture; and in both abovementioned cases the foreign contribution into the capital shall be not less than 100,000 USD or equivalent of this sum in the national currency of the Contracted States as of the moment of distribution of dividends.

Provided that these conditions are met, and provided that tax residence certificates confirming the tax residency of Swedish company are made available before the date on which the dividends are paid in each calendar year, the rate of withholding tax may be reduced to 5%.

### Deductibility of Interest Expenses

Under the general provisions of the Tax Code expenses (including interest expenses) are deductible for profits tax purposes, provided that they are economically justified, properly documented and incurred by the taxpayer for profit generating purposes. In addition to that, Tax Code contains two specific provisions, limiting interest deductions: (i) the so-called “interest deduction limits”; and (ii) the “thin capitalization rules”.

#### *Interest deduction limits*

Apart from the general deductibility rules, the Russian Tax Code provides interest deductibility limitation based on calculation of deductibility thresholds. In accordance with those thresholds the interest rate should not deviate by more than 20% from the average interest on “comparable loans” attracted by the same borrower.

Alternatively, if there are no comparable loans or if the Russian borrower so elects in its tax accounting policy, for the year 2010 it is possible to use 15% p.a. threshold as a maximum tax deductible rate for loans denominated in currency other than Russian rouble. It should be noted that starting year 2012 those rules would be changed. Effective January 1, 2011 the interest deduction limit for loans in foreign currency will be equal to 0.8 times the Russian Central Bank refinancing rate (approx. 6.2 % p.a. at the current rate). These new limits apply till 31 December 2012.

#### *Russian Thin Capitalization Rules*

The Russian Tax code provides for the thin capitalization rules, based on which all or part of the interest payments can be reclassified into dividends for the profits tax purposes. Application of Russian thin capitalization rules depends on recognition of a debt obligation as a “controlled debt”. Under Russian tax legislation a debt obligation is considered a “controlled debt” if the debt is owed by a Russian company to a foreign lender, where the foreign lender owns directly or indirectly more than 20% of the charter (contributed) capital (fund) in the Russian borrower; or debt is owed by a Russian company to a Russian affiliated company of such direct or indirect foreign owner; or debt is owed by a Russian company guaranteed or otherwise secured by such foreign owner or its Russian affiliate.

If the controlled debt exceeds net assets of the borrower by more than 3 times (3:1 ratio), the amount of the tax deductible interest would be determined under the following formula:

$$\text{Allowable ratio} = \frac{\text{Controlled debt}}{\text{Equity} \times \% \text{ participation}} \times 1/3$$

Any “excessive” interest would be regarded as a dividend, i.e. it is considered non-deductible for profits tax purposes and subject to dividend withholding tax. The standard rate of withholding tax on dividends paid from Russia abroad is 15%, unless otherwise provided in the relevant double tax treaty.

# Corporate governance

## ORGANISATION

The parent company is responsible for the group strategy and manages the subsidiaries, while performing intra-group functions such as financing, external information, financial reporting and the management of certain agreements. The parent company has its registered office in Stockholm, while the subsidiaries have offices in Bodaibo, Russia, where the Company's geologists and exploration teams are employed. The Company also conducts some analysis and information processing work in Tomsk, Russia.

As of 30 September 2010, the Company had 64 full-time employees including seasonal workers. The average number of full-time employees for the 2009 financial year was 47.

## CORPORATE GOVERNANCE

Kopylovskoye is listed on First North, and companies listed on First North are not obliged to comply with the Swedish Corporate Governance Code ("the Code"). The Company does not employ the Code at present, but will gradually apply the Code to where it is deemed relevant for the Company and the shareholders.

### Election committee

The Company's election committee shall consist of four members: the chairman of the Board of Directors and three other members, which shall be nominated by the three largest owners as of 31 August. The task of the election committee is to submit proposals to the annual general meeting for the election of the chairman for the meeting; the election of the Board of Directors and the chairman of the Board; the remuneration to the Board and, if applicable, remuneration for committee work; and remuneration to the auditor. If a significant change in the ownership structure occurs or if an election committee member resigns during the mandated period, the composition of the election committee should be subject to change. 2011 AGM Nomination Committee consists of Ulrika Hagdahl (representing Lannion AB and its own possession), Sune Nilsson (representing Håkan Knutsson and KGK Holding AB), Petter Elmstedt (representing Benchmark Oil & Gas AB) and Kjell Carlsson (Board President and Chairman of the committee).

### The Board of Directors

#### *Responsibilities of the Board of Directors*

The Board of Directors is responsible for the Company's strategy and targets; to approve budgets and business plans; approve costs and investments; and major

corporate changes. The Board of Directors also appoints the CEO and determines the remuneration and other terms for the CEO.

#### *Composition of the Board of Directors*

Kopylovskoye's Board of Directors consists of seven members, of which Kjell Carlsson is the chairman, and these are presented in detail below. All shareholdings are including family and privately-held companies.

#### **Kjell Carlsson**

Chairman of the Board and Board member since 2010.

*Born:* 1951, Swedish citizen.

*Education:* Master of science in mechanical engineering.

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

*Other assignments:* Chairman of the Board of Sandvik Nora AB; Board member of Appalto AB.

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

*Shareholding in Kopylovskoye:* 23,000



#### **Mikhail Damrin**

Board member and CEO since 2009.

*Born:* 1970, Russian citizen.

*Education:* Master of science in optical engineering, Moscow Technical University; Bachelor's degree in mining technology, Tomsk Polytechnical University;

Bachelor's degree in international finance, Russian Academy of Foreign Trade; MBA, Cranfield University.

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

*Other assignments:* Board member and joint owner of Amur Gold LLC. Board member of Tomsk Refining AB.

*Relinquished assignments during the last five years:* –

*Shareholding in Kopylovskoye:* 62,813





### Björn Fernström

Board member since 2010.

*Born:* 1950, Swedish citizen.

*Education:* Bachelor of science in economics.

*Work experience:* Former auditor and partner with Ernst & Young.

*Other assignments:* Board member of AB för Varubelåning, A-Com AB, BO Excellent AB, Burgundy AB, HQ AB and Sjöo Sandström Sweden AB.

*Relinquished assignments during the last five years:* Owner of the private firm Björn Fernström.

*Shareholding in Kopylovskoye:* 4,350



### Ulrika Hagdahl

Board member since 2007.

*Born:* 1962, Swedish citizen.

*Education:* Master of science in engineering physics, KTH Royal Institute of Technology.

*Work experience:* Founder of ORC Software AB.

*Other assignments:* CEO and Board member of Cancale Förvaltnings AB, Lannion AB and Montech Invest AB; Board member of AB Idre Golf Ski & Spa, Beijer Electronics AB and Industrial and Financial Systems, IFS AB.

*Relinquished assignments during the last five years:* CEO and Board member of Nils Arousell Nilsson AB; Board member of Arcachon Konsult AB, Hunresearch AB, Strålfors AB, ORC Software AB and Check Point Holding AB; deputy Board member of Russian Real Estate Investment Company AB, Russian Real Estate Investment Company AB (Sweden) I AB, Russian Real Estate Investment Company Pyat AB, Russian Real Estate Investment Company Syem AB, Russian Real Estate Investment Company DVA AB, Russian Real Estate Investment Company TRI AB, Russian Real Estate Investment Company Chetire AB and Russian Real Estate Investment Company Shest AB.

*Shareholding in Kopylovskoye:* 334,971



### Claes Levin

Board member since 2009.

*Born:* 1941, Swedish citizen.

*Education:* First university degree in law, Lund University.

*Work experience:* CEO of Diligentia, Reinholdkoncernen and Platzer Bygg; senior management positions with SEB.

*Other assignments:* Chairman of the Board of 1,618 STRICT AB, Bröderna Falk Sybehör & Garn Engros AB, LEVINVEST AB, Sh bygg Fastigheter AB, Sh bygg Förvaltning AB, Sh bygg, sten och anläggning AB, Sh maskin i Uppsala AB, Strategic Minerals AB, Want-JobAgent AB, VARIANT Fastighets AB, VARIANT Förvaltnings AB and Wiking Mineral AB; Board member of AB Drivfjädern, Amok Studios AB, BERCO Intressenter AB, BERCO Produktion i Skellefteå AB, Brf Ripan 4, Norrlandsindustrier AB, STRICT Corporate Finance AB, Topsocks AB, ÅMV Partners AB and ÅMV Production AB; deputy Board member of Nordic Resources AB.

*Relinquished assignments during the last five years:* Chairman of the Board of Allokton AB, Allokton Properties AB, Allokton Properties II AB, Allokton Properties III AB, Allokton RE III Holding AB, Allokton Real Estate AB, Allokton Real Estate II AB, Coffee Cup AB, ENACO AB, Europa TUMSTOCK AB, European Builders in Sweden AB, Europeisk Spedition AB, Fastighets AB Svettis, Fibulan 1 AB, Mineralprospektering i Bergslagen AB, Noble Metals Exploration AB (nomeX), OP Maskin AB, Sh bygg i Stockholm AB, Skattebetalarnas Servicebyrå AB and We International AB; Board member of Allokton Real Estate III AB, E. Öhman J:or Fondkommission AB, E. Öhman J:or Fondkommission Holding AB, Euro Contracting i Sverige AB, Fastighets AB Trianon, Förvaltningsbolaget Pleni AB, Gelba Fastigheter AB, Gelba Management AB, IGE Resources AB, Metro-mark Hospitality Group AB, Norrlandsindustrier Holding AB, Svensk Fastighetsfond AB, Want AB and WeSC AB; deputy Board member of Avaris i Sverige AB, Torsåkers Säteri AB and Öresundsterminalen Fastighets AB.

*Shareholding in Kopylovskoye:* 24,500



## Corporate governance

### Markku Mäkelä

Board member since 2010.

*Born:* 1944, Finnish citizen.

*Education:* Professor, doctor of philosophy in geology and mineralogy, University of Helsinki.

*Work experience:* Over 35 years experience from geology and mining operations in Finland and internationally, *inter alia* as director of the Geological Survey of Finland (GTK), technical manager of United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE) and regional exploration manager of Outokumpu.

*Other assignments:* Board member of Dragon Mining Ltd. *Relinquished assignments during the last five years:* Chairman of the Board of the Foundation for Research of Natural Resources in Finland; president of The International Peat Society (IPS).

*Shareholding in Kopylovskoye:* –



### Sergei Petrov

Board member since 2009.

*Born:* 1968, Russian citizen.

*Education:* MBA, George Washington University.

*Work experience:* Head of investment banking of Corporate Finance Bank LLC; CEO of Antanta Capital, senior management positions with BFK Bank and CIT Finance Investment Group.

*Other assignments:* Joint owner of Nettrader.ru.

*Relinquished assignments during the last five years:* Board member of Pioglobal Real Estate Investment Fund.

*Shareholding in Kopylovskoye:* 166,554



### Management

Kopylovskoye's management consists of eight members, of which Mikhail Damrin is the CEO, and these are presented in detail below. All shareholdings are including family and privately-held companies.

### Mikhail Damrin

CEO and Board member since 2009.

See presentation in the previous section "*The Board of Directors*".

### Anna Daun Wester

Vice president, investor relations since 2010.

*Born:* 1978, Swedish citizen.

*Education:* Master of science in mechanical engineering, Lund University; education in finance, Stockholm School of Economics.

*Work experience:* Sales and support, Orc Software; purchasing manager, Volvo Car Corporation; marketing and sales manager, Unilever.

*Other assignments:* Deputy Board member of Brf Eldaren Nr 9; partner of JAL HB.

*Relinquished assignments during the last five years:* –

*Shareholding in Kopylovskoye:* 6,675



### Alexander Mikhailov

Vice president, exploration since 2010.

*Born:* 1959, Russian citizen.

*Education:* Master of science in mineral exploration, Moscow Mineral Exploration Institute.

*Work experience:* Head of governmental gold exploration projects in Uzbekistan; senior management positions in exploration and mining projects with Amerton Searches and Kairezi Resources in Zimbabwe; senior geologist with SRK Consulting.

*Other assignments:* Board member of Mineral Exploration Network (UK) Ltd and Mineral Exploration Network (Finland) Ltd.

*Relinquished assignments during the last five years:* –

*Shareholding in Kopylovskoye:* –



### **Gunnar Danielsson**

CFO since 2010.

*Born:* 1960, Swedish citizen.

*Education:* Bachelor of science in economics, University of Stockholm.

*Work experience:* Senior consultant with Matrisen Redovisning & Rådgivning AB; auditor and partner with Ernst & Young, including seven years experience from working in Moscow.

*Other assignments:* Board member of Bf Oden u.p.a.

*Relinquished assignments during the last five years:* –

*Shareholding in Kopylovskoye:* 2,200



### **Alexander Vamboldt**

Managing director of OOO Kopylovskiy since 2010.

*Born:* 1957, Russian citizen.

*Education:* Mining engineering diploma, Krasnoyarsk Institute of Non-Ferrous Metals.

*Work experience:* Executive director with GUAM S.a.r.l.

in Guinea with responsibility for placer gold prospecting and exploration; director of Minusinsk Exploration Expedition with responsibility for placer gold production at the Beika deposit in the Republic of Khakasia; manager of MAVAX S.a.r.l. in Guinea, with responsibility for bedrock gold exploration planning and development; director of OOO Tardan Gold with responsibility for construction and management of an open pit gold mine and processing plant.

*Other assignments:* –

*Relinquished assignments during the last five years:* –

*Shareholding in Kopylovskoye:* –



### **Vladimir Pachuyev**

Director of production for OOO Kopylovskiy since 2007.

*Born:* 1957, Russian citizen.

*Education:* Master of science in hydrogeology and engineering geology, Tomsk Polytechnical University.

*Work experience:* Geologist at the Rapsadskaya mine; senior management positions with OOO Prestizh in the coal mining industry; head of shift with OOO Tardan Gold.

*Other assignments:* –

*Relinquished assignments during the last five years:* –

*Shareholding in Kopylovskoye:* –



### **Alexander Krasnoschekov**

Chief geologist since 2007.

*Born:* 1981, Russian citizen.

*Education:* Master in exploration geology, Tomsk Polytechnical University.

*Work experience:* Geologist with OOO Tardan Gold.

*Other assignments:* –

*Relinquished assignments*

*during the last five years:* –

*Shareholding in Kopylovskoye:* –



### **Vladimir Pachuyev**

Director of production for OOO Kopylovskiy since 2007.

*Born:* 1957, Russian citizen.

*Education:* Master of science in hydrogeology and engineering geology, Tomsk Polytechnical University.

*Work experience:* Geologist at the Rapsadskaya mine; senior management positions with OOO Prestizh in the coal mining industry; head of shift with OOO Tardan Gold.

*Other assignments:* –

*Relinquished assignments during the last five years:* –

*Shareholding in Kopylovskoye:* –





# Corporate governance

## REMUNERATION AND OTHER TERMS

### Remuneration to the Board of Directors

At the annual general meeting of the shareholders on 29 June 2010, it was resolved that remuneration for the chairman of the Board would be SEK 240,000, and SEK 80,000 for each other Board member.

The annual general meeting also resolved that remuneration for special consultancy services could be payable, provided that the purchase of such services are approved of beforehand jointly by at least two members of the Board.

For committee work, if committees are established, remuneration per Board member and committee should be no more than SEK 40,000.

At an Extra General Meeting on March 9, 2010 was Björn Fernström and Kjell Carlsson elected on the board with decision that they shall receive a fee of 20 tSEK for the period until the 2010 AGM.

During 2009, the Chairman, Ulrika Hagdahl, received 80 tSEK in remuneration. Other board members; Joakim Christiansson, Hakan Knutsson, Mr Levin and Sergey Petrov, received 40 tSEK each. Total assumed 240 tSEK in remuneration to the Board in 2009.

### Remuneration and terms of employment for the CEO

Mikhail Damrin is 1/12 employed by Kopylovskoye AB and 11/12 employed by OOO Kopylovskoye Management, and receives remuneration from both of these entities in relation to his employment. The division of employment reflects in all material respects how the CEO's work is divided between the Swedish and Russian operations. The CEO has a contracted guaranteed net salary in USD. With the current income tax rates in Russia and Sweden, the contracted gross salary amounts to 111,812 USD per annum. The remuneration for 2009 was KSEK 853. There are no pension commitments towards the CEO. In the event of termination, the CEO and the Company has a mutual notice period of six months. There is no agreement regarding severance payments.

### Remuneration to other members of management

The total remuneration during 2009 for the other members of senior Company management was KSEK

719 of which KSEK 46 constituted variable remuneration. During 2009, the management team had four members, compared to eight as of now. Since 2010, the Company has pension commitments towards the CFO and the Vice president, investor relations constituting 15 per cent and 10 per cent respectively of annual salary. In the event of termination of a member of management, the mutual notice period is three months. There are no agreements regarding severance payments.

## OTHER INFORMATION REGARDING THE BOARD AND MANAGEMENT

Except for Ulrika Hagdahl who was a board member of ACH Securities S.A. and Hunresearch AB when the companies went into voluntary liquidation in 2009 and 2008 respectively, and Claes Levin who was the Chairman of the board of European Builders in Sweden AB until 2007 where bankruptcy proceedings were initiated in 2008, none of the members of the board or management have been involved in bankruptcy, liquidation or bankruptcy administration acting as a board member or management. None of the members of the board or management have been convicted in any fraud related cases in the past five years. There are also no allegations and/or sanctions from authorities against any of these persons and none of them have during the past five years been prohibited to be a member of the administration, management or control function of a company or to have a management position in a company.

None of the members of the board or management is entitled to any benefits in relation to the cessation of their assignment as members of the board or management.

Vladimir and Yevgeny Pachuev are cousins. Except for that no board members or management have any family relations to any other board member or management.

The Company is not aware of any conflicts of interest between board members' or management's obligations towards the Company and such board members' or management's private interest and/or other obligations.

All members of the board and management can be reached via the address of the Company that can be found in the end of the Prospectus.



# Share capital and ownership

## THE SHARE AND SHARE CAPITAL

The share capital of Kopylovskoye amounts to 21,682,178 SEK allocated on 3,681,633 fully issued and paid shares. The quota value of the shares is 5.89 SEK. All shares participate equally in Kopylovskoye's assets, net income and potential surplus in a liquidation. All shares have the same voting rights at a general meeting and each shareholder is entitled to vote for the full number of shares owned or represented at a general meeting. All shares also give the same preferential right to subscribe for share in an issue of new shares in Kopylovskoye unless the general meeting, or the Board under an authorization from a general meeting, resolves to deviate from the preferential rights of the shareholders.

The existing shares are denominated in SEK, and the new shares will be denominated in SEK. The existing shares are not and have not been subject to an offer which is given pursuant to a compulsory requirement to give an offer, redemption right or redemption obligation. There have been no public offers to acquire the shares of the Company during the current or previous financial year.

According to the articles of association the minimum share capital shall be 17,000,000 SEK and the maximum share capital shall be 68,000,000 SEK and the minimum number of shares shall be 2,500,000 and the maximum number of shares shall be 10,000,000.

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

## DEVELOPMENT OF THE SHARE CAPITAL

Year	Transaction	Number of shares		Share capital, SEK (rounded)		Quota value, SEK (rounded)	Issue price, SEK
		Change	Total	Change	Total		
2007	Company formation	10,000	10,000	100,000	100,000	10.00	10.00
2007	Issue in kind	740,000	750,000	7,400,000	7,500,000	10.00	144.11
2007	Directed share issue	250,000	1,000,000	2,500,000	10,000,000	10.00	280.00
2008	Share split 849:1	848,000,000	849,000,000	0	10,000,000	0.01	n/a
2009	Reverse share split 1:100	-840,510,000	8,490,000	0	10,000,000	1.18	n/a
2009	Reduction of the share capital	0	8,490,000	-9,500,000	500,000	0.06	n/a
2009	Rights issue	195,270,000	203,760,000	11,500,000	12,000,000	0.06	0.10
2009	Directed share issue	6,834,450	210,594,450	402,500	12,402,500	0.06	0.10
2010	Rights issue	84,237,780	294,832,230	4,961,000	17,363,500	0.06	0.29
2010	Directed share issue	169,800	295,002,030	10,000	17,373,500	0.06	0.29
2010	Exercise of warrants	73,161,345	368,163,375	4,308,678	21,682,178	0.06	0.32
2010	Reverse share split 1:100	-364,481,742	3,681,633	0	21,682,178	5.89	n/a
2010	The Rights Issue <sup>15)</sup>	2,945,306	6,626,939	17,345,740	39,027,917	5.89	22.00
2011	Warrants 2010/2011 <sup>15)</sup>	1,472,653	8,099,592	8,672,870	47,700,787	5.89	25.00

15) Assuming full subscription

## OWNERSHIP STRUCTURE

As of November 19, 2010 Kopylovskoye had 4,512 shareholders. The ten largest shareholders as of November 19, 2010 and thereafter know changes are shown in the table below.

As far as the Company is aware there are no shareholder agreements or other agreements between shareholders with the objective of common control of the Company or any agreements or similar which can lead to that the control over the Company is changed.

## SHAREHOLDERS AS OF NOVEMBER 19, 2010 AND THEREAFTER KNOWN CHANGES

Shareholder	Number of shares	Share of capital and votes, %
Håkan Knutsson with company	471,697	12.8%
SIX SIS AG	441,134	12.0%
Benchmark Oil & Gas AB	394,748	10.7%
Ulrika Hagdahl with company	334,971	9.1%
Euroclear Bank S.A./N.V	281,484	7.6%
Sergei Petrov through company	166,554	4.5%
LGT Bank in Liechtenstein Ltd	123,021	3.3%
Michail Malyarenko	115,266	3.1%
Morgan Stanley & Co Inc.	100,000	2.7%
Faustina Sweden AB	80,000	2.2%
Others	1,172,758	31.9%
<b>Total</b>	<b>3,681,633</b>	<b>100.0%</b>

Source: Euroclear

# Share capital and ownership

## AUTHORIZATION

At the annual general meeting on June 29, 2010 the Company's board was authorized to, until the next annual general meeting, with or without deviation from the preferential rights of the shareholders, at one or more occasions, resolve to issue shares with a maximum of 6,000,000 shares. Payment shall be made in cash, in kind or by off-set.

The purpose of the authorization is, among other things, to strengthen the Company's general financial position, broaden the shareholder base and to facilitate financing of acquisition of companies, part of companies or other assets that the Board assess to be valuable for the Company's operations. Deviation from the preferential rights of the shareholders can be allowed in a situation when a directed share issue, due to timing, business or similar reasons is more advantageous for the Company. The maximum dilution in a possible directed share issue must not exceed 30 per cent.

The authorization has been utilized by the Board for the Preferential Rights Issue, which can lead to subscription of maximum 2,945,306 shares.

## DIVIDEND POLICY

Kopylovskoye has not since its inception in 2007 paid any dividends and has also not determined a dividend policy. The Company intends to pay future profits as dividends to the shareholders as soon as it is possible taking the Company's result and financial position into account.

## WARRANTS

In 2008 warrants were issued to Kopylovskoye's advisor in the capitalization of the Company that took place in 2007. The warrants expire on December 31, 2011 and

entitle the holder to subscribe for 4,245 shares at the price of 1,413 SEK per share, adjusted for effects in accordance with the recalculation terms for the warrants. A full subscription for shares under the warrants will lead to a dilution of 0.1 percent for the shareholders of Kopylovskoye.

## SHARE-BASED INCENTIVE PROGRAMS

The Company does not have any share-based incentive programs.

## CONVERTIBLE LOANS

There are no convertible loans in the Company.

## EMPLOYEE STOCK OPTIONS

The Company does not have any outstanding employee stock option programs.

## MARKET PLACE AND TRADING

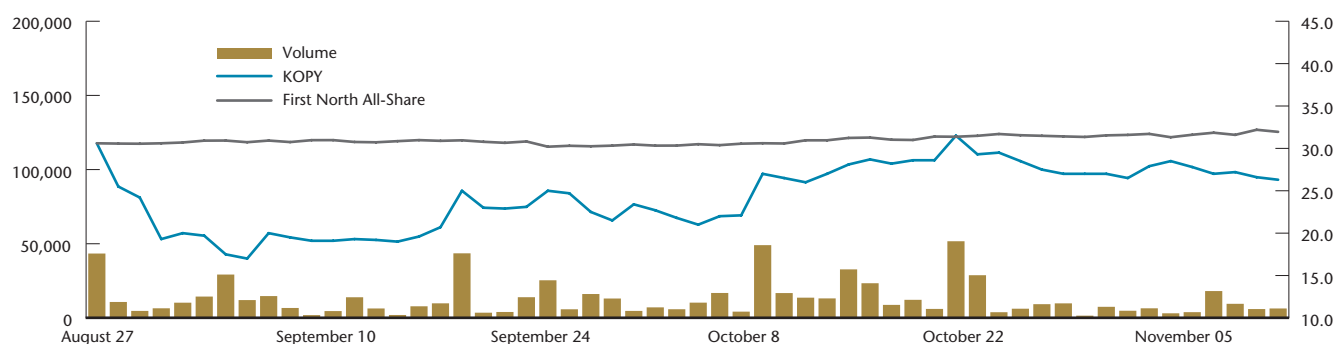
The Company's shares are traded at First North since August 27, 2010. The share's abbreviation is KOPY.

Up until November 12, 2010 the total traded volume was 726,065 shares, corresponding to 18.2 MSEK in totally 2,114 trades. Since the listing the highest closing rate has been 31.50 SEK and the lowest 17.00 SEK. The closing rate on November 12, 2010 was 26.30 SEK, which gave a total market capitalization on Kopylovskoye of approximately 100 MSEK.

## LIQUIDITY GUARANTEE

Kopylovskoye have entered into an agreement regarding liquidity guarantee in the Company's share with Mangold Fondkommission. Under the liquidity guarantee Mangold Fondkommission undertakes to on an ongoing basis and on its own account quote buy and sell rates for Kopylovskoye within a certain interval and agreed volume.

## DEVELOPMENT OF SHARE PRICE SINCE LISTING ON FIRST NORTH ON AUGUST 27, 2010



# Legal matters and additional information

## GENERAL INFORMATION

Kopylovskoye AB, with corporate registration number 556723-6335, was registered at Swedish Companies Registration Office on February 14, 2007. The Company's legal form of business entity is limited liability company and is regulated by the Companies Act (2005:551). The provisions in the articles of association are not more far-reaching than those in the Companies Act as far as it comes to changing the shareholder rights. The shares in the Company are freely transferrable.

The Company's operations is conducted through the five wholly owned Russian subsidiaries OOO Kopylovskiy; OOO Kavkaz Gold; OOO Krasny; OOO Prodolny and OOO Kopylovskoye Management.

The registered office of the Board is in Stockholm. The address of the headoffice is Engelbrektsgatan 9–11, 114 32 Stockholm.

## SIGNIFICANT AGREEMENTS

### Loan agreements

Following the acquisition of the Kopylovskoye licenses in 2007 the Company's subsidiary OOO Kopylovskiy has a liability to the sellers of the licenses of approximately 6.5 MRUB as of the date of the prospectus (approximately 1.5 MSEK). The liability has an annual interest of 15 per cent. In addition the Company has entered into a loan agreements for short term financing amounting to approximately 16.2 MSEK with a number of persons and companies, among others certain existing shareholders. For further information about the loans please also see "Related party transactions" section below.

## INSURANCE

The insurance industry is not yet well developed in Russia, and many forms of insurance protection common in more economically developed countries are not yet available on comparable conditions. The Company can therefore not guarantee that its insurance coverage is sufficient to cover certain potential risks for which coverage normally exist in other countries.

## RELATED PARTY TRANSACTIONS

In 2010 the Company entered into agreements to lease equipment from OOO BFK Leasing, a company associated to BFK Bank in which Sergei Petrov, a Board member, was part of management.

On February 8, 2010 the subsidiary OOO Kopylovskiy signed a loan with the investment bank Your

First Capital CJSC. In accordance with the loan agreement the Company can loan a total of 40 MRUB (approximately 8.9 MSEK), against a repayment of a total of 45.1 MRUB, corresponding to an implicit effective annual interest rate of 28.1 per cent. As of the date of the prospectus the loan is fully repaid. Your First Capital CSJC is a subsidiary of Nettrader.ru in which Sergei Petrov, a Board member, is one of the owners.

The Company has an agreement with Ulrika Hagdahl, a Board member, to periodically rent a flat, to be used by the Company, on a short time basis. In September, October and November 2010 the Company received short term bridge loans from larger shareholders and members of the Board and management in an amount of 16.2 MSEK. The amount may be netted, partly or in full, against the payment liability arising from the subscription of shares in the preferential rights issue, or be paid back, partly or in full, with proceeds in the preferential rights issue. The loans bear interest of between five and twelve per cent per annum.

A number of larger shareholders, members of the Board and management have undertaken to subscribe for shares and issued guarantees in the preferential rights issue. These agreements are described in more detail in the section "Undertakings to subscribe and guarantee agreements".

All related party transactions are deemed to have been made at arm's length and at market conditions.

## DISPUTES AND LEGAL MATTERS

The Company has a disputed liability with a previously hired financial consultant. The claim of the consultant amounts to 2.1 MSEK, of which the Company has paid 1.4 MSEK, which is the amount that is considered reasonable. Final agreement has not yet been reached regarding the disputed amount. In October 2010 the counterparty called for arbitration at the Arbitration Court at the Stockholm Chamber of Commerce regarding the remaining outstanding amount. The Company believe that the counterpart has no ground for the claim.

Except for the matter described below, Kopylovskoye is not part of any court proceedings or arbitration proceedings (including not yet settled matters or matter that the Company is aware may arise) during the last twelve months and which recently had or may have significant effect on the Company's financial position or profitability.

## Legal matters and additional information

### AUDITORS

The Company's auditor is the publically authorized audit firm Ernst & Young AB with Per Hedström as the responsible auditor. The auditor was elected at the annual general meeting on June 29, 2010 for a period until the end of the annual general meeting 2014. The postal address of Ernst & Young AB is P.O. Box 7850, 103 99 Stockholm, Sweden and the visiting address is Jakobsbergsgatan 24, 111 44 Stockholm, Sverige. Per Hedström is an authorized public accountant a member of Far.

The financial statements for the financial years 2008 and 2009 were audited by Johan Arpe, authorized public accountant and member of Far, Öhrings Price WaterhouseCoopers AB. The financial statements for the financial year 2007 was audited by Håkan Andreasson, authorized public accountant from Lindebergs Grant Thornton AB (current name Grant Thornton Sweden AB). The change in auditor 2008 was due to that the then parent company of the Kopylovskoye, Central Asia Gold AB changed auditors, and the change in auditors 2010 was due to that the auditor went on a long term leave of absence.

The postal address of Öhrlings Price WaterhouseCoopers AB is 113 97 Stockholm Sweden and the visiting address is Torsgatan 21, 113 21 Stockholm, Sweden. The postal address of Grant Thornton Sweden AB is P.O. Box 7623, 103 94 Stockholm, Sweden and the visiting address is Sveavägen 20, 111 57 Stockholm, Sweden.

### Audit fees

The total fee to the auditors in 2009 was 150 KSEK and was entirely related to audit.

### ADVISERS

Mangold Fondkommission the financial advisor of the Company in relation to the Offer. Mangold Fondkommission has received a loan of shares to be able to fulfill its obligations as liquidity guarantor in the Kopylovskoye share.

### Certified adviser

The Certified Adviser of the Company is Mangold Fondkommission.

### SUBSCRIPTION COMMITMENTS AND GUARANTEE AGREEMENTS

The preferential rights issue is fully guaranteed through subscription commitments of approximately 28.3

MSEK, corresponding to approximately 43.7 per cent of the Preferential rights issue, and issue guarantees amounting to approximately 36,5 MSEK, corresponding to approximately 56.3 per cent of the Preferential rights issue.

A 10 percent cash commission on the guaranteed amount is payable according to the guarantee agreements. The total guarantee commission amounts to approximately 3.7 MSEK. There is no commission to those shareholders that have signed commitments to subscribe for shares. The guarantee agreements were entered into between November 11 and November 15 2010.

The list of issue guarantors, including name and address, is shown below:

- Andreas Forsell, with the address Wittstocksgatan 9, 115 24 Stockholm.
- Benchmark Oil & Gas AB (publ)<sup>15)</sup>, with the address Engebretsgatan 9–11, 114 32 Stockholm.
- Bernhard von der Osten-Sacken, with the address Karlaplan 6, 114 60 Stockholm.
- BGL Management AB, with the address Box 7106, 103 87 Stockholm.
- Bosmac Invest AB, with the address Sturegallerian, Box 44, 114 46 Stockholm.
- Fagerhytlan AB, with the address Smiths väg 4, 132 39 Saltsjö Boo.
- Faustina Sweden AB, with the address Box 72, 776 22 Hedemora.
- GoMobile Nu AB, with the address Skärviksvägen 5, 182 61 Djursholm.
- Gunnar Danielsson, with the address Odengatan 24, 113 51 Stockholm.
- Hegel AB, with the address Tjäderstigen 6, 182 35 Danderyd.
- Ingemar Sörebo, with the address Mälarblick 38, 168 41 Bromma.
- Jakob Johansson, with the address Grev Turegatan 12B, 114 46 Stockholm.
- Joakim Christiansson, with the address Strandvägen 33, 114 56 Stockholm.
- KGK Holding AB, with the address Hammarbacken 8, 191 81 Sollentuna.
- Kjell Karlsson, with the address Taktegelvägen 4, 723 48 Västerås.
- Lowell S.A. SPF, with the address Boulevard de la Pétrusse 128, L-2330 Luxembourg.
- Mangold Fondkommission AB, with the address Engelbrektsplan 2, 102 15 Stockholm.

<sup>15)</sup> In process of changing name to Commodity Quest AB (publ).



## Legal matters and additional information

- Middelborg Invest AS, with the address Farmannsvägen 48, 3125 Tunsberg.
- Olle Wahlqvist, with the address Box 72, 776 22 Hedemora.
- Paul M. Brunner, with the address Blas Cgndgna 460, Dpto 301, San Isidro, Lima 27, Peru.
- Paulsson Advisory AB, with the address Alvägen 62, 191 40 Sollentuna.
- Petter Elmstedt, with the address Torstenssonsgatan 13, 114 56 Stockholm.
- Philip Forsgren, with the address Ösbyvägen 9, 182 54 Djursholm.
- Stina Wahlqvist, with the address Box 72, 776 22 Hedemora.
- Transferator AB (publ), with the address Box 607, 114 11 Stockholm.
- Vojbacke Corporate Finance Services AB, with the address Topasvägen 4, 196 33 Kungsängen.

Copies of significant agreements and other documentation related to the guarantees are available at Kopylovskoye.

### SUBSCRIPTION COMMITMENTS AND ISSUE GUARANTEES

Name	Subscription commitment		Issue guarantee		Total commitment		
	No. of shares	Amount (SEK)	No. of shares	Amount (SEK)	No. of shares	Amount (SEK)	Per cent (%)
Anders Ilstam	10,000	220,000	0	0	10,000	220,000	0.3%
Andreas Forssell	0	0	56,818	1,250,000	56,818	1,250,000	1.9%
Anna Daun-Wester	5,340	117,480	0	0	5,340	117,480	0.2%
Benchmark Oil & Gas (publ) <sup>16)</sup>	324,998	7,149,956	159,018	3,498,399	484,016	10,648,355	16.4%
Bernhard von der Osten-Sacken	0	0	227,273	5,000,006	227,273	5,000,006	7.7%
BGL Management AB	0	0	11,363	250,000	11,363	250,000	0.4%
Björn Fernström	3,600	79,200	0	0	3,600	79,200	0.1%
Bosmac Invest AB	0	0	68,181	1,500,000	68,181	1,500,000	2.3%
Fagerhyttan AB	0	0	68,181	1,500,000	68,181	1,500,000	2.3%
Faustina Sweden AB	64,000	1,408,000	64,000	1,408,000	128,000	2,816,000	4.3%
Flavio Financial Inc.	120,000	2,640,000	0	0	120,000	2,640,000	4.1%
GoMobile Nu AB	0	0	22,727	500,000	22,727	500,000	0.8%
Gunnar Danielsson	1,760	38,720	6818	150,000	8,578	188,720	0.3%
Hegel AB	0	0	22,727	500,000	22,727	500,000	0.8%
Håkan Knutsson	206,768	4,548,896	0	0	206,768	4,548,896	7.0%
Ingemar Sörebo	15,416	339,152	22,727	500,000	38,143	839,152	1.3%
Jakob Johansson	0	0	31,818	700,000	31,818	700,000	1.1%
Joakim Christiansson	56,800	1,249,600	170,473	3,750,406	227,273	5,000,006	7.7%
KGK Holding AB	170,589	3,752,958	181,818	4,000,000	352,407.0	7,752,958	12.0%
Kjell Karlsson	18,400	404,800	11,363	250,000	29,763	654,800	1.0%
Lannion AB	45,440	999,680	0	0	45,440	999,680	1.5%
Lowell S.A. SPF	0	0	113,636	2,500,000	113,636	2,500,000	3.9%
Mangold Fondkommission AB	0	0	113,644	2,500,168	113,644	2,500,168	3.9%
Middelborg Invest AS	0	0	45,454	1,000,000	45,454	1,000,000	1.5%
Mikhail Damrin	2,250	49,500	0	0	2,250	49,500	0.1%
Olle Wahlqvist	32,000	704,000	32,000	704,000	64,000	1,408,000	2.2%
Paul M. Brunner	80,000	1,760,000	45,454	1,000,000	125,454	2,760,000	4.3%
Paulsson Advisory AB	0	0	22,727	500,000	22,727	500,000	0.8%
Peter Ahlstrand Agentur AB	38,454	845,988	0	0	38,454	845,988	1.3%
Petter Elmstedt	0	0	22,727	500,000	22,727	500,000	0.8%
Philip Forsgren	0	0	45,454	1,000,000	45,454	1,000,000	1.5%
Stina Wahlqvist	32,000	704,000	32,000	704,000	64,000	1,408,000	2.2%
Transferator AB (publ)	0	0	45,454	1,000,000	45,454	1,000,000	1.5%
Vojbacke Corporate Finance Services AB	0	0	13,636	300,000	13,636	300,000	0.5%
Yulia Shimanova	60,000	1,320,000	0	0	60,000	1,320,000	2.0%
<b>Summa</b>	<b>1,287,815</b>	<b>28,331,930</b>	<b>1,657,491</b>	<b>36,464,802</b>	<b>2,945,306</b>	<b>64,796,732</b>	<b>100.0%</b>

16) In process of changing name to Commodity Quest AB (publ).

# Legal matters and additional information

## DOCUMENTS AVAILABLE FOR INSPECTION

During the duration of the period of validity the annual report, articles of association, interim reports, press releases, Prospectus and other information are available at the Company's website, [www.kopylovskoye.com](http://www.kopylovskoye.com). The documents can also be ordered from Kopylovskoye and the address of the Company can be found in the section "Addresses" in the Prospectus.

## PERMISSIONS AND LICENSES

The Company believes that it in all material respects follows all existing rules and regulations and that the Company has the required permissions for its operations.

Except for the risks described in the section "Risk factors" in the Prospectus the Company is not aware of any extraordinary factors that could have a negative impact on the Company's continued work on the different license areas.

The Company's licenses, with periods of validity, license requirements and other terms and conditions are listed in the table below and on the following page.

## EXPLORATION AND PRODUCTION LICENSES, WITH LICENSE REQUIREMENTS AND OTHER TERMS AND CONDITIONS

License	License number	Acquired	Valid until	License requirements
Kavkaz	ИРК02577БР	August 11, 2008	May 1, 2015	<ul style="list-style-type: none"><li>Ore reserves were approved for parts of Kavkaz license in 2003 and included a total of 1037 kg bedrock gold under the Russian classification C2. Ore reserves were identified in the quartz veins. After the ore reserves were approved, the previous owner of the license starts production. When Kopylovskoye bought the license in 2008 began an exploration program on the second part of the Kavkaz license. At that time the company felt that a start of production based on an ore reserve of only 1037 kg of gold was not viable. The company identified the ore reserves potential expansion was associated with black shist and quartz. Based on the results of exploration season in 2010 the company now plans to apply for extension of the exploration work, and extend the license term.</li></ul>
Kopylovskoye (Bedrock)	ИРК02083БР	November 29, 2004	May 1, 2020	<ul style="list-style-type: none"><li>No later than June 1, 2011: Exploration on the entire license area and the submission of geological materials for the entire license area of governmental experts</li><li>By December 31, 2011: Submission of plans for the design of mine to the regional authorities (Irkutsk Interregional Department of Process and Environmental Control of Rostekhnadzor)</li><li>By June 1, 2014: Achievement of target capacity in respect of crude ore production</li></ul>
Kopylovskoye (River bed)	ИРБ 02 053 FF	July 21, 2004	May 1, 2011	<ul style="list-style-type: none"><li>The license gives the Company rights to alluvial gold exploration and production at Kopylovskij river.</li></ul>
Krasnyy	ИРК02685БР	April 26, 2010	April 25, 2035	<ul style="list-style-type: none"><li>No later than January 25, 2011: Preparation and approval of project plan for exploration and evaluation work</li><li>By April 25, 2011: Commencement of exploration and evaluation work</li><li>By April 25, 2014: Completion of exploration and evaluation work</li><li>By October 25, 2014: Preparation and approval of project plan for exploration</li><li>By April 25, 2015: Commencement of development works</li><li>By April 25, 2018: Completion of development work</li><li>By April 25, 2019: Preparation and approval of the technical plan for extraction of gold deposits</li><li>By October 25, 2019: Commencement of civil works for infrastructure for the extraction of gold</li><li>By October 25, 2020: Start of operations of the facilities</li><li>By April 25, 2022: Achievement of target capacity in respect of crude ore production</li><li>Within six months before the planned closure of the gold mining: Preparation and approval of project plan for the dismantling of installations and recovery work</li></ul>

## Legal matters and additional information

### EXPLORATION AND PRODUCTION LICENSES, WITH LICENSE REQUIREMENTS AND OTHER TERMS AND CONDITIONS, (cont.)

License	License number	Acquired	Valid until	License requirements
Pravovesenniy	ИРК02696БР	May 17, 2010	April 30, 2030	<ul style="list-style-type: none"> <li>• No later than 30 January 2011: Preparation and approval of project plan exploration and evaluation work</li> <li>• Within 30 April 2011: Commencement of exploration and evaluation work</li> <li>• By April 30, 2014: Completion of exploration and evaluation work</li> <li>• By October 30, 2014: Preparation and approval of project plan for exploration</li> <li>• By April 30, 2015: Commencement of development works</li> <li>• By April 30, 2017: Completion of development work</li> <li>• By April 30, 2018: Preparation and approval of the technical plan for extraction of gold deposits</li> <li>• By October 30, 2018: Commencement of construction of infrastructure for extraction of gold</li> <li>• By April 30, 2020: Start of operations of the facilities</li> <li>• By April 30, 2021: Achievement of target capacity on raw ore production</li> <li>• Within six months before the planned closure of the gold mining: Preparation and approval of project plan for the dismantling of facilities and recovery work</li> </ul>
Prodolnyy	ИРК02565БР	June 18, 2008	June 25, 2033	<ul style="list-style-type: none"> <li>• No later than June 25, 2012: Completion of exploration and evaluation work</li> <li>• By June 25, 2013: Preparation and approval of project plan of exploration</li> <li>• By December 25, 2013: Commencement of development works</li> <li>• By June 25, 2016: Completion of development work</li> <li>• By June 25, 2017: Preparation and approval of the technical plan for extraction of gold deposits</li> <li>• By December 25, 2017: Commencement of civil works for infrastructure for the extraction of gold</li> <li>• By December 25, 2018: Start of operations of the facilities</li> <li>• By June 25, 2020: Achievement of target capacity in respect of crude ore production</li> <li>• Within six months before the planned closure of the gold mining: Preparation and approval of project plan for the dismantling of facilities and recovery Work</li> </ul>
Vostochnaya	ИРБ 02 728 БР	August 26, 2010	October 10 2035	<ul style="list-style-type: none"> <li>• By July 10, 2011: Preparation and approval of project plan exploration and evaluation work</li> <li>• By October 10, 2011: Commencement of exploration and evaluation work</li> <li>• By October 10, 2013: Completion of exploration and evaluation work</li> <li>• Latest April 10, 2014: Preparation and approval of project plan of exploration</li> <li>• By July 10, 2014: Commencement of development works</li> <li>• By July 10, 2016: Completion of development work</li> <li>• By July 10, 2017: Preparation and approval of the technical plan for the extraction of gold deposits</li> <li>• By October 10, 2017: Commencement of construction of infrastructure for extraction of gold</li> <li>• By January 10, 2019: Start of operation of the facilities</li> <li>• By February 10, 2020: Achievement of target capacity on crude ore production</li> <li>• Within six months before the planned closure of the gold mining: Preparation and approval of project plan for dismantling the installations and recovery</li> </ul>

# Articles of association

## §1 Name

The Company's name is Kopylovskoye AB. The Company is public.

## §2 Domicile of the Board

The Board has its domicile in Stockholm municipality, Stockholm county.

## §3 Operations

The Company shall produce and/or explore for minerals in its own name or via subsidiaries or via smaller ownership. Activities compatible therewith.

## §4 Share capital

The Company's share capital amounts to a minimum of SEK 17,000,000 and a maximum of SEK 68,000,000.

## §5 Number of shares

The number of shares shall amount to a minimum of 2,500,000 and a maximum of 10,000,000.

## §6 Board and auditors

The Board of Directors consist of a minimum of 3 and a maximum of 8 members. The Company shall have 1–2 auditors with a maximum of 2 deputy auditors or one publically authorized audit company.

## §7 Notice for general meeting

The notice for a general meeting and a notice for an extra general meeting where a change in the articles of association will be resolved upon should be issued not earlier than six weeks before and not later than four weeks before the general meeting. Notice to other extra general meetings should be issued not earlier than six weeks before and not later than two weeks before the general meeting. The notice should be made by publishing it in "Post- och Inrikes tidningar and Svenska Dagbladet".

## §8 Opening the general meeting

The Chairman of the Board or the person that the Board appoints shall open the general meeting and should conduct the negotiations until a chairman for the general meeting has been appointed.

## §9 Annual General Meeting

The annual general meeting is held annually within six months of the end of the financial year. At the annual general meeting the following matters are compulsory:

1. Election of chairman for the meeting.
2. Establishing and approving the list of voting persons.
3. Approving the agenda.
4. Election of one or two members to approve the minutes.

5. Resolution whether the general meeting has been duly called for.
6. Presentation of the annual report, audit report and, when applicable, consolidated accounts and audit report over consolidated accounts.
7. Resolutions
  - a. To approve the income statement and balance sheet and, when applicable, the consolidated income statement and consolidated balance sheet;
  - b. To appropriate profit or loss according to the approved balance sheet;
  - c. To release the board and managing director from liability for the financial year.
8. Resolution on the remuneration to the board and, when applicable, audit fees.
9. Election of board and, when applicable, audit company or auditor and possible deputy auditors.
10. Other matters which, according to the Companies Act or the Articles of association, lies upon the general meeting to resolve.

## §10 Financial year

The financial year shall be January 1 – December 31.

## §11 Shareholder's right to participate in general meeting

To be able to participate in a general meeting the shareholder notify the Company about his presence and any assistants no later than 1600 on the day that is specified in the notice to the general meeting. This day cannot be a Sunday, public holiday, Saturday, Midsummer evening, Christmas evening or new year's evening and cannot be earlier than the fifth workday before the general meeting.

## §12 The record subject

Shareholders and administrators that are registered in the share register and noted in a reconciliation register on the record date, in accordance with Chapter 4 of the Financial Instruments Accounts Act (1998:1479) or those who are noted on Security account in accordance with Chapter 4 section 18 first paragraph item 6–8 of the above mentioned act, should be presumed to be authorized to exercise the rights that are prescribed in Chapter 4 section 39 of the Companies Act (2005:551).

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*These articles of association were adopted at a general meeting on June 29, 2010.*



# Tax matters in Sweden

*The following is a summary of certain Swedish tax rules that may arise following the present offer to subscribe for shares and warrants in the Company (the Offer). The summary is based on existing legislation and is only intended as general information for individuals and limited liability companies that are resident in Sweden for tax purposes, unless otherwise stated.*

*The summary does not discuss:*

- *Situations where securities are held as inventory in a business,*
- *Situations where securities are held by partnership, investment companies or investment funds,*
- *The specific rules regarding non taxable capital gain (including non deductibility for capital loss) and dividend in the company sector that can be applicable when the investor holds shares or warrants in the Company that are considered to be held for business purposes (näringsbetingade),*
- *The specific rules that can be applicable on holdings in companies that earlier were closely held companies (fämansföretag) or on shares that were acquired with the support of such shares,*
- *Foreign companies that conducts operations from a permanent establishment in Sweden, or*
- *Foreign companies that earlier were Swedish companies.*

*The tax treatment for each individual holder of securities depends on each individual's specific situation. Specific tax consequences not described below may arise. Each holder of shares and other securities should therefore seek advice from tax advisers regarding the tax consequences that may arise following the Offer, including the applicability and effects of foreign rules and double tax treaties.*

## TAXATION AT DISPOSAL OF SHARES ETC

Shares and warrants are taxed separately. This is the case even if the warrant was acquired without consideration as a result of subscription, allotment and payment for a certain number of shares in the Offer. The price issue paid should be allocated between shares and warrants acquired in this offer.

### Individuals

Capital income are taxed as dividend and capital gains on listed shares and other listed securities are subject to 30 per cent tax for physical persons. For physical persons a 30 per cent preliminary tax is normally withheld. The preliminary tax is withheld by Euroclear Sweden AB or, for shares registered with an administrator, by the administrator.

Capital gains and capital loss at the disposal of shares and other securities, such as subscription options and warrants, are normally calculated as the difference between proceeds from the disposal, less costs for the disposal, and the acquisition cost (please refer to acquisition cost for subscription rights under "Utilization and disposal of subscription rights"). The acquisition cost for all securities of the same kind is calculated together and by applying the average method. It should

be noted that BTA is not considered to be of the same kind as the shares which entitled to preferential right in the issue until the decision on new share issue has been registered.

For publicly quoted securities, such as the shares in the Company, the acquisition cost alternatively can be determined according to the standard method to 20 per cent of the proceeds from the disposal less costs for the disposal. The standard method cannot be applied on warrants and also not on subscription rights based on earlier holdings of shares in the Company.

Capital losses on listed shares and listed securities (such as subscription rights and listed warrants) may be fully deducted against taxable capital gains arising in the same year on shares and listed securities (except for shares in mutual funds containing only Swedish receivables, so called interest funds). Capital losses not deducted in a way described above is allowed to be deducted against other income from capital by 70% of the capital loss. If a deficit arises in the income from capital category a tax reduction of municipal and federal tax and property tax and municipal property fee is allowed. A reduction of 30 per cent of the deficit up to 100,000 SEK and with 21 per cent of the remaining deficit. Deficits are not allowed to be carried forward.

# Tax matters in Sweden

## Limited liability companies

Limited liability companies are taxed on all income, including taxable dividend and capital gain, in the income category income from business operations, at a tax rate of 26.3 per cent. Preliminary tax on dividend is not withheld for limited liability companies. The calculation of capital gain or loss is in all material respects done in the same way as described for individuals above.

Deduction for capital loss on shares and other securities is allowed only against capital gains and other securities. A capital loss can also, provided that certain conditions are met, be set off against such capital gains in companies within the same group of companies with which there is a right for group contributions.

Capital loss on shares and other securities which used a certain year may be carried forward and deducted against capital gains on shares and other securities in future years without limitation in time.

## EXERCISE AND DISPOSAL OF SUBSCRIPTION RIGHTS

No tax liability arises when subscription rights are exercised to subscribe for shares. The paid price for subscribed shares (issue price) should however be allocated between shares and, in applicable cases, the warrants which are acquired through this Offer.

Shareholders not wanting to utilize their preferential right to participate in the Offer can sell their subscription rights. In those cases a taxable gain should be calculated. The acquisition cost for subscription rights received due to shareholding is considered to be nil. The standard method may not be used in this case. All of the proceeds from the disposal, less costs to dispose, should thus be subject to taxation. The acquisition cost for the original shares is not affected.

The acquisition cost for subscription rights that are purchased or acquired in a similar manner on the market is the actual purchase price. The acquisition cost for the subscription rights should in this case be included when calculating the acquisition cost for acquired shares and warrants respectively.

A subscription right that lapses because it is not utilized or sold is considered to have been disposed for a price of nil.

## EXERCISE OF WARRANT

There is no capital gains to be taxed if a warrant is utilized to acquire shares. The cost for the acquired shares is the issue price for the shares plus the acquisition cost of the warrants. The purchase price for warrants acquired separately on the market is considered to be the acquisition cost.

## SPECIFIC TAX MATTERS FOR SHAREHOLDERS AND HOLDERS OF SUBSCRIPTION RIGHTS AND WARRANTS THAT ARE RESIDING OUTSIDE OF SWEDEN

For shareholders that are not tax resident in Sweden and who receive dividend on shares in a Swedish limited liability company, Swedish withholding tax is normally payable. The tax rate is 30 per cent. This tax rate is however generally reduced by the tax treaty that Sweden has entered into with other countries to avoid double taxation. The withholding tax is withheld by Euroclear Sweden AB at the moment of dividend. If the shares are registered with an administrator the administrator is responsible for the withholding. In certain cases a direct reduction can be made to the tax rate in the tax treaty. In the cases when tax is withheld with 30 per cent at the moment of payment to someone who has the right to be taxed at a lower rate, a refund can be requested at the tax authorities before the end of the fifth calendar year after the dividend.

## Capital gain taxation

Shareholders and holders of warrants and subscription rights who are not tax resident in Sweden and who does not conduct business operations from a permanent establishment in Sweden are normally not taxed in Sweden for capital gains from disposals of such securities. Shareholder or holders of warrants and subscription rights can nevertheless be subject to taxation in their country of residence. According to a specific rule individuals that are not tax resident in Sweden can be subject to taxation of capital gains at the disposal of securities, such as warrants and subscription rights, if they at any time during the calendar year that the security was disposed of or during the preceding ten calendar years were resident or permanently lived in Sweden. This provision is, nevertheless, in many cases limited by tax treaties.

# Interim report January – September 2010

**KOPYLOVSKOYE**  
GOLD EXPLORATION

## Interim report January – September 2010



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**KOPYLOVSKOYE** 1  
GOLD EXPLORATION

# Interim report January – September 2010

## Significant events January – September and third quarter 2010

- The Company was listed on Nasdaq OMX First North on August 27, 2010.

### Financing

- A new share issue of 84.4 million shares in April raised 24.4 MSEK before issue costs combined with an issue of 84.4 million subscription options. In June 73.2 million options were exercised which contributed 23.4 MSEK in July before issue costs. Net after issue costs 44.6 MSEK was contributed to the Company.
- In September the Company raised 9.7 MSEK in short term loans from major shareholders, directors of the Board and management. Subsequent to the period end the Company raised an additional short term loan of 1.5 MSEK in October from one of the largest shareholders.

### Exploration activities

- The RC-drilling program is delayed due to logistical and technical problems which now have been solved. The Company works intensively to complete the drilling.
- Within Kopylovskoye prospect 450 meters were trenched, logged and sampled. Assay test results from trenches confirmed gold mineralizations at surface and are in compliance with exploration model which has been developed in cooperation with SRK Consulting.
- On Kavkaz prospect core drilling and trenching is proceeding. New mineralized area in the middle of Kavkaz property was identified.
- Within Prodolny prospect trenching is continuing and geochemical and geophysical surveys were completed.

### Investments and results

- In March Kopylovskoye bided and won two auctions for Krasny and Pravovesenny exploration properties. Both licenses provide rights for bedrock gold exploration and production. In August Kopylovskoye participated in and won an auction for the Vostochnaya exploration property, placed 1 km from Kopylovskoye deposit. Acquisition costs for all three new licenses totalled 8.7 MSEK, of which 4.6 MSEK in the third quarter. Final payment for the Vostochnaya exploration property will be made in the fourth quarter.
- During the period 23.9 MSEK, of which 11.5 MSEK in the third quarter, was invested in exploration and evaluation work.
- Net income amounted to -11.2 MSEK, of which -5.0 MSEK in the third quarter.
- Earnings per share amounted to -4.01 SEK for the nine months and -1.42 SEK in the third quarter.

### Organisation

- Björn Fernström, former partner of Ernst & Young and Kjell Carlsson, former director at Sandvik, ABB and Atlas Copco were elected as new board members at the Extra General Meeting in March. Prof. Markku Mäkelä geologist with 30 years+ of experience from the exploration and mining industry was elected as new board member at the Annual General Meeting. Kjell Carlsson was elected as new Chairman.
- In September 2010, Alex Vamboldt has joined our Bodaibo team as CEO of Kopylovskiy OOO. He is a professional geologist and mining engineer. His recent experience includes running mining and processing gold operations in Russia and in Africa. His main objective will be to move Kopylovskoye projects into reserve feasibility stages and prepare for production start.



# Interim report January – September 2010

## CEO comments on nine months 2010

### Word from CEO

Dear shareholders,

Thank you for the interest you have in Kopylovskoye AB. The company is developing very fast and the third quarter was full of events. Both exciting and challenging.



We proceed with developing a portfolio of projects within Lena Goldfields in Russia with main focus on Kopylovskoye deposit. On Kopylovskoye we finalised all exploration activities apart from RC drilling which is going-on. A good thing is that the exploration results for Kopylovskoye so far confirm the mineralisation and SRK exploration model. On the downside we are delayed with RC drilling due to logistical and technical problems. However after several suspensions the RC drilling was resumed and is going at full speed now with the subcontractor fully committed to finalise the drilling program as soon as possible.

We continue exploration on other projects with a target to come with resource reports for Uspenskoye and Kavkaz based on the exploration results from this year. We continue a careful expansion in the area. In August we acquired Vostochnaya property which is located 1 km away from Kopylovskoye site. The most explored mineralization at Vostochnaya is called Bannoye and it is a part of the Kopylovskoye gold bearing structure.

We proceed with strengthening the management team. After Anna Daun Wester, Alex Mikhailov and Gunnar Danielsson, Alex Vamboldt has joined our Bodaibo team as CEO of Kopylovskiy OOO in September 2010, with the main objective to move Kopylovskoye projects into feasibility stages and prepare for production start.

In the remaining months of 2010, we will continue with exploration program with target to issue JORC resource reports for Kopylovskoye and potentially other properties where possible in the beginning of 2011.

Mikhail Damrin  
CEO

# Interim report January – September 2010

## Kopylovskoye AB operations in brief

### Background

Kopylovskoye AB is a public listed (NASDAQ OMX First North, shortname; KOPY) Swedish exploration company in the gold industry. The Company was established in 2007 after having acquired a gold deposit, with the same name. Up until December 2008 Kopylovskoye AB was a subsidiary of Central Asia Gold ("CAG") which is another Swedish gold exploration and production company. In December 2008 Kopylovskoye became an independent company when CAG decided to dividend the shares in Kopylovskoye AB to its shareholders. Kopylovskoye AB is the holding company for five Russian subsidiaries: OOO Kavkaz Gold, OOO Kopylovskoye, OOO Krasny, OOO Prodolny and OOO Kopylovskoye Management.

### Business Concept

Kopylovskoye business is to develop gold deposits in Lena Goldfields in Bodaibo area of Irkutsk Region in Russia from exploration into production. Based on exploration data from 2010, the company's goal is to complete a feasibility study 2011 at Kopylovskoye-deposit, report all resources and reserves in the international standard JORC, continue develop other projects into intermediate and advanced exploration stages and complete production planning, with the objective to produce the first gold from Kopylovskoye deposit in 2013.

### Licenses

Kopylovskoye AB is developing 15 bedrock gold projects within 6 licenses in one of the world's most gold prospective area. The projects are at different development stages – Kopylovskoye project is in advanced exploration stage, Kavkaz and Krasny are in the intermediate exploration stage. Prodolny has several exploration sites: Uspensky, Zolotoy and Obrucheva where we currently prospect and explore and Gromovsky, Cherkessky and others where we have not started yet, which varies from early stage to intermediate exploration stage. Pravovesenny and Vostochnaya are in the earliest exploration stage

### Kopylovskoye AB total mineral resources and reserves by Russian classification GKZ

Classification	Ore (kton)	Gold grade (g/ton)	Cut-off (g/ton)	Gold (kg)	Gold (oz)
C1	80	2,9	1,0	231	7 400
C2	2 341	3,5	1,0	8 257	265 500
Total C1+C2	2 422	3,5	1,0	8 488	272 900
P1	3 483	n/a	n/a	31 015	997 300
P2	n/a	n/a	n/a	18 000	578 800
Total P1+P2	n/a	n/a	n/a	49 015	1 576 000

### Activities on each license January - September 2010

#### Kopylovskoye prospect

**Exploration target 2010:** Finalize RC drilling and analyzing the results. Due to delayed drilling the company target to file JORC resource report in Q1 2011 and thereafter following scoping drilling, collect data for JORC reserve report and feasibility review.

# Interim report January – September 2010

## 9 months 2010 Exploration activities

- 5 trenches for a total of 450 meter done, logged and sampled
- Assay test results from trenches confirmed gold mineralization at surface and in compliance with the SRK exploration model.
- 9 core holes for a total of 950 meters drilled and logged
- Bulk sampling equipment ordered and will sample 3 000 tons during Q1/Q2 2011.
- 11 RC holes for a total of 901 meters were completed

**Geology:** Gold mineralization at Kopylovskoye is preferentially hosted in sericite-altered carbonaceous shale/slate spatially and genetically associated with saddle reefs and quartz vein stockworks +/- pyrite that have exploited cleavage and bedding planes in the hinge zone, limbs and parasitic folds of a highly compressed overturned anticline. The fold-hinge stockwork-vein zone is by far the most important and potentially most economic structural setting for gold mineralization at Kopylovskoye. Exploration results of this year confirm adopted exploration model. All trenches intersected gold mineralisation

Russian classification Kopylovskoye	Ore (kton)	Gold grade (g/ton)	Cut-off (g/ton)	Gold (kg)	Gold (oz)
C1	80	2,9	1,0	231	7 400
C2	2 231	3,2	1,0	7 220	232 200
Total C1+C2	2 311	3,2	1,0	7 451	232 200
P1	3 308	3,1	n/a	10 370	333 400
Total P1+P2	n/a	3,1	n/a	10 370	333 400

## Kavkaz prospect

**Exploration targets 2010:** Collect data for JORC resource report for North Western part which is target to be filed in mid 2011 (Millionny fault), estimate potential central part (Korolkovsky fault)

## 9 months 2010 Exploration activities

- 7 trenches of a total of 1,070 meters developed and logged (in total 1,700 meter )
- 4 core holes for a total of 551 m drilled (in total 600 m)
- Core drilling continues
- RC scoping drilling is delayed due to logistical and technical problems on Kopylovskoye site. As soon as drilling is finalized on Kopylovskoye mobilization to Kavkaz site will be done and drilling of 1,500 meters will be done.
- Bulk sampling equipment ordered and will sample 1 000 tons during Q1/Q2 2011.
- New mineralized area associated with Korolkovsky shear zone identified.

**Geology:** Lithologies present in the area are sandstone and siltstone with different degrees of metamorphism. Igneous rocks are very limited and represented by dykes of lamprophyre with maximum lengths about 100 m and widths of about 1 meter to 2 meters.

Russian classification Kavkaz	Ore (kton)	Gold grade (g/ton)	Cut-off (g/ton)	Gold (kg)	Gold (oz)
C2	110	9,4	1,0	1 037	33 300
Total C1+C2	110	9,4	1,0	1 037	33 300
P1	175	9,4	n/a	1 645	52 900
Total P1+P2	n/a	9,4	n/a	1 645	52 900

# Interim report January – September 2010

## Prodolny prospect

**Exploration target 2010:** JORC resource report Uspenskoye mineralization is planned to be filed in mid 2011 due to delay with RC drilling on the other sites, drill target generation at Zolotoy and Obrucheva

### 9 months 2010 Exploration activities

- 6 trenches on Uspenskoye for a total of 1,340 meters developed, logged and sampled. The first assay test results confirm contentious mineralization at surface.
- On Obrucheva 3 trenches for a total of 750 meter (in total 1,500 meter ) were developed to explore structures at surface.
- On Zolotoy and Obrucheva detailed geochemical and geophysical suveys 1:10000 – 10 sq km completed. Preliminary interpretation results identified several structures at both locations.

**Geology:** Geologically the Prodolny license is located in the central part of Bodaibo Complex Syncline (synclinalorium). The Bodaibo Complex syncline coincides with the Artemovsky Gold District. The Bodaibo Complex Syncline is composed of interlayered sandstone, siltstone with variable carbon content (commonly known as black schists), and limestone. The sedimentary rocks are weakly metamorphosed, and folded into a complex syncline with a number of strongly elongated secondary folds striking in the west-northwest direction. Exploration trenches of 2010 field season intersected mineralized zones with visible gold. Analytical results will be available in the nearest future

Russian classification	Ore (kton)	Gold grade (g/ton)	Cut-off (g/ton)	Gold (kg)	Gold (oz)
Prodolny					
P2	n/a	n/a	n/a	18 000	579 000
Total P1+P2	n/a	9,4	n/a	18 000	579 000

## Krasny prospect

**Exploration target 2010:** validate old historic data and develop exploration plan, the JORC resource report is postponed due to the delay with the RC rig until mid 2011

### 9 months 2010 Exploration activities

- Recognizance geological mapping of 100 km<sup>2</sup>
- Reviewed and digitalized historic exploration data
- Prepared and communicated exploration plan

**Geology:** Krasny license area is in very prospective lithological and stratigraphical position. Area characterized by intensive geochemical gold anomalies and rich alluvial gold deposits in the streams. Limited exploration work done in the past had demonstrated presents of the primary gold mineralization at the surface and at the depth in the two continuous mineralized zones.

Russian classification	Ore (kton)	Gold grade (g/ton)	Cut-off (g/ton)	Gold (kg)	Gold (oz)
Krasny					
P1	n/a	2,7	n/a	19 000	611 000
Total P1+P2	n/a	9,4	n/a	19 000	611 000



# Interim report January – September 2010

## **Pravovesenny prospect**

**Exploration target 2010:** validate old historic data and develop and communicate exploration plan

### **9 months 2010 Exploration activities**

- Recognizance geological mapping of 100 km<sup>2</sup>
- Reviewed and digitalized historic exploration data
- Prepared and communicated exploration plan

**Geology:** Pravovesenny license area cover prospective anticline structure with favorable lithology outcropping in the central part of the fold. Based on exploration model it is expected to discover saddle shape mineralized zones. Geological information and presence of the alluvial deposits in the streams indicate wide distribution of the gold mineralisation.

## **Personnel**

The average number of employees was 64 (43) during the period.

## **Outlook 2010**

The RC-drilling (reverse circulation) program, which totals 8,000 meters, and which was initiated in the second quarter of 2010 have had some delays due to logistical and technical issues. The issues have been solved. The Company is currently working intensively, if possible to catch up the delays, with the target to confirm JORC resources on the Kopylovskoye prospect as soon as possible after finalized drilling. Sample analyses are being done continuously. Further drilling, trenching and sample preparations will take place in Kopylovskoye, Prodolny and Kavkaz. SRK Consulting is continuously supervising the drilling and exploration results since they will issue a JORC-report. Samples from the activities are analysed at Alex Stewart Laboratory in Moscow. Negotiations of leasing drilling rigs for next year have been initiated.

# Interim report January – September 2010

## January – September and third quarter 2010

The Company has not yet started production and does therefore not report any net revenue.

During the period the Company invested 23.9 MSEK (8.7) in exploration and evaluation work and 4.6 MSEK (0) in new licences. The new licenses were acquired on an open auction. Of the exploration and evaluation work 9.2 MSEK (4.8) consisted of work performed by the company for its own use and capitalised. During the third quarter the investments in exploration and evaluation work amounted to 11.5 MSEK (4.7). In August the Company participated and won the auction for the Vostochnaya license. The purchase price for the license amounts to approximately 4 MSEK and will be paid during the fourth quarter.

Operating costs amounted to 19.1 MSEK (10.9) of which 10.7 MSEK (4.6) were personnel costs. In the third quarter the operating costs amounted to 8.8 MSEK (3.6).

Net income for the period amounted to -11.2 MSEK (-5.0) which equals -4.01 SEK per share (-58.88). Net income for the third quarter amounted to -5.0 MSEK (-0.7) which equals -1.42 SEK (-8.19) per share.

During the period January – September the Russian ruble depreciated against the Swedish krona with approximately 7.5% and during the period July – September with 11.3%. Since a large portion of the Groups assets are denominated in rubles the Company reports translation differences of -11.9 MSEK and -15.1 MSEK in the consolidated statement of comprehensive income for the period January – September and July – September respectively.

Cash and cash equivalents amounted to 10.1 MSEK (0.3) at the end of the period.

Cash flow for the period amounted to 4.5 MSEK (-12.8). During the period the Company raised 44.6 MSEK, net of issue costs, in a new share issue and utilization of subscription options. The Company also completed a bridge financing agreement with a Russian creditor of approximately 10.4 MSEK. At the end of the period the bridge loan amounted to 2.7 MSEK to be repaid in November 2010. In September the Company raised short term loans from a number of the larger shareholders, board directors and management. The loans amounts to 9.7 MSEK and are repayable in January 2011 and has an interest of 12%.

As noted above 23.9 MSEK was invested in exploration and evaluation work and 4.6 MSEK in new licenses. In the third quarter the investments amounted to 11.5 MSEK and 4.6 respectively.

Equity amounted to 127.0 MSEK (88.0) at the end of the period which equals 34.50 SEK per share.

Equity asset ratio was 81.5% (82.3%) at the end of the period.

The average number of employees during the period was 64 (43).

### Going concern

Gold exploration is a capital intensive activity. As described in the 2009 annual report the Company will require additional financing to continue the operations for the next 12-month period. The Board believe that financing primarily should be done via new share issues supplemented by bridge financing. Given the value of the Company's licenses and probable additionally raised capital the Board's assessment is that the Company can continue on a going concern.

# Interim report January – September 2010

## Significant events after the reporting period

In October 2010 the Company raised an additional 1.5 MSEK in short term loan from one of the largest share holders. The conditions for the loan are the same as for the 9.7 MSEK loans raised in September.

In October the Company announced assays of 3.2g/ton Au at 18 meters from one of 8 assayed trenches at Kopylovskoye deposit. For further information refer to press release of October 4, 2010.

## The Parent Company

Total assets at the end of the period amounted to 235.2 MSEK (190.3). Cash and cash equivalents amounted to 9.3 MSEK (0.3). Net income for the period amounted to -3.8 MSEK (-0.3).

## Risks and uncertainties

A detailed description of the Company's risks is included in the 2009 annual report of Kopylovskoye. There have not been any significant changes in significant risks and uncertainties during the period. The risks include, among others, geological risks, risks related to the deposits, gold price risks and political risks,

This report has not been reviewed by the company's auditors.

*The Board of Directors and CEO certify that this report give a true and fair view of the operations, financial position and result of the parent company and the group and describe all significant risks and uncertainties that the parent company and the group faces.*

Stockholm November 10, 2010  
Kopylovskoye AB (publ)

Kjell Carlsson  
Chairman

Mikhail Damrin  
CEO

Björn Fernström

Ulrika Hagdahl

Claes Levin

Markku Mäkelä

Sergei Petrov

## Upcoming financial reporting

Interim report fourth quarter 2010  
Interim report January – March 2011

March 25, 2011  
May 12, 2011

**KOPYLOVSKOYE**  
GOLD EXPLORATION

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# Interim report January – September 2010

## **Publication under Swedish law**

Kopylovskoye is publishing this information in accordance with the Swedish Financial Markets Act (Sw. Lag om värdepappersmarknaden) and/or the Swedish Financial Trading Act (Sw. Lag om handel med finansiella instrument). This information was released for publication on November 10, 2010 at 09.00 CET.

For more information, please contact:

Mikhail Damrin, CEO, +7 916 808 1217

Anna Daun Wester, Vice president Investor relations, +46 70 973 7131

Kopylovskoye AB

Engelbrektsgatan 9-11

114 32 Stockholm

SWEDEN

Tel: +46 8 120 66 100

[www.kopylovskoye.com](http://www.kopylovskoye.com)



# Interim report January – September 2010

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Jul-Sep 2010	Jul-Sep 2009	Jan-Sep 2010	Jan-Sep 2009	Jan-Dec 2009
Net turnover	0	0	0	0	0
Other revenue	21	-5	244	288	524
<b>Total revenue</b>	<b>21</b>	<b>-5</b>	<b>244</b>	<b>288</b>	<b>524</b>
Work performed by the company for its own use and capitalised	4 203	1 979	5 220	4 835	6 596
Operating expenses	-8 506	-3 253	-18 355	-10 087	-11 608
Depreciation	-328	-304	-782	-859	-744
<b>Total operating expenses</b>	<b>-8 834</b>	<b>3 557</b>	<b>-19 137</b>	<b>-10 946</b>	<b>-12 352</b>
<b>Operating result</b>	<b>-4 610</b>	<b>-1 583</b>	<b>-9 673</b>	<b>-5 823</b>	<b>-5 232</b>
Financial items	-1 227	-50	-1 627	-367	-369
<b>Result after financial items</b>	<b>-5 837</b>	<b>-1 633</b>	<b>-11 300</b>	<b>-6 190</b>	<b>-5 601</b>
Tax	822	938	69	1 191	-2 962
<b>Net income for the period</b>	<b>-5 015</b>	<b>-695</b>	<b>-11 231</b>	<b>-4 999</b>	<b>-8 563</b>
<i>Earnings per share before and after dilution</i>	<b>-1.42</b>	<b>-8.19</b>	<b>-4.01</b>	<b>-58.88</b>	<b>-16.24</b>
<i>Average number of shares before and after dilution*</i>	<b>3 530 540</b>	<b>84 900</b>	<b>2 802 869</b>	<b>84 900</b>	<b>527 269</b>
<i>Number of shares at the end of the period*</i>	<b>3 681 634</b>	<b>84 900</b>	<b>3 681 634</b>	<b>84 900</b>	<b>2 105 945</b>

\*The calculation of average number of shares and shares number of shares at the end of the period have taken the reverse splits that were completed in July/August 2010 and 2009 into account.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Jul-Sep 2010	Jul-Sep 2009	Jan-Sep 2010	Jan-Sep 2009	Jan-Dec 2009
Net income for the period	-5 015	-695	-11 231	-4 999	-8 563
Other comprehensive income					
Exchange differences	-15 139	-7 493	-11 911	-10 523	-7 682
<b>Total comprehensive income for the period</b>	<b>-20 154</b>	<b>-8 188</b>	<b>-23 142</b>	<b>-15 522</b>	<b>-16 245</b>

## Interim report January – September 2010

### CONDENSED CONSOLIDATED BALANCE SHEET

KSEK	2010 Sep 30	2009 Dec 31
<b>ASSETS</b>		
<b>Non-current assets</b>		
<i>Intangible fixed assets</i>		
Exploration licenses and evaluation work	129 143	111 338
<i>Tangible fixed assets</i>		
Buildings and Machinery and equipment	5 054	2 247
<b>Total non-current assets</b>	<b>134 197</b>	<b>113 585</b>
<i>Current assets</i>		
Inventory	874	553
Receivables	10 651	5 011
Cash & cash equivalents	10 085	5 702
<b>Total current assets</b>	<b>21 610</b>	<b>11 266</b>
<b>TOTAL ASSETS</b>	<b>155 807</b>	<b>124 851</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>126 976</b>	<b>105 510</b>
<b>Total non-current liabilities</b>	<b>9 015</b>	<b>7 674</b>
<b>Total current liabilities</b>	<b>19 816</b>	<b>11 667</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>155 807</b>	<b>124 851</b>

# Interim report January – September 2010

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

KSEK	2010 Jan-Sep	2009 Jan-Sep	2009 Jan-Dec
Cash flow from operating activities	-13 711	-3 901	-1 933
Cash flow from investing activities	-33 467	-8 444	-19 146
Cash flow from financing activities	51 639	-444	13 633
<b>Cash flow for the period</b>	<b>4 461</b>	<b>-12 789</b>	<b>-7 416</b>
Cash at the beginning of the period	5 702	13 163	13 163
Exchange differences on cash	-78	-43	-45
Cash at the end of the period	10 085	331	5 702

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KSEK	2010 Jan-Sep	2009 Jan-Sep	2009 Jan-Dec
Equity at the beginning of the period	105 510	103 487	103 487
Share issue	47 890	0	20 210
Issue costs	-3 282	0	-1 942
Net income for the period	-11 231	-4 999	-8 563
Other comprehensive income for the period	-11 911	-10 523	-7 682
<b>Equity at the end of the period</b>	<b>126 976</b>	<b>87 965</b>	<b>105 510</b>

# Interim report January – September 2010

## PARENT COMPANY CONDENSED INCOME STATEMENT

	Jul-Sep 2010	Jul-Sep 2009	Jan-Sep 2010	Jan-Sep 2009	Jan-Dec 2009
Revenue	723	700	1 623	2 100	2 799
Operating expenses	-3 141	-1 012	-6 333	-3 016	-4 828
<b>Operating result</b>	<b>-2 418</b>	<b>-312</b>	<b>-4 710</b>	<b>-916</b>	<b>-2 029</b>
Financial items	546	205	958	613	833
<b>Result after financial items</b>	<b>-1 872</b>	<b>-107</b>	<b>-3 752</b>	<b>-303</b>	<b>-1 196</b>
Tax			0	0	0
<b>NET INCOME FOR THE PERIOD</b>	<b>-1 872</b>	<b>-107</b>	<b>-3 752</b>	<b>-303</b>	<b>-1 196</b>

## PARENT COMPANY CONDENSED BALANCE SHEET

KSEK	2010 Sep 30	2009 Dec 31
<b>ASSETS</b>		
<i>Financial fixed assets</i>		
Shares in group companies	179 634	135 414
Receivables, group companies	43 173	46 152
<b>Total non-current assets</b>	<b>222 807</b>	<b>181 566</b>
<i>Current assets</i>		
Receivables	3 097	1 384
Cash & cash equivalents	9 258	5 425
<b>Total current assets</b>	<b>12 355</b>	<b>6 809</b>
<b>TOTAL ASSETS</b>	<b>235 162</b>	<b>188 375</b>
<b>EQUITY AND LIABILITIES</b>		
<i>Equity</i>	<b>222 937</b>	<b>185 501</b>
<i>Total current liabilities</i>	<b>12 225</b>	<b>2 874</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>235 162</b>	<b>188 375</b>



# Interim report January – September 2010

## NOTES

### Note 1 Information about the Company

Kopylovskoye AB (publ), corporate identity number 556723-6335, with registered office in Stockholm, Sweden, is a public but not yet listed company. The Company's and its subsidiaries' operations are described in the "Kopylovskoye in brief" section in this report.

### Note 2 Accounting principles

The interim report for the period ended September 30, 2010 has been prepared in accordance with IAS 34 and the Swedish Annual Reports Act (Sw. *Årsredovisningslagen*). The interim consolidated financial statements have been prepared, consistently with the 2009 consolidated financial statements, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and by the Swedish Annual Reports Act. The parent company's financial statements have been prepared in accordance with the Swedish Annual Reports Act and the recommendations "RFR 2.2 on Financial Reporting for Legal Entities" issued by the Swedish Financial Reporting Board (Sw. *Rådet för finansiell rapportering*).

The same accounting principles have been applied during the period as were applied during the financial year 2009 and in the way they were described in the 2009 annual report. No new or revised standards, interpretations or amendments adopted by the EU had an effect on the group during the period. IFRS 3R and IAS 27 should be applied for acquisitions completed after 1 January 2010. There were no business combinations during the period.

The interim report does not contain the entirety of the information that appears in the annual report and, accordingly, the interim report should be read in conjunction with the 2009 annual report.

### Note 3 Segment reporting

The Company applies IFRS 8 for segment reporting. All of the exploration activity within Kopylovskoye is exposed to similar risks and possibilities and is performed within Russia. The Company's operations constitute one segment and segment information is therefore not disclosed.

### Note 4 Related party transactions

In February the company completed a bridge financing amounting to 40 MRUR (approximately 10.4 MSEK) with an annual interest rate of 28.8% with a Russian creditor. Sergei Petrov, a board member of Kopylovskoye AB, is a shareholder of the Russian creditor which provided the bridge financing.

In September and October the Company raised a total of 11.2 MSEK in short term loans from larger shareholders, directors of the board and management. The loans are repayable in January 2011 and has an interest of 12%.

### Note 5 Contingent liabilities

As described in the annual report 2009 the Company has a dispute with a former consultant that provided financial services. In the spring of 2010 the Company paid what was deemed a fair fee for the services. In October the legal counsel of the consultant filed a petition that the remaining part of the dispute, which amounts to approximately 800 KSEK, be settled by the Stockholm Chamber of Commerce Arbitration Court. The Company assess that the counterparty has no ground for the claim.

# Interim report January – September 2010

## Word list

Alluvial gold	Mineralization in the river bed.
Anomalies	Deviation from normal value, relates in the moraine area with elevated concentrations of metals.
Bankable	The opportunity to bank financing of activities through project-or gold loans.
Core samples	A drilling method to examine the rock core, which is used partly in connection with exploration, i.e. searching for minerals worth mining.
Cut-off	The lowest mineral content where the deposit is mined.
CW/NW Shallow	Central/north West Shallow, description of the ore body Kopylovskoye.
Deposit	The presence of mineralization.
Exploration	Search for economic mining ores and minerals.
Fault	The crust formation, which rose, lowered or moved sideways.
Lena Goldfields	The name of gold-producing area 150 years ago, which lies between the rivers Lena and Vitim in Irkutsk region. Geographical coincides with the northern part of Bodaibo area.
Litology	Macroscopic hand-collected samples with scale description of rocks.
Million fault	Region in the Bodaibo area with high mineralization.
Mineralization	Natural concentration of minerals in the bedrock.
Moz	Million ounces.
Ounce	31,104 grams. Weight unit for gold.
Prospecting	Locating ores with different methods eg boulder tracing, geochemistry, geophysics etc.
Quartz	Quartz is a mineral composed of silica, SiO <sub>2</sub> . The color is white or transparent.
RC drilling	A drilling method used primarily in connection with exploration that is searching for mineral deposits. RC is an abbreviation of Reverse Circulation.
Russian GKZ reserves	The Russian State Committee for reserve estimates
SRK Consulting	International consultancy firm in the exploration and mining production.

# Documents incorporated by reference

Investors should examine all the information incorporated in this Prospectus by reference. The sections of the following documents incorporated in this Prospectus by reference are part of the Prospectus.

The specified information as part of the following documents shall be deemed to be incorporated in this Prospectus by reference.

– Kopylovskoye financial statements for the years 2007, 2008 and 2009

Information	Source
Audited financial statements, cash flow statements, notes and information on accounting for the fiscal years 2007, 2008 and 2009	Annual Report 2009, p. 30–58 Annual Report 2008, p. 6–39 Annual Report 2007, p. 2–19
Audit reports for the fiscal years 2007, 2008 and 2009	Annual Report 2009, p. 59 Annual Report 2008, p. 40 Annual Report 2007, p. 20

The information to which reference is made, shall be read as part of the Prospectus. Information is available at Kopylovskoye website, [www.kopylovskoye.com](http://www.kopylovskoye.com) or can be obtained from the Company on paper in the prospectus validity of the company's headquarters. The address of the company's headquarters is at the end of the Prospectus.

# Word List

Word	Explanation
Alluvial gold	Mineralization in the river bed on ground level
Enrichment	Concentration of a constituent of a mixture to be processed
Enrichment plant	Plant for processing.
Core drilling	A drilling method to examine the rock core, which is used partly in connection with exploration, i.e. searching for minerals worth mining.
Chips	Fine-grained drill cuttings samples (chips) of bedrock that is obtained from RC drilling
Cut-off	The lowest mineral content where the deposit is mined.
Diamant drilling	Drilling method to drill the cores of rock, including core drilling
Deposit	The presence of mineralization.
Doré bars	Non-refined gold bullion containing mostly silver and gold.
ETF	Exchange traded fund, usually focused on gold investments
Exchange	The percentage of the amount of a particular metal in a raw material extracted in the enrichment process.
Exploration	Search for economic mining ores and minerals.
Fault	The crust formation, which raised, lowered or moved sideways.
Feasibility Study	Feasibility and profitability study which forms the basis for decisions on mining investment.
Flotation	Part of the enrichment process in which chemicals are used to significantly increase the concentration of valuable minerals.
Geochemistry	Science of metals and other chemical substances on their natural behaviour in the environment.
Geophysics	Study of soil physics properties. Magnetic and electrical measurements and gravity measurements are some geophysical methods of exploration.
Gravimetric	Separation method based on the various minerals that has different weight.
Indicated mineral resource	The part of the mineral resource that has less geological knowledge and confidence than inferred and measured.
Inferred mineral resource	The part of the mineral resource that have little geological knowledge and confidence. Inferred mineral resource may not be added up with the reserves or measured and indicated resources, and may not be the basis for economic evaluations.



Word	Explanation
JORC	Code – recognized standard set by the Australian Joint Ore Reserve Commit (JORC) for calculation of mineral resources.
Measured mineral recourse	The part of the mineral resource that has high geological knowledge and confidence.
Leaching	Chemical dissolution of metals for selective extraction from the leachate.
Lena Goldfields	The name of gold-producing area 150 years ago, which lies between the rivers Lena and Vitim in Irkutsk region. Geographical coincides with the northern part of Bodaibo area.
Mineral resources	The proportion of mineralized ring which quantity, grade, shape and physical characteristics are known in the borehole and analysis and allows a satisfactory interpretation of the geological picture of the mineralization must be continuous (be related). Mineral resources must meet reasonable demands to be extracted economically. An estimate of the measured and indicated mineral resource is sufficient to serve as the basis of a preliminary feasibility study and can be the basis for significant development and expansion decisions.
Mineralization	Natural concentration of minerals in the bedrock.
Open pit	A place where mining deposits are shallow and where mining takes place in open day.
Ore Reserve	Is part of a mineral resource in which economic extraction demonstrated by at least a preliminary feasibility study and could be economic mined.
Measured mineral resources	The part of the ore reserve of high geological knowledge and confidence.
Quartz	Quartz is a mineral composed of silica, SiO <sub>2</sub> . The colour is white or transparent.
RAB-drilling	Rotary air blast drilling rig/Technique, which is a drilling technology for exploration.
RC-drilling	A drilling method used primarily in connection with exploration that is searching for mineral deposits. RC is an abbreviation of Reverse Circulation.
Russian GKZ reserves	The Russian State Commission on Mineral Reserves. Responsible for register and approve mineral resources and ore reserves.
Recovery	Percentage of a mineral in a material that can be extracted from the enrichment process
Troy ounce (oz)	1 oz = 31,304 gram. Measure for gold

# Terms and Conditions for Warrants “2010/2011” giving the right to subscribe for shares in Kopylovskoye AB (publ)

## 1. DEFINITIONS

In these terms and conditions, the following terms shall have the meanings given below.

“Business Day”	a day which is not a Sunday or other public holiday or, with respect to the payment of promissory notes, is not equated to a public holiday in Sweden;
“Company”	Kopylovskoye AB reg. no. 556723-6335;
“Euroclear”	Euroclear Sweden AB or other central financial instruments deposits according to the 2nd chapter in the Financial Instruments Act (1998:1479);
“Account operator”	securities company, valuation company or bank engaged by the company
“Share”	relates to a share in the Company;
“Subscription”	subscription of shares in the Company on exercise of Warrants in accordance with Chapter 14 of the Companies Act (2005:551);
“Subscription Price”	the price at which Subscription for new shares may take place on exercise of Warrants;
“Warrant”	the right to subscribe for newly issued shares in the Company in exchange for payment in accordance with these terms and conditions;
“Warrant Holder”	a person registered in a Securities Account as the holder of a Warrant;

Singular shall be deemed to include the plural and vice versa, unless otherwise provided by the context.

## 2. WARRANTS

The total number of Warrants amounts to no more than 1,474,351.

The Warrants shall be registered by Euroclear in a Securities Accounts register in accordance with the Financial Instruments Act (1998:1479), whereby no physical warrants will be issued.

The Warrants will be registered on behalf of the holders on an account in the Company’s reconciliation register. Registration as a result of measures described in item 4–8 and 11 below shall be made by Euroclear or account operator. Other registration matters can be made by Euroclear or account operator.

The Warrants shall be subject to trading on the same market place as the Company shares are traded. If this is not possible, the Warrants shall be subject to trading in other ways.

## 3. RIGHT TO SUBSCRIBE FOR NEW SHARES AND SUBSCRIPTION PRICE

Each Warrant entitles the holder thereof to subscribe for one (1) new share in the Company at a Subscription Price of SEK 25.

The Subscription Price and the number of shares for which each Warrant entitles the holder to subscribe may be recalculated in the circumstances set out in section 8 below. Subscription may only take place in respect of the entire number of shares for which the total number of Warrants entitles the Warrant Holder to subscribe and which a single Warrant Holder desires to exercise. On such Subscription, any excess fractions of Warrants which cannot be exercised shall be disregarded.

The Company undertakes to ensure that each holder is given the right to subscribe for shares against cash payment in the Company according to the conditions described below.

## 4. APPLICATION FOR SUBSCRIPTION

Application for Subscription of shares, with support from the warrants, may take place during the period from 16 May 2010 through 16 June 2010 or from such date and through such date respectively as is described in section 8 below.

Applications for Subscription are binding and irrevocable. Application for Subscription shall be in accordance with the predetermined form and in accordance with the procedures applied by the account operator.

If applications for subscription for shares are not submitted within the period mentioned in the first paragraph, all rights under the warrants shall cease.

## 5. PAYMENT

On application for Subscription, payment for the number of shares which the application for Subscription covers shall be made according to instructions from the account operator.

## 6. REGISTRATION IN THE SHARE REGISTER ETC.

Following allotment, Subscription shall be effected through the registration of the new shares as interim shares in the Company’s share register. Following registration with the Swedish Companies Registration Office, the registration of the new shares in the share register and on Securities Accounts will become definitive. According to section 7 and 8 below such registration might in certain circumstances be postponed.

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### 7. DIVIDENDS ON NEW SHARES

Shares issued following Subscription shall entitle the holders thereof to participate in the distribution of dividends for the first time on the record date that occurs immediately following the Subscription, under the condition that the share issued under such subscription has been registered in the share register maintained by Euroclear on the record date for the dividend.

### 8. RECALCULATION IN CERTAIN CASES

In cases relating to the right to recalculation for holders in situations described below, the following provisions shall apply:

- A. In the event of a bonus issue – where an application for Subscription is submitted at such time that the allotment of shares cannot be made on or before the tenth weekday prior to the general meeting which resolves to make the bonus issue – Subscription shall be effected only after the general meeting has adopted a resolution approving the bonus issue. Shares which vest pursuant to Subscription effected after the adoption of a resolution approving the bonus issue shall be registered in the Holder's Securities Account as interim shares, and accordingly such shares shall not entitle the holder thereof to participate in the bonus issue. Definitive registration in Securities Accounts shall only take place after the record date for the bonus issue.

In conjunction with Subscription which is effected after the adoption of a resolution to make a bonus issue, a recalculated Subscription Price as well as a recalculated number of shares for which each Warrant entitles the Holder to subscribe shall be applied. The recalculation shall be carried out by the Company in accordance with the following formulae:

$$\text{Recalculated Subscription Price} = \frac{(\text{previous Subscription Price}) \times (\text{the number of shares in the Company prior to the bonus issue})}{(\text{the number of shares in the Company after the bonus issue})}$$

$$\text{Recalculated number of shares for which each Warrant entitles the Holder to subscribe} = \frac{(\text{previous number of shares for which each Warrant entitles the Holder to subscribe}) \times (\text{the number of shares in the Company after the bonus issue})}{(\text{the number of shares in the Company prior to the bonus issue})}$$

The Subscription Price and the number of shares which each Warrant entitles the holder to subscribe for, recalculated as set out above, shall be determined by the Company as soon as possible after the general meeting has adopted a resolution approving the bonus issue.

- B. In the event the Company effects a reverse share split or share split, the provisions of sub-section A above shall apply *mutatis mutandis*. The record date shall be deemed to be the date on which the reverse share split or share split is carried out by Euroclear on request of the Company.
- C. If the Company issues new shares subject to preferential rights for shareholders to subscribe for new shares in exchange for cash payment, the following shall apply with respect to the right to participate in the new issue held by the shareholders whose shares vest as a consequence of Subscription on exercise of the Warrant:
1. If the board of directors of the Company has resolved to carry out a new issue on condition of the approval of the general meeting of the shareholders or pursuant to authorisation granted by the general meeting of the shareholders, the resolution of the new issue shall state the last day on which Subscription must be effected in order to entitle the holders of the shares held pursuant to the Subscription to participate in the new issue. Such date may not be earlier than the tenth calendar day after the resolution.
  2. If the general meeting adopts a resolution to issue new shares – where an application for Subscription is submitted at such time that it cannot be effected on or before the tenth weekday prior to the general meeting which shall address the question of the new issue – Subscription shall only be effected following the Company's recalculation according to section C, second last paragraph. Shares which vest as a consequence of such Subscription shall be registered in the Securities Account as interim shares, and accordingly shall not entitle the holders to participate in the new issue.

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Where Subscription is effected at such time that no right to participate in the new issue arises, a recalculated Subscription Price as well as a recalculated number of shares for which each Warrant entitles the holder to subscribe shall apply. Recalculations shall be made by the Company in accordance with the following formulae:

$$\begin{aligned} \text{Recalculated Subscription Price} &= \frac{(\text{previous Subscription Price}) \times (\text{the average quoted price of the share during the subscription period stated in the resolution approving the issue (referred to below as the “average price of the share”))}{(\text{the average price of the share increased by the theoretical value of the subscription right calculated on the basis thereof})} \\ \\ \text{Recalculated number of shares for which each Warrant entitles the holder to subscribe} &= \frac{(\text{previous number of shares for which each Warrant entitles the holder to subscribe}) \times (\text{the average price of the share increased by the theoretical value of the subscription right calculated on the basis thereof})}{(\text{the average price of the share})} \end{aligned}$$

The average price of the share shall be deemed to be the equivalent of the average calculated mean value, for each trading day during the subscription period, of the highest and lowest quoted paid price on that day according to the stock exchange or market place list on which the shares are quoted. In the absence of a quoted paid price, the bid price shall form the basis for the calculation. Days on which neither a paid price nor a bid price is quoted shall be excluded from the calculation.

The theoretical value of the subscription right is calculated in accordance with the following formulae:

$$\begin{aligned} \text{Theoretical value of subscription right} &= \frac{(\text{the maximum number of new shares which may be issued pursuant to the resolution approving the issue}) \times ((\text{the average price of the share}) - (\text{the issue price of the new share}))}{(\text{the number of shares prior to the adoption of the resolution approving the issue})} \end{aligned}$$

If this results in a negative value, the theoretical value of the subscription right shall be deemed to be zero.

The Subscription Price and the number of shares for which each Warrant entitles the holder to subscribe, recalculated as set out above, shall be determined by the Company two Business Days after the expiry of the subscription period and shall apply to each Subscription effected thereafter.

During the period prior to the determination of the recalculated Subscription Price and the recalculated number of shares for which each Warrant entitles the holder to subscribe, Subscription shall only be effected on a preliminary basis whereby the number of shares that each Warrant entitles to subscribe to before recalculation are registered on a Securities Account on an interim basis. In addition, it is specifically noted that each Warrant after recalculation may entitle to further shares in accordance with section 3 above. Definitive registration in Securities Accounts shall be made following the determination of the recalculations.

- D. In the event the Company issues warrants in accordance with Chapter 14 in the Companies Act or convertible bonds in accordance with Chapter 15 in the Companies Act, in both cases subject to preferential rights for the shareholders to subscribe for such equity related instrument in exchange for cash payment, the provisions of sub-section C, first paragraph, sub-paragraphs 1 and 2 shall apply *mutatis mutandis* in respect of the right to participate in the issue for any share which has been issued through Subscription.

Where Subscription is effected at such time that no right to participate in the new issue arises, a recalculated Subscription Price as well as a recalculated number of shares for which each Warrant entitles the holder to subscribe shall apply. Recalculations shall be made by the Company in accordance with the following formulae:



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$$\text{Recalculated Subscription Price} = \frac{\begin{array}{l} \text{(previous Subscription Price) x} \\ \text{(the average quoted price of the share during the relevant} \\ \text{period stated in the resolution approving the issue} \\ \text{(referred to below as the “average price of the share”))} \end{array}}{\begin{array}{l} \text{(the average price of the share increased by the value} \\ \text{of the subscription right)} \end{array}}$$

$$\begin{array}{l} \text{Recalculated number of shares} \\ \text{for which each Warrant entitles} \\ \text{the holder to subscribe} \end{array} = \frac{\begin{array}{l} \text{(previous number of shares for which each Warrant} \\ \text{entitled the holder to subscribe) x} \\ \text{(the average price of the share increased by the value} \\ \text{of the subscription right)} \end{array}}{\begin{array}{l} \text{(the average price of the share)} \end{array}}$$

The average price of the share shall be calculated in accordance with the provisions of sub-section C above.

The value of the subscription right shall be deemed to be the equivalent of the average calculated mean value, for each trading day during the subscription period, of the highest and lowest quoted paid price on that day according to the stock exchange or market place list on which the subscription rights are quoted. In the absence of a quoted paid price, the quoted bid price shall form the basis for the calculation. Days on which neither a paid price nor a bid price is quoted shall be excluded from the calculation.

In cases where subscription rights have not been subject to a Market Quotation, the recalculation of the subscription price and the number of shares that the Warrant entitles to subscribe to shall, to the greatest extent possible, be determined in accordance with the provisions of subsection D, whereby the value of the right to participate in the offer shall, to the greatest extent possible, be determined with guidance from the change in market capitalization, related to the Company's shares, which can be assessed by the effect of the offer.

The Subscription Price and the number of shares for which each Warrant entitles the holder to subscribe, recalculated as set out above, shall be determined by the Company two Business Days after the expiry of the subscription period and shall apply to each Subscription effected thereafter.

Where Subscription is effected during the period until the recalculated subscription price and recalculated number of shares each Warrant entitles to subscribe for has been determined, the provisions of subsection C last paragraph above shall apply correspondingly.

- E. Where the Company, in circumstances other than those referred to in sub-sections A–D above, makes offers to the shareholders, subject to preferential rights for the shareholders in accordance with the provisions set out in Chapter 13, section 1 of the Companies Act, to acquire securities or rights of any type from the Company or resolves, in accordance with the provisions mentioned above, to distribute such securities or rights to the shareholders without consideration (the Offer), in conjunction with Subscription which is effected at such time that the shares thereby received do not entitle the holder to participate in the offer, a recalculated Subscription Price as well as a recalculated number of shares for which each Warrant entitles the holder to subscribe shall apply. Recalculations shall be made by the Company in accordance with the following formulae:

$$\text{Recalculated Subscription Price} = \frac{\begin{array}{l} \text{(previous Subscription Price) x} \\ \text{(the average quoted price of the share during} \\ \text{the application period for the offer} \\ \text{(referred to as the “average price of the share”))} \end{array}}{\begin{array}{l} \text{(the average price of the share increased by the value of} \\ \text{the right to participate in the offer} \\ \text{(referred to as the “value of the purchase right”)} \end{array}}$$

$$\begin{array}{l} \text{Recalculated number of shares} \\ \text{for which each Warrant entitles} \\ \text{the holder to subscribe} \end{array} = \frac{\begin{array}{l} \text{(previous number of shares for which each Warrant} \\ \text{entitled the holder to subscribe) x} \\ \text{(the average price of the share increased by the value of the purchase right)} \end{array}}{\begin{array}{l} \text{(the average price of the share)} \end{array}}$$

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The average price of the share shall be calculated in accordance with the provisions of sub-section C above.

Where shareholders have received purchase rights and trading in these has taken place, the value of the right to participate in the offer shall be deemed to be equivalent to the value of the purchase rights. For this purpose, the value of the purchase right shall be deemed to be equivalent to the average calculated mean value, for each trading day during the application period, of the highest and lowest quoted paid price during the day according to the stock exchange or market place list on which the purchase rights are quoted. In the absence of a quoted paid price, the quoted bid price shall form the basis for the calculation. Days on which neither a paid price nor a bid price is quoted shall be excluded from the calculation.

If the shareholders do not receive purchase rights or where such trading in purchase rights as referred to in the preceding paragraph otherwise does not take place, the recalculation of the Subscription Price shall be made as far as possible by applying the principles set out above in this sub-section E and the following shall apply. Where listing of the securities or rights offered to the shareholders takes place, the value of the right to participate in the offer shall be deemed to be equivalent to the average calculated mean value, for each trading day during the period of 25 trading days calculated from the first day of listing, of the highest and lowest transaction prices quoted for trades in such securities or rights on the securities exchange or other marketplace for financial instruments on which those securities or rights are listed, reduced where appropriate by the consideration paid for these in conjunction with the offer. In the absence of a quoted paid price, the quoted bid price shall form the basis for the calculation. Days on which neither a paid price nor a bid price is quoted shall be excluded from the calculation of the value of the right to participate in the offer. In the recalculation of the Subscription Price and the number of shares for which each Warrant entitles the holder to subscribe, the period of 25 trading days referred to above shall be deemed to be the application period determined for the offer pursuant to the first paragraph of this Section E. Where no listing of such securities or rights offered to the shareholders takes place, the value of the right to participate in the offer shall, to the greatest extent possible, be determined based on the change in the market value of the Company's shares which may be deemed to have occurred as a consequence of the offer.

The Subscription Price and the number of shares for which each Warrant entitles the holder to subscribe, recalculated in accordance with the above, shall be determined by the Company as soon as possible after it becomes possible to calculate the value of the right to participate in the offer.

During the period prior to the determination of the recalculated Subscription Price and the recalculated number of shares for which each Warrant entitles the holder to subscribe, Subscription shall be effected by applying the provisions set out in subsection C, last paragraph above, correspondingly.

- F. Where the Company issues new shares or makes an issue pursuant to Chapters 14 or 15 of the Companies Act, with preferential rights for shareholders to subscribe for equity related instruments in exchange for cash payment or set-off, the Company may grant all Warrant Holders the same preferential rights as the shareholders. In conjunction therewith, each Warrant Holder, irrespective of whether subscription for shares has been made, shall be deemed to be the owner of the number of shares which such Warrant Holder would have received, had Subscription on the basis of the Warrant been effected in respect of the Subscription Price, and the number of shares for which each Warrant entitles the holder to subscribe, in effect at the time of the resolution to issue the shares.

If the Company resolves to make an offer to the shareholders as described in sub-section E above, what has been stated in the preceding paragraph shall apply *mutatis mutandis*. However, the number of shares of which each warrant holder shall be deemed to be the owner shall, in such circumstances, be determined on the basis of the Subscription Price, and the number of shares for which each Warrant entitles the holder to subscribe, in effect at the time of the resolution to make the offer.

If the Company resolves to grant the warrant holders preferential rights in accordance with the provisions set out in this sub-section F, no recalculation as set out in sub-sections C, D, or E above of the Subscription Price and the number of shares for which each Warrant entitles the holder to subscribe for, shall be made.

- G. If the Company decides to pay a cash dividend to shareholders of an amount which, combined with other dividends paid during the same fiscal year, exceeds ten (10) per cent of the average price of the share during the period of 25 trading days immediately preceding the day on which the Company's board of directors announced its intention to propose that the general meeting approve such a dividend, a recalculation of the Subscription Price, and the number of shares for which each Warrant entitles the holder to subscribe, shall be made in respect of any Subscription requested at such a time that the shares thereby received do not carry rights to receive such dividend. The recalculation shall be

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based on that part of the total dividend which exceeds ten (10) per cent of the average price of the shares during the above-mentioned period (referred to below as “Extraordinary Dividend”). The recalculation shall be made by the Company in accordance with the following formulae:

$$\begin{aligned} \text{Recalculated Subscription Price} &= \frac{(\text{previous Subscription Price}) \times (\text{the average quoted price of the share during a period of 25 trading days calculated from the day on which the share is listed without any right to Extraordinary Dividend (referred to as the “average price of the share”))}{(\text{the average price of the share increased by the Extraordinary Dividend paid per share})} \\ \\ \text{Recalculated number of shares for which each Warrant entitles the holder to subscribe} &= \frac{(\text{previous number of shares for which each Warrant entitled the holder to subscribe}) \times (\text{the average price of the share increased by the Extraordinary Dividend paid per share})}{(\text{the average price of the share})} \end{aligned}$$

The average price of the share shall be deemed to be the equivalent of the average calculated mean value during the above-mentioned period of 25 trading days of the highest and lowest quoted paid price on each day according to the stock exchange or market place list on which the shares are quoted. In the absence of a quoted paid price, the bid price shall form the basis for the calculation. Days on which neither a paid price nor a bid price is quoted shall be excluded from the calculation.

The recalculated Subscription Price and the recalculated number of shares for which each Warrant entitles the holder to subscribe shall be determined by the Company two Business Days after the expiry of the above-mentioned period of 25 trading days and shall apply to each Subscription effected from the day on which the share is listed without any right to Extraordinary Dividend.

If a notice to subscribe has taken place but, due to the provisions in section 7 above, final registration on the Securities Account has not been completed, it shall specifically be noted that each Warrant after recalculation can entitle to further shares. Final registration on Securities Accounts will take place after the recalculations have been determined, however no earlier than at the time stipulated in section 7 above.

During the period prior to the determination of the recalculated Subscription Price and the recalculated number of shares for which each Warrant entitles the holder to subscribe, Subscription shall be effected by applying the provisions set out in subsection C, last paragraph above, correspondingly.

- H. If the Company's share capital is reduced through a repayment to the shareholders, and such reduction is compulsory, a recalculated Subscription Price and a recalculated number of shares for which each Warrant entitles the holder to subscribe, shall be applied. The recalculations shall be made by the Company in accordance with the following formulae:

$$\begin{aligned} \text{Recalculated Subscription Price} &= \frac{(\text{previous Subscription Price}) \times (\text{the average quoted price of the share during a period of 25 trading days calculated from the day on which the share is listed without any right to participate in the distribution (referred to as the “average price of the share”))}{(\text{the average price of the share increased by the amount repaid per share})} \\ \\ \text{Recalculated number of shares for which each Warrant entitles the holder to subscribe} &= \frac{(\text{previous number of shares for which each Warrant entitled the holder to subscribe}) \times (\text{the average price of the share increased by the amount repaid per share})}{(\text{the average price of the share})} \end{aligned}$$

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The average price of the share is calculated in accordance with the provisions set out in sub-section C above.

In carrying out the recalculations according to the above and where the reduction is made through redemption of shares, instead of using the actual amount which is repaid for each share, an amount calculated as follows shall be applied:

$$\begin{array}{lcl} \text{Calculated amount to be} & & \text{(the actual amount repaid for each redeemed share} \\ \text{repaid for each share} & = & \text{reduced by the average market price of the share during} \\ & & \text{a period of 25 trading days immediately prior to the day on} \\ & & \text{which the share is listed without any right to participate in} \\ & & \text{the reduction (referred to as the “average price of the share”))} \\ & & \hline & & \text{(the number of shares of the Company which carry an entitlement} \\ & & \text{to the redemption of one share, reduced by the number 1)} \end{array}$$

The average exchange price is calculated in accordance with the provisions set out in sub-section C above.

The Subscription Price and number of shares for which each Warrant entitles the holder to subscribe, recalculated as set out above, shall be determined by the Company two Business Days after the expiry of the above-mentioned period of 25 trading days, and shall apply to each Subscription effected thereafter.

If the Company's share capital is reduced through redemption of shares with repayment to the shareholders, where such reduction is not compulsory, but where, in the opinion of the Company, the reduction, due to its technical structure and its financial effects, is equivalent to a compulsory reduction, the recalculation of the Subscription Price and the number of shares for which each Warrant entitles the holder to subscribe shall be made, to the greatest extent possible, in accordance with the principles stated above in this sub-section H.

- I. Should the Company take actions such as those stated in sub-sections A–E, G–H above, or other similar action with similar effect, and if, in the Company's opinion, application of the recalculation formula established for such action, taking into account the technical framework of such action or for other reasons, could not be made or would result in the Warrant Holders receiving, in relation to the shareholders, economic compensation that is not reasonable, the Company shall, subject to prior written approval by the board of directors of the Company, make the recalculation of the Subscription Price, and the number of shares for which each Warrant entitles the holder to subscribe, in such a manner as the Company determines is appropriate to ensure that the recalculation gives a reasonable result.
- J. On recalculation of the Subscription Price in accordance with the above, the Subscription Price shall be rounded off to the nearest whole öre, and the number of shares shall be rounded off to two decimal places.
- K. If it is resolved, in accordance with Chapter 25 of the Companies Act, that the Company be put into liquidation, for whatever reason, Subscription may not take place thereafter. The right to demand Subscription shall terminate simultaneously with the adoption of the resolution by a general meeting to put the Company in liquidation, irrespective of whether such resolution has become final.

Not later than two months prior to the adoption of a resolution by a general meeting in respect of whether or not the Company should be put into liquidation in accordance with Chapter 25 section 1 of the Companies Act, the Warrant Holders shall be notified with respect to the planned liquidation in accordance with section 9 below. The notice shall state that subscription may not take place following the adoption of the resolution in respect of liquidation.

If the Company gives notice of a planned liquidation pursuant to the above, the Warrant Holders shall, notwithstanding the provisions of section 4 in respect of the earliest date for application for Subscription, be entitled to apply for Subscription commencing on the day on which the notice is given, provided that Subscription may be effected not later than 10 days prior to the general meeting at which the resolution regarding the liquidation of the Company shall be addressed.

- L. Where the general meeting adopts a resolution to approve a merger plan pursuant to Chapter 23, section 15 of the Companies Act, pursuant to which the Company is to be merged into another company, Subscription may not take place thereafter.



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Not later than two months prior to the final resolution by the Company in respect of whether or not the Company should be merged into another company, the Warrant Holders shall be notified with respect to the planned merger in accordance with section 9 below. The notice shall include a statement regarding the major components of the intended merger plan also state that subscription may not take place following the final resolution in respect of what has been described in the preceding paragraph.

If the Company gives notice of a planned merger pursuant to the above, the Warrant Holders shall, notwithstanding the provisions of section 4 in respect of the earliest date for application for Subscription, be entitled to apply for Subscription commencing on the day on which the notice is given, provided that Subscription may be effected not later than 10 days prior to the general meeting at which the merger plan by which the Company shall merge into another company, be addressed.

- M. If the Company's Board prepares a merger plan pursuant to Chapter 23 section 28 of the Companies Act, whereby the Company shall merge into another company, or the Company's shares are subject to compulsory redemption pursuant to Chapter 22 of the same Act the following shall apply.

If a parent company domiciled within EES owns all shares in the Company, and the Board of the Company announces its intention to prepare a merger plan pursuant to the Chapter, section and Act mentioned in the previous paragraph, the Company shall, in the case that the last day of applying for subscription pursuant to section 4 is after such announcement, determine a new last day for applying for subscription (the “final day”). The Final Day shall be within 60 days of the announcement.

If a shareholder (the majority owner) alone or together with subsidiaries own shares representing such an amount of the total number of shares in the Company that the majority owner, pursuant to at each point in time applicable law, has the right to call for compulsory redemption of remaining shares, and the majority owner announces its intention to call for such compulsory redemption of shares, the rules regarding the Final Day described in the preceding paragraph shall be applied correspondingly.

If the announcement has been made pursuant to what has been stated above in this section M, notwithstanding the provisions of section 4 in respect of the earliest date for application for Subscription, Warrant Holders shall be entitled to apply for subscription up until the Final Day. Not later than four weeks before the Final Day the Company shall give notice pursuant to section 9 below reminding the Warrant Holders about their entitlement and that subscriptions cannot be made after the Final Day.

- N. Where the general meeting adopts a resolution to approve a division plan pursuant to Chapter 24, section 17 of the Companies Act, pursuant to which the Company is to be divided, Subscription may not take place thereafter.

Not later than two months prior to the final resolution by the Company in respect of whether or not the Company should be divided, the Warrant Holders shall be notified with respect to the planned division in accordance with section 9 below. The notice shall include a statement regarding the major components of the intended division plan and also state that subscription may not take place following the final resolution in respect of what has been described in the preceding paragraph.

If the Company gives notice of a planned division pursuant to the above, the Warrant Holders shall, notwithstanding the provisions of section 4 in respect of the earliest date for application for Subscription, be entitled to apply for Subscription commencing on the day on which the notice is given, provided that Subscription may be effected not later than 10 days prior to the general meeting at which the division plan shall be addressed.

- O. Notwithstanding what has been stated in sections K, L, M, and N above regarding that application for subscription may not be done pursuant to resolutions to liquidate, resolutions to adopt merger plan / division plan or after a new Final Day in relation to a merger, the right to apply for subscription shall be reinstated in cases where a liquidation is discontinued or a merger not completed respectively.
- P. If the Company is put into insolvent liquidation, application for Subscription may not take place thereafter. Where, however, the decision to put the Company into insolvent liquidation is set aside by a higher court, subscription rights shall be reinstated.

### 9. NOTICES

Notices relating to the Warrants shall be provided to each registered Warrant Holder and any other rights holders that are noted on account in the Company's reconciliation register or be published in at least one daily newspaper published in Stockholm.

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### 10. NOMINEES

Those, pursuant to Chapter 5 section 14 of the Companies Act, having a permission to be registered as a shareholder in the Company's share register instead of the shareholder shall be entitled to be registered as nominee. Such a nominee shall be regarded as a Warrant Holder for the purposes of the application of these terms and conditions.

### 11. AMENDMENTS TO TERMS AND CONDITIONS

The Company shall be entitled to amend the terms and conditions of the Warrants to the extent required by legislation, decisions of courts of law or decisions of governmental authorities or where otherwise, in the Company's opinion, such amendment is necessary or expedient for practical reasons and provided that the rights of the Warrant Holders are in no way prejudiced.

### 12. CONFIDENTIALITY

The Company shall have the right to gain access to information contained in the register held by Euroclear regarding Holders of Warrants, Holder's names, personal identification number and postal address and number of subscription options. The Company, account operators or Euroclear may not, without authorisation, disclose information regarding the Warrant Holders to any third party.

### 13. LIMITATION OF LIABILITY OF THE COMPANY

In respect of measures which it is incumbent on the Company to take the Company shall not be liable for loss which arises as a consequence of Swedish or foreign legislation, the actions of Swedish or foreign governmental authorities, acts of war, acts of terrorism, strikes, boycotts, lockouts, or other similar circumstances. The reservation in respect of strikes, blockade, boycotts, and lockouts shall apply notwithstanding that the Company is itself the subject of, or effects, such measures.

Nor shall the Company be liable for loss which arises under other circumstances provided the Company has duly exercised normal caution. In addition, under no circumstances shall the Company or the Bank be liable for indirect loss or losses as a consequence of other losses. Nor shall the Company be liable for losses caused by Holders or others breaching the law, rules and regulations or these terms and conditions. In this respect Holders are notified that they are responsible for the correctness of documents submitted to the Company and duly signed and that the Company is notified of changes in the submitted information.

If the Company is unable to perform its obligations as a consequence of a circumstance specified above, such performance may be postponed until such time as the cause for the impediment has terminated. If the Company as a consequence of such circumstance is unable to execute or receive payment the Company and the Holder respectively shall not be liable to pay penalty interest.

### 14. LIMITATION OF LIABILITY OF ACCOUNT OPERATOR AND EUROCLEAR

In respect of measures which it is incumbent on account operator or Euroclear to take neither account operator nor Euroclear shall be liable for loss which arises as a consequence of Swedish or foreign legislation, the actions of Swedish or foreign governmental authorities, acts of war, strikes, blockades, boycotts, lockouts, or other similar circumstances. The reservation in respect of strikes, blockade, boycotts, and lockouts shall apply notwithstanding that account operator or Euroclear is itself the subject of, or effects, such measures.

What is stated above is applicable unless otherwise provisioned in the Financial Instruments Accounts Act.

Account operator or Euroclear are not liable for loss which arises under other circumstances provided that account operator or Euroclear has duly exercised normal caution. In addition, under no circumstances shall account operator or Euroclear be liable for indirect loss.

If account operator or Euroclear is unable to execute payment or to take other measures as a consequence of a circumstance specified in the first paragraph, such performance may be postponed until such time as the cause for the impediment has terminated.

### 15. APPLICABLE LAW AND FORUM

The Warrants, and all legal issues related to the Warrants, shall be determined and interpreted in accordance with Swedish law. Legal proceedings relating to the Warrants shall be brought before the Stockholm District Court or such other forum as is accepted in writing by the Company.

# Addresses

**Kopylovskoye AB (publ)**

Engelbrektsgatan 9–11  
114 32 Stockholm

**OOO Kopylovskiy**

52, 60th Anniversary of the October Revolution street  
Bodaibo  
666901, Irkutsk Region  
Russia

[www.kopylovskoye.com](http://www.kopylovskoye.com)

**Financial advisor**

*Mangold Fondkommission AB*

Engelbrektsplan 2  
Box 55691  
102 15 Stockholm

Telephone: +46 (8) 503 015 80

Fax: +46 (8) 503 015 51

[www.mangold.se](http://www.mangold.se)

**Auditor**

*Ernst & Young AB*

Jakobsbergsgatan 24  
Box 7850  
103 99 Stockholm

Telephone: +46 (8) 520 590 00

Fax: +46 (8) 520 588 00

[www.ey.com/se](http://www.ey.com/se)

**Legal advisor, Swedish law**

*Ramberg Advokater AB*

Norrmalmstorg 1  
Box 7531  
103 93 Stockholm

Telephone: +46 (8) 546 546 00

Fax: +46 (8) 546 546 99

[www.ramberglaw.se](http://www.ramberglaw.se)

**Legal advisor, Russian law**

*Egorov Puginsky Afanasiev & Partners*

24 Nevsky pr., suite 132  
191186, St. Petersburg  
Russia

Telephone: +7 (812) 322 96 81

Fax: +7 (812) 322 96 82

[www.epam.ru](http://www.epam.ru)

**Account operators**

*Euroclear Sweden AB*

Regeringsgatan 65  
Box 7822  
103 97 Stockholm

Telephone: +46 (8) 402 90 00

[www.ncsd.eu](http://www.ncsd.eu)







