

# ANNUAL REPORT 2014



**KOPY GOLDFIELDS**  
GOLD EXPLORATION



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This English Annual Report is a translation of the Swedish Annual Report for 2014.  
If any discrepancies exist in the translation, the Swedish language version shall prevail.

# IDENTIFYING HIGH POTENTIAL GOLD AREAS IN LENA GOLDFIELDS

Lena Goldfields in the Irkutsk region of Russia hosts one of the world's largest virgin gold deposits. Generations of geologists have been working to measure its mineral wealth. Yet its bedrock gold deposits have remained untapped, held back by the remoteness of the region, and in recent years, by a lack of interest on the part of the Russian authorities.

**The gold rush** started in the Lena River area in 1843. The first official record of gold production in the area dates back to 1846, when 27 grams of pure gold was produced. The gold mining industry developed rapidly in the late 19th century, so that by 1908 some 30,000 workers were employed in the Lena River goldfields. During the period 1846-2014, gold production at Lena Goldfields totaled 1,343,090 kg (43,186,180 Oz). But so far, mostly alluvial production has taken place.

**In 2007**, we founded the Swedish gold exploration company Kopy Goldfields. Our aim was to exploit the bedrock gold deposits of Lena Goldfields. Combining the skills and knowledge of Russian geologists with an efficient, Swedish organization, we strive to create a world-class company.

**During the last seven years**, we have come a long way as an exploration company: from greenfield prospecting to in-field exploration and pre-feasibility study. Via regional review, we identified, made a bid for and successfully acquired 13 licences for gold exploration and production from the Russian State. Following staged exploration programs, we funnelled down numerous exploration targets to a few with the highest potential for detailed exploration. As a consequence, we cancelled the Verkhnya Orlovka and Purpolskya projects and returned these licences to the authorities. We also sold Kavkaz and Prodolny projects for cash in 2014 to a Russian company, which intends to develop both projects into gold production and are planning to sell the Kopylovskoye project in 2015. These actions were also in line with our strategy to focus on projects in an advanced exploration stage.

**All focus now is on Krasny** and the Northern territories projects. In summer 2014, we entered an agreement with Russian gold producer GV Gold to take our most advanced project – the Krasny deposit – further towards production in a joint venture deal. The total exploration program is scheduled for 18 months, including reserve reporting in accordance with both the Russian GKZ classification and the international JORC standard. This was followed by a period of intense exploration drilling at the site, yielding test samples showing higher grade, richer content and more mineralization intervals than previously expected.

**Based on these positive results**, the second stage of the exploration work at Krasny has been confirmed and according to the agreement will be carried out from April until end of Q3 2015 with the target to proceed with the feasibility study, including drafting and filing a reserve report showing at least 9 tons of gold (some 300 koz). The overall aim is to start producing gold at Krasny in 2017.

**During the year**, we were able to prove the strength of our business model as well as the value of our portfolio of assets. Our long-term target is to continue to develop and prosper as a gold exploration company, focusing on our expertise in identifying high potential areas, while cooperating with partners to develop these.

## KOPY GOLDFIELDS IN BRIEF

# 1,4

Moz

of mineral resources under JORC



# 4000

shareholders. Listed on Nasdaq First North with ticker "KOPY"



# 11

Bedrock exploration and production licenses



# 7 916

meters of core drilling during 2014

# 2

licenses sold, 2 licenses returned and 1 license under joint venture

**The target** for Kopy Goldfields is to create value by identifying and acquiring high potential gold projects, prospect and explore them until the stage when it can be either sold out for cash or developed in cooperation with another partner under JV agreement.

### Joint Venture

9 MUSD Joint Venture agreement signed with GV Gold to take the Krasny-project towards production





## THE YEAR IN BRIEF

### ■ Joint Venture agreement signed to take the Krasny-project to the production phase

On August 12, 2014 Kopy Goldfields entered into an agreement with the Russian gold producer GV Gold to develop the Krasny-project towards the production phase under a joint venture. GV Gold earns a 51% interest in the Krasny Project by financing an in-fill exploration program followed by a reserve report in accordance with both the Russian GKZ classification and the international JORC standard. The exploration program will be developed in two stages and the budget for Stage 1 was USD 3 million, which was paid by GV Gold when the contract was signed. At the same time, Kopy Goldfields also received a cash consideration of USD 1million.

The budget for Stage 2 amounts to USD 3 million for GV Gold to finance and the deal also include an additional consideration of USD 2 million to Kopy Goldfields subject to a reserve reporting showing gold reserves of at least 9 tonnes.

### ■ Exploration results above expectations and the total amount of gold increases

Exploration program Stage 1 of 2 was completed on schedule in November 2014 with positive results, showing that all exploration targets for Stage 1 have been exceeded. Based on an internal resource calculation following the Exploration stage 1 completion, both grade and gold resources have increased. New mineralized intervals discovered increase the upside potential and in addition, the mineralization is still open to both ends along strike and to depth. Due to the Ruble depreciation, the exploration costs are far below budget.

### ■ The sale of two licenses completed

In February 2014, the Company received the remaining payment of SEK 8.3 million from the sale of the Kavkaz- and Prodolny licenses.

### ■ Focus on strategy and continuous work with cost savings

In 2013, Kopy Goldfields decided to revise the strategy to reduce the greenfield part of its license portfolio and to focus on projects in an advanced exploration stage, closer to production, as well as reducing the exploration expenditures and ensuring long-term survival. As a consequence of the new strategy, the Company applied for returning the licences Verkhnyaya Orlovka and Purpolskaya to the Russian state, which was approved in January 2014. The sale of two licenses was completed and a joint venture agreement was signed. The Company's own exploration expenditures decreased by 80%, the overhead costs by 14% and the number of employees was reduced from 38 persons in average during 2013 to 14 persons during 2014.

## ■ SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

### ■ GV Gold continues with the exploration program and finances Stage 2

In March 2015, GV Gold formally confirmed its commitment to proceed to Stage 2 of the Exploration program on the Krasny Project and invested further USD 3 million into exploration. The targets of Stage 2 will be to increase resources by drilling along the strike, which is left open to both directions after stage 1, to complete the initiated metallurgical tests, to draft and file a reserve report, as well as to collect more engineering, processing, environmental and other data required for Feasibility Studies and production planning.

### ■ Share issue and prolonged loan agreement

In January 2015 a share issue with preferential rights for existing shareholders was completed, in which 24 586 547 shares were subscribed and approximately SEK 8 million was received by the Company, net after issue costs. In March 2015, the Company renegotiated the short term loan of SEK 3 million and the loan is now due on April 29, 2016.

## Key figures 2014

|  | 2014   | 2013    | 2012    | 2011    | 2010    |
|--|--------|---------|---------|---------|---------|
| Operating income, KSEK                               | 19,797 | -68,752 | -14,215 | -93,798 | -10,998 |
| Earnings per share, SEK                              | 0.43   | -2.51   | -1.16   | -11.72  | -2.64   |
| Equity/Asset ratio, %                                | 90.8   | 88.7    | 92.8    | 86.3    | 88.8    |
| Investments in exploration and evaluation work, KSEK | 1,859  | 19,376  | 34,321  | 36,430  | 34,547  |
| Investments in licenses, KSEK                        | -      | 18      | 2,268   | 123     | 8,463   |
| Average number of employees                          | 14     | 38      | 62      | 93      | 79      |

# PROVING THAT OUR BUSINESS MODEL WORKS

The past year provided Kopy Goldfields with an opportunity to prove that our business model works; i.e. using our expertise to identify and develop high potential gold projects until they can be further developed with a partner. Exploration initiated at our most advanced project Krasny in July 2014 after signing a joint venture agreement with the Russian gold company GV Gold, indicated that both content and grade exceeded previous expectations. Based on these results, GV Gold has decided to fully finance further exploration with the target of achieving 280 koz (9 tons) of gold reserves and starting production in 2017.



The decision we took in 2013 to focus on projects in an advanced exploration stage and cut costs in order to ensure long-term survival has proved to be right. After several years of identifying and mapping out high potential project areas in the Bodaibo area of Lena Goldfields, we have also been able to prove that our projects are of high value. This means that we, despite the current low investors' valuation of gold exploration projects in general, possess a solid foundation based on projects

with a good potential.

In 2014, we focused our activities on developing the Krasny project, building relations with our partner GV Gold, while reducing our project portfolio and saving costs by some 14 per cent, compared with the previous year.

During the first half of the year, we concentrated our efforts on reducing our administration costs and overall burn rate. We sold some of our exploration equipment, machinery and real estate in Bodaibo, while only keeping key members of staff. In addition, we returned two greenfield exploration licences to the Russian state. We also managed to successfully complete the sale of two other licenses for a total of USD 1.5 million to a local, Russian company, which intends to develop both projects into gold production.

Apart from strengthening our cash balance for 2014, the deal proved the quality of our projects and their attraction for professional

investors. It also demonstrated the possibility of commercialising licences in the Bodaibo area of Lena Goldfields, as well as the ability to repatriate cash from Russia.

The most important event of the year, however, was that we – after eight months of intense negotiations – on July 10 signed a joint venture agreement with GV Gold regarding the development of the Krasny project into production. On August 12, we completed the transaction and GV Gold transferred the initial USD 4 millions into the project.

Exploration at Krasny was initiated as soon as the agreement had been signed. The program was split into two stages, of which the first were conducted from July until the end of December. During this stage, 51 drill holes were completed, amounting to 7 916 meters of core drilling, while 1 712 meters of exploration trenches were excavated. In addition, we initiated engineering and metallurgical tests of essential importance for the planned reserve report.

Analyses of these exploration activities not only confirmed the existing geological model - which served as a basis for the previous scoping study as well as for GV Gold's investment – it also exceeded previous expectations concerning both content and grade. We also discovered more gold mineralizations close to the surface and new mineralized intervals, while the mineralization remains open along the strike

This means Krasny has a stronger potential than GV Gold expected when they decided to invest in the project. It also provided a strong impetus for GV Gold to go ahead with financing the second stage of the exploration work at Krasny, running from April until end of Q3 2015. These activities will end in a reserve report under both the



international JORC and the Russian GKZ standards. The target is to reach 280 koz (9 tons) of gold reserves and then go ahead with planning an open pit gold mine set to start producing in 2017.

In a general context, the tension between Russia and the West over the Ukraine and the following sanctions against Russia resulted in a major weakening of the rouble. This development of the exchange rate affected our operations in a positive way, as explorations costs were far lower than budgeted. The first stage of the exploration was completed with a big surplus and we expect the same results for the second stage. This will leave us with funds for financing the feasibility studies, as well as the permitting process. However, we are closely monitoring the sanctions against Russia in order to ensure that we do not get involved in any business relationships that could be affected by this.

I am happy to say that Kopy Goldfields has not only been able to survive the last years' turbulence on the mining market— we have also been able to prove the strength of our business model and the value of our portfolio of assets. Our aim for 2015, apart from taking the Krasny deposit close to production together with GV Gold, is to find another partner for some of our other high potential greenfield areas.

The long-term target is to continue to develop and prosper as a gold exploration company, focusing on our expertise in identifying high potential areas, while cooperating with partners to develop these.

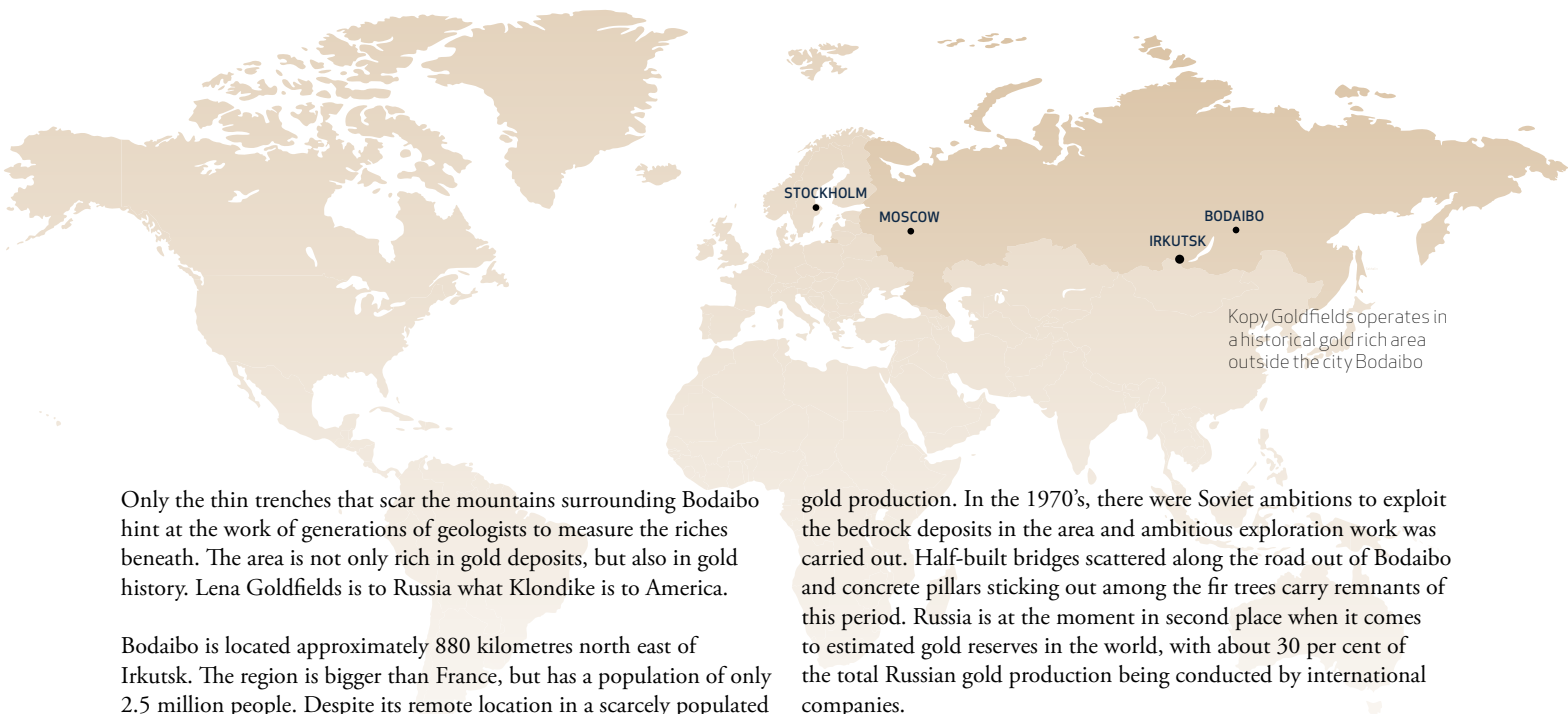
I would like to thank our shareholders and other stakeholders for your belief in our vision for the company and your support during the year. I sincerely hope that you will stay with us for what promises to be an exciting journey.

Stockholm, April, 2015

Mikhail Damrin  
CEO Kopy Goldfields

# LENA GOLDFIELDS – RICH IN GOLD DEPOSITS AND GOLD HISTORY

Lena Goldfields has a long history associated to gold. In fact, more of the glittering metal has been discovered here than in Klondike, classic symbol of the gold rush in America. Alluvial production has long been dominant with bedrock production initiated only some ten years ago. In total, more than 30 million ounces of gold has been produced so far in Lena Goldfields. And large parts of the area still remain to be explored.



Only the thin trenches that scar the mountains surrounding Bodaibo hint at the work of generations of geologists to measure the riches beneath. The area is not only rich in gold deposits, but also in gold history. Lena Goldfields is to Russia what Klondike is to America.

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

A gold fever of pioneers claimed Russia's wild east for the tsars in the 19th century. The massive goldfields that lined the river Lena were, at the turn of the century, amongst the most profitable enterprises in the Russian Empire. The Lena Gold Mining Joint Stock Company, the principal owner of the majority of goldfields in the region, was running at profits of 7,000,000 roubles a year. The comfortable life-style that these profits afforded the company's principal shareholders, mainly British industrialists and members of the Russian aristocracy, contrasted sharply with the harsh way of life that the miners of Lena and their families had to endure. In 1912, the gold miners initiated a strike that ended in a massacre where soldiers shot down hundreds of the miners. The massacre is regarded as one of the incidents that gave rise to the Russian Revolution.

### AMBITIOUS EXPLORATION WORK IN THE 70'S

This event was succeeded by a more peaceful era of continued alluvial

gold production. In the 1970's, there were Soviet ambitions to exploit the bedrock deposits in the area and ambitious exploration work was carried out. Half-built bridges scattered along the road out of Bodaibo and concrete pillars sticking out among the fir trees carry remnants of this period. Russia is at the moment in second place when it comes to estimated gold reserves in the world, with about 30 per cent of the total Russian gold production being conducted by international companies.

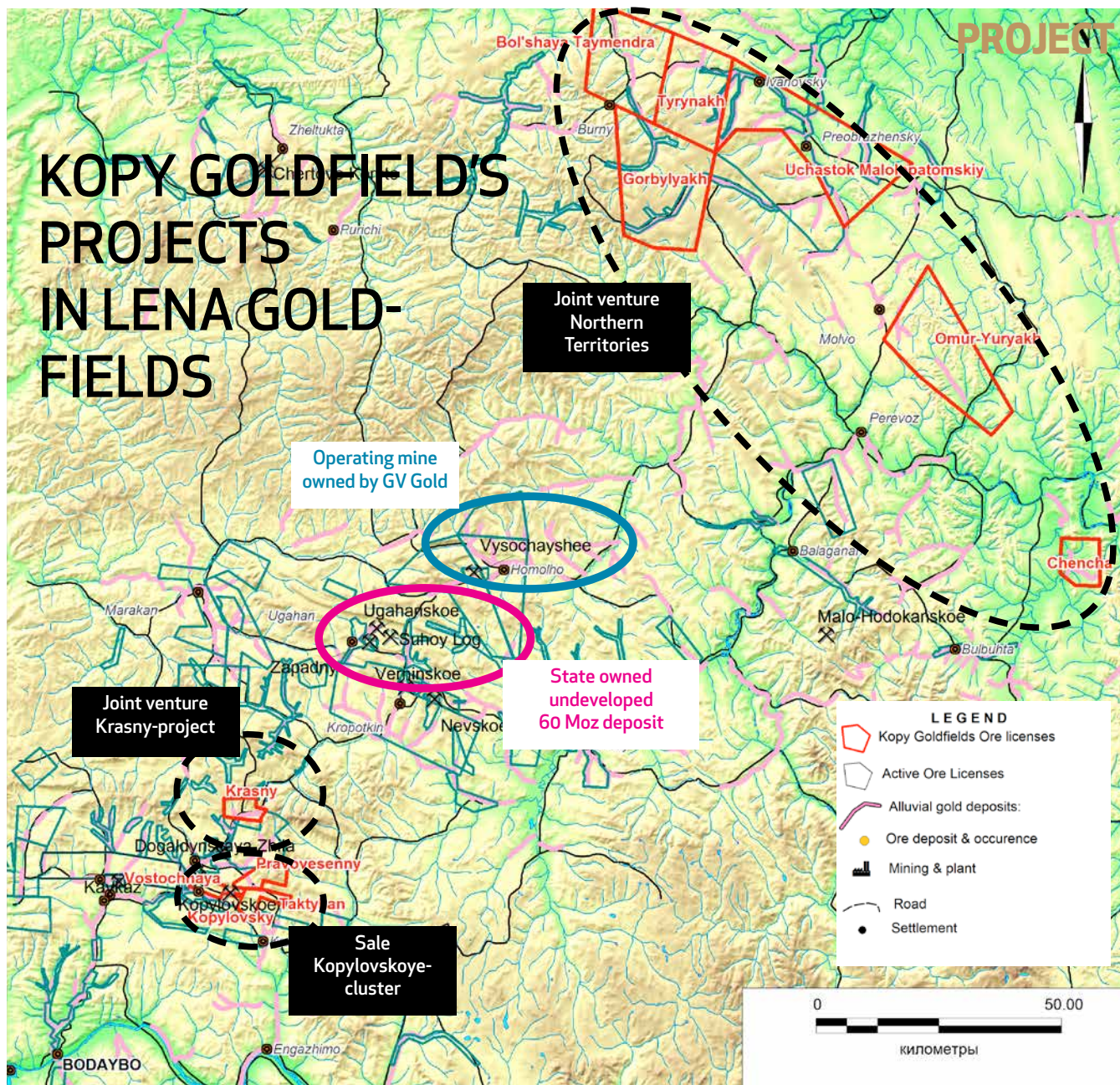
Since the 1840s, the region has steadily been producing around 0.25 Moz of alluvial gold per year. But previous exploration work has also shown that the Bodaibo area hosts several world-class bedrock gold deposits, including Vysochaishiy, Verny, Chertovo Koryto and Sukhoy Log, the latter being the largest undeveloped gold deposit in the world with some 60 Moz of reserves.

Since the collapse of the Soviet Union, however, the state has focused on profiting from oil and gas reserves instead of exploiting its mineral reserves.

### GOOD MINING INFRASTRUCTURE

Over the decades, good mining infrastructure has been developed in the region, including an airport in Bodaibo, federal year-round roads from Bodaibo to main gold production sites, a hydro electric power plant on the Mamakan River and connection to the Russian national electric power grid, schools, hospitals and shops. Most of Kopy Goldfields' projects are within a distance of 6 km from the federal road and national electric power grid.





Kopy Goldfields has developed a diversified project portfolio of exploration licences in Lena Goldfields. Within each licence, one or more test-drilling project may be in operation. The projects are in different stages of development, with focus on the projects with the highest potential.

Five of the company's licences are geographically concentrated to a 40 x 20 km area located between 40 and 75 kilometres from the regional centre Bodaibo. The infrastructure is well developed with federal roads, as well as water and electricity available at the sites. Six licences, all of which were acquired in 2012, are situated at a distance of 200-300 km from Bodaibo and linked to federal roads. All deposits are located up to 150 km from Sukhoi Log, the biggest undeveloped gold deposit in both Russia and the world with some 60 moz of gold.

### THREE CLUSTERS

Kopy Goldfields has significantly reduced exploration costs in connection with the current cost saving program. In accordance with its new strategy, the company will develop more projects in partnerships/joint ventures, which means that the development process can be speeded up, while sharing value increases from more projects.

Kopy Goldfields has chosen to group the licences into three so-called clusters, based on their geographical and geological characteristics and if they are expected to benefit from developing together: Krasny, Kopylovsky and Northern Territories

# PREPARING KRASNY FOR GOLD PRODUCTION

Krasny is Kopy Goldfields' most exciting gold project to date. Intense exploration drilling took place at the site during the autumn 2014 after a joint venture agreement had been signed with GV Gold to develop the promising gold deposit together. Data from these exploration activities showed both more gold and higher grade than previously calculated, while new mineralized intervals were discovered. Based on these positive results, exploration will be continued in 2015 aimed at resulting in reserve reporting in accordance with both the Russian GKZ classification and the international JORC standard. The goal is to start gold production at Krasny in 2017.

Located in the vast expanse of the Patom highland in the Bodaibo area of Irkutsk region of Russia and 75 kilometres from the city, Krasny sits on an area of 31 square kilometres. The area is known for its alluvial gold production with four active placers within, or neighbouring, the license area. Kopy Goldfield's Krasny license will be valid for 25 years and provide rights for bedrock gold prospecting, exploration and production.

## GEOLOGY AND MINERALIZATION

The Krasny project is located in a potentially gold rich lithological and stratigraphical area. It is characterized by intensive geochemical gold anomalies and rich alluvial gold deposits in the streams.

The Krasny deposit is localized within the Upper Riphean Vacha suite in the form of a single discontinuous-continuous mineralized zone consisting of two saddle-shaped groups of vein-veinlet-disseminated quartz-sulphide gold ore bodies (upper and lower), one embedded into another one.

The mineralized zone is confined to the axial part of the main structure of the ore occurrence - the Rudnaya anticline. The anticline represents an oblique overfold of the southeastern strike with the axial surface dipping at 70-85° northeast. The limbs are composed of bands of alternating sandstone and phyllites up to 60m thick. The southern limb dips northeast at 85°, and the northern limb dips northeast as well at 45-75°.

Within the Krasny deposit, the mineralized zone is traced in trenches and boreholes from the exploration line 14 (northwest) to the exploration line 58 (southeast) at 1725m. It is discontinuous-continuous lens-shaped or lens-shaped band-like in plan and saddle-shaped and lens-shaped in section, with bends, bulges, splits and thinning out. The thickness is up to 20-80m at flanks and up to 160-200m in the central part. The contours of the ore bodies have no clear boundaries and are defined on the basis of core and channel sampling results only. The oxidation zone is developed to the depth of 20-100m.

The upper group of the ore bodies is about 900m long; the vertical span of the mineralization is 210-305m; the lower group is 1620m long, and the vertical span of the mineralization is 180-280m. The total span of the mineralization studied in boreholes is 430m (elevation

*Mineral Resource Statement for the Krasny Gold Deposit, Irkutsk Region, Russia, 000 Miramine, March 25, 2013*

| CUT-OFF, g/t | Resource Category | Million Tons | Au Grade (g/t) | Contained Au (tons) | Contained Au (Moz) |
|--------------|-------------------|--------------|----------------|---------------------|--------------------|
| 0.8          | Measured          | 0.00         | 0.00           | 0.00                | 0.00               |
|              | Indicated         | 4.3          | 1.53           | 6.6                 | 0.21               |
|              | Inferred          | 22.5         | 1.60           | 36.1                | 1.16               |

110-580m); the length along the strike is 1620m.

At this stage of the exploration development, focus is on studying the central part of the deposit. The zone is traced by longitudinal curves and in general dives in the southeastern direction at 10-20°. The zone within the central part of the deposit is found in the form of an upper margin - from near-horizontal to diving in the southeastern direction at the angles up to 10-20°.

All identified ore bodies of the deposit are present in this mineralized zone, and the intensity of mineralization in them correlates directly with the degree of occurrence of quartz-sulphide veinletting and imposition of other hydrothermal-metasomatic alterations. Meanwhile, the quartz content in the mineralized zone does not exceed 2-3%. The morphological type of mineralization is mineralized zones-beds with veinlet-disseminated quartz-sulphide mineralization with the total sulphide quantity up to 3-3.5%.

Hosting ore bodies are presented by alternation of carboniferous quartz-sericite schists, siltstone and sandstone of the Vacha suite. The main mineral type of ore is quartz low-sulphide (pyrite).

## JOINT VENTURE WITH GV GOLD

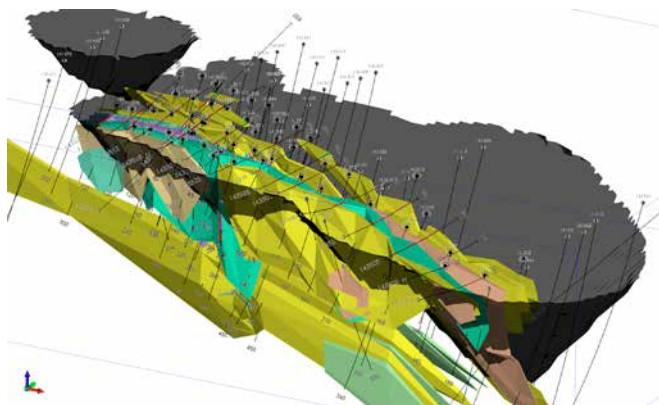
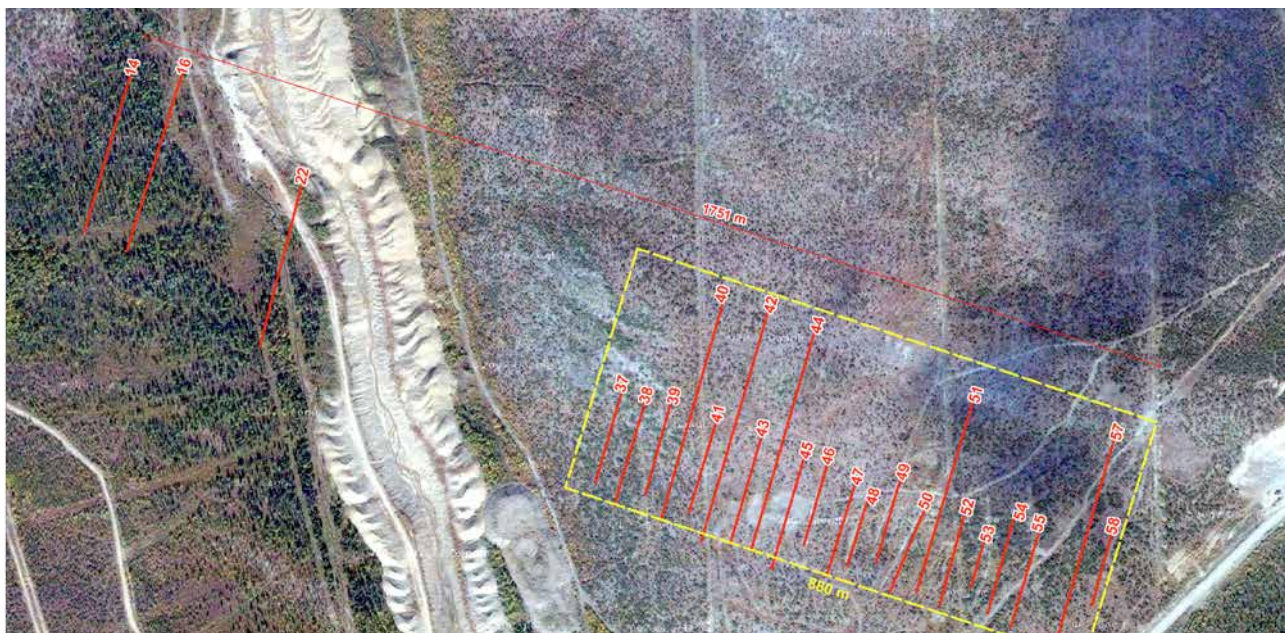
On August 12, 2014, Kopy Goldfields entered an agreement with the Russian gold producer GV Gold to take the Krasny project further towards production in a joint venture deal. GV Gold will earn 51% of the Krasny license by investing up to USD 9 million. Upon completion of the agreement, GV Gold paid a cash consideration of MUSD 1 to Kopy Goldfields and invested 3 MUSD into step 1 (of 2 steps) of a new exploration program.

The total exploration program is scheduled for 18 months, including the reserve reporting in accordance with both the Russian GKZ classification and the international JORC standard. Kopy Goldfields provides exploration support services for the project, including core logging, data base management, deposit modelling and general planning of the exploration process.

## POSITIVE RESULTS FROM STAGE 1 EXPLORATION

The first stage of the exploration program for the Krasny project was started in July 2014. With Kopy Goldfields serving as the operator of the project, 51 drill





holes were completed, amounting to 7,916 meters of core drilling, and 1,712 meters of exploration trenches were excavated. In addition, engineering and metallurgical processing were initiated to develop the optimum processing technology and which are essential for the coming reserve report.

Stage 1 was completed on schedule in November 2014. New data from these activities confirm and improve the existing geological model, which served as a basis for the previous scoping study and for GV Gold's investment. Based on the internal resource calculation following completion, both grade and gold resources have been increased, while new mineralized intervals have been discovered. The mineralization also remains open to both ends along the strike and to the depth. Due to the depreciation of the rouble, exploration costs were far below budget.

#### STAGE 2 EXPLORATION DRILLING IN 2015

In March 2015, GV Gold formally announced their decision to continue to step 2 in the exploration program by investing another MUS\$ 3. The target of the second stage of the exploration program is to further map out the deposit to be able to proceed with the feasibility study, including drafting and filing a reserve report both under Russian GKZ and JORC requirements that shows at least 9 tons of gold (approximately 300 koz). It is also to increase the resources further by drilling along the strike, which is left open both to the east and to the west after Stage 1.

Exploration Stage 2, which is fully financed by GV Gold, is scheduled to commence in April and will preliminary last until the end of Q3 2015. The drill equipment and the camp are ready for the start of this second stage of exploration activities.

#### TARGETS FOR 2015

- Prepare for reserve reporting and to collect more engineering, processing, environmental and other data required for Feasibility Studies.
- Draft and file the reserve report both under Russian GKZ and JORC requirements.
- Increase resources by drilling along the strike, which is left open to both directions after stage 1.

#### EXPLORATION ACTIVITIES 2014

- 51 drill holes completed
- 7,916 meters of core drilling performed
- 1,712 meters of exploration trenches excavated
- Engineering and metallurgical processing initiated to develop the optimum processing technology

#### EXPLORATION ACTIVITIES 2013

- Scoping study report published
- Updated mineral resource estimation, see table to the left
- 1,695 meters of diamond drilling
- 195 meters of trench sampling

#### EXPLORATION ACTIVITIES 2012

- A mineral resource estimate within JORC Code
- 11,030 meters of diamond drilling
- 1,161 meters of trenching

#### EXPLORATION ACTIVITIES 2011

- Design of exploration activities
- Commence field activities and analysis
- Krasny exploration memo 2011

#### EXPLORATION ACTIVITIES 2010

- Recognizance geological mapping of 100 km
- 100 trench sampling
- Review and digitalize historic exploration data
- Prepare and communicate exploration plan

#### HISTORICAL EXPLORATION

- The area was intensively prospected in previous years:
- detailed geochemical and geophysical survey of 1:25000 scale
- 14,723 meters of diamond boreholes drilled
- 110,797 meters of trenches
- 130 meters of underground shifts



## PARTNERING WITH GV GOLD - THE MAIN BEDROCK MINER IN THE AREA – TO TAKE KRASNY INTO PRODUCTION

The only company with a solid track record of bedrock gold mining in the Bodaibo area. GV Gold is the eighth largest gold producer in Russia and has been operating in Lena Goldfields for more than 15 years. The joint venture agreement Kopy Goldfields reached with GV Gold summer 2014 brings financial muscle as well as extensive competence and experience of building and operating gold mines in the area to the Krasny project.



GV Gold (Vysochaishy Open Joint Stock Company) is a major Russian gold mining and exploration company, producing more than more than 5.2 tons (168 koz) of gold per year. The company's operations are based in two regions of Russia – the Bodaibo area of the Irkutsk region and in the Aldan area of the Sakha (Yakutia) Republic. Historically, the Bodaibo area has been the main centre of the company, which was established in 1998 for the purpose of developing the Golets Vysochaishy (GV) gold deposit in Bodaibo, from where the company has taken the name, "GV Gold". In 2001, GV Gold produced its first 19 kilos of gold at the Golets Vysochaishy mine.

Today, GV Gold is one of Russia's largest and fastest growing gold producers, with a portfolio comprising of more than ten licences. These include nine in the Irkutsk region, with more than 100 tons of gold reserves and 120 tons of gold resources. By 2017, the company plans to achieve a production rate of 12.4 tons (400 koz) of gold per year. The company's head office is located in Bodaibo, where it also has its production and technical base. It also has an office in Moscow.

### STATEMENT FROM GV GOLD

*"In August 2014, GV Gold (Vysochaishy, OJSC), acquired a controlling stake (51%) in the Krasny project. The current resource estimation for Krasny is 320 kOz (10 tons) of gold and we see potential for its further increase. The project has a good location, developed infrastructure and it is situated in the close vicinity from the main assets of our company."*

*Exploration activities during 2014-2015 on the Krasny project were split into two stages in order to mitigate exploration risks. By December 2014, the first stage was completed. As a result, we received confirmation of anticipated geological reserves.*

*In 2015, we will concentrate on the search for the optimal project development approach and gold processing technology.*

*We are pleased to cooperate and work together with the team of Kopy Goldfields. We are sure that with joint efforts of our companies the Krasny project will be successfully developed into production and will become the basis for our long-term cooperation."*

## FOCUS ON PROJECTS IN AN ADVANCED EXPLORATION STAGE

Kopy Goldfields currently controls the biggest gold exploration area of Lena Goldfields. In 2014, however, the company acted according to its strategy to reduce the greenfield part of its license portfolio and to focus on projects in an advanced exploration stage, closer to production. This resulted in a decision to sell two licences, while returning two others to the Russian state.

Kopy Goldfields is currently engaged in developing bedrock gold projects in eleven licence areas, all of which are unilaterally controlled by the company and located in the Lena Goldfields area of the Irkutsk region in Siberia.

The projects are in different stages of development, with focus on the ones with the biggest potential. The main part of the exploration activities is concentrated to the Artemovskij district of Lena Goldfields, which has a historic alluvial gold production of 20 Moz. Five of the company's licences are geographically located in a 40 x 20 km area, at a distance of 40 to 75 kilometres from Bodaibo.

The infrastructure is well developed with state roads, as well as water and electricity at the sites. The distance from the sites to the main road is between one and ten kilometres.

### LOCATED CLOSE TO SUKHOY LOG

Six of the licences, all of which were acquired in 2012, are located within 200 – 300 kilometres from Bodaibo. They all have access to roads and a history of alluvial production.

All deposits are located less than 150 kilometres from Sukhoy Log, which - with its 60 Moz of gold - is the biggest undeveloped gold deposit in Russia.

Kopy Goldfields is currently the company controlling the biggest exploration area in Lena Goldfields with a diversified portfolio of projects. The agreement reached with GV Gold in 2014 to jointly develop the Krasny project, i.e. the project closest to production, is expected to be followed by similar joint ventures for other projects.

### TWO LICENCES SOLD - AND TWO RETURNED

As a result of the new strategy to reduce the greenfield part of the portfolio, the licences Verkhnyaya Orlovka and Purpolskaya were returned to the Russian state. Both licences were acquired in 2012 and despite their good exploration potential they were regarded as second priority compared to other projects.

In addition, Kopy Goldfields successfully completed the sale of the Kavkaz and Prodolny licenses, which was initiated at the end of 2013. The total sales price amounted to USD 1.5 million. The buyer was a local Russian gold mining company, which intends to develop both projects into gold production.

| License                   | Acquired | Mineral resources ('000)  | Valid until: | Ownership<br>Kopy Goldfields AB | License area       |
|---------------------------|----------|---|--------------|---------------------------------|--------------------|
| <b>Kopylovskoye</b>       | 2007     | JORC: Indicated: 37koz@1.31 g/t<br>Inferred: 80koz@1.07 g/t<br>Signed by SRK Consulting   | 2020         | 100 %                           | 1,5 sq km          |
| <b>Krasny</b>             | 2010     | JORC: Indicated:<br>0.21 Moz@1.53g/t<br>Inferred: 1.16 Moz@1.60 g/t<br>Signed by Miramine | 2035         | 49%                             | 31 sq km           |
| <b>Pravovesenniy</b>      | 2010     | Russian P3: 64koz   | 2030         | 100 %                           | 35 sq km           |
| <b>Vostochnaya</b>        | 2010     | Russian P2: 161koz  | 2035         | 100 %                           | 13 sq km           |
| <b>Takhtykan</b>          | 2011     | Russian P3: 161koz  | 2035         | 100 %                           | 31 sq km           |
| <b>Tyrynakh</b>           | 2012     | Russian P3: 578koz  | 2037         | 100%                            | 250 sq km          |
| <b>Bolshaya Taimendra</b> | 2012     | Russian P3: 578koz  | 2037         | 100%                            | 289 sq km          |
| <b>Gorbylyakh</b>         | 2012     | Russian P3: 578koz  | 2037         | 100%                            | 417 sq km          |
| <b>Omur-Yuryakh</b>       | 2012     | Russian P3: 160koz  | 2037         | 100%                            | 365 sq km          |
| <b>Chencha</b>            | 2012     | Russian P3: 321koz  | 2037         | 100%                            | 71 sq km           |
| <b>Malo-Patomsky</b>      | 2012     | Russian P3: 578koz  | 2037         | 100%                            | 460 sq km          |
| <b>Total</b>              |          | <b>JORC: Indicated: 0.25 Moz<br/>Inferred: 1.24 Moz<br/>Russian: P1-P3: 3,179 koz</b>     |              |                                 | <b>1 963 sq km</b> |

# EXPLORATION METHODS



Studying historical data. Electric and magnetic surveys. Soil sampling. Trenching. Drilling. Analysing. Evaluating. Modelling. The exploration of Kopy Goldfields' licence areas at Lena Goldfields is conducted in several stages, each of which requires great experience and knowledge for correct interpretation. The goal is to identify the gold deposits with the highest potential for future development into mineral reserves - ultimately resulting in gold production.

Many of the licence areas controlled by Kopy Goldfields in Lena Goldfields were subject to some bedrock exploration by Soviet geologists in the 1970's. Exploration work after acquiring a new licence typically starts by reviewing this data.

The next step is to locate geological anomalies and get a first indication of mineralizations. Airborne surveys are good for covering large areas.

Once these have been located, the next step is soil sampling and electric-magnetic surveys. These steps are relatively cheap as they do not require soil and rock movements. The next step is trenching to evaluate the anomaly at the surface. The topsoil is removed, a ditch is excavated and trench samples are taken along the line drawn along the floor of the ditch. Along this line, geologists use saws for cutting out mineral samples. These samples are then sent for analysis.

### RC-DRILLING/CORE-DRILLING

If the sawn samples indicate interesting gold contents, the next step is drilling to evaluate the mineralization to depth. RC stands for Reverse Circulation and entails rock fragments – drill cuttings – being blown upwards, using compressed air in such a way that no contamination or mixing up of the samples can take place. The drill cuttings are chartered and sampled for chemical analysis.

Core drilling is a method where you collect a core from the drill hole in order to analyse the geology and structure of the mineralization.

### EVALUATION

Numerous project ideas are required before a few projects can become producing mines. The process involves many phases, and costs increase as the project approaches a potential production start-up.

Once the exploration work is completed, the deposit is evaluated to determine whether the technical and economical preconditions exist for starting a new mine.

### REPORTING ACCORDING TO JORC AND GKZ

Kopy Goldfields has decided to report all new mineral resources within the international JORC Code (Australasian Joint Ore Reserves Committee), which is sponsored by the Australian mining industry and its professional organisations. The JORC Code is widely accepted as a standard for professional reporting purposes.

Resources will also be reported according to GKZ, the Russian mineral reporting standard.



# FROM EXPLORATION TO MINING PRODUCTION IN RUSSIA

The Russian system for conducting exploration and mining operations is based on a detailed and objective description of how the process should be conducted. It includes specifications for exploration methods, calculations of mineral resources and reporting.

## CLASSIFICATION OF MINERAL RESOURCES

Kopy Goldfields' operations consist of exploring the presence of gold within areas for which the company holds licences for gold exploration and production. The operations are conducted according to clearly defined methods. Through collecting samples and analyses, a clearer picture is gradually created of the presence of gold within a specific area. The end result is three-dimensional model of a gold bearing ore body, the content of which can be calculated through measuring concentrations in the ore and calculations of the volumes. As exploration work continues and develops, knowledge about a deposit grows. In general, the amount of accuracy increases as a result of the number of holes and density between them. The end result of a project is thus an estimation of the deposit that is as accurate as today's technology, knowledge and methodology allows for.

A finalized exploration report, conducted according to a generally accepted standard, constitutes the basis for a decision whether profitable production is possible. Gold deposits that have been confirmed according to an accepted standard are often considered as providing enough security to be granted bank loans in order to finance acquisitions or production plants and may be highly valued even before production has been initiated.

Exploration activities are conducted in several stages, with an evaluation of test samples after each stage. Trading in permissions and licences that have not yet been fully explored also occurs.

International classification systems (for example JORC and SAM-REC) provide guidelines and a clearly defined reporting system, in which a competent person is responsible for the final results. These reports are based on the transparency, competency and relevancy of the competent person as well as the operations and process that are being evaluated.

The Russian system leaves less scope for professional estimations, being more based on a detailed and objective description of how the process should be conducted. It includes specifications for exploration methods, calculations of the mineral resources and ore reserves. All approvals of calculations of mineral resources and ore reserves in Russia are made by GKZ, which is the state authorities dealing with major deposits. On the regional level GKZ is represented by its branches, TKZ, which deals with the majority of deposits in Russia.

The international classification system report is approved by a competent person, who often is a member of a "Recognised Overseas Professional Organisation" (ROPO). Kopy Goldfields has chosen to cooperate with the international consultancy agency SRK Consulting for the Kopylovskoye project and with OOO Miramine for the Krasny project. These have evaluated the transparency and security of the work performed by the company, estimated the total mineral resources and signed the mineral resource report.

## MINERAL RESOURCES AND ORE RESERVES

The Russian system uses a distinct system to classify mineralizations according to a number of qualities and characteristics. There are three main categories and seven sub-categories:

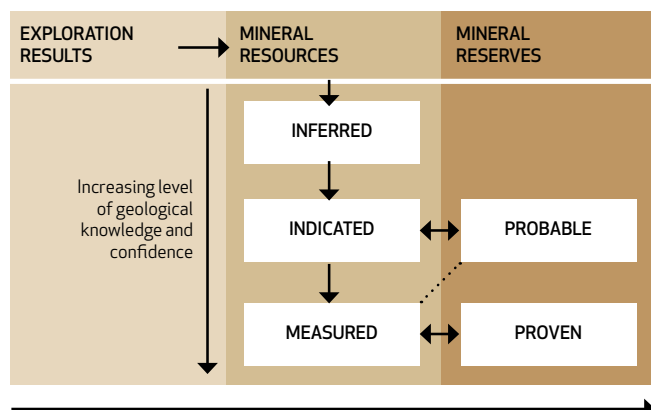
- Explored reserves and resources (A, B and C1)
- Examined reserves and resources (C2)
- Forecasted resources (P1, P2 and P3).

When deciding on commencing mining operations, normally the categories A, B, C1 and C2 are taken into consideration. This means that these categories could be roughly compared to the international system when it comes to measured and indicated ore reserves. The international system is based on a similar system, in which the categories "inferred", "indicated" and "measured" refer to less certain estimations of the mineral resources.

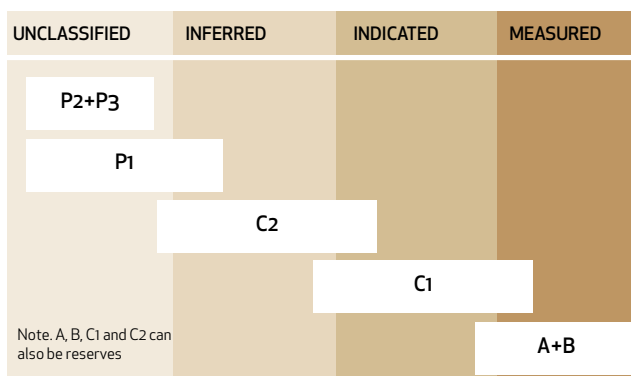
When denser test drilling has been performed, the deposit will be classified as an "ore reserve", which, in turn, can be divided into "probable" and "proven".

The exploration work that is currently being conducted within the company's Krasny licence is aimed at resulting in an ore reserve report according to the international JORC standard. This means that the previously classified inferred and indicated mineral resources will be upgraded to indicated and measured, as well as mineral resources being upgraded to ore reserves.

### BASIC WESTERN APPROACH FOR MINERAL RESOURCE CLASSIFICATION



### RECONCILIATION OF RUSSIAN AND INTERNATIONAL REPORTING SYSTEMS



# STAFF OF SKILLED GEOLOGISTS AND MINING PROFESSIONALS

Bodaibo is situated in a mining oriented area in Russia. That means that many young people choose professions linked to mining and exploration. Kopy Goldfields also has a cooperation agreement with the universities of Tomsk and Irkutsk that supply the company with highly skilled geologists and seasonal workers.

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

Due to the necessity to cut costs in 2013 and 2014 as a result of the sharply dropping gold prices and the effect it had on the gold mining and exploration market, Kopy Goldfields had to radically reduce the number of employees, only keeping key members of staff.

### RECRUITING IN THE AREA

The company seeks to recruit staff from the nearby area. However, some of the company's employees come from other regions and stay

on-site in purpose-built accommodation during the time of their shift.

Kopy Goldfields' core values are Commitment, Responsibility and Excellence. When recruiting, it is of great importance to the company that potential employees share these values.

### FOCUS ON HEALTH AND SAFETY

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

## ENVIRONMENTAL GOALS

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

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

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

### LOW AIR OR WATER POLLUTION IMPACT

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

### REGULATIONS AND FULFILMENTS

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



Article 16. Payment for Negative Environmental Impact.

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

# AN EXCITING JOURNEY



Kopy Goldfields is a Swedish exploration company listed on Nasdaq First North in Stockholm. A list of important events in the company's history is found below.

**NOVEMBER 2006** – Central Asia Gold AB (“CAG”) reaches an agreement to acquire the company OOO Kopylovsky and its Kopylovskoye-licence.

**FEBRUARY 2007** – Kopylovskoye AB is founded as a subsidiary to CAG.

**APRIL 2007** – Kopylovskoye AB becomes owner of OOO Kopylovsky and a directed share issue is done to finance exploration and development.

**APRIL 2008** – Acquisition of the Prodolny licence.

**NOVEMBER 2008** – Acquisition of the Kavkaz licence.

**DECEMBER 2008** – Kopylovskoye becomes an independent company after being distributed to its shareholders.

**BEGINNING OF 2009** – SRK Consulting (“SRK”) is engaged to evaluate the company's projects and give advice on how to proceed in the exploration and development work.

**SUMMER 2009** – Exploration and development activities are resumed following positive confirmation of the results from SRK's evaluation.

**MARCH 2010** – Acquisition of the Krasny and Pravovesenniy licences.

**AUGUST 2010** – Acquisition of the Vostochnaya licence.

**AUGUST 2010** – The company is being listed on Nasdaq First North Stockholm.

**JANUARY 2011** – Acquisition of the Takhtykan licence.

**JUNE 2011** – The company changes name to Kopy Goldfields AB.

**JUNE 2011** – The company's first international mineral resource report according to the JORC Code is filed on the Kopylovskoye deposit.

**OCTOBER 2011** – Eldorado Gold Corp invests MSEK 29 in the company and becomes a major shareholder.

**NOVEMBER 2011** – The Krasny licence shows major gold contents and grades.

**FEBRUARY 2012** – Acquisition of the Purpolskaya and Verkhnyaya Orlovka licences.

**NOVEMBER 2012** – The company files an international mineral resource report according to the JORC Code on the Krasny deposit. The mineral resources are estimated at 1.28 Moz of inferred gold resources with an average grade of 0.89 g/t.

**NOVEMBER 2012** – Acquisition of six new licences in the Maly-Patom area in Lena Goldfields, covering a total area of 1,852 square kilometres.

**MARCH 2013** – The company files an updated mineral resource report on the Krasny deposit according to the JORC Code. The mineral resources are estimated at 0.21 Moz of inferred resources with an average gold grade of 1.53

g/t and 1.16 of indicated resources with an average gold grade of 1.60 g/t.

**APRIL 2013** – A scoping study is published for the Krasny deposit, indicating favourable conditions for open pit mining of 60 koz of gold per year during 18 years and MUS\$ 360 of free cash flow.

**NOVEMBER 2013** – A letter of intent is signed with the Russian gold producer GV Gold regarding developing the Krasny project in a joint venture.

**DECEMBER 2013** – Two licences – Kavkaz and Prodolny – are divested for MRUB 50 in cash. The sale confirms the possibilities to commercialise the licences, as well as the ability to repatriate cash from Russia.

**JANUARY 2014** – Two licences – Purpolskaya and Verkhnyaya Orlovka – are returned to the Russian state. The licences are seen as being too early in the exploration stage to fit into the portfolio of licences.

**JULY-AUGUST 2014** – The company forms a joint venture with the Russian gold producer GV Gold to take Krasny to production. According to the joint venture agreement, GV Gold will invest up to MUS\$ 9 for 51 per cent of the licence. A new, joint exploration program is initiated.

**AUTUMN 2014** – Positive, intermediary results from the exploration program confirm the existing geological model.



# THE SHARE

## Trading in shares

The abbreviation for the share is KOPY and the company is listed on NASDAQ First North in Stockholm since August 2010. During 2014, the total number of shares traded amounted to 35 498 389 shares, with a total value of MSEK 44.4. The corresponding number of shares traded during 2013, was 58 741 182 shares with a total value of MSEK 107.1. Share turnover in the Kopy Goldfields-share – a measure of the share's liquidity – amounted to 130 (270) percent during the period, compared with 82 (84) percent for First North over the same period. On average, 142 564 (234 965) shares were traded daily with a value of SEK 178 331 (428 228) daily.

## Share price trend

Kopy Goldfields' share price on the NASDAQ First North in Stockholm decreased by 73.6 percent during 2014 and closed at SEK 0.43 at the end of the year. The highest price paid for the share during the year was SEK 2.00 on July 15, 2014 and the lowest was SEK 0.32 on December 12, 2014. The average price was SEK 1.25. During 2014, the First North index decreased by 6.24 percent.

Kopy Goldfields' total market capitalization amounted to MSEK 23.4 as of 31 December 2014 including subscription rights for the share issue with subscription period during January 2015 (MSEK 49.3 as of 31 December 2013).

## Ownership structure

The Company closed a share issue in January 2015 which was registered by the Swedish Companies Registration Office in February 2015. On February 28, 2015, following the registration of the share issue, the number of shareholders was 3 960 in total. The five largest shareholders on February 28, 2015 were KGK Holding AB 11.2 %, Försäkringsbolaget Avanza Pension 10.4 %, UBS AG Clients Account 7.9 %, Novatelligence AB 6.1 % and Nordnet Pensionsförsäkring 4.4 %.

## Share capital

Kopy Goldfields' share capital amounted to SEK 20 000 637 (20 000 000) on 31 December 2014, divided on a total of 30 247 220 (30 246 257) shares with a quota value of SEK 0.66 per share. 100 percent of the shares were registered on NASDAQ First North in Stockholm. All the shares have equal voting rights and equal rights to a share in the company's capital and profits.

## Dividend policy

The primary objective is to add value for the company's shareholders and employees by running a profitable business with growth. This is to be achieved through increased exploration activities in order to add gold mineral resources and reserves, through the development of discoveries and through the acquisition of gold assets thereby increasing the company's mineral resources and reserves and start production in the long run and thus in turn its cash flow and result. The total return to shareholders over time is expected to be attributable more to the increase in share price than to dividends received.

The Board of Directors recommends that no dividend be paid for the 2014 financial year.

## Warrant TO3

On November 7, 2012, the Board decided, with authorization from the EGM, to issue units with preferential rights for existing shareholders. Each unit consisted of two new shares in the Company and one warrant, TO3. The total number of warrants issued

amounted to 3 264 517 and each warrant entitled the holder to subscribe for one (1) new share in the company at a subscription price of SEK 4.00. The subscription period ran from November 1 until and including December 30, 2013 and in total 963 shares were subscribed at a total value of SEK 3 852. The transaction was not registered until January 2014 and was accounted for as not yet registered share issue as per December 31, 2013 and is instead included in the accounting for the financial year 2014.

## Share issue

The Extra General Meeting, held on December 17, 2014, resolved to reduce the share capital by SEK 8 500 000 without redemption of shares. Further, it was resolved to issue shares with preferential rights for existing shareholders. For every five existing shares, the holder received 4 subscription rights and each subscription right entitled the holder to subscribe for one (1) new share at the subscription price of SEK 0.45 per share. The subscription rights were received in December 2014 while the subscription period ran during January 2015.

Both the reduction of share capital and the share issue was registered by the Swedish Companies Registration Office in February 2015 and all effects of the share capital reduction and the share issue will be accounted for during the financial year 2015. Following the registration, the number of shares issued in Kopy Goldfields amounts to 54 444 996 shares and the share capital amounts to SEK 20 701 146.

## Long-term incentive programs

The Extraordinary General Meeting held on November 5, 2012 resolved upon a long-term incentive program (incentive program 2012/2014) for management and key employees through issuance of warrants. The warrants were issued to the participants without consideration. Each warrant entitled the holder to subscribe for one (1) share in the Company at a strike price of SEK 4.50 per share. The subscription period ran from December 1 – December 31, 2014. No new shares were subscribed in the program.

The Annual General Meeting 2014 resolved upon an incentive program for the Board as a part of the Board remuneration, through issuance of maximum 650 000 warrants. The warrants were acquired by the Board members at market price. The subscription period runs until December 31, 2016 and each warrant entitles the holder to subscribe for one (1) new share in the Company at a subscription price of SEK 1.60 per share. The number of warrants issued amount to 520 000 in total, which means that the share capital can be increased by maximum 343 844 SEK.

## SHARE PRICE DEVELOPMENT DURING 2014



The Board of Directors and the Chief Executive Officer of Kopy Goldfields AB (publ), 556723-6335, hereby submit the annual report for the financial year January 1 – December 31, 2014.

## Group structure and background

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

Kopy Goldfields AB is the Swedish parent company and holds 100 percent of the Russian subsidiaries LLC Kopylovskoye, LLC Vostochny, LLC Patom Gold and LLC Taiga, the Swedish subsidiaries AB Krasny Gold Fields and Kopy Development AB and 49 percent of the Cyprus subsidiary Bodaibo Holding Ltd and the Russian subsidiary LLC Krasny. All Russian subsidiaries are domiciled in Bodaibo, a city in the Irkutsk region in Russia. All subsidiaries are so called Limited Liability Companies (LLC). Each of the subsidiaries is the owner of different gold exploration and production licenses.

In December 2013 the fully owned subsidiaries LLC Kavkaz Gold and LLC Prodolny were sold. During the first quarter of 2014, AB Krasny Gold Fields registered in Sweden, and Bodaibo Holding Ltd, registered on Cyprus was established.

## Vision and business concept

Kopy Goldfields vision is to become a world-class exploration company. The company's

business concept is to create value by identifying and acquiring high potential gold projects, located within the established area of alluvial gold mining in the Lena Goldfields in Bodaibo area of Irkutsk Region in Russia, prospect and explore them until the stage when they can either be sold out for cash or developed in cooperation with another partner under a JV arrangement.

## Operations

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

Kopy Goldfields holds eleven exploration licenses and has a well-diversified portfolio of exploration projects. All licenses are located within Lena Goldfields in the Irkutsk region of Siberia in Russia. Within each license several exploration targets may exist. The licenses are all in different development stages and the Company is currently focusing on the projects which show the most obvious potential.

The Company focuses on the Artemovskiy district of Lena Goldfields, which is the target exploration area with 20 Moz of historic alluvial gold production. Five of the licenses are geographically concentrated within a 40x20 km large area, within 40 to 75 km distance to the area's main town Bodaibo. The distance from the deposits to the main road is between one and ten km. The

infrastructure is well developed with electricity supply and federal roads to the deposits. Six licenses, which forms the "Northern Territories", all acquired during 2012, are geographically located on a distance of 200 – 300 km from Bodaibo, all served by a public road and have a history of alluvial production. All deposits are located up to 150 km from Sukhoy Log (60 Moz) which is the largest undeveloped gold deposit in Russia.

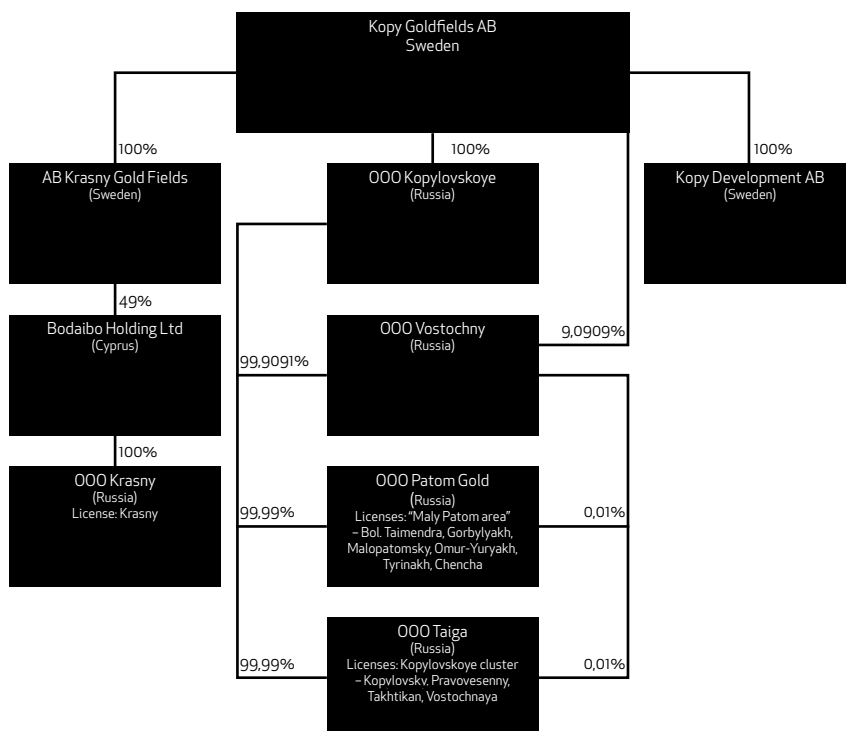
As a result of the current downturn in the gold and mining business, Kopy Goldfields has significantly decreased the administration- and exploration expenditures. Kopy Goldfields currently holds the largest exploration area in Lena Goldfields and has a diversified project portfolio and will from now on develop more projects under partnership/joint venture. The Company has identified a number of clusters to develop or divest, which are briefly presented below. During 2014, the Company focused the activities on the Krasny-project and for other projects the exploration activities and expenditures were limited to statutory license reporting and maintaining the license properties.

For detailed information regarding each license and exploration activities please refer to section "Kopy Goldfield's projects in Lena Goldfields" on page 9 and forward.

## Krasny license

The Krasny license is the Company's main project. In March 2013, a mineral resource estimation according to the JORC-code was published, showing 1.37 Moz of indicated and inferred gold resources with an average grade of 1.59 g/t. The mineral resource estimate was signed by OOO Miramine and prepared in accordance with the Code JORC 2004 for reporting of Mineral Resources. This resource report is covering a part of the Krasny mineralization that has been drilled before 2014, and as such the resource estimation is limited to the most explored central part of the structure.

On August 12, 2014 the Company entered the joint venture agreement over Krasny project development with GV Gold, a Russian gold producer active in Bodaibo area. According to the agreement, GV Gold earns 51 percent of the Krasny project by financing an exploration program followed by a reserve report according to both Russian GKZ-classification and the international accepted JORC-standard. The budget for the whole exploration program amounts to MUSD 6 and will be financed by GV Gold in full. The exploration program will be developed in two stages and primarily focus



# DIRECTORS REPORT

on the part of the Krasny-deposit closest to surface and limited to a depth of 200 meters

The budget for Stage 1 was MUS\$ 3 which was paid by GV Gold upon entering the agreement in August 2014. The exploration activities were commenced in mid July 2014 and completed by the end of November 2014. In total, 51 drill holes were completed, amounting to 7 916 meters of core drilling and 1 712 meters of exploration trenches were developed. In addition, three core holes for a total of 582 meters were completed to collect the rock to run metallurgical processing tests. In January 2015, an exploration report over the Stage 1 results was prepared, discussed and approved with GV Gold, implying the end of Stage 1.

Based on the assay tests received, covering all samples from drilling and trenching, the new exploration results strongly confirm and improve the existing geological model of the Krasny-deposit which accounts for mineral reserves of 300 koz to the depth of 200 meters. During exploration, new mineralized intervals were discovered that increase the upside potential and the mineralization is also left open along strike to both ends.

In March 2015, GV Gold confirmed its interest to proceed with Stage 2 and transferred the next MUS\$ 3 to the joint venture. The targets of Stage 2 exploration will be to:

- Increase resources by drilling along the strike, which is left open both to the East and to the West after stage 1.
- Finalize metallurgical testing
- Prepare for reserve reporting and to collect the missing engineering, processing, environmental and other data required for Feasibility Study.
- Draft and file the reserve report both under Russian GKZ and JORC requirements.

Due to weakening Ruble, the exploration costs are far lower than the budget. As of today, it looks like the Stage 2 budget will also be run with a big surplus, which leaves funds to proceed with Feasibility Studies and permitting process in parallel with exploration activities of Stage 2.

## **Maly Patom area**

The Maly Patom area consists of six licenses with a total area of 1 852 km<sup>2</sup>, acquired in the end of year 2012. All licenses are located within the Maly Patom area of Lena Goldfields,

Bodaibo region of Russia, within geological structures with strong potential for elephant gold discoveries. They have all basic infrastructure in place and a long history of alluvial mining. The Maly Patom gold ore-placer area was first identified in 1970s during the regional geological survey on the gold content of black-slate strata. The area was contoured following wide development of placer gold in river basins showing sulfide and quartz mineralizations and geochemical anomalies.

During 2013–2014, the Company has finalized the review of historical prospecting data for this area and also put together an exploration program. The target is to develop this project under a partnership to reduce the Company's exploration expenditures.

## **Kopylovskoye cluster**

The Kopylovskoye cluster consists of the four licenses Kopylovskoye, Pravovesenny, Takhtykan and Vostochnaya. The Kopylovskoye-license is the most advanced project, with an area of 1.5 km<sup>2</sup> and license terms valid until year 2020 allowing both exploration and production. In June 2011, the Company announced maiden mineral resource estimation according to the JORC-code for the Kopylovskoye-license after approx 6 800 meters of RC- and core drilling. The mineral resource estimation showed 37 koz of Indicated resources at an average grade of 1.31 g/t gold and 80 koz of Inferred resources at an average grade of 1.07 g/t gold. The mineralization is open in all directions. The project is ready for Joint Venture production or sale.

## **Sale and return of licenses**

On August 12, 2014, the Company entered into an agreement with the Russian gold producer GV Gold to take the Krasny-license to the production phase under a joint venture. GV Gold earns 51 percent of the Krasny-license by investing up to MUS\$ 9. Please refer to the separate section "Krasny license".

In December 2013 the two licenses Kavkaz and Prodolny, owned by subsidiaries with corresponding names, were sold in a cash sale amounting to RUB 50 million (corresponding to approximately SEK 10 million or USD 1.5 million). 10 percent of the sales amount was received upon signing

in December 2013 and the remaining 90 percent was received in February 2014. The Kavkaz- license had C1 and C2 mineral reserves according to Russian classification of 109 koz and P1 mineral resources of 155 koz, a total area of 4.5 km<sup>2</sup> and license terms valid until 2015 allowing exploration and production.

Two licenses were deemed not to fit the license portfolio and during the third quarter 2013 the Company decided to return the Verkhnyaya Orlovka and Purpolskaya exploration licenses to the Russian state. The two licenses were acquired in 2012 and in spite of good exploration potential; both were considered to be in a very early exploration stage and would require significant time and funds to be ready for production or farm out. The application for return was confirmed by the Russian state in January 2014 and the licenses are now returned.

## **Ownership structure**

The Company closed a share issue in January 2015 which was registered by the Swedish Companies Registration Office in February 2015. On February 28, 2015, following the registration of the share issue, the five largest were KGK Holding AB 11.2 percent, Försäkringsbolaget Avanza Pension 10.4 percent, UBS AG Clients Account 7.9 percent, Novatelligence AB 6.1 percent and Nordnet Pensionsförsäkring 4.4 percent. The Company had 3 960 shareholders in total.

## **The share**

The Company's share is listed on NASDAQ First North since year 2010.

On November 7, 2012, the Board decided, with authorization from the EGM, to issue units with preferential rights for existing shareholders. Each unit consisted of two new shares in the Company and one warrant, TO3. The total number of warrants issued amounted to 3 264 517 and each warrant entitled the holder to subscribe for one (1) new share in the company at a subscription price of SEK 4.00. The subscription period ran from November 1 until and including December 30, 2013 and in total 963 shares were subscribed at a total value of SEK 3 852. The transaction was not registered until January 2014 and was accounted for as not yet registered share issue as per December 31, 2013 and is instead included



in the accounting for the financial year 2014.

The Extra General Meeting, held on December 17, 2014, resolved to reduce the share capital by SEK 8 500 000 without redemption of shares. Further, it was resolved to issue shares with preferential rights for existing shareholders amounting to totally MSEK 10.9. For every five existing shares, the holder received 4 subscription rights and each subscription right entitled the holder to subscribe for one (1) new share at the subscription price of SEK 0.45 per share. The subscription rights were received in December 2014 while the subscription period ran during January 2015. Both the reduction of share capital and the share issue was registered by the Swedish Companies Registration Office in February 2015 and all effects of the share capital reduction and the share issue will be accounted for during the financial year 2015.

The number of outstanding shares as of December 31, 2014 amounted to 30 347 220 and the share capital amounted to SEK 20 000 637. Following the registration of the share capital reduction and the share issue in 2015, the number of issued shares in Kopy Goldfields amounts to 54 444 996 and the share capital amounts to SEK 20 701 146.

## Result

The operating result amounted to MSEK 19.8 (–68.8) which is an increase of MSEK 88.6 compared to the prior year. The change is primarily due to the joint venture agreement that was signed during 2014 regarding one of the Company's licenses, Krasny. The agreement implies that the Krasny project shall be accounted for according to the equity method as a joint venture on a separate line on the Balance sheet, initially valued to fair value as per transaction date. As a consequence, the profit and loss statement shows other income of MSEK 37.0 and share of profit in joint ventures of MSEK –5.5. Further, the change in the operating result compared to last year refers impairment done during 2013 of four licenses at a total of MSEK –61.9.

Result after financial items amounted to MSEK 18.3 (–69.3) and the result after tax amounted to MSEK 13.0 (–66.6). The financial net 2014 was MSEK –1.5 (–0.5), the difference compared with last year

explained by negative exchange differences during 2014.

## Tax

Net tax for the period amounted to MSEK –5.4 (2.7), explained by changes in deferred tax liability as a result of restructuring and change in final tax in the Russian subsidiaries. Management's assessment is that Group will not have any profits from the operations in the next few years. The Company does not recognize any deferred tax assets related to tax loss carry forwards.

## Earnings per share

Earnings per share amounted to SEK 0.43 (–2.51) for 2014. Equity per share amounted to SEK 3.28 (2.90)

## Cash flow, liquidity and financial position

Cash flow from operating activities, before changes in working capital, amounted to MSEK –12.5 (–8.5). The change in working capital was MSEK –0.3 (5.8). Cash flow from investing activities amounted to MSEK 11.5 (–17.1), primarily due to the sale of two licenses 2013 which were paid to 90 percent in 2014, as well as cash from the joint venture agreement that was signed in 2014. Cash flow from financing activities amounted to MSEK 0 (11.0). Last year, a rights issue was closed and a short term bridge loan was raised, explaining the difference between the years. During the year, a short term loans has been raised of MSEK 3.0. Last year, short term loans totaling MSEK 5.0 were raised, of which MSEK 2.0 was repaid during the same year. Interest bearing loans at the beginning of the year has been repaid by totally MSEK 3.0, while MSEK 1.3 were repaid by set-off of shares in completed rights issues last year.

Interest bearing loans amounted to MSEK 3.0 (3.0) at the end of the year. Cash and cash equivalents amounted to MSEK 1.1 (2.5) at the end of the year. During January –February 2015 a share issue with preferential rights for existing shareholders was done, bringing MSEK 10.9 before issue costs.

The equity asset ratio amounted to 91 per cent at the end of the year compared to 89 per cent in the prior year. No dividend has been paid to the shareholders during the year.

Since the Company entered the Joint Venture agreement with GV Gold in August

2014, a smaller portion of the Groups assets are denominated in roubles. During the period January – December the Russian rouble depreciated against the Swedish krona by approximately 30.4 percent, compared to depreciation by 7.1 percent during the corresponding period last year. The Company reports exchange differences of MSEK –1.6 (–9.5) in the consolidated statement of comprehensive income for the year. See also note 4 for currency risks.

## Equity

The subscription period for subscribing for new shares through warrant "TO3" was due on December 30, 2013 and in total 963 shares was subscribed at a total value of SEK 3,852. The transaction was registered in January 2014 and is therefore included in the accounting for the financial year 2014

During 2013, the share capital was decreased twice totaling MSEK 119.0 through transfer to free funds after decision from the General Meeting. Further, a rights issue was completed, which raised MSEK 11.1 in total before issue costs. Issue costs amounted to totally MSEK 1.7. Loans amounting to MSEK 1.3 were set off against shares in the rights issues and the Company received MSEK 8.1 net after issue costs and set off. During 2013, a transfer of funds from non-restricted equity to share capital was also done amounting to MSEK 53.0.

The Extra General Meeting, held on December 17, 2014, resolved to reduce the share capital by MSEK 8.5 without redemption of shares. Further, it was resolved to issue shares with preferential rights for existing shareholders amounting to totally MSEK 10.9. The subscription rights were received in December 2014 while the subscription period ran during January 2015. In total, 24 197 776 new shares were subscribed and MSEK 10.9 was raised. Both the reduction of share capital and the share issue was registered by the Swedish Companies Registration Office in February 2015 and all effects of the share capital reduction and the share issue will be accounted for during the financial year 2015.

## Investments

The Group's investments in exploration and evaluation work amounted to MSEK 1.9 (19.4) during the year. No acquisition of

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licenses was done in 2014 or in the corresponding year. Of the exploration work, MSEK 1.0 (9.2) consisted of work performed by the company for its own use and capitalised. Investments in buildings, machinery and equipment amounted to MSEK 0 (0.1) in 2014.

Depreciation for the year amounted to MSEK 0.7 (1.4).

In August 2013, the Company announced the filing of an application for return of two prospecting licenses to the Russian state and in December 2013 two other licenses were sold in a cash sale for a total amount of MRUB 50 (corresponding to approximately SEK 10 million). These transactions implied write downs of the accumulated capitalized acquisition and exploration costs, amounting to totally MSEK 61.9 for the full year 2013.

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

## Parent company

The Swedish parent company is a holding company without any significant operational activity. The parent company supports the subsidiaries with financing, strategy decisions etc.

Net income of the parent company amounted to MSEK -7.8 (-150.6) and equity amounted to MSEK 114.3 (122.1) on December 31, 2014. During 2013, the Company announced the filing of an application for return of two prospecting licenses to the Russian state, and in addition, two other licenses were sold in a cash sale. Further, the Company announced that a Letter of Intent has been signed with the Russian gold producer GV Gold to develop the Krasny-project further towards production under a joint venture. According to the accounting rules, these decisions to divest the assets mean that the valuation of shares in subsidiaries and receivables from group companies is changed to reflect the transaction amounts. This in turn led to an impairment of shares in subsidiaries in the Parent Company of totally MSEK -132.0 during 2013. The Parent Company further showed result from sale of subsidiaries of MSEK -25.1 and reversed write-downs of receivables from group companies of MSEK 11.7.

During 2014, the transaction with GV Gold was completed when a joint venture agreement was signed in August. Before signing the agreement, as part of the preparations, two new subsidiaries were established, AB Krasny Gold Fields, based in Sweden, and Bodaibo Holding Ltd, based on Cyprus. After this, the parent company sold the subsidiary LLC Krasny to Bodaibo Holding at book value, implying no effect in the profit and loss. The sale was financed through a shareholders contribution at the same amount, which means that investments in subsidiaries remains unchanged. The parent company shows reversed write-downs of receivables from group companies of MSEK 5.6 for 2014 as a result of the joint venture agreement.

## Environmental policy

All exploration activity in the Kopy Goldfields group is in compliance with existing environmental regulations in the country where the activity takes place. There were no environmental accidents during 2014.

## Personnel

The average number of full time employees in the Kopy Goldfields group was 14 (38) during 2014, of which 3 (11) were women. At the beginning of the year the number of employees was 17 and at the end of the year 10, whereof 8 men and 2 women.

## Work of the board

The Board consisted of six to four members during 2014. During the year, the Board held 15 meetings where minutes were kept and in addition the Board stayed in continuous contact with each other. The Board also keeps a continuous contact with management. During the year special attention was given by the Board on the joint venture agreement with GV Gold and monitoring the exploration activities.

The Board's intention is to implement the Swedish Corporate Governance Code.

## SIGNIFICANT RISKS AND UNCERTAINTIES MARKET-RELATED RISKS

### Risks related to macroeconomic factors

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

### Volatility in gold price

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. Fluctuations in the official exchange rate of the Russian ruble, Euro and US dollar affects directly and indirectly the value of assets and liabilities.

### Insurance

The insurance industry is not yet developed in Russia and several forms of insurance protection common in more economically developed countries are not yet available in Russia at equivalent terms.

### 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 sees the following risks as the biggest challenges in operating in Russia:

International capital flows can be hampered by global financial difficulties.

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

The relation between Russia and the EU and/or the USA may be worsened and the current sanctions may be extended. The Company is as of today not affected by the sanctions but do monitor the development.

Conflicts in the Russian federal system, including illegal or profit making state events may develop uncertainty in the daily operations.

Crime and corruption and the use of illegal or unacceptable business methods.

The Company is dependent on the approval of state and local authorities which may be a complicated 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 nationalization of international assets, may have a negative effect on the Company's operations.

The risk that Russia would not accept decisions in a foreign court of law and pursue issues to local arbitration.

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

The tax and legal system in Russia is subject to frequent changes and are thereby difficult to anticipate. Furthermore the Russian tax system is subject to different interpretations on federal and local level.

### **Risks related to the Company's operations**

#### **Geological risk**

Gold exploration is associated with high risk. All estimates of recoverable mineral resources in the ground are largely based on probabilities. Estimates of mineral resources and ore reserves 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 with certainty the exact amount of gold available, 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 this.

#### **Technical risk**

Technical risks can arise from the exploration of mineral deposits, which could lead to interruptions in exploration work and negatively affect the Company. Lack of or delay of advanced drilling equipment or rental of equipment could lead to increased costs and delays in the growth of the Company.

#### **Environmental risk**

If 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 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 must renew the production licenses, which may lead to delays in the start of production and which may affect the Company's financial position negatively. The Company may delay obligations in newly acquired licenses which may affect the Company's financial position negatively.

#### **Useful life of the deposits**

The useful life and bearing capacity of a deposit 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 or product price.

#### **Suppliers**

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

#### **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 favorable position to make a fair assessment of development opportunities and risks associated with exploration and production licenses, there can be no guarantee that the expected potential of acquired licenses in terms of value creation for the Company will ultimately be realized. In addition, it should be noted that some of the Company's Russian subsidiaries were established before they were acquired by the

Company and that the history of the shares in these companies therefore is not entirely transparent. Hence, it cannot be 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 organization and their ability to recruit and retain experienced personnel for the future operations. The workforce, located in the Bodaibo area, may 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.

#### **Reporting process**

The Company's management processes and internal controls reporting may suffer, unless its subsidiaries follow the established processes for reporting to the parent company, since the reporting of financial data must be reliable and timely reported.

#### **Risks related to the parent company**

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

#### **Financial risks**

##### **Currency risks**

Kopy Goldfields has significant costs, assets and liabilities in Russian rubles (RUB), US-dollars and Euro, which creates a currency exposure in the income statement,



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balance sheet and cash flow statement. In dealing with currency risks, Kopy Goldfields separates transaction exposure and translation exposure.

## Transaction exposure

The transactions in the Russian subsidiaries are predominantly in their functional currency, RUB. The existing transaction exposure primarily relates to when the parent company forwards loans to the subsidiaries, which normally is done in USD, and historically also in RUB. 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.

## Interest-rate risks

Kopy Goldfields 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 Kopy Goldfields cannot meet its short term payment obligations due to lack of cash funds or illiquid cash reserves. Since the Company is expected to show negative cash flow from operations 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 Kopy Goldfields 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.

## Risks related to the share

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

## SUBSEQUENT EVENTS

In January 2015 the preferential rights issue was finalized and 24 586 547 shares were subscribed to a value of MSEK 10.9. The share issue was registered by the Swedish Companies Registration Office in February, 2015.

In March 2015, GV Gold announced that they proceed according to the joint venture agreement of the Krasny license by investing another MUSD 3.0 for stage 2 of the ongoing exploration program. This confirms the expectations of taking the Krasny license into production.

In March 2015, the Company renegotiated the MSEK 3.0 loan and the new repayment date is April 29, 2016 and the lender has the right to convert the loan including accrued interest into shares at a subscription rate of SEK 0.55 per share.

## OPERATIONAL OUTLOOK 2015

The Company will be focusing on advancing of Krasny project into reserves and FS in order to come to production in the end of 2016-early 2017. The exploration program for 2015 on Krasny is fully financed via the joint venture with GV Gold.

The Company will also proceed with the Kopylovskoye project. The project has Russian reserves filed, which provide a background for production planning under joint venture agreements. The company faces a number of interests from Russian Investors.

To increase the potential of exploration, the Company will continue with acquisition of new ground within the Lena Goldfields. The priority will be the land located in the most geologically prospective area for significant bedrock gold discoveries with established alluvial operations.

The company continuously reviews the overhead costs and during 2015 there will be further reductions within administration of the Group.

## GOING CONCERN

Exploration is a capital intensive activity and as disclosed elsewhere in these financial statements the Company does not yet report any revenue. Given the recently closed share issue, the renegotiated loan and the likely additional consideration from the Krasny-project, it is however the Board's assessment is that the Company is financed for the rest of the year and can continue on a going concern.

## FIVE YEAR SUMMARY

|  | 2014 | 2013  | 2012  | 2011   | 2010  |
|--|------|-------|-------|--------|-------|
| Earnings per share, SEK                | 0.43 | -2.51 | -1.16 | -11.72 | -2.64 |
| Equity / asset ratio, %                | 90.8 | 88.7  | 92.8  | 86.3   | 88.8  |
| Investments in intangible assets, MSEK | 1.9  | 19.4  | 36.6  | 36.6   | 43.0  |

## PROPOSED DISPOSITION OF EARNINGS

At the annual general meeting's disposal:

|                            |                   |
|----------------------------|-------------------|
| SEK                        |                   |
| Additional paid-in capital | 181 958 041       |
| Fund for real value        | -6 815 166        |
| Retained earnings          | -73 034 807       |
| Net loss for the year      | -7 836 241        |
| <b>Total</b>               | <b>94 271 829</b> |

The Board of Directors proposes the loss for the year to be carried over to retained earnings.

# CONSOLIDATED INCOME STATEMENT

| KSEK  | Note | 2014          | 2013           |
|---|------|---------------|----------------|
| Other revenue   | 6    | 40 212        | 2 728          |
| <b>Total revenue</b>  |      | <b>40 212</b> | <b>2 728</b>   |
| Work performed by the company for its own use and capitalized   |      | 3 694         | 9 160          |
| <b>Operating expenses</b>                                       |      |               |                |
| Other external costs  | 9    | -11 203       | -5 316         |
| Personnel costs   | 10   | -7 388        | -12 872        |
| Share of profit in associated companies and joint ventures      | 22   | -5 460        | -              |
| Result from sale of subsidiaries                                |      | -             | -491           |
| Depreciation and amortization of tangible and intangible assets | 8    | -58           | -61 961        |
| <b>Operating result</b>   |      | <b>19 797</b> | <b>-68 752</b> |
| <b>Result from financial investments</b>                        |      |               |                |
| Financial income  | 12   | 208           | 44             |
| Financial costs   | 12   | -1 668        | -553           |
| <b>Result after financial items</b>                             |      | <b>18 337</b> | <b>-69 261</b> |
| Tax   | 13   | -5 353        | 2 679          |
| <b>Net loss</b>   |      | <b>12 984</b> | <b>-66 582</b> |
| Attributable to the shareholders of Kopy Goldfields AB          |      | 12 984        | -66 582        |
| Earnings per share before and after dilution*                   | 14   | 0,43          | -2,51          |
| Average number of shares before and after dilution*             |      | 30 247 146    | 26 491 661     |

\* Earnings per share before and after dilution as well as Average number of shares before and after dilution has been recalculated to reflect the rights issues in 2013 and 2014.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| KSEK   | 2014          | 2013           |
|--|---------------|----------------|
| Net income   | 12 984        | -66 582        |
| <b>Items that may be reclassified subsequently to profit or loss</b> |               |                |
| Translation differences on foreign operations                        | -1 575        | -9 463         |
| <b>Total comprehensive income</b>                                    | <b>11 409</b> | <b>-76 045</b> |
| Attributable to the shareholders of Kopy Goldfields AB               | 11 409        | -76 045        |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| KSEK                                      | Note | 2014-12-31     | 2013-12-31    |
|---|------|----------------|---------------|
| <b>Assets</b>                             |      |                |               |
| <b>Non-current assets</b>                 |      |                |               |
| <i>Intangible fixed assets</i>            |      |                |               |
| Explorations licenses and evaluation work | 15   | 19 838         | 79 299        |
|   |      | <b>19 838</b>  | <b>79 299</b> |
| <i>Tangible fixed assets</i>              |      |                |               |
| Buildings                                 | 16   | 1 800          | 2 918         |
| Machinery and equipment                   | 17   | 1 064          | 1 928         |
|   |      | <b>2 864</b>   | <b>4 846</b>  |
| <i>Financial fixed assets</i>             |      |                |               |
| Associated companies and Joint Ventures   | 22   | 72 141         | –             |
|   |      | <b>72 141</b>  | <b>–</b>      |
| <b>Total non-current assets</b>           |      | <b>94 843</b>  | <b>84 145</b> |
| <b>Current assets</b>                     |      |                |               |
| Inventory                                 | 18   | 463            | 847           |
|   |      | <b>463</b>     | <b>847</b>    |
| <i>Current receivables</i>                |      |                |               |
| Trade receivables                         |      | 290            | 742           |
| Other receivables                         | 19   | 12 293         | 10 535        |
| Prepaid expenses and accrued income       | 20   | 146            | 176           |
|   |      | <b>12 729</b>  | <b>11 453</b> |
| <i>Short term investments</i>             |      |                |               |
| Cash and cash equivalents                 |      | 1 111          | 2 476         |
|   |      | <b>1 111</b>   | <b>2 476</b>  |
| <b>Total current assets</b>               |      | <b>14 303</b>  | <b>14 776</b> |
| <b>Total assets</b>                       |      | <b>109 146</b> | <b>98 921</b> |



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION, CNTD

| KSEK   | Note | 2014-12-31     | 2013-12-31    |
|--|------|----------------|---------------|
| <b>Equity</b>  |      |                |               |
| <i>Capital and reserves attributable to the shareholders of the parent company</i> |      |                |               |
| Share capital  | 23   | 20 001         | 20 000        |
| Not yet registered share issue   |      | –              | 4             |
| Other paid-in capital  |      | 270 751        | 270 706       |
| Reserves   |      | –36 222        | –34 647       |
| Retained earnings, incl current year net income                                    |      | –155 376       | –168 360      |
| <b>Total equity</b>  |      | <b>99 153</b>  | <b>87 703</b> |
| <b>Non-current liabilities</b>   |      |                |               |
| Deferred tax   | 13   | 2 786          | –             |
| <b>Total non-current liabilities</b>   |      | <b>2 786</b>   | <b>–</b>      |
| <b>Current liabilities</b>   |      |                |               |
| Current liabilities – interest bearing   | 24   | 3 000          | 3 000         |
| Accounts payable   |      | 1 713          | 1 323         |
| Current tax payable  |      | 260            | 1 596         |
| Other current liabilities  |      | 372            | 1 186         |
| Accrued expenses and prepaid income  | 25   | 1 862          | 4 113         |
| <b>Total current liabilities</b>   |      | <b>7 207</b>   | <b>11 218</b> |
| <b>Total equity and liabilities</b>  |      | <b>109 146</b> | <b>98 921</b> |
| <b>Pledged assets and contingent liabilities</b>                                   |      |                |               |
| Pledged assets   | 28   | None           | 9 019         |
| Contingent liabilities   | 28   | None           | None          |

## CONSOLIDATED CHANGES IN EQUITY

| KSEK   | Share capital | Not-registered<br>share capital | Other paid in<br>capital | Reserves       | Retained earnings | Total equity   |
|--|---------------|---------------------------------|--------------------------|----------------|-------------------|----------------|
| <b>Opening balance 2013</b>  | <b>79 455</b> | <b>-</b>                        | <b>201 814</b>           | <b>-25 184</b> | <b>-101 778</b>   | <b>154 307</b> |
| Other comprehensive income   |               |                                 |                          | -9 463         |                   | -9 463         |
| Net income   |               |                                 |                          |                | -66 582           | -66 582        |
| Share capital reduction  | -118 955      |                                 | 118 955                  |                |                   | -              |
| Share issue  | 6 472         |                                 | 4 620                    |                |                   | 11 092         |
| Transfer of funds from non-restricted<br>equity to the share capital | 53 028        |                                 | -53 028                  |                |                   | -              |
| Not yet registered share issue                                       |               | 4                               |                          |                |                   | 4              |
| Issue costs  |               |                                 | -1 655                   |                |                   | -1 655         |
| <b>Closing balance 2013</b>  | <b>20 000</b> | <b>4</b>                        | <b>270 706</b>           | <b>-34 647</b> | <b>-168 360</b>   | <b>87 703</b>  |
| Other comprehensive income   |               |                                 |                          | -1 575         |                   | -1 575         |
| Net income   |               |                                 |                          |                | 12 984            | 12 984         |
| Registered share issue   | 1             | -4                              | 3                        |                |                   | -              |
| Warrants   |               |                                 | 42                       |                |                   | 42             |
| <b>Closing balance 2014</b>  | <b>20 001</b> | <b>-</b>                        | <b>270 751</b>           | <b>-36 222</b> | <b>-155 376</b>   | <b>99 153</b>  |

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

# CONSOLIDATED STATEMENT OF CASH FLOW

| KSEK   | Note   | 2014           | 2013           |
|--|--------|----------------|----------------|
| <b>Operating activities</b>  |        |                |                |
| Result after financial items <sup>1)</sup>                                   |        | 18 337         | -69 262        |
| Adjustment for items not affecting cash flow                                 | 26     | -30 805        | 60 730         |
| Paid / received taxes  |        | 0              | 0              |
| <b>Cash flow from operating activities before changes in working capital</b> |        | <b>-12 468</b> | <b>-8 532</b>  |
| <b>Cash flow from changes in working capital:</b>                            |        |                |                |
| Increase (-)/Decrease (+) in inventory                                       |        | 165            | 919            |
| Increase (-)/Decrease (+) in current receivables                             |        | -2 099         | 273            |
| Increase (+)/Decrease (-) in current liabilities                             |        | 1 611          | 4 571          |
| <b>Cash flow from operating activities</b>                                   |        | <b>-12 791</b> | <b>-2 769</b>  |
| <b>Cash flow from investing activities</b>                                   |        |                |                |
| Expenditures on intangible assets  | 15     | -4 091         | -20 676        |
| Expenditures on property, plant and equipment                                | 16, 17 | -              | -126           |
| Proceeds on disposal of property, plant and equipment                        |        | 1 094          | 2 722          |
| Proceeds on disposal of subsidiaries/licenses                                | 27     | 14 459         | 993            |
| <b>Cash flow from investing activities</b>                                   |        | <b>11 462</b>  | <b>-17 087</b> |
| <b>Cash flow from financing activities</b>                                   |        |                |                |
| Proceeds from Share issues   |        | 4              | 9 793          |
| Issue costs  |        | -              | -1656          |
| Proceeds from warrants   |        | 42             | -              |
| Proceeds from loans received   |        | 3 000          | 5 000          |
| Repayment of loans   |        | -3 000         | -2 150         |
| <b>Cash flow from financing activities</b>                                   |        | <b>46</b>      | <b>10 987</b>  |
| <b>Cash flow for the year</b>  |        | <b>-1 283</b>  | <b>-8 869</b>  |
| Cash and cash equivalents at the beginning of the year                       |        | 2 476          | 11 421         |
| Translation differences in cash  |        | -82            | -76            |
| Cash and cash equivalents at the end of the year                             |        | 1 111          | 2 476          |
| <b>Supplemental information to the cash flow</b>                             |        |                |                |
| <b>Cash and cash equivalents</b>   |        |                |                |
| The following is included in cash and cash equivalents:                      |        |                |                |
| Cash and bank balances   |        | 1 111          | 2 476          |

<sup>1)</sup> The amount includes received interest of KSEK 32 (33) and paid interest of KSEK 379 (0)



## INCOME STATEMENT, PARENT COMPANY

| KSEK  | Note  | 2014          | 2013            |
|---|-------|---------------|-----------------|
| Revenue   | 7     | 3 321         | 3 743           |
| <b>Total revenue</b>  |       | <b>3 321</b>  | <b>3 743</b>    |
| <b>Operating expenses</b>                                       |       |               |                 |
| Other external costs  | 9     | -4 222        | -5 878          |
| Personnel costs   | 10    | -3 694        | -3 712          |
| Depreciation and amortization of tangible and intangible assets | 8     | -58           | -58             |
| <b>Total operating expenses</b>                                 |       | <b>-7 974</b> | <b>-9 648</b>   |
| <b>Operating result</b>   |       | <b>-4 653</b> | <b>-5 905</b>   |
| <b>Result from financial items</b>                              |       |               |                 |
| Results from shares in group companies                          | 11    | -8 247        | -157 004        |
| Results from other financial assets                             | 12    | 6 656         | 12 782          |
| Interest income   | 7, 12 | 75            | 44              |
| Interest expenses   | 12    | -1 667        | -555            |
| <b>Result after financial items</b>                             |       | <b>-7 836</b> | <b>-150 638</b> |
| Tax   | 13    | -             | -               |
| <b>Net income</b>   |       | <b>-7 836</b> | <b>-150 638</b> |

## STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

| KSEK                              | 2014          | 2013            |
|-----------------------------------|---------------|-----------------|
| Net income                        | -7 836        | -150 638        |
| <b>Other comprehensive income</b> |               |                 |
| Exchange differences              | -18           | -400            |
| <b>Total comprehensive income</b> | <b>-7 854</b> | <b>-151 038</b> |

# BALANCE SHEET, PARENT COMPANY

| KSEK   | Note   | 2014-12-31     | 2013-12-31     |
|--|--------|----------------|----------------|
| <b>Assets</b>                                    |        |                |                |
| <b>Non-current assets</b>                        |        |                |                |
| <i>Tangible fixed assets</i>                     |        |                |                |
| Machinery and equipment                          | 17     | 117            | 175            |
|  |        | <b>117</b>     | <b>175</b>     |
| <i>Financial fixed assets</i>                    |        |                |                |
| Shares in group companies                        | 11, 21 | 119 237        | 118 465        |
| Receivables, group companies                     | 12     | 0              | 0              |
|  |        | <b>119 237</b> | <b>118 465</b> |
| <b>Total non-current assets</b>                  |        | <b>119 354</b> | <b>118 640</b> |
| <b>Current assets</b>                            |        |                |                |
| <i>Current receivables</i>                       |        |                |                |
| Other receivables                                | 19     | 303            | 9 196          |
| Prepaid expenses                                 | 20     | 134            | 35             |
| Cash and cash equivalents                        |        | 841            | 2 346          |
| <b>Total current assets</b>                      |        | <b>1 278</b>   | <b>11 577</b>  |
| <b>Total assets</b>                              |        | <b>120 632</b> | <b>130 217</b> |
| <b>Equity and liabilities</b>                    |        |                |                |
| <b>Equity</b>                                    |        |                |                |
| <i>Restricted equity</i>                         |        |                |                |
| Share capital                                    | 23     | 20 001         | 20 000         |
| Not yet registered share issue                   |        | –              | 4              |
| <b>Total restricted equity</b>                   |        | <b>20 001</b>  | <b>20 004</b>  |
| <i>Non-restricted equity</i>                     |        |                |                |
| Additional paid-in capital                       |        | 181 958        | 181 913        |
| Fund for real value                              |        | –6 815         | –6 798         |
| Retained earnings, incl net income               |        | –80 871        | –73 035        |
| <b>Total non-restricted equity</b>               |        | <b>94 272</b>  | <b>102 081</b> |
| <b>Total equity</b>                              |        | <b>114 272</b> | <b>122 085</b> |
| <b>Current liabilities</b>                       |        |                |                |
| Accounts payable                                 |        | 1 348          | 279            |
| Interest bearing liabilities                     | 24     | 3 000          | 3 000          |
| Other current liabilities                        |        | 150            | 740            |
| Accrued expenses and prepaid income              | 25     | 1 862          | 4 113          |
| <b>Total current liabilities</b>                 |        | <b>6 360</b>   | <b>8 132</b>   |
| <b>Total equity and liabilities</b>              |        | <b>120 632</b> | <b>130 217</b> |
| <i>Pledged assets and contingent liabilities</i> |        |                |                |
| Pledged assets                                   | 28     | None           | 9 019          |
| Contingent liabilities                           | 28     | None           | None           |

## CHANGES IN EQUITY, PARENT COMPANY

| KSEK  | Share capital | Not registered share capital | Additional paid-in capital | Fund for real value | Retained earnings incl. net income | Total equity   |
|---|---------------|------------------------------|----------------------------|---------------------|------------------------------------|----------------|
| <b>Opening balance 2013</b>                                       | <b>79 455</b> | <b>-</b>                     | <b>178 949</b>             | <b>-6 398</b>       | <b>11 676</b>                      | <b>263 683</b> |
| Share capital reduction   | -118 955      |                              |                            |                     | 118 955                            | -              |
| Share issue   | 6 472         |                              | 4 620                      |                     |                                    | 11 092         |
| Not yet registered share issue                                    |               | 4                            |                            |                     |                                    | 4              |
| Transfer of funds from non-restricted equity to the share capital | 53 028        |                              |                            |                     | -53 028                            |                |
| Issue costs   |               |                              | -1 656                     |                     |                                    | -1 656         |
| Other comprehensive income  |               |                              |                            | -400                |                                    | -400           |
| Net income  |               |                              |                            |                     | -150 638                           | -150 638       |
| <b>Closing balance 2013</b>                                       | <b>20 000</b> | <b>4</b>                     | <b>181 913</b>             | <b>-6 798</b>       | <b>-73 035</b>                     | <b>122 085</b> |
| Registered share issue  | 1             | -4                           | 3                          |                     |                                    | -              |
| Warrants  |               |                              | 42                         |                     |                                    | 42             |
| Other comprehensive income  |               |                              |                            | -18                 |                                    | -18            |
| Net income  |               |                              |                            |                     | -7 836                             | -7 836         |
| <b>Closing balance 2014</b>                                       | <b>20 001</b> | <b>-</b>                     | <b>181 958</b>             | <b>-6 815</b>       | <b>-80 871</b>                     | <b>114 272</b> |

Fund for real value relates to currency exchange differences on loans in foreign currency to subsidiaries.



# CASH FLOW STATEMENTS, PARENT COMPANY

| KSEK   | Note | 2014           | 2013           |
|--|------|----------------|----------------|
| <b>Operating activities</b>  |      |                |                |
| Result after financial items <sup>1)</sup>                                   |      | -7 836         | -150 638       |
| Adjustment for items not affecting cash flow                                 | 26   | -819           | 140 653        |
| <b>Cash flow from operating activities before changes in working capital</b> |      | <b>-8 655</b>  | <b>-9 985</b>  |
| <b>Cash flow from changes in working capital:</b>                            |      |                |                |
| Increase (-)/Decrease (+) in current receivables                             |      | -225           | 270            |
| Increase (+)/Decrease (-) in current liabilities                             |      | -1 639         | 2 452          |
| <b>Cash flow from operating activities</b>                                   |      | <b>-10 519</b> | <b>-7 263</b>  |
| <b>Investing activities</b>  |      |                |                |
| Shareholder contributions  |      | -993           | -10 466        |
| Proceeds on disposal of subsidiaries   | 27   | 8 278          | 993            |
| Loans to group companies   |      | 1 683          | -1 795         |
| <b>Cash flow from investing activities</b>                                   |      | <b>8 968</b>   | <b>-11 268</b> |
| <b>Financing activities</b>  |      |                |                |
| Share issue  |      | 4              | 9 793          |
| Issue costs  |      | -              | -1 656         |
| Proceeds from warrants   |      | 42             | -              |
| Proceeds from loans received   |      | 3 000          | 5 000          |
| Repaid loans   |      | -3 000         | -2 150         |
| <b>Cash flow from financing activities</b>                                   |      | <b>46</b>      | <b>10 987</b>  |
| Cash flow for the year   |      | -1 505         | -7 544         |
| Cash at the beginning of the year  |      | 2 346          | 9 890          |
| Cash at the end of the year  |      | 841            | 2 346          |
| <b>Supplemental information to cash flow</b>                                 |      |                |                |
| <b>Cash and cash equivalents</b>   |      |                |                |
| The following components are included in cash and cash equivalents:          |      |                |                |
| Cash and bank balances   |      | 841            | 2 346          |

<sup>1)</sup> The amount includes received interest of KSEK 32 (33) and paid interest of KSEK 379 (0)

# NOTES

## Company information

Kopy Goldfields AB (publ) is a Swedish limited liability company domiciled and with head office in Stockholm (corporate registration number 556723-6335). The Group's operation is to conduct gold exploration in the Bodaibo district in the Irkutsk region of Russia. The parent company's functional and reporting currency is SEK. The annual report for the year ending December 31, 2014 was approved for publication by the Board of Directors on May 5, 2015 and will be presented to the Annual General Meeting for adoption on May 27, 2015.

## Accounting principles

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

## Basis of presentation

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

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

Shares in subsidiaries are carried at cost unless otherwise stated.

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

## Financial statement in accordance with IFRS

The preparation of financial statements in accordance with IFRS requires the use of certain significant estimates for accounting purposes. It also requires management to make certain judgments in the application of the accounting principles of the Group. Areas where a high degree of estimation, which are complex or areas where such judgments and estimations have a significant impact on the consolidated financial statements are described in note 5 "Significant estimates and judgments for accounting purposes".

## Application of new or changed standards

a) *New and changed standards which have been applied by the Group*

The following revised and amended IFRS standards have been applied by the Group from 2014.

IFRS 10, Consolidated financial statements, replaces IAS 27 and SIC 12 and builds on existing principles by identifying the concept of control as the determining factor in whether an entity shall be included within the consolidated financial of the parent company. The standard provides additional guidance on determining whether control exists when it can be difficult to assess. The Group has reviewed its holding in other companies to judge if the conclusion to consolidate looks different in IFRS 10 than in IAS 27. No differences were noted and as such, the standard has had no effect on the financial statements.

IFRS 11, Joint Arrangements, provides a more realistic picture of joint arrangements by focusing on rights and obligations rather than the legal form of an arrangement. The recommendation regulates accounting in a company that is a party to a joint arrangement. A joint arrangement is an arrangement over which two or more parties have joint control. There are two types of joint arrangements: joint operations and joint ventures. A joint operation arises when the parties that have joint control over the arrangement have direct rights to the assets and responsibility for the liabilities in an arrangement. In such an arrangement, assets, liabilities, income, and expenses are recognized based on the holders' share of these, that is, as per proportionate consolidation. A joint venture arises when the parties that have joint control have rights to the net assets in an arrangement. In such an arrangement, the holder recognizes its share as per the equity method. The proportional method is no longer permitted. The Company is

part of a joint arrangement since August 2014. The joint arrangement has been classified as a joint venture which means that the Company accounts for its part in accordance with the equity method.

IFRS 12, Disclosures of Interests in Other Entities, includes disclosure requirements for subsidiaries, joint arrangements, associated companies, and unconsolidated structured entities. The disclosure requirements are now more extensive, and the aim is to provide more information to users of the financial statements so they can evaluate the nature of and risks associated with holdings in other entities along with the impact that these holdings have on a company's financial statements.

None of the other IFRS standards or statements from IFRIC that have come into effect as of January 1, 2014 has had any material impact on the Kopy Goldfields Group's financial statements.

b) *New standards, changes and interpretations of existing standards that have not yet come into force and that have not been early adopted by the Group.* A number of new standards and amendments to interpretations and existing standards took effect for fiscal years beginning after 1 January 2015 and were not applied when preparing the consolidated financial statements. None of these are expected to have a material impact on the consolidated financial statements except for the following:

IFRS 9 "Financial instruments". The standard is intended to replace IAS 39 "Financial Instruments: Recognition and Measurements", and addresses the classification and measurement of financial instruments and hedge accounting. The effective date is January 1, 2018 but the standard has not yet been endorsed by the EU. The Group is yet to assess the full impact of IFRS 9.

IFRS 15 "Revenue from Contracts with Customers". The standard addresses the revenue recognition from contract and sale of some non-financial assets. This new standard replaces IAS 11 and IAS 18. The effective date is January 1, 2017 but the standard has not yet been endorsed by the EU. The Group is yet to assess the full impact of IFRS 15.

There are no other IFRS's or IFRIC interpretation that are not yet effective that would be expected to have a material impact on the Group.

## NOTE 1 BASIS OF CONSOLIDATION

### Subsidiaries

Subsidiaries are all companies (including special purpose companies) where the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to use its power to affect its returns. Generally, this follows from a shareholding in excess of 50% of the shares voting power or where the Group, by agreement, alone exercises a controlling influence. Subsidiaries are included in the consolidated financial statements as of the day when the controlling influence is transferred to the Group. They are excluded from the consolidated financial statements as of the day when the controlling influence ceases.

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

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

Intra group transactions, balances and unrealized profits on transactions between group companies are eliminated. Also unrealized losses are eliminated, but any losses are treated as an indication that impairment may be at hand. The accounting principles for subsidiaries have, when needed, been adjusted to guarantee a consistent application of the accounting principles of the Group.

### Joint Venture

A joint venture is a form of joint arrangement that arises when the parties that have joint control have rights to the net assets in an arrangement. Since August 2014, the Company is part of a joint venture and recognizes its share as per the equity method. This means that the carrying value of interests in the joint venture corresponds to the Group's share of reported equity of the joint venture, any goodwill, and any other remaining fair value adjustments recognized at acquisition date.

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

"Shares of profit in joint ventures", included in the income statements, comprises the Group's share of the joint venture's income after tax adjusted for any amortization and depreciation, impairment losses, and other adjustments arising from any remaining fair value adjustments recognized at acquisition date.

### Equity investments

All companies where the Group has a significant but not controlling influence, which in general are shareholdings between 20% and 50% of the votes, are accounted for as equity investments. Holdings in equity investees are accounted for in accordance with the equity method and are initially recognized at cost. Currently the Group does not have any equity investments.

### Segment reporting

Operating segments are reported in a way that corresponds to the internal reporting that is given to the chief operating decision maker. The chief operating decision maker is the function which is responsible for allocation of resources and assessment of the operating segment results. Within the Group this function has been identified as the managing director.

All of the exploration activity within Kopy Goldfields is exposed to similar risks and possibilities and is performed within Russia. The Company's operations are reported as one operating segment.

### Foreign currency translation

The functional currency for each entity within the Group is determined taking the economic environment where each entity operates into consideration. Local currency generally corresponds to functional currency in the respective country. Monetary assets and liabilities in foreign currency are translated at the balance sheet date exchange rate. All differences are recorded in the income statement except for those differences related to loans in foreign currency which are a hedge of the net investment in a foreign operation. Those differences are recorded in other comprehensive income in the Consolidated Statement of Comprehensive income.

The following exchange rates were used in the Group:

| Currency | 2014                    |              | 2013                    |              |
|----------|-------------------------|--------------|-------------------------|--------------|
|          | Balance sheet date rate | Average rate | Balance sheet date rate | Average rate |
| RUR      | 0.1388                  | 0.1809       | 0.1994                  | 0.2046       |
| USD      | 7.8114                  | 6.8577       | 6.5270                  | 6.5140       |
| EUR      | 9.4893                  | 9.0968       | 8.9430                  | 8.6494       |

### Group companies

Result and financial position for all group companies (of which none have a hyperinflation currency as functional currency) which have a different functional currency than the reporting currency are translated to the reporting currency of the Group in the following way:

Assets and liabilities for each of the balance sheets are translated at the balance sheet date exchange rate

Revenue and expenses for each of the income statements are translated at the average exchange rates

All translation differences are recorded in other comprehensive income.

Exchange differences in the consolidation, which are the result of the translation of the net investment in the Russian operations, are recorded in equity. When a foreign operation is disposed of, partly or in full, exchange differences recorded in equity are transferred to the income statement and form a part of the capital gain/loss.

Adjustments of fair value arising at the acquisition of a foreign operation are treated as assets and liabilities in the foreign operation and are translated at the balance sheet date exchange rate.

### Cash flow statement

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

### Revenue

#### Revenue recognition

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

### Intangible assets

Intangible assets in Kopy Goldfields consist of:

#### Exploration licenses

The Company's licenses for exploration are initially recorded at cost. Such licenses are normally acquired at open public auctions in Russia, whereby the winning auction price equals cost.

#### Exploration work

In the next step there is exploration work. Exploration work can be of a varying nature such as different kind of drilling, geochemical and magnetic surveys and laboratory analysis. Further, exploration work can be included in personnel costs for employees doing the work. Generally the exploration work is performed for two reasons, on the one hand as a pure exploration activity to find new ores to mine, or, on the other hand, as part of the evaluation activity in order to better determine the financial potential for extraction from an already proven mine deposit or alluvial deposit.

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

Licenses which are auctioned have in several cases been subject to exploration work to a greater or lesser extent under Soviet times. Normally this means that a mineralization already has been determined in the license area and that the additional exploration efforts are focused on to better evaluate the financial potential in the object. The issue of a Russian mineral license does not, however, guarantee existence of minerals that are economically worth mining in the license area. Kopy Goldfields has assessed that part of the work on the main license have been economically worth mining while others have not. The latter have been expensed.

If the assessment of the economic potential in the exploration costs that have been capitalized is changed, they are immediately written down. All capitalized exploration costs are subject to impairment tests if there are circumstances indicating that a write down may be required.

The production licenses are depreciated when production commences.

### Tangible fixed assets

All tangible fixed assets are recognized at cost less accumulated depreciation. Cost includes expenses directly attributable to acquisition of the asset.

Additional expenses are added to the cost of the asset, or are recognized as a separate asset when more suitable, only when it is probable that the future economic benefits attached to the asset will flow to the Company and the cost of the asset can be measured in a reliable way. The carrying amount of a replaced asset is removed from the balance sheet. All other form of repair and



# NOTES

maintenance are recognized as costs in the income statement in the period in which they arise.

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

| Type of asset | Useful life (years) |
|---------------|---------------------|
| Buildings     | 10–60               |
| Plants        | 2–10                |
| Machinery     | 2–10                |
| Computers     | 3                   |

The residual values and useful lives are tested each balance sheet date and adjusted as needed. Gains and losses arising at the disposal of assets is determined by comparing the selling price to the carrying value and are recognized in the income statement as other income and other costs respectively.

## Write down of non-financial assets

Assets that have indeterminable useful lives and capitalized exploration costs which have not yet been taken into use are not depreciated but are tested annually for impairment. Assets that are depreciated are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. A write down is done with an amount that is the difference between the carrying value and its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling costs and its value in use. When assessing the need for write down assets are grouped on the lowest levels where there are separately identifiable cash flows (cash generating units). At each balance sheet date, assets, other than financial assets and goodwill, which previously have been written down are tested to determine if the write down should be reversed.

## Leasing

Fixed assets which are leased are classified in accordance with the economical substance of the leasing agreement. Assets under financial leases are capitalized as fixed assets and future leasing payments as interest bearing liabilities. The leasing payments for assets under operational leases are recognized as an operational cost in the income statement. Leased fixed assets where a significant portion of the risks and rewards associated to ownership are transferred to the Group are classified as finance leases. Financial leases are recognized at the beginning of the leasing period at the lower of fair value and present value of the future minimum lease payments of the asset. Other leases are classified as operational leases. Payments under the leasing period (less any discounts from the lessor) are expensed on a straight line basis over the leasing period. Currently the Group does not have any assets held under leasing.

## Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through the income statement and loan receivables. The classification depends on the purpose for why the asset was acquired. Management determines the classification of the financial assets when they are initially recognized and reassess the classification at each balance sheet date.

## General

The acquisition and disposal of financial assets are recognized on the transaction date – the date when the Group has an obligation to acquire or dispose of the asset. Financial instruments are initially recognized at fair value plus transaction costs, which applies for all financial assets that are not recognized at fair value through the income statement. Financial assets recognized at fair value through the income statement are initially recognized at fair value, while related transaction costs are recognized in the income statement. Financial assets are removed from the balance sheet when the right to receive cash flows from the asset has ceased or been transferred and the Group has transferred practically all risks and benefits associated with the ownership. Financial assets recognized at fair value through the income statement are after initial recognition accounted for at fair value.

At each balance sheet date the Group assess whether there are objective proof of impairment for a financial asset or a group of financial assets, such as the cessation of an active market or that it is probable that a debtor cannot fulfill his obligations.

## Financial assets at fair value through the income statement

Financial assets recognized at fair value through the income statement are financial assets which are held for trading and other financial assets that the Kopy Goldfields Group initially has classified in this category (fair value option). Financial instruments in this category are valued at fair value through the profit and loss. The additional consideration from the Krasny license is recognized under the sub-category fair value option.

## Loan receivables

Loan and other receivables are financial assets that are not derivatives. They have determined or determinable payments and are not quoted on an active market. They are included in current assets with the exception of items that have a maturity after more than 12 months after the balance sheet date. Such assets are classified as non-current assets. Loan receivables are classified as other receivables and non-current loan receivables respectively in the balance sheet.

## Inventory

Inventory is measured at the lower of cost and net realizable value. Cost is determined using the first-in first-out method (FIFO). Cost for products for sale and work in progress is cost for design, raw material, direct personnel, and other directly attributable costs and attributable indirect costs (based on normal production capacity). Borrowing costs are not included. Net realizable value is the estimated selling price less variable selling costs.

## Cash and cash equivalents

Cash and cash equivalents in the balance sheet include cash and bank balances and blocked bank balances. Cash and bank balances are included in the cash flow statement.

## Accounts payable

Accounts payable are initially recognized at fair value and subsequently at amortized cost.

## Borrowings

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

## Income taxes

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

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

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

## Remuneration to employees

### Pension

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

### Termination remuneration

Remuneration at termination is paid when the employee is terminated by Kopy Goldfields and the employee accepts a voluntary termination in exchange for such remunerations. Kopy Goldfields recognizes termination payments when the

Group demonstrably has the obligation to either terminate employees according to a detailed formal plan without the possibility to cancel, or when termination payments is the result of an offer to encourage voluntary termination. Benefits due after more than 12 months after the balance sheet date are discounted to present value.

#### Provisions

Provisions for primarily guarantees but also legal demands in those cases when they arise are recognized when the Group has a legal or informal obligation as a result of earlier events, it is probable that an outflow of resources are required to settle the obligation, and the amount can be reliably estimated. Provisions are not made for future operating losses.

#### Earnings per share

Earnings per share is calculated based on net income (total net income from continued and discontinued operations) in the Group attributable to the shareholders of the parent company and based on the average number of outstanding share during the period. When calculating earnings per share after dilution net income and average number of shares is adjusted to reflect effects of potential dilutive ordinary shares, which under reporting periods are issued shares and options. Dilution from options occurs only when the exercise price is lower than fair value of the shares and the larger the difference the larger the dilution. Convertible loans and options are not considered dilutive if the earnings per share from continuing operations would improve (greater earnings or lower loss) after dilution.

### NOTE 2 PARENT COMPANY ACCOUNTING PRINCIPLES

The parent company applies in all material respects the same accounting principles as the Group. In addition RFR 2 "Accounting for legal entities" is applied.

#### Differences in accounting principles between the Group and the parent company

Differences between the accounting principles of the Group and the Parent company follow below. The accounting principles below has been applied consequently for all periods presented in the financial statements of the Parent company.

#### Subsidiaries

Shares in subsidiaries are recognized in the parent company according to the cost method. The parent recognizes received dividends as income if they have been earned after the acquisition. No dividend has been received, either in 2014 or 2013.

Loans in foreign currency to the subsidiaries are treated as net investments in the foreign subsidiaries. Exchange differences that arise are recognized in Fund for real value in equity.

#### Group and shareholder contributions

Shareholder's contributions are capitalized as investments in subsidiaries, in the Parent Company's balance sheet, subject to impairment tests. Paid group contributions are being recognized as shares in subsidiaries in accordance with RFR 2.

#### Presentation of income statement and balance sheet

The Parent company comply with the presentation format for income statement and balance sheet in ÅRL, which among other things means that the format for equity is different and that provisions has its own heading in the balance sheet.

### NOTE 3 RELATED PARTY TRANSACTIONS

No transactions have been done with the shareholders of the Company. See also note 10, personnel, for remuneration to Board of Directors and Management.

### NOTE 4 FINANCIAL RISK FACTORS

During 2013, the financial risk management has followed the Kopy Goldfields financial policy. Kopy Goldfields classifies financial risk as:

- Currency risk
- Interest rate risk
- Credit risk
- Liquidity risk and re-financing risk

See also Director's report, page 23 and forward.

#### Currency risk

Kopy Goldfields have significant costs, assets and liabilities in Russian rubles (RUR), which leads to a currency exposure in the income statement, balance sheet and cash flow statement. In dealing with currency risks, Kopy Goldfields separates transaction exposure and translation exposure:

#### Transaction exposure

The transactions in the Russian subsidiaries are predominantly in their functional currency, RUR. The existing transaction exposure relates to when the parent company forwards loans to the subsidiaries which normally is done in USD. Since loans and credit terms are relatively long-term there is an exposure in both the parent company and the subsidiaries.

#### Translation exposure

The net income in the Russian Group companies and the value of the net investment are affected by changes in exchange rates, which affects the Group statement of financial position and income statement when translated to SEK. The current year translation effect on net income and consolidated statement of financial position was KSEK -1 652 (-755).

The Group's revenue / capitalized work and net income are divided in the following currencies, KSEK:

| Currency     | Capitalized amounts/revenue | Net income    |
|--------------|-----------------------------|---------------|
| SEK          | 100                         | -5 045        |
| RUR          | 31 950                      | 6 260         |
| USD          | 11 856                      | 11 856        |
| EUR          | -                           | -87           |
| <b>Total</b> | <b>43 906</b>               | <b>12 984</b> |

The Group's assets and liabilities are divided in the following currencies:

| Currency     | Assets         | Liabilities  |
|--------------|----------------|--------------|
| SEK          | 1 435          | 6 310        |
| RUR          | 30 532         | 3 683        |
| USD          | 11 930         | -            |
| EUR          | 65 249         | -            |
| <b>Total</b> | <b>109 146</b> | <b>9 993</b> |

The Group has chosen not to hedge any of the above translation exposures against the Rouble.

#### Interest rate risk

Kopy Goldfields is to a relatively small extent exposed to interest rate risk since there is only a small portion of loan financing. The net liability amounted to MSEK -1.9 (-0.5) at the end of 2014, consisting of cash MSEK 1.1 (2.5) and interest bearing liabilities of MSEK -3.0 (-3.0).

#### Credit risk

Credit risk is primarily attached to the financial credit risk since the Company does not have any commercial accounts receivable or similar.

#### Financial credit risk

Investments in financial instruments leads to a risk that the counterparty will not fulfill his obligations. This exposure arises in investments in cash and other financial instruments with positive unrealized results against banks and other counterparties. Kopy Goldfields limits these risks by placing surplus cash funds with counterparties with high credit ratings, currently one of the large commercial banks.

# NOTES

## Liquidity risk

The liquidity risk is that Kopy Goldfields cannot meet its short term payment obligations due to lack of cash funds or illiquid cash reserves.

As described previously the Company's activities are to its nature very capital intensive and the Company has a large need for capital in the future in order to be able to continue to develop the operations and to meet future obligations. Access to capital is required to secure this. The Board's opinion is that future financing should in the coming years primarily be done via equity in combination with sale of assets.

## Re-financing risk

The re-financing risk is the risk that Kopy Goldfields cannot finance its outstanding liabilities on acceptable terms, or at all, at a given point in time.

It is the Board's judgment that financing probably will be obtained for the next twelve month period, but maybe on different terms than previously.

The outstanding loan at the balance sheet date had the following structure, average interest and maturity. The loan was prolonged in March 2015 and has a new maturity date in April 2016.

### 2014

| Loan         | Average interest (%) | Within 1 year | 2-5 years | Later than 5 years | Total        | Fair value   |
|--------------|----------------------|---------------|-----------|--------------------|--------------|--------------|
| Other loans  | 10 %                 | 3 000         | -         | -                  | 3 000        | 3 000        |
| <b>Total</b> |                      | <b>3 000</b>  | <b>-</b>  | <b>-</b>           | <b>3 000</b> | <b>3 000</b> |

### 2013

| Loan         | Average interest (%) | Within 1 year | 2-5 years | Later than 5 years | Total        | Fair value   |
|--------------|----------------------|---------------|-----------|--------------------|--------------|--------------|
| Other loans  | 8 %                  | 3 000         | -         | -                  | 3 000        | 3 000        |
| <b>Total</b> |                      | <b>3 000</b>  | <b>-</b>  | <b>-</b>           | <b>3 000</b> | <b>3 000</b> |

## NOTE 5 SIGNIFICANT ESTIMATES AND JUDGEMENTS FOR ACCOUNTING PURPOSES

The Group makes estimates and judgments about the future. The estimates for accounting purposes that are the result of these will, by definition, rarely correspond to the final outcome. The estimates and judgments that include a significant risk for material adjustments in the carrying values of assets and liabilities in the next financial year are described below.

### Extractable deposit

Exploration expenses for pure exploration work is expensed while expenses for evaluation work is capitalized from the point in time when the Company has determined, judge that it is probable, that a decision will be taken to extract gold from a deposit. Alternatively a judgment can relate to the possibility to in the future sell the deposit with a profit. The above are judgments that to a great extent affect the Company's balance sheet and income statement.

### Classification of acquisition of subsidiaries

In an acquisition the acquisition must be analyzed whether it is a business combination or an acquisition of an asset. It is common that exploration licenses are acquired via the acquisition of a subsidiary. In such cases an analysis is done to determine whether the acquisition meets the criteria for a business combination or not.

The criteria that Kopy Goldfields reviews is the purpose of the acquisition, if the purpose is to acquire a business or an asset. If the acquisition of a company does not meet the criteria for a business combination it is recognized as an acquisition of an asset. Companies which only have a license without the associated management / administration of the license are normally classified as an acquisition of an asset.

### Useful lives of intangible and tangible fixed assets

Management determines the estimated useful lives and the associated depreciation for the Group's intangible and tangible fixed assets. These

estimations are based on historical knowledge about the equivalent assets useful lives. Useful life and estimated residual values are tested at each balance sheet date and adjusted as needed. For carrying values for the respective balance sheet date, see note 15-17.

### Impairment test for Exploration licenses and evaluation work

Each year the Group reviews if any needs for write down exist for exploration licenses and evaluation work in accordance with the accounting principle which is described in the section "Write down of non-financial assets". The recoverable amount for cash generating units is the higher of the asset's fair value less selling costs and its value in use. When assessing the value in use, certain estimates are made for these calculations related to discount rate, price of gold, reserves etc. In 2014, no impairment was done.

### Valuation of loss carry forwards

Each year the Group reviews if deferred tax receivables can be recognized related to tax loss carry forwards. While it is highly uncertain whether the Group will have any taxable surplus in the nearest five year period the Company has chosen not to recognize any deferred tax assets related to tax loss carry forwards.

### Going concern

Exploration is a capital intensive activity and as disclosed elsewhere in these financial statements the Company does not yet report any revenue. Given the recently closed share issue, the renegotiated loan and the likely additional consideration from the Krasny-project, it is however the Board's assessment is that the Company is financed for the rest of the year and can continue on a going concern.

## NOTE 6 OTHER REVENUE

|   | Group         |              |
|---|---------------|--------------|
| KSEK                                    | 2014          | 2013         |
| Sale of property plant and equipment    | 2 382         | 2 035        |
| Result from transition to joint venture | 37 039        | -            |
| Sale of inventory                       | 134           | 409          |
| Other                                   | 657           | 284          |
| <b>Total</b>                            | <b>40 212</b> | <b>2 728</b> |

On August 12, 2014, Kopy Goldfields entered an agreement with the Russian gold producer GV Gold to take the Krasny project further towards production in a Joint Venture-deal. GV Gold earns 51% of the Krasny license by investing up to USD 9 million. When divesting shares in subsidiaries to joint venture, the former shareholding in the subsidiary is valued to fair value as per transaction date. Any profit or loss is recognized in the income statement. The divested subsidiaries net assets as per transaction date are disclosed below. See also note 22.

| KSEK   | Bodaibo Holding och LLC Krasny |
|--|--------------------------------|
| Intangible fixed assets                      | 48 139                         |
| Tangible fixed assets                        | 16                             |
| Financial fixed assets                       | 1 620                          |
| Other receivables                            | 1 393                          |
| Cash and cash equivalent                     | 0                              |
| Account payables and other liabilities       | -8 067                         |
| <b>Net identified assets and liabilities</b> | <b>43 101</b>                  |
| <b>Fair value</b>                            | <b>80 140</b>                  |
| <b>Net result</b>                            | <b>37 039</b>                  |



**NOTE 7 INTRA GROUP PURCHASE AND SALES**

97 per cent (100) of the parent company's net revenue or KSEK 3,321 (3,743) was related to sales to other companies within the Group. 96 percent (81) or KSEK 1,078 (708) of the interest income in the parent company is related to other companies within the Group.

**NOTE 8 DEPRECIATION AND AMORTIZATION**

| KSEK                    | The Group  |               | Parent company |           |
|-------------------------|------------|---------------|----------------|-----------|
|                         | 2014       | 2013          | 2014           | 2013      |
| Buildings               | 278        | 322           | -              | -         |
| Machinery and equipment | 425        | 1 065         | 58             | 58        |
| Impairment              | -          | 61 903        | -              | -         |
| <b>Total</b>            | <b>704</b> | <b>63 290</b> | <b>58</b>      | <b>58</b> |

Of the amount above, KSEK 646 (1,329) has been capitalized as intangible assets.

During 2013, the Company announced the filing of an application for return of two prospecting licenses to the Russian state, and in addition, two other licenses were sold in a cash sale amounting to MRUB 50 (appr MSEK 10). These transactions led to an impairment of exploration licenses and evaluation work for these licenses amounting to MSEK 61.9.

**NOTE 9 AUDIT FEES**

| KSEK   | The Group  |            | Parent company |            |
|--|------------|------------|----------------|------------|
|  | 2014       | 2013       | 2014           | 2013       |
| <i>Ernst &amp; Young</i>                         |            |            |                |            |
| Audit fee  | 246        | 274        | 246            | 274        |
| Audit activities other than the audit assignment | -          | 66         | -              | 66         |
| Other services, tax                              | -          | -          | -              | -          |
| Other services, other                            | 55         | 49         | 55             | 49         |
| <b>Total</b>                                     | <b>301</b> | <b>389</b> | <b>301</b>     | <b>389</b> |
| <i>Other audit firms</i>                         |            |            |                |            |
| Audit fee  | 143        | 126        | -              | -          |
| Audit activities other than the audit assignment | -          | -          | -              | -          |
| Other services, tax                              | -          | -          | -              | -          |
| Other services, other                            | -          | -          | -              | -          |
| <b>Total</b>                                     | <b>143</b> | <b>126</b> | <b>-</b>       | <b>-</b>   |
| <b>Total</b>                                     | <b>444</b> | <b>515</b> | <b>301</b>     | <b>389</b> |

Audit fee include the audit of the financial statements and accounting records and the administration of the Company by the Board and CEO, other assignments that fall on the Company's auditor to do and advice and other assistance which is the result of the audit. All other assignments are Tax services or Other services.

Other services in the table above mainly relates to reviews in relation to preparation of prospectuses and specific accounting issues.

**NOTE 10 PERSONNEL**

Average number of employees

|                            | 2014      |                | 2013      |                |
|----------------------------|-----------|----------------|-----------|----------------|
|                            | Total     | Of which women | Total     | Of which women |
| <i>Parent company</i>      |           |                |           |                |
| Sweden                     | 2         | 0              | 2         | 0              |
| <i>Group companies</i>     |           |                |           |                |
| Russia                     | 12        | 3              | 36        | 11             |
| <b>Total for the Group</b> | <b>14</b> | <b>3</b>       | <b>38</b> | <b>11</b>      |

As of December 31, 2014 there were 8 full time permanent employees (12) in the Group. During the course of a year the Company use temporarily hired employees for exploration work. This explains the higher average number of employees.

Gender distribution in the Group (incl subsidiaries) for the Board of Directors and management

|                            | 2014              |                | 2013              |                |
|----------------------------|-------------------|----------------|-------------------|----------------|
|                            | As of December 31 | Of which women | As of December 31 | Of which women |
| Board of Directors         | 4                 | 0              | 6                 | 0              |
| CEO and management         | 4                 | 0              | 4                 | 0              |
| <b>Total for the Group</b> | <b>8</b>          | <b>0</b>       | <b>10</b>         | <b>0</b>       |

Salaries, remuneration and social security costs

|                           | 2014         | 2013          |
|---------------------------|--------------|---------------|
| <i>The Group</i>          |              |               |
| Board, CEO and management | 3 950        | 4 606         |
| (of which variable)       | (691)        | (934)         |
| Other employees           | 1 673        | 5 882         |
| <b>Total</b>              | <b>5 623</b> | <b>10 488</b> |
| Social security costs     | 1 824        | 2 720         |
| (of which pension costs)  | (129)        | (129)         |
| <b>Total</b>              | <b>7 447</b> | <b>13 208</b> |
| <i>Parent Company</i>     |              |               |
| Board, CEO and management | 2 776        | 3 295         |
| (of which variable)       | (349)        | (578)         |
| Other employees           | 0            | 0             |
| <b>Total</b>              | <b>2 776</b> | <b>3 295</b>  |
| Social security costs     | 921          | 862           |
| (of which pension costs)  | (129)        | (129)         |
| <b>Total</b>              | <b>3 697</b> | <b>4 157</b>  |

# NOTES

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

|   | Salary/fee   | Variable remuneration | Other benefits | Pension cost | Total        |
|---|--------------|-----------------------|----------------|--------------|--------------|
| Chairman of the Board, Kjell Carlsson     | 195          | 100                   | 0              | 0            | 295          |
| Board member, Sergey Petrov <sup>1)</sup> | 50           | 0                     | 0              | 0            | 50           |
| Board member, Markku Mäkelä <sup>1)</sup> | 50           | 0                     | 0              | 0            | 50           |
| Board member, Markus Elsasser             | 75           | 0                     | 0              | 0            | 75           |
| Board member, Johan Österling             | 75           | 0                     | 0              | 0            | 75           |
| Board member, Andreas Forssell            | 75           | 0                     | 0              | 0            | 75           |
| CEO, Mikhail Damrin                       | 1 064        | 60                    | 0              | 0            | 1 124        |
| Deputy CEO, Tim Carlsson                  | 843          | 189                   | 0              | 129          | 1 162        |
| Other management (2 persons)              | 831          | 343                   | 0              | 0            | 1 174        |
| <b>Total Board and management</b>         | <b>3 259</b> | <b>691</b>            | <b>0</b>       | <b>129</b>   | <b>4 079</b> |

<sup>1)</sup> Sergey Petrov and Markku Mäkelä resigned from the Board of Directors on the Annual General Meeting in May 2014 and hence only 50% of the annual board fee is accounted for during the financial year 2014.

## Benefits to management

### Principles

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

### Remuneration and benefits to the board

The total remuneration to the Board for the financial year 2014 amounted to KSEK 620 (999), of which KSEK 295 (514) was remuneration to the Chairman of the Board. For remuneration to other Board members, see table above. The Chairman has via own company, in addition to the board remuneration, invoiced KSEK 100 related to extra work done during 2014. The work done has been related to financing issues and operational matters.

### Board incentive program 2014/2016

The Annual General Meeting 2014 resolved upon an incentive program for the Board as a part of the Board remuneration, through issuance of maximum 650,000 warrants. The warrants were acquired by the Board members at market price and have no transfer restrictions. Each warrant entitles the holder to subscribe for one (1) new share in the Company at a subscription price of SEK 1.60 per share. The subscription period runs from June 1, 2015 until December 31, 2016. The number of warrants issued amount to 520,000 in total. See note 30 for more information.

As of December 31, 2014, the board warrants were allocated as below:

| Participant               | Number of warrants |
|---------------------------|--------------------|
| Kjell Carlsson (Chairman) | 260 000            |
| Andreas Forssell          | 130 000            |
| Johan Österling           | 130 000            |
| <b>Total</b>              | <b>520 000</b>     |

### Remuneration and benefits to the CEO

Remuneration to the CEO amounted to KSEK 1,124 (1,224) KSEK for 2014. The remuneration consists of fixed salary and variable remuneration based on annual targets. The CEO has a fixed annual salary of KUSD 135 (135) net after tax. The variable remuneration amounts to maximum 20% of the fixed salary and is based on both soft and hard targets. The CEO has previously been part of the Group's long term incentive program, but is currently not participating in any program. There are no pension commitments towards the CEO.

### Pension plans

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

### Termination period and severance pay

The CEO and the Company has a mutual notice period of six months and for other management three months. There are no agreements regarding severance payments.

## Long-term incentive program 2012/2014

The Extraordinary General Meeting held on November 5, 2012, resolved upon an issue of warrants, within the frames of a long-term incentive program (incentive program 2012/2014). The objective of the program is to create owner commitment for management and other key employees with possibilities to increasing the value of the share, in parallel to decreasing the overhead costs. The warrants were issued to the employees without consideration on terms adjusted for local conditions. For Sweden, it means that participating employees are purchasing the warrants at market value and receives an extra salary payment as compensation. The warrants had a subscription period from December 1, 2014 up to and including December 31, 2014 and each warrant entitled the holder to subscribe for one (1) new share in the Company at a price of 4.50 SEK/share. No shares were subscribed. See note 30 for more information.

## NOTE 11 RESULTS FROM SHARES IN GROUP COMPANIES

| KSEK                           | Parent company |                 |
|--------------------------------|----------------|-----------------|
|                                | 2014           | 2013            |
| Sale of shares in subsidiaries | 133            | -25 050         |
| Impairment                     | -8 380         | -131 954        |
| <b>Total</b>                   | <b>-8 247</b>  | <b>-157 004</b> |

Impairment for 2014 refers to the Russian subsidiary LLC Kopylovsky and corresponds to the amount of paid shareholders contributions. As part of the preparations for the Krasny-license joint venture agreement, the subsidiary LLC Krasny was sold in an internal sale from the Parent company to the newly established subsidiary Bodaibo Holding Ltd. The sale was done at book value implying no effect in the profit and loss. The effects from the joint venture agreement are shown in note 6, 15, 21 and 22.

During last year, the Company announced the filing of an application for return of two prospecting licenses to the Russian state, and in addition, two other licenses were sold in a cash sale. Further, the Company announced that a Letter of Intent has been signed with the Russian gold producer GV Gold to develop the Krasny-project further towards production under a joint venture. According to the accounting rules, these decisions to divest the assets implied that the valuation of shares in subsidiaries and receivables from group companies were changed to reflect the transaction amounts. This in turn led to an impairment of shares in subsidiaries in the Parent Company of totally MSEK -132.0. The Parent Company further showed result from sale of subsidiaries of MSEK -25.1 and reversed write-downs of receivables from group companies of MSEK 11.7, see note 12.

**NOTE 12 FINANCIAL INCOME AND COST**

| KSEK                                  | The Group     |             | Parent company |               |
|---------------------------------------|---------------|-------------|----------------|---------------|
|                                       | 2014          | 2013        | 2014           | 2013          |
| <i>Financial income</i>               |               |             |                |               |
| Interest income                       | 75            | 44          | 75             | 44            |
| Other financial income                | 133           | -           | -              | -             |
| Interest income from Group companies  | -             | -           | 1 087          | 1 078         |
| Reversal of write-down                | -             | -           | 5 569          | 11 704        |
| <b>Total financial income</b>         | <b>208</b>    | <b>44</b>   | <b>6 731</b>   | <b>12 826</b> |
| <i>Financial costs</i>                |               |             |                |               |
| Impairment                            | -             | -           | -              | -             |
| Interest cost                         | -524          | -453        | -524           | -453          |
| Exchange differences                  | -1 144        | -100        | -1 143         | -102          |
| <b>Total financial costs</b>          | <b>-1 668</b> | <b>-553</b> | <b>-1 667</b>  | <b>-555</b>   |
| <b>Net financial income and costs</b> | <b>-1 460</b> | <b>-509</b> | <b>-5 064</b>  | <b>12 271</b> |

As a consequence of the joint venture agreement over the Kransy-license, the Parent company shows reversed write-downs of receivables from group companies of MSEK 5.6.

For 2013, the Parent Company shows result from sale of subsidiaries of MSEK -25.1 (see note 11) and reversed write-downs of receivables from group companies of MSEK 11.7.

**NOTE 13 TAX**

| KSEK         | The Group     |              |
|--------------|---------------|--------------|
|              | 2014          | 2013         |
| Current tax  | -             | -            |
| Deferred tax | -5 353        | 2 679        |
| <b>Total</b> | <b>-5 353</b> | <b>2 679</b> |

The deferred tax in the Group is primarily related to temporary differences in the capitalized exploration expenses.

Reconciliation of the weighted average tax and actual tax:

| KSEK   | The Group     |              | Parent company |          |
|--|---------------|--------------|----------------|----------|
|  | 2014          | 2013         | 2014           | 2013     |
| Result after financial items                                 | 18 337        | -69 262      | -7 836         | -150 638 |
| Tax at current tax rate                                      | -4 034        | 15 238       | 1 724          | 33 140   |
| Difference in tax rate in foreign operations                 | -1 271        | -1 397       | -              | -        |
| <i>Tax effects from:</i>                                     |               |              |                |          |
| Noneductible items   | -2            | -76          | -1 846         | -31 983  |
| Nontaxable items   | 9 240         | 124          | 1 254          | -        |
| Loss carry forwards for which deferred tax is not recognized | -9 285        | -11 210      | -1 133         | -1 157   |
| <b>Reported tax</b>  | <b>-5 353</b> | <b>2 679</b> | <b>0</b>       | <b>0</b> |

From the 2014 nontaxable items, KSEK 9,240 in the Group, and KSEK 1,225 in the Parent company, refer to effects from the joint venture agreement for the Kransy-license.

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

As of December 31, 2014 the Group had tax loss carry forwards of approximately MSEK 65.1. Deferred tax receivables related to tax loss carry forwards are recognized only to the extent that it is probable that they will be used. Since the Company's future possibility to use the tax loss carry forwards are uncertain the Company has not recognized any deferred tax receivables. The value of the tax losses are approximately MSEK 14.1, whereof MSEK 12.2 relates to the Parent company in Sweden and MSEK 1.9 to Russian subsidiaries. The tax loss carry

forwards can be used for indefinite time in Sweden, while they can be used for 10 years in Russia.

Deferred tax receivables and liabilities relates to the following:

|                                       | December 31<br>2014 | December 31<br>2013 |
|---------------------------------------|---------------------|---------------------|
| <i>Deferred tax liabilities</i>       |                     |                     |
| Intangible assets                     | 2 786               | 0                   |
| <b>Total deferred tax liabilities</b> | <b>2 786</b>        | <b>0</b>            |

Change in the net of deferred tax liabilities

|                       | Opening<br>balance | Recognized<br>in the income<br>statement | Translation<br>differences | Closing<br>balance |
|-----------------------|--------------------|--|----------------------------|--------------------|
| <i>Deferred taxes</i> |                    |  |                            |                    |
| Intangible assets     | 0                  | -5 353                                   | 2 567                      | -2 786             |
| <b>Total</b>          | <b>0</b>           | <b>-5 353</b>                            | <b>2 567</b>               | <b>-2 786</b>      |

**NOTE 14 EARNINGS PER SHARE**

Change in number of shares

|   | 2014              | 2013              |
|---|-------------------|-------------------|
| Outstanding at the beginning of the period  | 30 246 257        | 22 851 621        |
| Share issue January                         | 963               | -                 |
| Share issue July                            | -                 | 7 394 636         |
| <b>Outstanding at the end of the period</b> | <b>30 247 220</b> | <b>30 246 257</b> |

December 30, 2013 was the last day for subscription of shares using the warrant TO3 and a total of 963 shares were subscribed. The transaction was registered at the Swedish Companies Registration Office in January 2014 and is therefore included in the 2014 financial year.

The Extra General Meeting, held on December 17, 2014, resolved to issue shares with preferential rights for existing shareholders. The subscription rights were received in December 2014 while the subscription period ran during January 2015. In total, 24,197,776 shares were subscribed and the transaction was registered at the Swedish Companies Registration Office in February 2015 and is not included above.

Earnings per share before and after dilution

|  | 2014        | 2013         |
|--|-------------|--------------|
| Net income, KSEK, attributable to the shareholders of the parent company | 12 984      | -66 582      |
| Average number of shares before and after dilution                       | 30 247 146  | 26 491 661   |
| <b>Earnings per share before and after dilution (SEK)</b>                | <b>0.43</b> | <b>-2.51</b> |

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

The outstanding warrants at year end has a subscription price that is exceeding the average price for the underlying share, which means that they are excluded from the calculation of earnings per share after dilution. Since net income for 2013 is negative, potential dilution from outstanding warrants are not taken into account, as earnings per share would improve considering the dilution effect.

# NOTES

## NOTE 15 EXPLORATION LICENSES AND EVALUATION WORK

| KSEK                                  | The Group      |                |
|---------------------------------------|----------------|----------------|
|                                       | 2014           | 2013           |
| Opening acquisition cost              | 152 272        | 211 274        |
| Investments                           | 1859           | 19 376         |
| Acquired licenses                     | -              | 18             |
| Disposals                             | -53 069        | -64 601        |
| Translation differences               | -30 416        | -13 795        |
| <b>Closing acquisition cost</b>       | <b>70 646</b>  | <b>152 272</b> |
| Opening accumulated write down        | -72 973        | -70 852        |
| Write down                            | -              | -61 902        |
| Disposals                             | -              | 54 144         |
| Translation difference                | 22 165         | 5 637          |
| <b>Closing accumulated write down</b> | <b>-50 808</b> | <b>-72 973</b> |
| <b>Carrying value</b>                 | <b>19 838</b>  | <b>79 299</b>  |

The balance for exploration licenses and evaluation work includes approximately MSEK 18 of acquired licenses and the remaining part relates to capitalized exploration and evaluation work, approximately MSEK 2.

The Company has during the year entered into a joint arrangement agreement regarding the Krasny-license, which has been classified as a joint venture according to existing accounting standards. The joint venture is accounted for according to the equity method on a separate line in the Balance sheet, see note 22. As a consequence, the Company shows disposals of exploration licenses and evaluation work amounting to MSEK -53.

In assessing the possible impairment on exploration licenses and evaluation work, the carrying values are compared with the recoverable amount. The recoverable amount is the higher of the asset's fair value less selling costs and its value in use. No impairment has been done during the year.

## NOTE 16 BUILDINGS

| KSEK                                    | The Group     |               |
|---|---------------|---------------|
|   | 2014          | 2013          |
| Opening acquisition cost                | 8 070         | 15 473        |
| Investments                             | -             | 2             |
| Disposals                               | -69           | -6 466        |
| Translation difference                  | -2 435        | -939          |
| <b>Closing acquisition cost</b>         | <b>5 566</b>  | <b>8 070</b>  |
| Opening accumulated depreciation        | -2 363        | -3 779        |
| Depreciation                            | -278          | -322          |
| Disposals                               | 47            | 1 498         |
| Translation difference                  | 771           | 240           |
| <b>Closing accumulated depreciation</b> | <b>-1 822</b> | <b>-2 363</b> |
| Opening accumulated write down          | -2 789        | -7 517        |
| Disposals                               | -             | 4 301         |
| Translation difference                  | 845           | 427           |
| <b>Closing accumulated write down</b>   | <b>-1 944</b> | <b>-2 789</b> |
| <b>Carrying value</b>                   | <b>1 800</b>  | <b>2 918</b>  |

## NOTE 17 MACHINERY AND EQUIPMENT

| KSEK                                    | The Group     |               | Parent Company |             |
|---|---------------|---------------|----------------|-------------|
|   | 2014          | 2013          | 2014           | 2013        |
| Opening acquisition cost                | 9 284         | 14 159        | 292            | 292         |
| Investments                             | -             | 116           | -              | -           |
| Disposals                               | -3 392        | -4 082        | -              | -           |
| Translation difference                  | -1 958        | -909          | -              | -           |
| <b>Closing acquisition cost</b>         | <b>3 934</b>  | <b>9 284</b>  | <b>292</b>     | <b>292</b>  |
| Opening accumulated depreciation        | -2 579        | -3 802        | -116           | -58         |
| Depreciation                            | -425          | -1 065        | -58            | -58         |
| Disposals                               | 953           | 2 048         | -              | -           |
| Translation difference                  | 612           | 241           | -              | -           |
| <b>Closing accumulated depreciation</b> | <b>-1 440</b> | <b>-2 579</b> | <b>-174</b>    | <b>-116</b> |
| Opening accumulated write down          | -4 777        | -7 296        | -              | -           |
| Disposals                               | 2 382         | 2 035         | -              | -           |
| Translation difference                  | 964           | 484           | -              | -           |
| <b>Closing accumulated write down</b>   | <b>-1 430</b> | <b>-4 777</b> | <b>-</b>       | <b>-</b>    |
| <b>Carrying value</b>                   | <b>1 064</b>  | <b>1 928</b>  | <b>118</b>     | <b>176</b>  |

## NOTE 18 INVENTORY

| KSEK                         | The Group  |            |
|------------------------------|------------|------------|
|                              | 2014       | 2013       |
| Raw material and consumables | 463        | 847        |
| <b>Carrying value</b>        | <b>463</b> | <b>847</b> |

## NOTE 19 OTHER RECEIVABLES

| KSEK                                | The Group     |               | Parent Company |              |
|-------------------------------------|---------------|---------------|----------------|--------------|
|                                     | 2014          | 2013          | 2014           | 2013         |
| Value added tax                     | 273           | 1 366         | 262            | 122          |
| Receivable additional consideration | 11 930        | -             | -              | -            |
| Receivable sales amount             | -             | 9 019         | -              | 9 019        |
| Other                               | 90            | 150           | 41             | 55           |
| <b>Total</b>                        | <b>12 293</b> | <b>10 535</b> | <b>303</b>     | <b>9 196</b> |

The receivable of the additional consideration from the Krasny license is valued at fair value through the profit and loss according to level 3. Other items under other short term receivables are estimated to in all material respects correspond to the carrying values as the maturities are short term. See also note 31, Financial instruments.

## NOTE 20 PREPAID EXPENSES

| KSEK                | The Group  |            | Parent Company |           |
|---------------------|------------|------------|----------------|-----------|
|                     | 2014       | 2013       | 2014           | 2013      |
| Prepaid rent        | 30         | 26         | 30             | 26        |
| Prepaid exploration | 12         | 141        | -              | -         |
| Other               | 104        | 9          | 104            | 9         |
| <b>Total</b>        | <b>146</b> | <b>176</b> | <b>134</b>     | <b>35</b> |



**NOTE 21 SHARES IN SUBSIDIARIES**

| KSEK   | Parent Company |                |
|--|----------------|----------------|
|  | 2014           | 2013           |
| At the beginning of the year                 | 118 465        | 249 921        |
| Acquisitions                                 | 50             | -              |
| Shareholder contributions                    | 85 065         | 35 561         |
| Disposals                                    | -75 963        | -35 063        |
| Impairment                                   | -8 380         | -131 954       |
| <b>Carrying value at the end of the year</b> | <b>119 237</b> | <b>118 465</b> |

As part of the preparations for the Krasny-license joint venture agreement, the subsidiary LLC Krasny was sold in an internal sale from the Parent company to the newly established subsidiary Bodaibo Holding Ltd. The sale was done at book value of MSEK 76 and as such, no effect is shown in the profit and loss. The effects from the joint venture agreement are shown in note 6, 11, 15 and 22.

The table below specifies the subsidiaries of the Group as of December 31, 2014:

|                       | Corporate Identification No | Domicile          | Ownership, % | Carrying value in parent company |
|-----------------------|-----------------------------|-------------------|--------------|----------------------------------|
| LLC Kopylovsky        | 1043800732337               | Bodaibo, Russia   | 100          | 42 452                           |
| LLC Vostochny         | 1103802000389               | Bodaibo, Russia   | 100          | 0                                |
| LLC Patom Gold        | 1123802000519               | Bodaibo, Russia   | 100          | 0                                |
| LLC Taiga             | 1123802000552               | Bodaibo, Russia   | 100          | 0                                |
| AB Krasny Gold Fields | 556955-9726                 | Stockholm, Sweden | 100          | 76 735                           |
| Kopy Development AB   | 556858-1747                 | Stockholm, Sweden | 100          | 50                               |

**NOTE 22 ASSOCIATED COMPANIES AND JOINT VENTURES**

| KSEK   | The Group     |          |
|--|---------------|----------|
|  | 2014          | 2013     |
| At the beginning of the year                 | -             | -        |
| Result from transition to joint venture      | 80 140        | -        |
| Net income                                   | -5 460        | -        |
| Translation differences                      | -2 539        | -        |
| <b>Carrying value at the end of the year</b> | <b>72 141</b> | <b>-</b> |

The table below specifies the joint ventures of the Group as of December 31, 2014:

| KSEK                | Corporate Identification No | Domicile         | Assets  | Liabilities | Revenue | Net income | Equity stake, % |
|---------------------|-----------------------------|------------------|---------|-------------|---------|------------|-----------------|
| Bodaibo Holding Ltd | HE 318777                   | Limassol, Cyprus | 133 476 | 323         | -       | 2 901      | 49              |
| LLC Krasny          | 1103802000048               | Bodaibo, Russia  | 46 206  | 32 142      | -       | -8 532     | 49              |

On August 12, 2014, the Company entered into a joint venture agreement with the Russian gold producer GV Gold over the Krasny-license. According to the terms of the agreement, GV Gold may earn up to 51% of the Krasny-project by investing up to MUSD 9 split into the following parts:

| KUSD                      |              |
|---------------------------|--------------|
| Cash consideration        | 1 000        |
| Exploration work, Stage 1 | 3 000        |
| Exploration work, Stage 2 | 3 000        |
| Additional consideration  | 2 000        |
| <b>Total value</b>        | <b>9 000</b> |

GV Gold had the possibility to stop further investments following the completion of Stage 1 but in March 2015 they formally confirmed their commitment to proceed to Stage 2 and invested further USD 3 million into exploration. The additional consideration is subject to a mineral reserve report in the end of Stage 2, showing more than 9 tons of gold.

The cash consideration of MUSD 1.0 is recorded in the cash flow under cash flow from investing activities. According to accounting rules and based on the agreement terms, the Krasny project shall be accounted for according to the equity method as a joint venture, initially valued to fair value as per transaction date. As a consequence, the profit and loss statement shows other income of MSEK 37.0, see note 6, other income. On the Balance sheet, as per year end, investments in joint ventures amount to MSEK 72.1, after a loss from joint ventures of MSEK 5.5 for the period August – December 2014, as well as translation differences of MSEK -2.5. The Company also reports a current receivable of approximately MSEK 11.9 referring to an additional consideration, which has been discounted and estimated with a probability, see note 19.

# NOTES

## NOTE 23 CHANGES IN SHARE CAPITAL

| Year | Event                                  | Change in share capital, SEK | Capitalization excl issue costs | Change in number of shares | Nominal value, SEK | Total share capital | Total number of shares |
|------|--|------------------------------|---------------------------------|----------------------------|--------------------|---------------------|------------------------|
| 2007 | Company establishment                  | 100 000                      | 100 000                         | 10 000                     | 10.00              | 100 000             | 10 000                 |
| 2007 | Share issue                            | 1 250 100                    | 35 002 800                      | 125 010                    | 10.00              | 1 350 100           | 135 010                |
| 2007 | Share issue                            | 7 400 000                    | 106 638 200                     | 740 000                    | 10.00              | 8 750 100           | 875 010                |
| 2007 | Share issue                            | 1 249 900                    | 34 997 200                      | 124 990                    | 10.00              | 10 000 000          | 1 000 000              |
| 2008 | Split 1:849                            | -                            | -                               | 848 000 000                | 0.01               | 10 000 000          | 849 000 000            |
| 2009 | Reverse split 1:100                    | -                            | -                               | -840 510 000               | 1.1779             | 10 000 000          | 8 490 000              |
| 2009 | Reduction share capital                | -9 500 000                   | -                               | -                          | 0.0589             | 500 000             | 8 490 000              |
| 2009 | Preferential issue                     | 11 500 000                   | 19 527 000                      | 195 270 000                | 0.0589             | 12 000 000          | 203 760 000            |
| 2009 | Directed share issue                   | 402 500                      | 683 445                         | 6 834 450                  | 0.0589             | 12 402 500          | 210 594 450            |
| 2010 | Share issue                            | 4 971 000                    | 24 478 198                      | 84 407 580                 | 0.0589             | 17 373 500          | 295 002 030            |
| 2010 | Share issue (Subscription of warrants) | 4 308 678                    | 23 411 630                      | 73 161 345                 | 0.0589             | 21 682 178          | 368 163 375            |
| 2010 | Reverse split 1:100                    | -                            | -                               | -364 481 742               | 5.89               | 21 682 178          | 3 681 633              |
| 2010 | Share issue                            | 17 345 728                   | 64 796 688                      | 2 945 304                  | 5.89               | 39 027 905          | 6 626 937              |
| 2011 | Share issue (Subscription of warrants) | 1 508                        | 6 400                           | 256                        | 5.89               | 39 029 413          | 6 627 193              |
| 2011 | Directed share issue                   | 10 011 780                   | 17 000 000                      | 1 700 000                  | 5.89               | 49 041 193          | 8 327 193              |
| 2011 | Directed share issue                   | 5 889 283                    | 12 000 000                      | 1 000 000                  | 5.89               | 54 930 476          | 9 327 193              |
| 2012 | Reduction share capital                | -22 500 000                  | -                               | -                          | 3.48               | 32 430 476          | 9 327 193              |
| 2012 | Share issue                            | 24 322 855                   | 26 582 497                      | 6 995 394                  | 3.48               | 56 753 331          | 16 322 587             |
| 2012 | Share issue                            | 22 701 330                   | 24 810 329                      | 6 529 034                  | 3.48               | 79 454 661          | 22 851 621             |
| 2013 | Reduction share capital                | -59 454 661                  | -                               | -                          | 0.88               | 20 000 000          | 22 851 621             |
| 2013 | Share issue                            | 6 471 870                    | 11 091 954                      | 7 394 636                  | 0.88               | 26 471 870          | 30 246 257             |
| 2013 | Transfer of funds to share capital     | 53 028 130                   | -                               | -                          | 2.63               | 79 500 000          | 30 246 257             |
| 2013 | Reduction share capital                | -59 500 000                  | -                               | -                          | 0.66               | 20 000 000          | 30 246 257             |
| 2014 | Share issue (Subscription of warrants) | 637                          | 3 852                           | 963                        | 0.66               | 20 000 637          | 30 247 220             |

The Extra General Meeting, held on December 17, 2014, resolved to reduce the share capital by SEK 8,500,000 without redemption of shares. Further, it was resolved to issue shares with preferential rights for existing shareholders. Both the reduction of share capital and the share issue was registered by the Swedish Companies Registration Office in February 2015 and all effects of the share capital reduction and the share issue will be accounted for during the financial year 2015.

Following the registration, the number of shares issued in Kopy Goldfields amounts to 54,444,996 shares and the share capital amounts to SEK 20,701,146.

## NOTE 24 FINANCIAL LIABILITIES

The gross financial liability, including accrued interest, amounted to KSEK 3,050 (3,007) at the end of 2014. The following table specifies the maturity of the financial liability. For interest rate risk see note 4.

| KSEK  | The Group    |              | Parent Company |              |
|---|--------------|--------------|----------------|--------------|
|   | 2014         | 2013         | 2014           | 2013         |
| <i>Current financial liabilities</i>                  |              |              |                |              |
| Matures within 1 year                                 | 3 000        | 3 000        | 3 000          | 3 000        |
| <b>Total current financial liabilities</b>            | <b>3 000</b> | <b>3 000</b> | <b>3 000</b>   | <b>3 000</b> |
| <i>Non-current financial liabilities</i>              |              |              |                |              |
| Other non-current loans with maturity >1 year <5 year | -            | -            | -              | -            |
| <b>Total non-current financial liabilities</b>        | <b>-</b>     | <b>-</b>     | <b>-</b>       | <b>-</b>     |
| <b>Total financial liabilities</b>                    | <b>3 000</b> | <b>3 000</b> | <b>3 000</b>   | <b>3 000</b> |

The short term bridge loan of MSEK 3.0 as of December 31, 2013, was repaid in February 2014. A new short term loan was raised during 2014 with maturity date on April 30, 2015. This loan was renegotiated and prolonged in March 2015 and the new maturity date is April 29, 2016. The new terms allows the lender to convert the loan amount and accrued interest into shares at a subscription price of SEK 0.55 per share.

Fair value of current financial liabilities is estimated to equal carrying value. The interest rate on current financial liabilities is estimated to equal fair market interest rate as they have a short term interest rate

## NOTE 25 ACCRUED EXPENSES

| KSEK                          | The Group    |              | Parent Company |              |
|-------------------------------|--------------|--------------|----------------|--------------|
|                               | 2014         | 2013         | 2014           | 2013         |
| Interest                      | 50           | 7            | 50             | 7            |
| Board fee                     | 872          | 583          | 872            | 583          |
| Social security fees          | 98           | 296          | 98             | 296          |
| Other personnel related items | 662          | 569          | 662            | 569          |
| Transaction costs             | -            | 2 148        | -              | 2 148        |
| Other                         | 180          | 510          | 180            | 510          |
| <b>Total</b>                  | <b>1 862</b> | <b>4 113</b> | <b>1 862</b>   | <b>4 113</b> |

**NOTE 26 ADJUSTMENT FOR ITEMS NOT AFFECTING CASH FLOW**

| KSEK  | The Group      |               | Parent Company |                |
|---|----------------|---------------|----------------|----------------|
|   | 2014           | 2013          | 2014           | 2013           |
| Depreciation and impairment                   | 59             | 61 962        | 2 869          | 120 309        |
| Accrued interest                              | -              | 173           | -1 119         | -901           |
| Share of profit in joint ventures             | 5 460          | -             | -              | -              |
| Gains on sale of property plant and equipment | -934           | -2 008        | -              | -              |
| Result from transition to joint venture       | -37 039        | -             | -              | -              |
| Gains on sale of subsidiaries                 | 695            | 490           | 608            | 25 049         |
| Translation differences                       | -328           | -42           | 11             | -42            |
| Other   | 1 282          | 155           | -3 188         | -3 762         |
| <b>Total</b>                                  | <b>-30 805</b> | <b>60 730</b> | <b>-819</b>    | <b>140 653</b> |

**NOTE 27 DISPOSALS OF SUBSIDIARIES/LICENSES**

| KSEK                                | The Group     |            | Parent Company |            |
|-------------------------------------|---------------|------------|----------------|------------|
|                                     | 2014          | 2013       | 2014           | 2013       |
| Sale of LLC Kavkaz och LLC Prodolny | 8 278         | 993        | 8 278          | 993        |
| Joint venture agreement Krasny      | 6 181         | -          | -              | -          |
| <b>Total</b>                        | <b>14 459</b> | <b>993</b> | <b>8 278</b>   | <b>993</b> |

In December 2013, the licenses Kavkaz and Prodolny, owned by subsidiaries with corresponding names, were sold in a cash sale amounting to MRUB 50. 10% of the sales amount was received in December 2013 and the remaining 90% were received in February 2014. Both entities were directly owned by the Parent company before the sale.

During 2014, the Company entered into a Joint Venture agreement with the Russian gold producer GV Gold. Before signing the agreement, as part of the preparations, two new subsidiaries were established, AB Krasny Gold Fields, domiciled in Sweden, and Bodaibo Holding Ltd, domiciled on Cyprus. After this, the parent company sold the subsidiary LLC Krasny to Bodaibo Holding at carrying value and the sale was financed through a shareholders contribution, implying no cash flow effect in the Parent company. When entering into the agreement, the Company received a cash contribution from GV Gold of MUSD 1, which is recorded in the cash flow under cash flow from investing activities. See also note 6, 11, 21 and 22.

**NOTE 28 PLEDGED ASSETS AND CONTINGENT LIABILITIES**

The Company has no pledged assets or contingent liabilities on the balance day (MSEK 9.0). The company pledged the receivable from the sale of two subsidiaries as a pledge for a short term loan of MSEK 3.0 that was raised in December 2013. The Company received the payment from the sale of the subsidiaries in February 2014 and repaid the loan and released the pledge.

The Company has an arbitration procedure going on against a former agent that was hired by the Company to promote the Company's licenses. The Company has denied the claim of approximately KUSD 100.

**NOTE 29 LEASING**

The Company's leasing agreements, where the risks and rewards associated with the ownership falls on the Group, are classified as financial leases. Currently the Group does not have any assets held under leasing

For the financial year 2013 the leasing costs amounted to KSEK 175, referred to assets classified as financial leases. At the disposal of the Group, via financial leasing agreements, there was mainly equipment relating to exploration activities.

**NOTE 30 OUTSTANDING OPTIONS**

| KSEK  | Board Program |
|---|---------------|
|   | 2014/2016     |
| Exercise price, SEK   | 1.60          |
| First exercise date   | 2015-06-01    |
| Last exercise date  | 2016-12-31    |
| Number of options issued at the beginning of the year                 | 520 000       |
| Exercised   | -             |
| Forfeited   | -             |
| At the end of the year  | 520 000       |
| Of which fully vested at December 31, 2013 <sup>1)</sup>              | 520 000       |
| Theoretical value <sup>2)</sup>                                       | 41 600        |
| Theoretical value per option at issue <sup>2)</sup> , SEK             | 0.08          |
| Theoretical value per option at December 31, 2014 <sup>3)</sup> , SEK | 0.0001        |
| Theoretical dilution <sup>3)</sup>                                    | 1.7 %         |

<sup>1)</sup> The Annual General Meeting 2014 resolved upon an incentive program for the Board as a part of the Board remuneration, through issuance of maximum 650,000 warrants. The warrants were acquired by the Board members at market price and have no transfer restrictions. Each warrant entitles the holder so subscribe for one (1) new share in the Company at a subscription price of SEK 1.60 per share. The subscription period runs from June 1, 2015 until December 31, 2016. The number of warrants issued amount to 520,000 in total, which means that the share capital can be increased by SEK 343 844 at maximum.

<sup>2)</sup> Theoretical value of issued options has been determined using a generally accepted option value model (Black&Scholes) at the time of issue. Volatility of 30 per cent, a risk free interest rate of 1.0 %, expected life of 2.6 years was the main assumptions used. Fair value of Kopy Goldfields was estimated using the closing share price as of June 10, 2014 which amounted to SEK 1.08.

<sup>3)</sup> The Extra General Meeting, held on December 17, 2014, resolved to reduce the share capital and to issue shares with preferential rights for existing shareholders. Both transactions were registered by the Swedish Companies Registration Office in February 2015 and have not been taken into account in the above calculation.

| KSEK  | Incentive Program |
|---|-------------------|
|   | 2012/2014         |
| Exercise price, SEK                                   | 4.50              |
| First exercise date                                   | 2014-12-01        |
| Last exercise date                                    | 2014-12-31        |
| Number of options issued at the beginning of the year | 485 964           |
| Exercised   | -                 |
| Forfeited   | -485 964          |
| At the end of the year                                | -                 |

# NOTES

## NOTE 31 FINANCIAL INSTRUMENTS

| KSEK  | Financial assets valued<br>at fair value through<br>profit and loss | Loans and<br>accounts<br>receivables | Financial assets<br>available for sale | Financial liabilities<br>valued at fair value<br>through profit and loss | Other financial<br>liabilities | Total         |
|---|---|--------------------------------------|--|--|--------------------------------|---------------|
| 2014-12-31                                    |   |                                      |  |  |                                |               |
| Assets in the Balance sheet                   |   |                                      |  |  |                                |               |
| Accounts receivables and Other<br>receivables | -   | 653                                  | -                                      | -  | -                              | 653           |
| Receivable additional consideration           | 11 930  | -                                    | -                                      | -  | -                              | 11 930        |
| Cash and cash equivalents                     | -   | 1 111                                | -                                      | -  | -                              | 1 111         |
| <b>Total</b>                                  | <b>11 930</b>   | <b>1 764</b>                         | <b>-</b>                               | <b>-</b>   | <b>-</b>                       | <b>13 694</b> |
| 2013-12-31                                    |   |                                      |  |  |                                |               |
| Assets in the Balance sheet                   |   |                                      |  |  |                                |               |
| Accounts receivables and Other<br>receivables | -   | 9 911                                | -                                      | -  | -                              | 9 911         |
| Cash and cash equivalents                     | -   | 2 476                                | -                                      | -  | -                              | 2 476         |
| <b>Total</b>                                  | <b>-</b>  | <b>12 387</b>                        | <b>-</b>                               | <b>-</b>   | <b>-</b>                       | <b>12 387</b> |
| 2014-12-31                                    |   |                                      |  |  |                                |               |
| Liabilities in the Balance sheet              |   |                                      |  |  |                                |               |
| Current interest bearing liabilities          | -   | -                                    | -                                      | -  | 3 000                          | 3 000         |
| Accounts payable                              | -   | -                                    | -                                      | -  | 1 713                          | 1 713         |
| Other current liabilities                     | -   | -                                    | -                                      | -  | 347                            | 347           |
| <b>Total</b>                                  | <b>-</b>  | <b>-</b>                             | <b>-</b>                               | <b>-</b>   | <b>5 060</b>                   | <b>5 060</b>  |
| 2013-12-31                                    |   |                                      |  |  |                                |               |
| Liabilities in the Balance sheet              |   |                                      |  |  |                                |               |
| Current interest bearing liabilities          | -   | -                                    | -                                      | -  | 3 000                          | 3 000         |
| Accounts payable                              | -   | -                                    | -                                      | -  | 1 323                          | 1 323         |
| Other current liabilities                     | -   | -                                    | -                                      | -  | 650                            | 650           |
| <b>Total</b>                                  | <b>-</b>  | <b>-</b>                             | <b>-</b>                               | <b>-</b>   | <b>4 973</b>                   | <b>4 973</b>  |

Loans and accounts receivables, as well as other financial liabilities are valued at amortized cost. The receivable of the additional consideration from the Krasny license is valued at fair value through the profit and loss according to level 3. Tax related receivables and liabilities are not included. The fair value of other financial assets and liabilities are estimated to in all material respects correspond to the carrying values as the maturities are short term or the interest rates are estimated to on market terms.

### Calculation of fair value

Kopy Goldfields classifies fair value measurement using a fair value hierarchy that reflects the reliability of the inputs used in making the measurements. In accordance with IFRS 7 for financial instruments, disclosures about fair value measurement must be made by level. The fair value hierarchy consists of these levels:

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

## NOTE 32 SUBSEQUENT EVENTS

In January 2015 the preferential rights issue was finalized and 24,586,547 shares were subscribed to a value of MSEK 10.9. The share issue was registered by the Swedish Companies Registration Office in February, 2015.

In March 2015, GV Gold announced that they proceed according to the joint venture agreement of the Krasny license by investing another MUSD 3.0 for stage 2 of the ongoing exploration program. This confirms the expectations of taking the Krasny license into production.

In March 2015, the Company renegotiated the MSEK 3.0 loan and the new repayment date is April 29, 2016 and the lender has the right to convert the loan including accrued interest into shares at a subscription rate of SEK 0.55 per share.



The Board of Directors and the CEO hereby provide an assurance that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) to the extent they have been adopted by the EU, and that they provide a true and fair view of the Group's financial position and results. The annual report has been prepared in accordance with generally accepted accounting standards and provides a fair and true view of the Parent Company's financial position and results.

The Director's report for the Group and the Parent Company provides a true and fair overview of the development of the Group's and the Parent Company's operations, financial position and results, and describes significant risks and uncertainties to which the Parent

Company and the companies in the Group are exposed.

The income statement and statement of financial position of the Group and the income statement and balance sheet of the Parent Company are subject to adoption at the Annual General Meeting on May 27, 2015.

Stockholm on May 5, 2015

Kjell Carlsson  
Chairman

Mikhail Damrin  
CEO

Johan Österling

Markus Elsasser

Andreas Forssell

Our audit report was issued on May 5, 2015

Ernst & Young AB

Per Hedström  
Authorized public accountant

# AUDITOR'S REPORT

To the annual meeting of the shareholders of Kopy Goldfields AB (publ), corporate identity number 556723-6335

## **Report on the annual accounts and consolidated accounts**

We have audited the annual accounts and consolidated accounts of Kopy Goldfields AB (publ) for the financial year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 19-47.

## **Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts**

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

## **Auditor's responsibility**

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

## **Opinions**

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

## **Report on other legal and regulatory requirements**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Kopy Goldfields AB (publ) for the financial year 2014.

## **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

## **Auditor's responsibility**

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

## **Opinions**

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

Stockholm, May 5, 2015

Ernst & Young AB

Per Hedström  
Authorized Public Accountant

# THE BOARD OF DIRECTORS

## Organization

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 Moscow, Russia and Bodaibo, Russia, where the Company's geologists and exploration teams are employed. The average number of employees for the 2014 financial year was 14, including temporarily hired employees.

## Corporate governance

Kopy Goldfields 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.

## 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 within Kopy Goldfields AB. The Board of Directors also appoints the CEO and determines the remuneration and other terms for the CEO.

## Composition of the Board of Directors

Kopy Goldfields' Board of Directors consists of four members, of which Kjell Carlsson is the chairman. The members of the Board are presented in detail below. The Board of Directors is elected until next annual general meeting. 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: MSc mechanical engineering.  
Work experience: Senior management positions with Sandvik, Atlas Copco and ABB.  
Other assignments: Board member, Appalto AB; Board member, Kopy Development AB; Board member, AB Krasny Gold Fields; Board member, EuroMaint Rail AB; Board member, Bruzaholms Bruk AB  
Relinquished assignments during the last five years: Chairman of the Board, Sandvik Nora AB; CEO and Board member, Sandvik Mining and Construction Tools AB; Chairman of the Board, AB Sandvik KPS; Board member, Monitoring Control Center MCC AB; Board member, Sandvik Mining and Construction Sverige AB; Partner of Ingenjörssfirma C.J. Carlsson HB.  
Shareholding in Kopy Goldfields: 125,000  
Warrants: 260,000



### Andreas Forssell

Board member since 2011  
Born: 1971, Swedish citizen.  
Education: Master's Degree in Business Administration and MBA  
Work experience: CFO and deputy CEO, Crown Energy AB; Managing Director, Tomsk Refining  
Other assignments: Board member, Andreas Forssell AB; Board member, AB Krasny Gold Fields  
Relinquished assignments during the last five years: CEO, Tomsk Refining AB; Board member, Tomsk Konsult AB; Board member, Play on TV Europe AB; Board member, Stella Nova Filmproduktion AB; Deputy Board member, Elecard AB, Deputy Board member, Park Venue Stockholm AB  
Shareholding in Kopy Goldfields: 126,000  
Warrants: 130,000



### Johan Österling

Board member since 2011  
Born: 1946, Swedish citizen.  
Education: Swedish LL.M (Master in Law) and BA (business administration).  
Work experience: Partner of Foyen law firm  
Other assignments: Board member, Dragon Mining Sverige AB; Board member, Kilimanjaro Gold AB; Board member, LC-Tec AB; Board member, AB Surditer; Chairman of the Board, Göthes AB; Chairman of the Board, Fahlia AB; Chairman of the Board, Penclit AB; Chairman of the Board, ByggBag AB; Chairman of the Board, JE Österling Förvaltning AB; Board member, Bofors Bruk AB; Board member, AB Solut.  
Relinquished assignments during the last five years: Nomor AB (publ).  
Shareholding in Kopy Goldfields: 500,000  
Warrants: 130,000



### Markus Elsasser

Board member since 2013  
Born: 1956, German citizen.  
Education: PhD in Business Administration, Cologne University  
Work experience: CEO, M. Elsasser & Cie AG 1971; Finance Director, Dow Chemical; CEO of companies based in Australia and Singapore from the chemical- and food industry.  
Other assignments: Non-Executive Board Member, Impact Minerals Ltd; Non-Executive Board Member, Stellar Diamonds Plc; Non-Executive Board Member, Stellar Resources Ltd  
Relinquished assignments during the last five years: Board Member, Artic Gold AB  
Shareholding in Kopy Goldfields: 1,866,666

## Auditor

Ernst & Young, responsible Per Hedström, Authorized Public Accountant

## MANAGEMENT

Kopy Goldfields' management consists of four members, of which Mikhail Damrin is the CEO, and these are presented in detail below. All shareholdings are including family and privately-held



### **Mikhail Damrin**

CEO since 2009.

Born: 1970, Russian citizen.

Education: MSc 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, Bachelor's degree in open pit mining from the Moscow Mining University.

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

Other assignments: Board member, LLC Krasny Relinquished assignments during the last five years: Board member, Tomsk Refining AB; Board member and joint owner of Amur Gold LLC

Shareholding in Kopy Goldfields 196,681

Warrants: –



### **Tim Carlsson**

CFO since 2011, Deputy CEO since 2012.

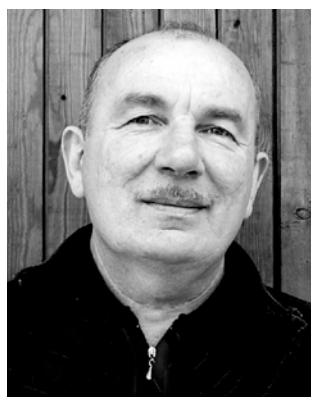
Born: 1979, Swedish citizen.

Education: Master's Degree in Business Administration, Linköping University, Sweden; Business studies, Eberhard Karls Universität Tübingen, Germany; Russian language studies, Herzen University, St Petersburg, Russia.

Work experience: Authorized Public Accountant, KPMG Other assignments: Board member, LLC Krasny Relinquished assignments during the last five years: Board member, Brf Oxen Mindre 22

Shareholding in Kopy Goldfields: 450,000

Warrants: –



### **Alexander Vamboldt**

Managing director of LLC Kopylovsky 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 Khakassia; manager of MAVAX S.a.r.l. in Guinea, with responsibility for bedrock gold exploration planning and development; director of OOO Tardan Gold with responsibility for construction and management of an open pit gold mine and processing plant.

Other assignments: – Relinquished assignments during the last five years: –

Shareholding in Kopy Goldfields: –

Warrants: –



### **Dr. Evgeny Bozhko**

Chief geologist since 2011, employed in Kopy Goldfields since 2010

Born: 1968, Russian citizen.

Education: PhD in geological and mineralogical science. Degree in Prospecting and Exploration Geology from Voronej State University, Russia

Work experience: Several Senior Geologist/Chief geologist positions within African exploration- and mining companies.

Other assignments: –

Relinquished assignments during the last five years: –

Shareholding in Kopy Goldfields: –

Warrants: –



## **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.

## **JORC**

Code – recognized standard set by the Australian Joint Ore Reserve Committee (JORC) for calculation of mineral resources.

## **Measured mineral resource**

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.

