KOPYLOVSKOYE

ANNUAL REPORT 2009

Content

3 Annual General Meeting
4 Kopylovskoye in 3 minutes
6 Key events during the year
8 Word from Chairman
10 Word from CEO
12 Company strategy
13 Business modell and licenses
15 Geographical focus
16 Projects overview
18 Mineral resources and production
21 Risks and risk management
23 The gold market
26 Employees
27 Corporate governance
29 The shares
30 Administration report 2009
34 Risks and uncertainties
36 Financial statements
45 Notes
59 Glossary
60 Address

Annual General Meeting

Kopylovskoye AB (publ) will be held on Tuesday, June 29, 2010 at 3 pm at SUMMIT, Grev Turegatan 30 Stockholm.

Registration

Seperate notice was published on May 31, 2010 and may be downloaded on www.kopylovskoye.com.
To get the right to attend at Annual General meeting shareholders have to register latest 22 of June, 2010 at 4 pm at agm@kopylovskoye.com.

COMING REPORTING DATES

Half year report	August 31, 2010
3rd Quarter	November 30, 2010
4th Quarter	February 28, 2011

Translation

This English annual report is a translation of the Swedish annual report for 2009. If any discrepancies exist in the translation, the Swedish language version shall prevail.

Kopylovskoye in 3 minutes

FACTS IN BRIEF

- Kopylovskoye AB owns five licenses for bedrock gold exploration and production
- Exploration area covers 215 km^2 in Lena Goldfields, Bodaibo, Irkutsk region in the Russian Federation
- High exploration potential and established reserves: Russian classification: reserves C1+C2 – 0.27 Moz, resources P1+P2 – 1.57 Moz
- Swedish parent company Kopylovskoye AB owns subsidies and licenses to 100 %
- Kopylovskoye AB contracted SRK Consulting, a leading, international mining and exploration consultancy to provide independent guidance on exploration activities in line with best industry practices.
- 48 full-time employees in Bodaibo, Tomsk, Moscow and Stockholm
- Kopylovskoye AB has around 4,700 shareholders. The intention is to list the company during quarter three 2010.

DEVELOPMENT TARGETS

Develop a gold exploration and production company able to produce in 5 years 0.2 Moz gold per year and have resources of 5 Moz of gold to support production. We target to achieve this by:

→ Swiftly moving existing exploration projects into production

→ Identifying and developing green-field gold exploration properties within Russian Lena Goldfields

→ M&A deals

BUSINESS MODEL

AQUISITION → PROSPECTING → EXPLORATION → MINE AND PLANT CONSTRUCTION → PRODUCTION

5
EXPLORATION AND PRODUCTION LICENCES

215
SQM IS KOPYLOVSKOYES EXPLORATION AREA

100
PERCENT OWNERSHIP OF SUBSIDES AND LICENSES

200
THOUSAND OZ PRODUCTION TARGET IN FIVE YEARS

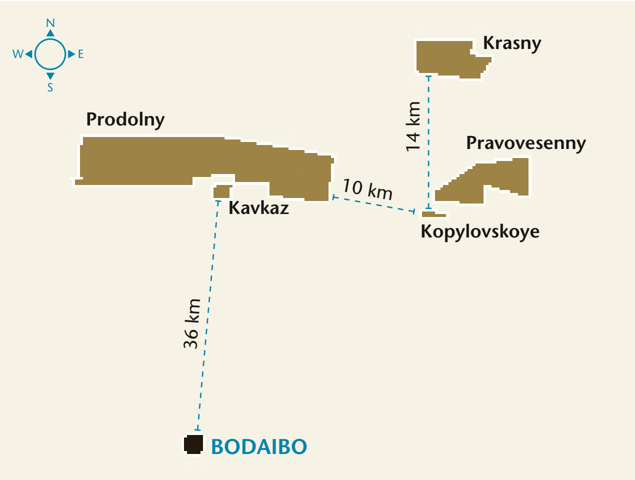
COMPANY FOCUS

AREA: 100+ Moz emerging major world-class gold region in Bodaibo, Russia

COMMODITY: Gold

BUSINESS FOCUS: Bedrock gold exploration and production

PROJECTS



OUR STRENGTH

Established, efficient and experienced management team and developed corporate structure.	Pipeline of projects at different exploration stages.
Compact location in the area with high potential for major discoveries.	Strong local relations in Russia.

Key events during the year

1ST QUARTER

- Final split with Central Asia Gold AB.
- Mikhail Damrin appointed Managing Director for Kopylovskoye AB.
- Contract SRK Consulting for projects review.
- Revaluation and analysis of FA and exploration properties.
- Validation of existing exploration techniques.

2ND QUARTER

- Reporting annual report 2008 in accordance with IFRS standard.
- Commencement of exploration program for 2009.

3RD QUARTER

- Estimation of resource potential 0,9 Moz of gold for Kopylovskoye project alone.
- New rights issue for 20 MSEK closed oversubscribed.
- Full speed development of exploration program 2009.

4TH QUARTER

- The company confirmed disseminated type materialization on Kavkaz.
    - Trenches 507 – 54 meters on 3.8 gr/t gold grade.
    - Trenches 503 – 54 meters on 2.5 gr/t gold grade.
    - Trenches 105 – 120 meters on 2.66 gr/t.
- Confirmation of gold materialization on Uspenskiy within Prodolny block.

Towards gold edging future

I am very pleased with the significant progress Kopylovskoye made in 2009. Hard work by the Board, management and employees in 2009 has begun to shape a company that I believe have great potential. Cooperation with SRK Consulting has helped the company prioritized and focused on creating value in several of the deposits and use the funding effectively.

Our CEO, Mikhail Damrin, has made great progress with the company during 2009, he has pushed the team in Bodaibo, carried out negotiations for the acquisition and worked closely with the Board's overall strategy and budget issues. He has close contacts with local partners and suppliers, and manage to get personnel and equipment on site at short notice.

In 2009, Kopylovskoye established a vision and strategy, in which the Company within five years will start producing gold and increase the mineral resources to an attractive level for the Company. The fact that the company controls all the licenses to 100%, both in the gold exploration and gold production, gives additional force to implement the plans.

Exploration carried out in 2009 has resulted in increased potential mineral resources, confirmed by SRK Consulting, particularly in Kopylovskoye deposit, but also Kavkaz-deposit and Prodolny- deposit. Despite a tough year in 2009, the company managed to secure funding for another six months, with the help of great support from the shareholders. This allowed the company to complete the exploration and analysis as planned.

In 2010, the company will mainly focus on the exploration and ensure the mineral resources according to International standards, JORC, with a focus on Kopylovskoye deposit. The company continues to cooperate with SRK Consulting, which contributes with knowledge and experience, and has strengthened Board and management with expertise from Russian companies, finance and the mining industry.

The exploration phase requires support from shareholders, to finance the company until the feasibility-studies and production plans are completed. The company undertook a rights issue in March 2010, and raised

24 million SEK. Furthermore, there is a warrant which is traded at Mangold Fondkommission, until the expiration date June 30. The board aim to list the company during late 2010.

With this, I would like to thank the Board, CEO and management, all employees and all shareholders, for the great support in 2009 and look forward Kopylovskoye get your confidence even in 2010.

Chairman of the Board, May 2010

Ulrika Hagdahl

2009: from review and analysis to clear strategy and actions

2009 was a challenging year. We tried to survive though the financial crisis, and used momentum of general uncertainty to expand operations. It is up to you to judge how far we have succeeded.

Although our flagship asset is Kopylovskoye, we are not a company of a "single project". Aiming that Kopylovskoye will develop into a profitable mine and putting all the investments into one property is not our way to grow. Our goal is to create value by developing gold mining operations in Lena goldfields in Russia. Lena Goldfields has potential to become a major gold producing area in the world in the near future.

For Kopylovskoye AB, getting into production implies either acquisition of existing mining projects which is expensive due to high gold price or developing mining from available green-field projects. Having all our portfolio properties favorably located in the middle of Lena Goldfields, I personally believe that our opportunity is in carefully development of existing and new exploration projects into reserves and production. Greenfield properties are still relatively cheap to acquire however they carry significant exploration risks. Control of exploration risks is the main operational challenge for the company in the coming year.

In 2009 we focused our exploration activities on Kavkaz and Prodolny leaving bulk of drilling program at Kopylovskoye prospect for 2010. I am sure that it turned to be the right strategy as we have now created value of both Kavkaz and Prodolny and also sustainability to the company growth by having a variety of projects at different exploration stages.

Kopylovskoye prospect

At Kopylovskoye deposit we finalized fire assay tests for trench, RAB and core samples taken in 2008. With assistance of SRK Consulting we developed a 3D model for Kopylovskoye deposit, reassessed resource potential for the prospect and prepared drill targets for 2010 RC drilling program. Based on the existing information we estimate resource potential for Kopylovskoye at 0.9 MOz.

During 2010 we schedule an extensive RC drilling at Kopylovskoye starting with scoping drilling to confirm mineralization at the south-eastern flank of license area and grade at depth followed by in-fill drilling to establish gold reserves. We plan to perform metallurgical enrichment tests for deep ore bodies and to prepare Russian reserve report in compliance with license obligations. On Kopylovskoye we plan to finalize feasibility study in 2011 in order to commence plant construction in late 2011-early 2012 and have first gold production in 2013.

Kavkaz prospect

On Kavkaz we targeted the north-east part of the license area or Zone 1 of former Russian reserves. The main result of 2009 is confirmation of disseminated type gold mineralization of the Milliony structure. This mineralization is totally different from quartz vein type gold mineralization associated with historic Russian proven reserves for Kavkaz and it has far more potential to host a significant gold deposit. The Milliony fault crosses Kavkaz license from west to east and we believe it is mineralized all along the strike.

In 2010 we target to explore Kavkaz property further along Milliony fault in north-west direction and quantify mineralization along the strike and at depth by RC drilling program. Our target for the year is confirm mining potential of Kavkaz by issuing JORK resource report covering the Milliony fault area and potentially sub parallel fault structures in the southern part of license block.

Prodolny prospect

On Prodolny block we validated historic gold occurrences within all the area and identified targets for detailed exploration in 2010. We commenced prospecting at Uspensky mineralization located on the western side of the "Milliony pit" (historic name for a group of placer gold deposits bordering Kavkaz and Prodolny properties with accumulated alluvial gold production since 1860s of 4.5+ MOz) along the Milliony fault (Kavkaz prospect is located opposite to Uspensky gold occurrence on the eastern side of Milliony pit). We identified a number of parallel west–east fault structures crossing the Prodolny area. All known mineralization at Prodolny are located along these fault zones.

In 2010 we plan to proceed with exploration on Uspensky site with target to estimate resources and initiate prospecting at Zolotoy gold occurrence.

Krasniy and Provovesenniy prospects

In March 2010 we won two license auctions for Krasniy and Provovesenniy exploration properties. Both prospects are located in the close vicinity of Kopylovskoye and Prodolny. Krasniy is of particular interest. There is a fair amount of former Russian exploration data although most of efforts were focused on quartz vein type mineralization. Krasniy has 0.6 MOz of gold Russian resources of P1 category at grade 2.67 gr/ton. Federal road and electric power lines cross territory of Krasniy.

I strongly believe that these properties will make good addition to our existing projects further decreasing exploration risks. Both properties are easily assessable from Kopylovskoye and Prodolny and represent same exploration area. The area of our exploration properties has now reached 215 sq km.

SRK geological supervision

Early 2009 we commenced an independent technical/geological audit of our projects by SRK Consulting. The audit scope included establishing geologic potential of our exploration properties, testing technology and equipment in use and assessing competency and experience of our technical team in Bodaibo. SRK came back with very positive conclusions for all aspects reviwed. They will proceed giving us guidance in our exploration efforts and will do resource/reserve estimation in the future. Our SRK project team contributes a lot towards the company development and they are great people to work with.

Strengthen Board of directors and management team

Success of a company starts from an efficient Board of directors and capable management team. Our Board of directors has changed significantly over the year. I am very grateful to all the Board members for the strong support and friendly guidance I received during the year. I am glad to see Alex Mikhailov joining the company as Vice president on exploration. Having spent the last decade with SRK Consulting all over the world, he will be able to disseminate western exploration ideology into daily operational routines in Bodaibo. Many of you have had or will soon have a chance to get an update on the various activities within the company from Anna Daun Wester who took position of Vice president on Investor Relations since February 1, 2010. There is also number of new talented geologists managing daily operations on sites who are joining the company now.

We proceed with further strengthening our exploration and management team both in Bodaibo and in Stockholm.

Plans for the future

I believe that 2010 will be even more exciting and challenging to the company. We have a clear strategy and targets to move forward. And milestones to reach.

First, we intend in 2010 to prove resources on Kopylovskoye and commence feasibility study to have first gold production in 2013. Second, we target to prove resources for a significant part of Kavkaz license area in order to start reviewing production possibilities. Third, we proceed with detailed exploration at Uspensky mineralization and plan to prove initial resources by the end of 2010. We also proceed with delineating other exploration targets on Prodolny. Forth, we are reviewing further acquisitions with Bodaibo area and will hopefully report on them soon.

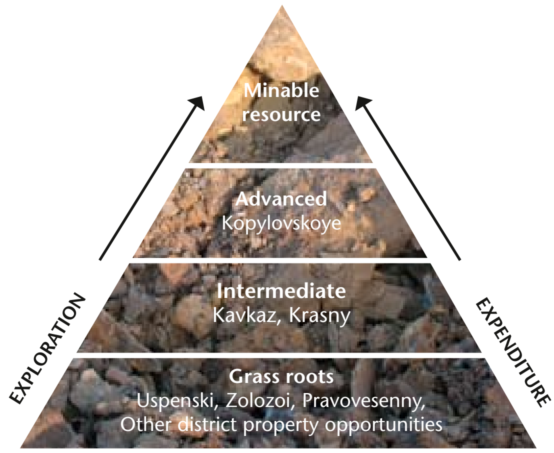
Kopylovskoye AB arrived into 2010 in a very good shape and hungry for reaching the milestones.

May 2010
Mikhail Damrin

Strategy adds long-term value for the company and the shareholders

THE COMPANY

Kopylovskoye AB is a public not listed Swedish junior gold exploration company. The company was founded in 2007 following acquisition of a gold exploration prospect of the same name. Until December 2008, Kopylovskoye AB was a subsidiary of Central Asia Gold AB.
In December 2008, shareholders of Central Asia Gold AB took a decision to dividend out shares of Kopylovskoye AB. Since then, the company is fully independent. Kopylovskoye AB is developing five bedrock gold projects. The projects are at different exploration development stage – Kopylovskoye project is in advanced exploration stage, Kavkaz and Krasny are in the early exploration stage. Prodolny and Pravovesenny are in prospecting stage. They are all located in Lena Goldfields in Bodaibo area of Irkutsk region in Russian Federation. All projects are surrounding the town of Artemovskij in 40 km north-east from the city of Bodaibo, approximately 880 km north-east from the city of Irkutsk.



RESOURCE DEVELOPMENT PYRAMID

BUSINESS CONCEPT

Kopylovskoye AB focuses on development of gold exploration prospects into production in the Lena Goldfields, Russia. Based on exploration data from 2010, the Company's goal is to finalize feasibility study for Kopylovskoye project in 2011 and commence production planning and mine construction with target to produce the first gold at the Kopylovskoye deposit in 2013.

STRATEGY	HOW TO ACHIEVE THE TARGETS	FOCUS IN 2010
→ **Be able to produce in 5 years 0.2 Moz gold per year and commence production in 2013.**	→ Prepare and finalize feasibility studies for current exploration projects before production start.	→ Prove Kopylovskoye prospect becoming a mine – do scoping drilling, scoping study, infill drilling, prefeasibility in order to prove JORC resources in 2010, file Rusian state reserve report in Q12011, proceed to feasibility study in 2011 and prepare start for mine development by the end 2011.
→ **Have resources of 5 Moz of gold to support production.**	→ Identify and develop green-field projects from the existing portfolio.	→ Prove exploration potential at Kavkaz – do scoping study and prove resources, prepare for PFS and FS studies in 2011. Prove exploration potential at Uspensky mineralization within Prodolny, prepare for scoping and infill drilling in 2011. Do prospecting at Zolotoy mineralization within Prodolny to prepare it for scoping study in 2011–2012. Validate historic exploration data at Krasny.
→ **To have resources of 5 Moz of gold to support production.**	→ Acquire new licenses within the area.	→ Two new licenses acquired in Q1 2010.

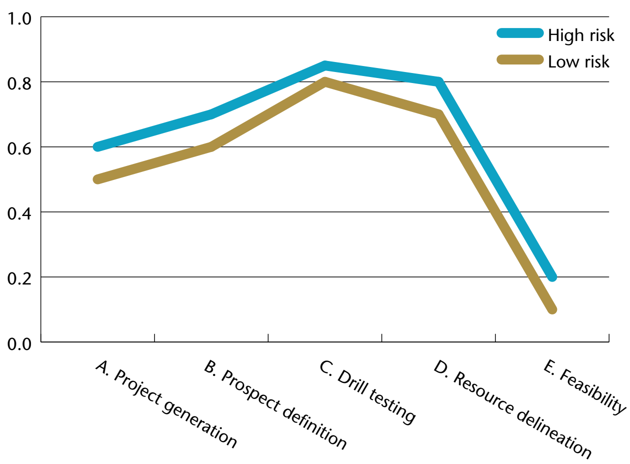
Kopylovskoyes business model cre- ates growth and decrease risks

BUSINESS MODEL

PROSPECT ACQUISITION	PROSPECTING	EXPLORATION	FEASIBILITY AND EVALUATION	CONSTRUCTION AND STARTUP OF MINE AND PLANT	PRODUCTION
Identify high exploration potential targets and make acquisition of license for exploration and production at favourable terms.	Analyze historic exploration data using modern technology, develop prospecting program , geochemical and geophysical survey, drilling and trenhcing for the next exploration stage.	Mapping, trenching, drilling, Resource modeling and estimation, scoping study – what are the chances for the prospect to become a mine, pre-feasibility.	In-fill drilling. Convert resources to reserves. Detailed engineering studies.	Use the best technology, engeneering and supply available worldwide.	Gold production at low costs. Brown-field exploration to extend mine life. Reclamation and closure.
Financing through equity.	Financing through equity.	Financing through equity.	Financing mostly through equity, partially by debt.	Financing by debt.	Cash flow and debt.
Acquisition and Divestitures = active management of the portfolio					

Kopylovskoye strives to increase value of the portfolio of projects by controlling the exploration process, and by actively working to reduce risk in the various phases of exploration.

RISK PER EXPLORATION STAGE



OUR DEVELOPMENT STRATEGY

- Supplement Soviet geologic knowledge and science with international "best industry practices" and modern technology in order to identify and explore mineral deposits in a cost-efficient way.
- Develop mining operations in cooperation or under joint venture agreements with major international producers to maximize shareholders returns.
- Establish a small but efficient organization with the right competences in exploration and mining.
- Build-up professional and friendly relations with regional authorities and communities in order to support company's growth and development in the area.
- Develop exploration and mining activities in the safe and environmental friendly way in compliance with Russian and international industry standards.

Ownership

All licenses are hold by 100% by Kopylovskoye AB. They are Mineral Exploration and Mining licenses and permit exploration following by mining. During current years Kopylovskoye AB had proven its ability to adhere to the license obligations, work out all necessary permits and win new licenses through competitive auction procedures.

Asset portfolio and licenses

Exploration and production licenses are the main assets of the Company and are the basis for the Company's growth. The Company may acquire new licenses by participating in open auctions organized by the authorities. The company develops working programs for each property and applies for approval of the program plan by the Russian authorities for natural resources. Program Plan includes drilling, trenching and sample analysis and other exploration activities which the Company chooses. Licences agreements contain certain requirements for the production start date and annual production volume.

License number ИРК 02 083 БР for Kopylovskoye deposit was issued on 2004-11-29 and is valid until 2020-05-01. The license agreement require that a mineral reserve report is submitted to the authorities in second quarter 2011, the minimum production volume is 464 kg of gold per year and production start in 2013. Kopylovskoye also holds the rights for alluvial gold exploration and production at Kopylovskoye deposit, for a period to 2011-05-01.

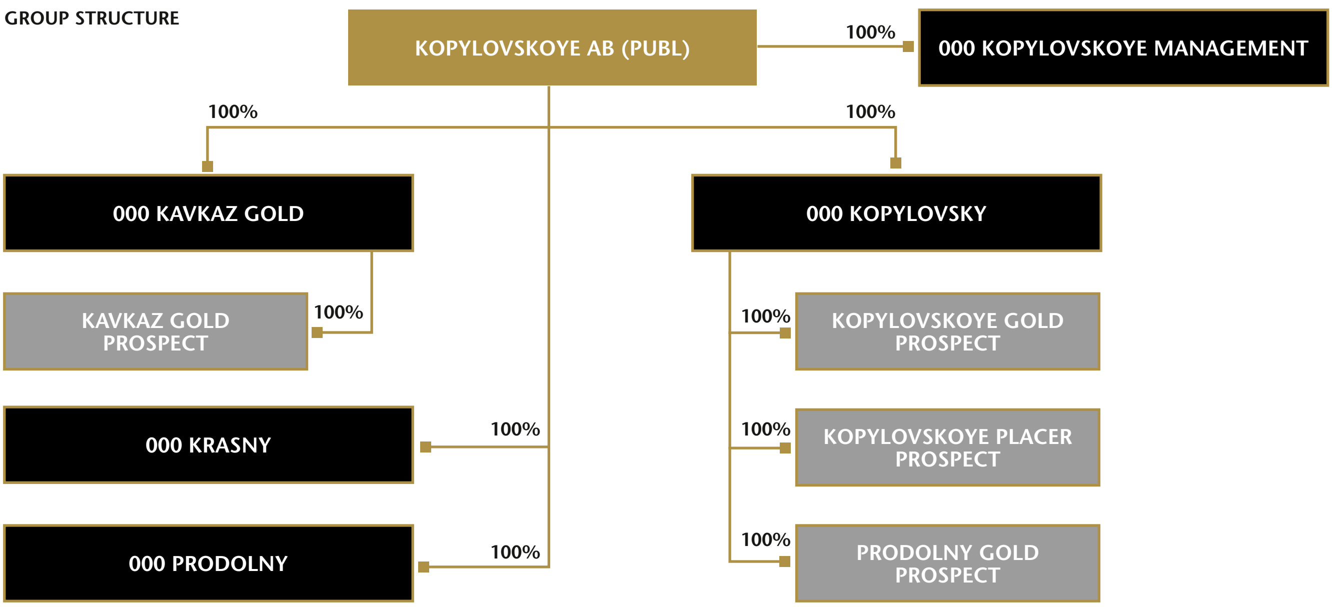
License number ИРК 02 565 БР for Prodolny prospect was issued on 2008-06-18 and is valid until 2033-06-25. In June, 2012, the C2 mineral resource report has to be completed and exploration work plans must be approved no later than June 2013. Gold production will start latest December 2018.

License number ХХ 02 577 БР for Kavkaz deposit was issued on 2008-08-11 and is valid until 2015-05-01. In 2010, the Kavkaz-license will complete a mineral resource report based on the 2009 exploration programs. Based on this report, the Company will apply for a new exploration work plan for the Kavkaz.

Krasny-license (acquired Q1 2010) will be valid for 25 years and will provide rights for bedrock gold prospecting, exploration and production.

Pravovesenny-license (acquired Q1 2010) will be valid for 20 years and will provide rights for bedrock gold prospecting, exploration and production.

GROUP STRUCTURE



Deposits in one of the most goldrich areas in the world

Geographical focus

Kopylovskoye AB is developing five bedrock gold projects – Kopylovskoye, Kavkaz, Prodolny, Krasny and Pravovesenny, all located in Lena Goldfields in Bodaibo area of Irkutsk region in Russian Federation. All projects are surrounding the town of Artemovskij in 40 km north-east from the city of Bodaibo, approximately 880 km north-east from the city of Irkutsk. Bodaibo area has more than 150 years of gold production. First gold was produced from placer deposit in 1840s. Since then the region was steadily producing round 0.25 Moz of alluvial gold per year. Accumulated gold production exceeds 30 Moz. Placer production still makes majority of regional gold output: 0.3 Moz out of total production 0.45 Moz in 2008 came from alluvial deposits.

Bodaibo area hosts several world class bedrock gold deposits – Vysochaishiy, Verny, Chertovo Koryto and Sukhoy Log, the latter being apparently the largest undeveloped gold deposit in the world with some 60 Moz of reserves.

Gold mining is the main industry in the area. Bodaibo was founded as headquarter of alluvial producers in late 19th century (similar to Dowson city in Alaska and a symbol of Klondike gold rush on the bank of Vitim river). Each of 16,000 citizens of Bodaibo has relations to gold business. The area has good mining infrastructure: airport in Bodaibo, federal year-round roads from Bodaibo to main gold production sites, hydro electric power plant on the Mamakan River and connection to the Russian national electric power grid, schools, hospitals and shops. Vitim river is navigable during summer.

Kopylovskoye projects are in the middle of developed infrastructure within the max distance of 6 km from the federal road and national electric power grid (Kopylovskoye is already connected to the power grid). Distance between Kavkaz and Kopylovskoye is 23 km which creates a potential possibility to have one plant processing rock from several sites. Electricity supply to Kopylovskoye site is arranged by already constructed land electricity power grid of reginal electricity supplier VitimEnergo which is further connected to Russian National power grid. Also land electric power grid is crossing Prodolny and Krasny.

DISTRICT	DEPOSIT TYPE	OZ AU PRODUCTED + RESOURCES	INDIVIDUAL SIZE DEPOSITS
Witwatersrand, South Africa	Reefs (flat veins)	Largest district worldwide + 300M oz	1–20 M oz
Lena Goldfields/Bodaibo	Placer, veins, disseminations	~ 100 M oz	100 k to 30 M oz
Carlin, Nevada	Carlin-type disseminations	+ 100 M oz	100 k to ~20 M oz
Timmins, Canada	Archean veins	~ 100 M oz	100 k to ~20 M oz
Kalgoorlie, Australia	Archean veins	+ 100 M oz	100 k to 50 M oz
California – Mother Lode	Placers and veins	+ 100 M oz	Highly variable

The Projects

KOPYLOVSKOYE PROSPECT

Kopylovskoye property is located in Bodaibo area in 40 km northeast from the city of Bodaibo, approximately 880 km northeast of the city of Irkutsk. The area of the prospect covers around 1.5 square km. The title for the property belongs to OOO "Kopylovsky", a 100% subsidiary of Kopylovskoye AB, in accordance with the License – ИРК 02083 БР, which provide rights for bedrock gold exploration and production.

EXPLORATION ACTIVITIES 2009

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

- Trench – 982 samples
- RAB – 538 samples
- Core cuttings -1,000 samples

The new assay tests identified a mineralized gold interval in the trench 340 of 69 meters with grade 5.3 gr/ton (including interval of 19 meters with grade 19.2 gr/ton). Trench 340 crossed the outcrop of saddle reef structure 2 at surface thus confirming its high resource potential. Trench 348 crossed 49 meters of mineralized zone with average grade 0.6 gr/ton including 22 meters interval with grade 1.4 gr/ton.

2010/2011 EXPLORATION TARGETS

- Prove JORC gold reserves/resources at Kopylovskoye deposit (pre-feasibility stage) to be able to start production during 2013
- Prove Russian reserves by Q2, 2011 to comply with Kopylovskoye- license agreement obligations

INVESTMENTS IN EXPLORATION WORK

MUSD	2007	2008	2009
Exploration at Kopylovskoye prospect	1.28	3.16	0.42

RESOURCES AND RESERVES BY RUSSIAN CLASSIFICATIONS

Reserve/resource category	Ore mass (t)	Grade (g/t)	Gold (kg)	Gold (oz)
C1	80,200	2.88	231	7,428
C2	2,230,938	3.24	7,220	232,154
Total C1 + C2	**2,311,138**	**3.22**	**7,451**	**239,582**
P1	**3,308,100**	**3.13**	**10,370**	**333,441**

KAVKAZ PROSPECT

The area of the prospect covers around 3,4 square km. The property is developed by OOO "Kavkaz Gold", a 100% subsidiary of Kopylovskoye AB, in accordance with the License – ИРК 02577 БР, which provides rights for bedrock gold prospecting and production.

EXPLORATION ACTIVITIES 2009

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

We identified a rich stockwork type gold mineralization at the Northern flank of Zone 1. Mineralization is hosted within quartz vein stockwork zone. The zone is open in all directions and to depth and along strike.

- Trench 507 – 3,752 g/t for 54 meters
- Trench 503 – 2,5 g/t for 54 meters and 3,95 g/ton for 24 meters
- Trench 105 – 2,66 g/t for 120 meters

INVESTMENTS IN EXPLORATION WORK

MUSD	2007	2008	2009
Exploration on Kavkaz	0	0.068	0.65

RESOURCES AND RESERVES BY RUSSIAN CLASSIFICATIONS

Reserve/resource category	Ore mass (t)	Grade (g/t)	Gold (kg)	Gold (oz)
C1				
C2	110,376	9.4	1,037	33,344
Total C1+C2	**110,376**	**9.4**	**1,037**	**33,344**
P1	**175,000**	**9.4**	**1,645**	**52,894**

PRODOLNY PROPERTY

Prodolny property is located in Bodaibo area in some 40 km north-east from the city of Bodaibo, approximately 880 km northeast from the city of Irkutsk. The area of the prospect covers 141 square km. The property is owned by OOO "Kopylovsky", a 100% subsidiary of Kopylovskoye AB, in accordance with the License – ИРК 02565 БР, which provide rights for bedrock gold prospecting, exploration and production.

EXPLORATION ACTIVITIES 2009

- Geophysical survey at 1:25,000 scale covering most of Prodolny area. Methods include Induced Polarization (IP), magnetics, and spectrometry – 100 sq km
- Geophysical survey at 1:10,000 scale covering Uspensky gold occurrence. Methods include Induced Polarization (IP), magnetics, resistance and spectrometry – 10 sq km
- Geochemical sampling of 1:10,000 scale at the south-western part of Prodolny area covering Uspensky gold occurrence. Samples are taken at 100 by 20 meters grid. Samples are analyzed for associated metals by portable XRF (X-ray fluorescent spectrometer) on site and for gold by atomic-absorption methods at external laboratory –10 sq km
- Trench and shaft sampling at– Uspensky. Total trench length logged and sampled is 516 meters.

SUMMARY OF EXPLORATION WORK

- The main outcome is confirmation of gold mineralization along 4 km strike of Milliony fault from Kavkaz (trench 503, 507) to Uspensky (trench 202).
- Several new sub parallel fault zones crossing Prodolny block from west to east were identified. Most of historically known gold mineralizations are associated with these fault structures.

2010 EXPLORATION OBJECTIVES AND WORK SCOPE

- Proceed with detailed exploration on Uspensky mineralization to move it (potentially) into resource category (drive some 600 meters of trenches, RC drilling of 1,500-2,500 meters)
- Commence initial exploration at Zolotoy mineralization and potentially other gold occurrences identified during 2009 (carry out geophysical and geochemical surveys of 1:10,000 scale at the area of 15 sq km, drive some 600 meters of trenches)
- Finalize prospecting stage for the whole license area to identify most perspective mineralizations for further detailed exploration (geophysical survey of 1:25,000 scale for the remaining 40 sq km left from 2009, following which the whole area will be covered with modern geophysics)

INVESTMENTS IN EXPLORATION WORK

MUSD	2007	2008	2009
Exploration on Prodolny	0	0.0097	0.76

RESOURCES AND RESERVES BY RUSSIAN CLASSIFICATIONS

Reserve/resource category	Gold (kg)	Gold (oz)
P2	18,000	578,778

KRASNY –PROJECTS

(Acquired Q1 2010)

The projectarea is 31 sq km. Located 75 km to the north from Bodaibo. Federal road and electric power lines are crossing it.

HISTORIC EXPLORATION ACTIVITIES

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

Several gold materializations were confirmed.

INVESTMENTS IN EXPLORATION WORK

The license was acqured for 0,81 MUSD. Kopylovskoye AB has not invested in exploration yet.

RESOURCES AND RESERVES BY RUSSIAN CLASSIFICATIONS

Reserve/resource category	Ore mass (t)	Grade (g/t)	Gold (kg)	Gold (oz)
P1		2.67	19,000	610,932

PRAVOVESENNY –PROJECTS

(Acquired Q1 2010)

The project area is 35 sq km. Located 54 km to the north from Bodaibo. It is connected to the Federal road by gravel road and there is electric power lines 110 kw passing nearby.

EXPLORATION ACTIVITIES

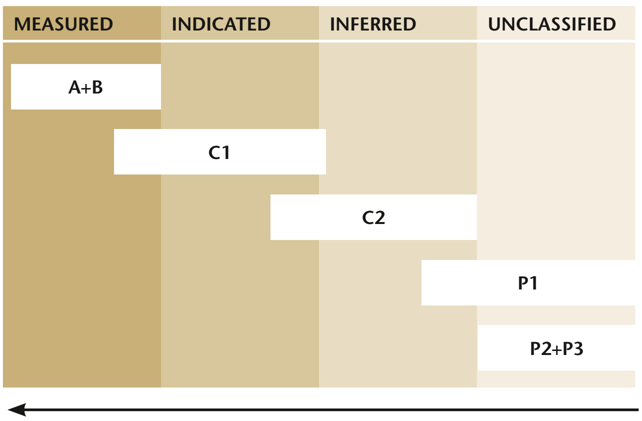
There is a number of gold mineralization within the area the most explored is Kapustinsky mineralization.

INVESTMENTS IN EXPLORATION WORK

Total acquisition costs for Pravovesenny block was 0.045 MUSD including the auction price and all participation expenses. Kopylovskoye AB has not invested in exploration yet.

Resources and reserves – the companies main assets

Kopylovskoye AB reports so far all deposits according to Russian reserves classifications. By the end of 2010 all resources will be classified under JORC standard. The following is a indicated comparison between russian classification GKZ, C1, C2, P1 and P2+P3 and the international standard JORC with measured, indicated, inferred and unclassified.



Increasing grade of geological knowledge and confidence

Future gold production at Kopylovskoye

The final product at our production sites in Bodaibo will be Dore gold bullions. The company then sends these Dore bullions to Refinery for purification. Refinery will charge Kopylovskoye AB some 1% of the market gold price and produce gold bullion of bankable quality. Kopylovskoye AB will sell these bullions at world market price less normal sale charges. The nearest gold refinery is in the city of Krasnoyarsk which is some 1 500 km from Irkutsk. Delivery of Dire bullions from site to refinery is usually arranged by refinery/state security services.

KOPYLOVSKOYE AB RESOURCES AND RESERVES BY RUSSIAN CLASSIFICATIONS

Reserve/resource category	Ore mass (t)	Grade (g/t)	Gold (kg)	Gold (oz)
C1	80,200	2.88	231	7,428
C2	2,341,314	3.24 to 9.4	8,257	265,498
Total C1+C2	**2,421,514**	**2.88 to 9.4**	**8,488**	**272,926**
P1	3,483,100	3.13	31,015	997,267
P2			18,000	578,778
Total P1+P2				**1,576,045**

Risk management is a key element in exploration

OPERATIONAL RISKS

DESCRIPTION OF RISK	RISK MANAGEMENT	RESULT 2009 AND EXPOSURE 2010
Geological risk All estimates of recoverable mineral resources in the ground is largely based on probabilities. Estimates of mineral resources and ore reserves is based on extensive test drilling, statistical analysis and model studies and remains theoretical in nature to 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. 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.	Kopylovskoye seek to recruit and work with well-trained and skilled staff with great knowledge in geology and exploration. Kopylovskoye is aware that all drilled holes will not bring positive results. Probability assessments are based on statistics, geological similarities and experience.	Kopylovskoye risk is equivalent to comparable companies in the industry. 2009 was positive, after SRK Consulting upgraded the potential of mineral resources in one of the discoveries and showed that the geology is favorable for gold deposits. In 2010, we focus on the classification of assets according to international standard JORC.
Volatility in gold price Gold price may change due to reduced demand, changes in U.S. dollar and other macroeconomic factors, which may affect Company operations and financial position. Fluctuations in the Official exchange rate for rubles and U.S. dollars affects directly and indirectly the value of assets and liabilities.	Kopylovskoye currently has no policy to hedge against gold price, future sales, when the company so far is in the exploration stage. Management continually assesses whether or not hedging is required.	Volatility in gold price did not influence the company in 2009.
The economic life of discovery and evaluation of assets The economic life of the mine depends on several factors such as size of metal prices, mineral resource, finance costs, etc. There is a risk that the reserves may change in future depending on changes in production costs, process or exchange product price.	Kopylovskoyes goal is to diversify the portfolio and increase the number of licenses and increase probable and proven mineral resources in a number of locations to diversify away the risk.	The company focused in 2009 on the Kavkaz and Prodolny to investigate and estimate the potential resourcepotential, which gave good results and increased risk diversification. In 2010, Kopylovskoye primarily continue to drill and complete Kopylovskoye JORC resource estimation.
Technical Risk and suppliers Technical risks could lead to interruptions in exploration activities. Lack of or delay of advanced drilling equipment and rental of equipment could lead to increase costs.	The company is constantly working and has good contacts with local and western suppliers. Furthermore, we ensure that procurement and rental of machinery is made in good time before the season starts exploration.	The company contracted in 2009 SRK Consulting, with solid experience and good knowledge of exploration, drilling and procurement, resulting in continued collaboration in 2010.
License Management Breach of license obligations might result in license withdraw by the Russian state authorities.	The company is constantly working to meet licensing requirements and has an exploration plan for each license. The company has a good contact with the authorities.	Company fulfilled all requirements for 2009, and has a good relationship with the authorities.

FINANCIAL RISKS

DESCRIPTION OF RISK	RISK MANAGEMENT	RESULT 2009 AND EXPOSURE 2010
Liquidity Gold exploration is capital intensive. The Company's planned exploration program will require additional capital. There is no assurance that additional capital can be obtained on favorable terms, or that enough capital is raised to fund operations as defined business plan.	The company evaluate constantly liquidity and capital need, in order to complete the planned exploration program and create growth in the company.	Kopylovskoye implemented successful financial activities in 2009, despite a tough financial climate. The company paid part of the debt to former owners. The company plans to acquire additional working capital through new share issues, bridge financing and / or sale of assets or shares in existing projects to implement the viability studies.
Interest rate risk The Company has raised financing loans with fixed interest terms. Future changes to interest rates could adversely affect the Company for the admission of any bridge financing and production financing.	The Company targets to limit bridge financing and keep intrest rate within market boundaries.	As long as the company stay in the exploration stage, it is not special dependent on fluctuations in interest rates.
Currency risk The company's accounting currency is USD. The Group's investments are and will be mainly done in RUR. Simultaneously, the Company's underlying assets, gold reserves, to be mainly valued in USD dollars when the world price of gold is in USD.	In accordance with Kopylovskoyes reporting routine, the Company does not hedge the anticipated and budgeted transactions.	The company was affected by changes in the USD and RUR in 2009. The company targets to have revenues and expenditures in the same currency.
Accounting risk Company's financial records are dependent on the subsidiary's ability to recognize and record business transactions. Any discrepancy in that could have an adverse effect on the Company's financial condition and operating results.	In accordance with Kopylovskoyes reporting routine Kopylovskoye is reconciliations and checks against existing contracts and the budget approved by the Board.	No discrepancy in 2009. In 2010, the company continues to increase internal controls and comply with IFRS.
Reporting risk The company's management processes and internal controls reporting may suffer, if not its subsidiaries follow the established processes for reporting to the parent company.	The company has designed a reporting routine which is required by the approval of both president and board member.	No discrepancy in 2009. Reporting is done through monitoring the framework and ensuring a transparent certification process of the CEO and Chairman.

POLITICAL RISKS AND RISKS RELATED TO SOCIETY

DESCRIPTION OF RISK	RISK MANAGEMENT	RESULT 2009 AND EXPOSURE 2010
Political instability and corruption To operate in Russia is subject to a number of political, legal and economic factors that may affect the Company's operations and financial condition. Bribery and corruption occurs. International capital flows can be hampered due to global economic difficulties and that the Company is dependent on state and local regulatory approvals, which can be both a complex and intractable process.	The company strives to work from a international perspective, with clear internal between subsidiaries and parent companies, to ensure that major transactions approved by the Board and that the acquisition takes place in transparent conditions.	No discrepancy in 2009. Nearest presidential elections are in 2012, which could affect the country and its laws.

Goldprice indicate stability both in recession and economic growth

Demand and supply of gold in 2009

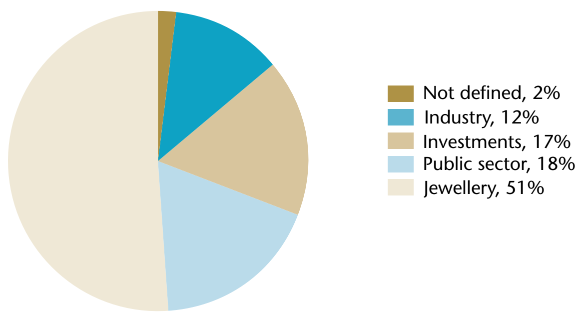
The volume of total gold demand during 2009 was down 11%. In $US value terms, the last two years were broadly on par. The $US gold price in 2009, at an average of $972.35/oz, was up 12% on $871.96 in 2008. In Q4 2009, the gold price averaged $1,099.63, up a very strong 38% on the levels of Q4 2008. Investment in 2009 was up 7% relative to 2008, the only sector on the demand side to record positive growth. Industrial and dental and jewellery demand recorded declines of 16% and 20% respectively. China was the only major jewellery market to record annual growth in tonnage. A comparison of Q4 2009 demand against Q4 2008 shows that the only sector to enjoy positive growth was industrial and dental demand (11%),albeit off a low base. Jewellery demand declined 8%, also off a low base, while identifiable investment declined 50% relative to an exceptionally strong Q4 2008. Q1 2009 was also strong; although investment flows subsequently tapered significantly, they remained high in absolute terms. The recovery in jewellery demand was driven largely by a rebound in the Indian market. Industrial demand benefited from a strengthening in the electronics sector, reflecting improved economic conditions.

Strong investment flows in western markets generally offset weakness in non-western markets during 2009. The only non-western country to record positive growth in net retail investment during 2009 was China. India was the largest contributor on the downside, influenced strongly by dishoarding in the first quarter, although this was followed by a subsequent rebound. The strongest quarter-on-quarter performance came from the US, rising 104%.

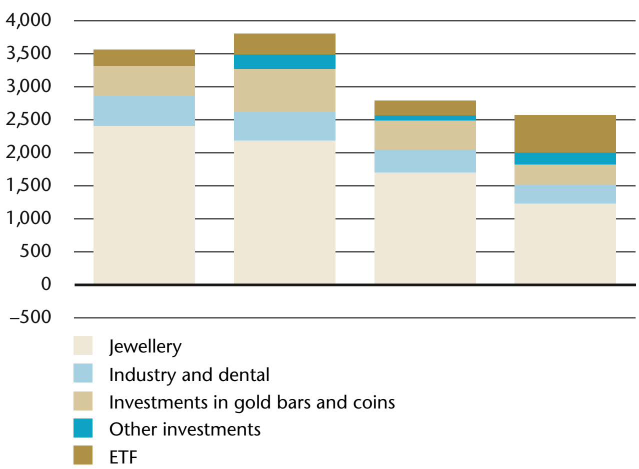
Gold supply in 2009 was up 11% on the levels of 2008. The single biggest contributor was recycling activity, with mine production and de-hedging also making a sizeable positive contribution. These positive influences were partly offset by a significant reduction in net official sector sales, which totalled just 44 tonnes in 2009 compared with an average of 444 tonnes over the five years to 2008. The annual increase in gold supply in 2009 was centred on Q1. A sharp fall in recycling activity and net buying in the official sector led to a significant reduction in supply in Q2, while higher levels

[1] www.invest.gold.org

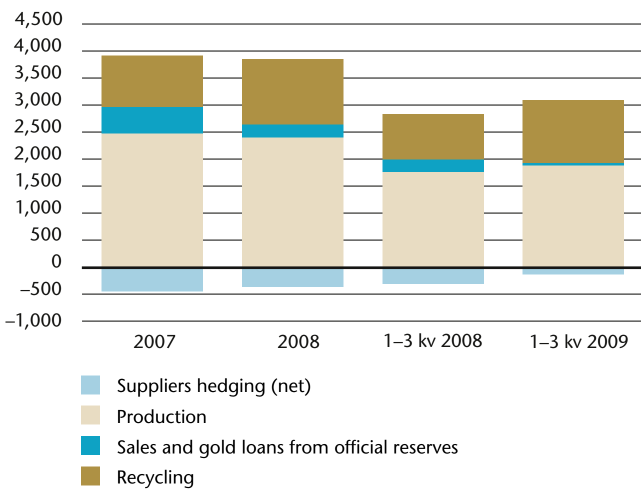
GOLD PER INDUSTRY, 2009



DEMAND, TONNES GOLD



SUPPLY, TONNES GOLD



MAIN FOREIGN GOLDPRODUCERS IN RUSSIA

	2007	2008	2009
Kinross Gold Corp	1,942	15,433	25,591
Petropavlovsk Plc	8,405	12,240	14,835
Highland Gold Mining Ltd	4,623	5,120	5,145
Leviev Group	134	1,221	1,969
Angara Mining Plc	1,594	1,057	949
Central Asia Gold AB	1,079	846	436
High River Gold Mines	4,683	1,867	–
Bema Gold Corp.	110	–	–
Total	**22,570**	**37,784**	**48,925**
% of total Russian production	15.6	23.0	27.4

of producer de-hedging had the primary dampening effect on supply in Q3.[1]

Industry

The Russian Central Bank's gold reserves at January 1, 2010 amounted to 631 tons of gold, representing approximately 5.1 percent of Russia's international reserves. Russia has increased mine production from 176 tons in 2008 to 185 tonnes in 2009, by starting production at several mines in Chukotka, Amur and Kamchatka district. The six main districts of gold production in Russia are Krasnoyarsk, Chukotka, Yakutiya, Amur, Khabarovsk and Irkutsk in which Kopylovskoye assets are located. After about 15 years of stagnation following the collapse of the Soviet Union, the development of Russia's gold reserves into production proved great potential and it is the recent gold exploration activities clear evidence for. 15 gold-producing companies accounted for 62 percent of gold output.[1]

Outlook

The last decade has shown that while gold is, in many ways, a simple asset (it has no default risk or counterparty risk and no complicated structures underpinning it) the drivers behind demand and the gold price are not so simple. Gold has shown that it can perform strongly when economic growth is buoyant, as it did during the 2003-2007 period, but it can also outperform when the global economy is in recession. Gold can outperform when inflation is benign (as it did through much of the last decade), it can outperform in a deflationary environment (as it did in 2008 and early 2009), and it can outperform during an environment of above trend inflation or expected inflation (as it has done more recently). While this doesn't imply that gold is immune from cycles, it does show resilience across the economic cycle.

Regardless of whether the economic recovery gathers momentum or stumbles, we believe that western investment demand will remain well underpinned. If the global economy falters, then western investors willcontinue to look towards gold for its diversification and portfolio insurance properties. Conversely, if the economic recovery becomes more firmly entrenched, then inflation concerns are likely to continue to gain prominence.

However, the outlook for non-western demand remains price dependent. While industrial and jewellery demand are expected to strengthen in an environment where economic conditions are improving, this recovery is likely to be relatively gradual. Western jewellery markets are likely to be constrained by high levels of unemployment, while in nonwestern markets, the limiting factor is budget constraints as incomes have not kept up with the rise in the gold price. Nevertheless, any significant dips in the gold price are expected to be well supported. Conditions on the supply side are also generally price supportive. While the levels of de-hedging activity that prevailed in the second half of 2009 are unlikely to continue into 2010, the official sector is likely to be a continued source of support for the gold price.

GOLD COMPANIES IN BODAIBO AREA

Regional in Bodaibo	Projects	Amount of gold
Poluys Gold	Through subsidiary LenZoloto (Tchertovo Koryto, Zapadnoye,Verninskoye, Pervenets)	1 ton (2007)
GV Gold	Golets Vysochaishy, Leprindo, Khomolkho mineralization	3.5 ton
Zoloto Resources	Through 50% subsidiary ML (Yukanskoye, Ozhereliey)	exploration
LenSib	Nevskoye	0.5 ton
Kopylovsky AB	Kavkaz, Kopylovsky, Prodolny + others	exploration
Redkon	Bannoye, Elektricheskoye	0.5 ton
Severstal	Uryakhskoye mining area	exploration

[1] www.invest.gold.org

Factors affecting the gold price*

DEMAND / SUPPLY

Demand for gold is widely spread around the world. East Asia, the Indian sub-continent and the Middle East accounted for 70% of world demand in 2009. 55% of demand is attributable to just five countries - India, Italy, Turkey, USA and China, each market driven by a different set of socio-economic and cultural factors. Rapid demographic and other socio-economic changes in many of the key consuming nations are also likely to produce new patterns of demand. Gold is produced from mines on every continent except Antarctica, where mining is forbidden. Operations range from the tiny to the enormous and there are several hundred operating gold mines worldwide (excluding mining at the very small-scale, artisanal and often 'unofficial' level).

INVESTOR SENTIMENT

Gold is unique in that it does not carry a credit risk. Gold is no one's liability. There is no risk that a coupon or a redemption payment will not be made, as for a bond, or that a company will go out of business, as for an equity. And unlike a currency, the value of gold cannot be affected by the economic policies of the issuing country or undermined by inflation in that country.

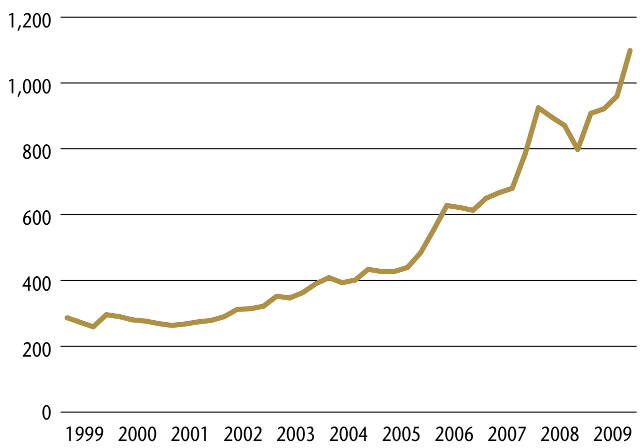
US $ PRICE

Gold has long been regarded by investors as a good protection against depreciation in a currency's value, both internally (i.e. against inflation) and externally (against other currencies). In the latter case, gold is widely considered to be a particularly effective hedge against fluctuations in the US dollar, the world's main trading currency.*

INSTABILITY

Investors in gold can point to a growing body of research supporting gold's reputation as a protector of wealth against the ravages of inflation. Market cycles come and go, but extensive research from a range of economists has demonstrated that, over the long term, through both inflationary and deflationary periods, gold has consistently maintained its purchasing power.[1]

GOLD PRICE DEVELOPMENT



*
www.invest.gold.org

Experienced and well educated employees

At the end of 2009, the company had 48 (17) full-time employees including seasonal workers, the year on average 47 (79) employees, which means that the company decreased the number of employees due to financial crisis and reduction of exploration work.

Employees in Stockholm, Tomsk, Moscow and Bodaibo

The parent company has a managing character, funding the subsidiaries and is responsible for strategy, investor relations and certain contracts. The parent company has its headquarters and offices in Stockholm and Moscow. The subsidiaries have their offices in Bodaibo. Tomsk office is primarily analysis and compilation of information. In Bodaibo geologists working primarily on deposits

Organizational improvements

The company worked during the year to strengthen the management and the board, and add on skills in exploration and finance. The company has also been in contact with more experienced production people to possibly strengthen the organization of this knowledge locally in Russia. So far this has resulted in a new employment from SRK Consulting in April, 2010.

Corporate Governance report 2009

Corporate governance

The company does not apply the Swedish Code of Corporate Governance (the Code) due to the company is not yet listed. The company will smothly adapt to the Code where it has relevance for the company and the shareholders.

Articles of association

The name of the company is Kopylovskoye AB and the company is public (publ). The Board of Directors is domiciled in Stockholm. According to the Articles of Association, Kopylovskoye AB shall conduct exploration and/or production of minerals through their own company name, within subsidiaries or cooperation with others. The Articles of Association also contain details of the share capital, number of Board members and auditors, as well as stipulations regarding the notification and agenda of the Annual General Meeting.

Annual General Meeting

Highest decision-making with all shareholders entitled to participate. Elects Board of Directors and auditor, adopts balance sheets and income statements, decides on distribution of profits, discharge from liability, etc.

Annual General Meeting 2010

The next Annual General Meeting of shareholders in Kopylovskoye AB will be held on June 29, at 3 pm in Stockholm. Notification of this Annual General Meeting will be made in accordance with the stipulations of the Articles of Association

Nomination Committee

Nomination Committee consists of representatives of the three largest shareholders and the Chairman of the Board. Among other things, proposes Board members and auditor as well as remuneration to these. The nomination committee consists of Håkan Knutsson, Lannion AB, by Ulrika Hagdahl and KGK Holding by Sune Nilsson.

Board of Directors

Responsibilities of the Board

The Board is responsible for establishing overriding long-term strategies and goals, for setting budgets and business plans, for review and approval of the accounts and for making decisions in matters concerning investments and significant changes to Kopylovskoyes organisation and operations. The Board of Directors also appoints the President and determines the salary and other benefits for the company's President.

Composition of the Board

Ulrika Hagdahl, Chairman
Claes Levin
Joakim Christiansson
Sergei Petrov
Mikhail Damrin
Håkan Knutsson
Björn Fernström
Kjell Carlsson

MANAGEMENT GROUP

Name	Title	Year employed	Experience and education
Mikhail Damrin	CEO	2009	Master of science of optic engineering, Moscow Technical University (Russia), Bachelor, Mining technology, Tomsk Polytechnical University, Bachelor International Finance, Russian Academy of Foreign Trade (Russia) and MBA, Cranfield University (Storbritannien)
Anna Daun Wester	Vice President, Investor relations	2010	Master of sciense of mechanical engineering, Lunds University and Finance, Stockholm School of economics
Alexander Mikhailov	Vice President, Exploration	2010	Master of science of mineral exploration, Moscow Mineral Exporation Institute
Alexandr Kozlov	CEO OOO Kopylovsky	2006	Master of science of mining technology, Tomsk Polytechnical University
Vyacheslav Gorev	Exploration geologist	2007	Master of science of exploration geology, Irkutsk state of University
Alexandr Krasnoshekov	Exploration geologist	2007	Master of science of exploration and mining technology, Tomsk Polytechnical University
Johan Arpe (retires at the time of the annual general meeting 2010)	Auditor PriceWaterhouseCoopers AB	2008	

Board of directors

Ulrika Hagdahl Chairman of the Board, born 1962, Swedish citizen, member of the Board since 2007
Education: Master of Science in Physics Engineering, KTH
Main occupation: Board member of Industrial and Financial systems, IFS AB, Beijer Electronics AB and AB Idre Golf Resort and Spa, Chairman of Cancale Förvaltnings AB and CEO Lannion AB.
Work experience: founder of ORC Software AB.
Shares in Kopylovskoye: 26,856,800 shares through private and companies

Claes Levin Board Member, born 1941, Swedish citizen, member of the Board since 2009
Education: Dr. Jur. Bachelor, Lund University
Main occupation: Chairman of Wiking Mineral AB since 2005, Chairman of the Board of Directors of the Broders Falk AB, SH-Bygg, 4,956 STRICT AB, Want AB, Variant Fastighets AB and the Board of Directors of Alliance oil company Ltd (formerly West Siberian resources Ltd), First Baltic Property AB, Amok Studios AB and Norrlands Industries AB
Work experience: Several senior positions within the SEB. Former CEO of Diligentia AB, Reinholdkoncernen and Platzer Construction between the years 1980-1998
Shares in Kopylovskoye: 2,000,000

Joakim Christiansson Board Member, born 1956, Swedish citizen, member of the Board since 2007
Main occupation: Board member in Housing association Grand Residence Åre. The last five years, Joakim has been a Board member of Rue de la mer AB
Shares in Kopylovskoye: 0

Mikhail Damrin Board member and Executive Director, born 1970, Russian citizen, member of the Board since 2009
Education: Master of science in optics, the Moscow Technical University (Russia), bachelor of mining technology, Tomsk Polytechnic University (Russia), bachelor in international administration from the Russian Academy of foreign trade (Russia) and MBA, carried out by Cranfield University (UK)
Main occupation: Executive Director Kopylovskoye AB since January 2009, Board member of Tomsk Refining AB
Work experience: During 2007-2008 was Mikhail Damrin employee of Central Asia Gold AB as senior project manager with responsibility for business development, mergers and acquisitions, and planning. In 2005-2007 was Mikhail Damrin for ACH Securities SA, a Swiss securities traders, as business development manager. In the 2000-2004, Mikhail Damrin was director of West Siberian resources and Vostok Nafta Investment Ltd. Mikhail is fluent in English and Russian
Shares in Kopylovskoye: 5,000,000

Kjell Carlsson Board Member, born 1951, Swedish citizen, member of the Board since 2010
Education: Master of engineering, Chalmers University of Technology
Main occupation: Vice President of Surface Mining, Sandvik AB
Work experience: High positions in the Sandvik, Atlas Copco and ABB
Shares in Kopylovskoye: 1,000,000

Björn Fernström born in 1950, Swedish citizen, member of the Board since 2010
Education: Bachelor in economy
Main occupation: Board member in a-Com AB (publ) Burgundy AB (publ) and Sjöö & Sandström AB (publ)
Work experience: Former employee and partner at Ernst & Young AB. Has worked as auditor in a number of internationally operating companies in more than 30 years
Shares in Kopylovskoye: 250,000

Sergey Petrov Board Member, born 1968, Russian citizen member of the Board since 2009
Education: MBA, George Washington University, USA MS in Physics, St Petersburg State Tech University, Russia
Main occupation: Head of investment banking Department at Corporate Finance Bank, Moscow, Russia
Work experience: Former Managing Director of the Russian investment Bank Antanta Capital and Director, Corporate Finance of the KIT Financial Group. Former Board member of Pioglobal Real Estate Investment Fund and JSC Kirishi Glass Pland
Shares in Kopylovskoye: 0

The Share

There is currently no organized trading in the Company's shares. The Board has made the desicion to list the Company during late 2010. The company's shares are freely transferable and shareholders may themselves sell their shares, but no guarantees given in respect of the ability to find buyers for shares, nor the price at which a sale can take place. As the share is not currently listed, the Company has not appointed any market maker.

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Warrant TO1 2010

At an Extraordinary General Meeting March 9, 2010 it was decided to issue 84,407,580 warrants, TO1 2010. Warrants were distributed free of charge for each signed, received and paid shares in the issue. Each TO1 2010 warrant entitles the holder to subscribe for one (1) new share in the Company, at a price of 0.32 SEK per share. The subscription period runs from the registration date of the warrants at the Companies Registration Office until June 30 2010. The warrants are traded on the Mangold tradinglist, www.mangold.se.

SHARE CAPITAL DEVELOPMENT

Year	Event	Change share capital, SEK	Capitalization excl. rights issue costs	Change no. of shares	Shares quote value, SEK	Total share capital, SEK	Total no. of shares
2007	Company founded	100,000	100,000	10,000	10.0	100,000	10,000
2007	Cash rights issue of 125,010 shares	1,250,100	35,002,800	125,010	10.0	1,350,100	135,010
2007	Apportemission av 740,000 shares	7,400,000	106,638,200	740,000	10.0	8,750,100	875,010
2007	Cash rights issue of 124,990 shares	1,249,900	34,997,200	124,990	10.0	10,000,000	1,000,000
2008	Split	-	-	848,000,000	0.0118	10,000,000	849,000,000
2009	Reverse split 1:100	-	-	–840,510,000	1.1779	10,000,000	8,490,000
2009	Decrese share capital	–9,500,000	-	-	0.0589	500,000	8,490,000
2009	Preferended rights issue 195,270,000 shares	11,500,000	19,527,000	195,270,000	0.0589	12,000,000	203,760,000
2009	Directed rights issue of 9,763,500 shares	402,500	683,445	6,834,450	0.0589	12,402,500	210,594,450
2010	Prefer rights issue	4,961,000	24,428,956.20	84,237,780	0.0589	17,363,500	294,832,230
2010	Directed rights issue	10,000	49,242	169,800	0.0589	17,373,500	295,002,030
2010	Warrant TO1 2010	4,971,000	27,010,425.60	84,407,580	0.0589	22,344,500	379,409,610

MAJOR SHARHOLDERS DECEMBER 31, 2009

Shareholders	No. votes/capital	No. shares
Ulrika Hagdahl with company	12.8%	26,856,721
Håkan Knutsson with company	12.4%	26,113,747
Cr Suisse Lux S A PB	8.5%	17,800,192
Milnerton United S.A	7.1%	15,000,000
Poleum Ltd	6.9%	14,451,868
Shimanova Yulia Sergeevna	5.9%	12,451,868
Michail Malyarenko	5.5%	11,526,552
LGT Bank in Liechtenstein Ltd	3.2%	6,834,450
Kredietbank Suisse	2.8%	5,955,703
EFG Private Bank S.A	2.8%	5,797,083
Summary 10 largest shareholders	**67.8%**	**142,788,184**
Other sharesholders	32.2%	67,806,266
Total	**100.0%**	**210,594,450**

Directors' report

The Board of Directors and the Managing Director of Kopylovskoye AB (publ), 556723-6335, hereby submit the annual report for the financial year January 1 – December 31, 2009.

Group structure and background

Kopylovskoye AB is a public, but non-listed, Swedish exploration company in the gold industry. The Company was established in 2007 after having acquired a gold deposit, with the same name, for exploration. Up until December 2008 Kopylovskoye AB was a subsidiary of Central Asia Gold ("CAG") which is another Swedish gold exploration and production company. In December 2008 a shareholder meeting in CAG decided to dividend the shares in Kopylovskoye AB to its shareholders, see below. Since that point in time the Company is an independent company.

Kopylovskoye AB is the holding company for five wholly owned Russian subsidiaries: OOO Kavkaz Gold, OOO Kopylovskoye, OOO Krasny, OOO Prodolny and OOO Kopylovskoye Management. OOO Kavkaz Gold and OOO Kopylovskoye are titles for gold exploration areas. OOO Kopylovskoye Management accumulates administrative costs in relation to the administration of the projects in Russia. In February 2010 Kopylovskoye AB established the two companies OOO Krasny and OOO Prodolny in Russia. OOO Prodolny will be the holder of the Prodolny license and OOO Krasny will primarily be used for new acquisitions.

Operations

The Company is an exploration company and has not yet started extraction of gold as the projects are still in the exploration phase.

During 2009 Kopylovskoye AB had three projects which all are located around the Lena gold field in the Bodaibo district in the Russian region of Irkutsk. The projects are:

- Kopylovskoye
- Kavkaz
- Prodolny

OOO Kopylovskoye owns one hundred percent of the gold deposits in Kopylovskoye and Prodolny. OOO Kopylovskoye also owns the alluvial gold deposit which is located in Kopylovskoye.

OOO Kavkaz Gold owns one hundred percent of the Kavkaz gold deposit.

All projects are located around the village of Artemovskij which is approximately 40 kilometres north east of the city of Bodaibo, approximately 880 kilometres north east of Irkutsk.

The projects are in different stages of development. The Kopylovskoye project is well into reserve assessment stage while Kavkaz is in an early stage of reserve assessment and Prodolny in prospecting stage.

As a consequence of the financial crisis which started to accelerate in Russia and the rest of the world the Company implemented a cost reduction program after the end of the third quarter in 2008. A major part of the planned work was put on hold, the number of employees were reduced and a contracted drilling rig was cancelled. The costs were reduced to a minimum.

During 2009 the exploration work has been focused on the deposits in Kavkaz and Prodolny while the larger drilling program in Kopylovskoye was postponed until 2010. Below is a short description of the activities on the different deposits.

Kopylovskoye deposit

During 2009 tests were completed using the Fire Assay analysis model, where core samples were used and samples were collected from trenches and RAB-holes. Furthermore, with the assistance of SRK Consulting, a 3D-model was developed for the Kopylovskoye deposit. The potential of mineral resources was upgraded to 0.9 Moz.

The work and analysis included:

- Trenches – 982 samples
- RAB – 538 samples
- Core samples – 1,000 samples

New samples identified a mineralised gold interval in trench 340 at 69 metres with a gold content of 5.3 g/ton (including an interval at 19 meters with a gold content concentration of 19.2 g/ton).

Kavkaz deposit
During the year all available information regarding the license was digitalised.

During the year the exploration activities were:

- Trenching – 49,000 m^3
- Trenchsampling – 800 meters
- Nucleus drilling – 800 meters
- RAB drilling – 900 meters
- Fire assay analysis – 1,700 samples
- XRA SE (spectrum) analysis – 800 samples
- Hg-analysis – 400 samples
- Mineral analysis – 300 samples

The Company identified a system of gold mineralisation at the northern flank in zone 1. The mineralisation is host to quartz veins and the zone is represented by coal quartz feldspar. The zone is open towards the north. The following gold contents were identified:

- Trench 507 – gold content 3.75 g/ton at 54 meters
- Trench 503 – gold content 2.5 g/ton at 54 metrers and 3.95 g/ton at 24 meter
- Trench 105 – gold content 2.66 g/ton at 120 meters

Prodolny deposit
In accordance with the license agreement an exploration work scope was developed in 2009. The plan has been approved and registered by the Russian State License Committee. The exploration work started in 2009. The most important outcome of the exploration work is the confirmation of the gold mineralisation along a 4 kilometre of the Milliony fault. Furthermore several new parallel fault zones were identified to which many historically known gold mineralisations are associated.

During the year the exploration work were:

- Geophysical survey in scale 1:25,000 covering the most part of Prodolny. The method covers Induced Polarisation (IP), magnetism and spectrometry – 100 km^2.
- Geophysical survey in scale 1:10,000 covering the Uspensky gold existence. The method includes IP, magnetism and spectrometry – 10 km^2.
- Geophysical sampling in scale 1:10,000 at the south western part of Prodolny. The drilling density is 100 meters × 20 meters. Samples are analysed with a portable XRF (xray fluorescent spectrometer) on site. Gold samples are extracted via atomic absorbation method at external laboratories – 10 km^2.
- Trench and pit sampling where the total surveyed length is 516 meters.

Kopylovskoye – alluvial deposit
There were no activities during 2009.

Ownership structure
Up until December 30, 2008 the Company was a 62.5% subsidiary of Central Asia Gold. An extra shareholders meeting at the end of December 2008 decided to dividend all the remaining shares in Kopylovskoye AB to the shareholders of CAG. The date for participation in the dividend was December 30, 2008. The 62.5% owned by CAG corresponded to 530,625,000 shares. Following the dividend Kopylovskoye AB has approximately 4,700 shareholders and is an independent company and no longer a part of the CAG group.

The Company's major shareholders at the end of 2009 were Ulrika Hagdahl with companies 12,8%, Håkan Knutsson with companies 12.4%, Credit Suisse Lux SA PB 8.5% and Milnerton United S.A. 7.1%. For a complete list of shareholders please see page 29.

The share
Currently the share is not traded. A listing is planned for 2010. Further information will be published via press releases and will be available at the Company's web site, www.kopylovskoye.com.

Result

The operating result amounted to –5.2 MSEK (–13.8) which is an improvement by 8.6 MSEK compared to prior year. The change is primarily due to reduction in the exploration activities as a consequence of the financial crisis.

Result after financial items amounted to –5.6 MSEK (–13.6) and result after tax amounted to –8.6 MSEK (–18.4). The financial net 2009 was –0.4 MSEK (0.2).

Tax

The tax recorded in the income statement, –2.9 MSEK (–4.8) is primarily related to temporary differences in the capitalised exploration costs.

Management's assessment is that there will not be any profits from the operations in the next few years.

Earnings per share

Earnings per share was –0.16 SEK (–0.02) for the full year. Equity per share was 0.50 SEK compared to 0.12 for the prior year.

Cash flow, liquidity and financial position

Cash flow from operating activities, before changes in working capital, amounted to 0.8 MSEK (–11.6). The change in working capital was –2.7 MSEK (14.0). Cash flow from investing activities amounted to –19.1 MSEK (–19.5), primarily due to investments in the exploration activities. During the year 4.6 MSEK of the interest bearing loans were paid back.

Interest bearing loans amounted to 6.4 MSEK (11.0) at the end of the year. Cash and cash equivalents amounted to 5.7 MSEK (13.2) at the end of the year. External financing will be required during 2010 since exploration is very capital intensive. The Board currently evaluates how and on which conditions this shall be done.

The equity asset ratio amounted to 84 per cent at the end of the year compared to 84 per cent in the prior year. No dividend has been paid to the shareholders during the year.

See also Going concern section, page 33.

Equity

During 2009 a new share issue was completed which raised 20.2 MSEK before issue costs. Issue costs amounted to 1.9 MSEK and the issue thus raised net 18.3 MSEK.

Investments

The Company's investments in exploration licenses and capitalised cost amounted to 18.8 MSEK (33.1) during the year where 0 MSEK (14.2) was related to acquisitions via subsidiaries and 18.8 MSEK (18.8) was related to capitalised exploration costs. Investments in buildings, machinery and equipment amounted to 0.9 MSEK in 2009 (0.9) in 2009.

Depreciation for the year amounted to 0.7 MSEK (2.0).

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

Parent company

The Swedish parent company is a holding company´s without any significant operational activity. The parent supports the subsidiaries with financing, strategy decisions etc. The parent company's net income amounted to –1.2 MSEK and the equity amounted to 185.5 MSEK at December 31, 2009.

Real property

Kopylovskoye does not own any real property except for simple buildings and constructions. The administrative functions in Stockholm and Bodaibo are located in rented premises.

Environmental policy

All exploration activity in the Kopylovskoye group is in compliance with existing environmental regulations in the country where the activity takes place. There were no environmental accidents during 2009.

Personnel

The average number of full time employees in the Kopylovskoye group was 45 during 2009 (79), of which 3 were women. At the beginning of the year the number of employees was 30. During the year the number of employees increased to 48 (30) at the end of the year when it consisted of 41 men and 7 women.

Board meetings

The Board held 20 meetings during the year.

Kjell Carlsson and Björn Fernström, see the following section, were co-opted to the board since December 2009.

Subsequent events

On February 15, 2010 the subsidiary OOO Kopylovskoye took up an interest bearing loan amounting to 40 MRUR (approximately 10.4 MSEK) from the Investment bank "Your First Capital". The loan bears an annual interest rate of 28.8 per cent. The loan should be repaid in three instalments, 10 MRUR on May 10, 2010, 10 MRUR on July 10, 2010 and 20 MRUR on August 31, 2010. The loan is guaranteed by OOO Kavkaz Gold and Kopylovskoye AB.

At an extra shareholders' meeting in March 2010 Kjell Carlsson and Björn Fernström were elected as new members of the Board. Furthermore Alexey Mikhailov has been employed as Vice President Exploration.

In March 2010 the Company won two licenses on auction, Krasny and Provovesenny, both having the right for exploration and production. Both deposits are located nearby the Kopylovskoye and Prodolny deposits. The price for the two license amounted to approximately 6.2 MSEK including acquisition costs.

The extra shareholders' meeting on March 9, 2010 decided to issue 84,407,580 subscription options, TO1 2010. The options were issued without consideration for each subscribed, assigned and paid share in the new share issued described below. Each subscription option TO1 2010 gives the holder a right to subscribe to one (1) new share in the Company for a price of 0.32 SEK. The subscription period expires on June 30, 2010.

A new share issue of a total of 84,407,580 new shares was completed in April 2010. The issue raised approximately 24.4 MSEK before issue costs.

A CFO has been recruited in May to the Group's head quarter in Stockholm. The CFO will start in August 2010.

Future outlook

An extensive drilling program is planned for 2010 in the Kopylovskoye deposit which should confirm the mineralisation and also identify the gold content in depth. The Company also plans to secure and reclassify the Russian gold assets through the international standard JORC. The Company plans to develop the Kavkaz deposit in order to try to quantify the mineralisation and to do certain drilling.

Going concern

Exploration is a capital intensive activity. The size of the working capital deficit the nearest 12-month period is roughly estimated to be between 35–125 MSEK. The lower amount is for the case that the exploration activities are kept to a minimum so that the Company is only fulfilling the minimum requirements in the license agreements. The Board thus estimate that additional financing will be required to continue the operations for the next 12-month period. The opinion of the Board is that financing firstly should be done via new share issues. Given the value of the Company's licenses and probable new raised capital during 2010 the Board's assessment is that the Company can continue on a going concern.

Proposed disposition of earnings

At the annual general meeting's disposal:

SEK	
Additional paid-in capital	168,278,330
Fund for real value	–2,571,177
Retained earnings	8,587,062
Net income for the year	–1,195,822
Total	**173,098,393**

The Board propose:	
To carry over to retained earnings	173,098,393

Significant risks and uncertainties

Risks related to existing macroeconomic factors
Existing challenges on the global capital markets and the general financial situation may affect the Company's operations and may make the possibilities to finance the Company more difficult in the future.

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

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

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.

Infrastructure
If the gold industry in the area expands significantly more than what existing electricity plants can handle, the Company may have to invest in infrastructure and supply of electricity in addition to what has been forecasted. Currently this is not a problem.

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

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.

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.

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

Volatility in gold price
The gold price can be reduced as an effect of reduced demand, changes in the US dollar or other macroeconomic factors which may negatively affect the Company's result and financial position. Fluctuations in the official exchange rate of the Russian ruble 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 see 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 planned entry of Russia into the World Trade Organisation ("WTO") may be delayed or rejected
- The relation between Russia and the EU may be worsened
- 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 and 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 prevents the nationalisation 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 share
The share is not listed and there is no organised trading or liquidity in the share, which makes it hard to put a fair value on the Company and to at any time dispose of the share. Investing in shares is associated with risk and an investor may lose all or part of the value of the investment.

Consolidated Income statements

KSEK	Note	2009	2008
Other revenue		524	442
Total revenue		**524**	**442**
Work performed by the company for its own use and capitalized	7	6,596	5,922
Operating expenses			
Other external costs	9	–4,310	–8,432
Personnel costs	10	–7,298	–9,743
Depreciation of tangible and intangible fixed assets	8	–744	–2,009
Other operating costs		-	-
Operating result		**–5,232**	**–13,820**
Result from financial investments			
Financial income	11	46	831
Financial costs	11	–415	–609
Result after financial items		**–5,601**	**–13,598**
Tax	12	–2,962	–4,811
Net income		**–8,563**	**–18,409**
Of which attributable to the shareholders of Kopylovskoye AB		*–8,563*	*–18,409*
Earnings per share before and after dilution	13	–0.16	–0.02

Statement of Comprehensive income

KSEK	2009	2008
Net income	–8,563	–18,409
Other comprehensive income		
Exchange differences	–7,682	–1,276
Total comprehensive income	**–16,245**	**–19,685**

Consolidated Balance sheets

KSEK	Note	2009-12-31	2008-12-31
ASSETS			
Non-current assets			
Intangible fixed assets			
Explorations licenses and evaluation work	14	111,338	100,102
		111,338	**100,102**
Tangible fixed assets			
Buildings	15	2,239	4,000
Machinery and equipment	16	8	684
		2,247	**4,684**
Total non-current assets		**113,585**	**104,786**
Current assets			
Inventory	17	553	355
		553	**355**
Current receivables			
Current tax receivables		0	108
Other receivables	18	4,579	5,020
Prepaid expenses and accrued income		432	0
		5,011	**5,128**
Cash and cash equivalents		5,702	13,163
		5,702	**13,163**
Total current assets		**11,266**	**18,646**
TOTAL ASSETS		**124,851**	**123,432**

Consolidated Balance sheet, cont.

KSEK	Note	2009-12-31	2008-12-31
EQUITY AND LIABILITIES			
Equity			
Capital and reserves attributable to the shareholders of the parent company			
Share capital	20	12,403	10,000
Other paid-in capital	20	168,278	161,913
Reserves		–10,121	–2,439
Retained earnings, incl current year net income		–65,050	–65,987
Total equity		**105,510**	**103,487**
Non-current liabilities			
Deferred tax	12	7,674	5,081
Non-current liabilities	21	-	6,255
		7,674	**11,336**
Current liabilities			
Current liabilities – interest bearing	21	6,425	4,775
Accounts payable		3,008	313
Current tax payable		228	1
Other current liablities		1,398	2,463
Accrued expenses and prepaid income		608	1,057
Total current liabilities		**11,667**	**8,609**
Total equity and liabilities		**124,851**	**123,432**
Pledged assets and contingent liabilities			
Contingent liabilities	23	None	None
Pledged assets	23	50	50

Consolidated changes in equity

	Equity attributable to the shareholders of the parent company					
KSEK	Share capital	Non-registered share capital	Other paid in capital	Reserves	Retained earnings	Total equity
Opening balance 2008	**8,750**	**1,250**	**162,242**	**–1,163**	**–47,578**	**123,501**
Translation differences				–1,276		–1,276
Net income and expense recognised directly in equity excl transactions with shareholders				–1,276		–1,276
Net income					–18,409	–18,409
Total net income and expense, excl transactions with shareholders				–1,276	–18,409	–19,685
Issue costs			–329			–329
Registration of share issue	1,250	–1,250				
Closing balance2008 / Opening balance 2009	**10,000**		**161,913**	**–2,439**	**–65,987**	**103,487**
Translation differences				–7,682		–7,682
Net income and expense recognised directly in equity excl transactions with shareholders				–7,682		–7,682
Net income					–8,563	–8,563
Total net income and expense, excl transactions with shareholders				–7,682	–8,563	–16,245
Reduction of share capital	–9,500				9,500	0
Share issue	11,903		8,307			20,210
Issue costs			–1,942			–1,942
Closing balance 2009	**12,403**	**0**	**168,278**	**–10,121**	**–65,050**	**105,510**

Consolidated Cash flow statements

KSEK	Not	2009	2008
Operating activities			
Result after financial items		–5,601	–13,598
Adjustment for items not affecting cash flow	22	6,446	1,072
Paid / received taxes		–34	930
Cash flow from operating activities before changes in working capital		**811**	**–11,596**
Cash flow from changes in working capital:			
Increase (–) / Decrease (+) in inventory		–169	516
Increase (–) / Decrease (+) in current receivables		1,377	14,087
Increase (+) / Decrease (–) in current liabilities		–3,952	–575
Cash flow from operating activities		**–1,933**	**2,432**
Investing actitivies			
Acquisition of intangible assets		–18,248	–18,605
Acquisition of tangible assets		–898	–850
Cash flow from investing actitivies		**–19,146**	**–19,455**
Financing acitivities			
Share issue, net of issue costs		18,268	–329
Repayment of loans		–4,605	–15,890
Cash flow from financing acitivities		**13,663**	**–16,219**
Cash flow for the year		–7,416	–33,242
Cash and cash equivalents at the beginning of the year		13,162	46,027
Translation differences in cash		–44	377
Cash and cash equivalents at the end of the year		5,702	13,162

SUPPLEMENTAL INFORMATION TO THE CASH FLOW

Cash and cash equivalents		
The following is included in cash and cash equivalents:		
Cash and bank balances	5,702	13,162

Income statements, parent company

KSEK	Note	2009	2008
Revenue	6	2,799	-
Operating expenses			
Other external costs	9	–4,339	–1,538
Personnel costs	10	–489	-
Total operating expenses		**–4,828**	**–1,538**
Operating result		**–2,029**	**–1,538**
Result from financial items			
Financial income	11	873	1,513
Financial costs	11	–40	–3
Result after financial items		**–1,196**	**–28**
Tax	12	-	-
Net income		**–1,196**	**–28**

Balance sheets, parent company

KSEK	Note	2009-12-31	2008-12-31
ASSETS			
Non-current assets			
Financial fixed assets			
Shares in group companies	19	135,414	118,258
Receivables, group companies		46,152	42,073
Total non-current assets		**181,566**	**160,331**
Current assets			
Current receivables			
Other receivables		1,384	14
		1,384	**14**
Cash and cash equivalents		5,425	12,537
Total current assets		**6,809**	**12,551**
TOTAL ASSETS		**188,375**	**172,882**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	20	12,403	10,000
Total restricted equity		**12,403**	**10,000**
Non-restricted equity			
Additonal paid-in capital		168,278	161,913
Fund for real value		–2,571	825
Retained earnings		8,587	–885
Net income		–1,196	–28
Total non-restricted equity		**173,098**	**161,825**
Total equity		**185,501**	**171,825**
Current liabilities			
Accounts payable		2,163	-
Other current liabilities		103	-
Accrued expenses and prepaid income		608	1,057
Total current liabilities		**2,874**	**1,057**
TOTAL EQUITY AND LIABILITIES		**188,375**	**172,882**
Pledged assets and contingent liabilities			
Contingent liabilities	23	None	None
Pledged assets	23	50	50

Changes in equity, parent company

KSEK Parent company	Share capital	Not registered share capital	Additional paid-in capital	Fund for real value	Retained earnings incl. net income	Total equity
Opening balance 2008	**8,750**	**1,250**	**162,242**		**–885**	**171,357**
Registration of share issue	1,250	–1,250				
Issue costs			–329			–329
Exchange differences				825		825
Net income					–28	–28
Closing balance 2009	**10,000**	0	**161,913**	**825**	**–913**	**171,825**
Reduction of share capital	–9,500				9,500	0
Share issue	11,903		8,307			20,210
Issue costs			–1,942			–1,942
Exchange differences				–3,396		–3,396
Net income					–1,196	–1,196
Closing balance 2009	**12,403**	**0**	**168,278**	**–2,571**	**7,391**	**185,501**

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

Cash flow statements, parent company

KSEK	Note	2009	2008
Operating activities			
Result after financial items		–1,196	–28
Cash flow from operating activities before changes in working capital		**–1,196**	**–28**
Cash flow from changes in working capital:			
Increase (–) / Decrease (+) in current receivables		–1,371	–13,697
Increase (+) / Decrease (–) in current liabilities		1,818	967
Cash flow from operating activities		**–749**	**–12,758**
Investing activities			
Shareholder contributions		–17,156	–19,092
Loans to group companis		–7,475	-
Cash flow from investing activities		**–24,631**	**–19,092**
Financing activities			
Share issue, net of issue costs		18,268	–329
Cash flow from financing activities		**18,268**	**–329**
Cash flow for the year		–7,112	–32,179
Cash at the beginning of the year		12,537	44,716
Cash at the end of the year		5,425	12,537

SUPPLEEMENTAL INFORMATION TO CASH FLOW

Cash and cash equivalents			
The following components are included in cash and cash equivalents:			
Cash and bank balances		5,425	12,537

Notes

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 1:2, "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 2:2 "Accounting for legal entities". In accordance with RFR 2:2 the parent company should apply all of the IFRSs that has 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.

Format of presentation of the income statement

As of January 1, 2009 the Company has changed the presentation of certain items in the income statement.

Currency exchange effects on loans to subsidiaries

The parent company has financed the operations in the subsidiaries partly by shareholder contributions and partly by loans. The loans are primarily in Russian rubles and USD. The Company's Board and management have assessed that the loans should be treated as permanent investments in the foreign subsidiaries. The loans were previously treated as regular loans to the subsidiaries. IFRS allows, as a consequence of the changed treatment, that currency exchange effects on loans as a result of translating the loans at balance sheet date are accounted for in other comprehensive income in the Statement of Comprehensive income. Previously the currency exchange effects were accounted for as part of the financial items in the income statement. In relation to the change the comparative Income statement and Statement of Comprehensive income for 2008 have been reclassified accordingly.

Work performed by the Company for its own use and capitalized

The Company capitalises costs for exploration and development of gold deposits. Cost that are capitalised are subcontractor costs, personnel costs depreciation on equipment used in the exploration. As of January 1, 2009 the Company presents the subcontractor costs on a net basis in the income statement, i.e. as a credit to the line Other external costs, while personnel costs and depreciation are presented on a gross basis in the income statement on the line "Work performed by the Company for its own use and capitalized". Previously all capitalised costs were presented on a gross basis. The Company's Board and management believe that the current presentation gives a more fair presentation of the income statement. See also note 7 for amounts related to each class of capitalised cost. In relation to the change the comparative Income statement for 2008 have been reclassified accordingly.

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 judgements in the application of the accounting principles of the Group. Areas where a high degree of estimation, which are complex or areas where such judgements and estimations have a significant impact on the consolidated financial statements are described in note 5 "Significant estimates and judgements for accounting purposes".

Application of new or changed standards

a) Changes in existing standards which came into effect in 2009

IFRS 7 (change) "Financial instruments – Disclosures" – effective January 1, 2009. The change require increased disclosures regarding fair valuation and liquidity risk. In particular the change require disclosure regarding fair valuation in a valuation hierarchy. Since this change only relates to further disclosures it had no effect on net income or financial position.

IAS 1 (revised) "Presentation of financial statements" (effective January 1, 2009). The revised standard prohibits presentation of revenue and expense items (i.e. changes in equity that are not transactions with shareholders) in the statement of changes in equity and requires that "changes in equity that are not transactions with shareholders" are presented separated from changes in equity that relates to transactions with shareholders in a statement of comprehensive income. The Group therefore presents all shareholder related changes in equity in the Statement of Changes in equity and all changes in equity that are not transactions with shareholders are presented in the Statement of Comprehensive income. Comparative information has been recalculated in order to be in conformity with the revised standard. Since this change in accounting principle only affects the presentation it had not effect on net income or financial position.

IFRS 2 (revised) "Share based payments" (effective January 1, 2009). The revised standard clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The Group adopted this amendment as of 1 January 2009. It did not have an impact on the financial statements of the Group.

IFRS 8 "Operating segments" has replaced IAS 14 (effective January 1, 2009). According to IFRS 8 segment information should be presented in the way the Chief Operating Decision Maker internally reviews the operations. The application of IFRS 8 did not change the Company's segments compared to earlier. In 2010 the Group will have one geographical segment, Russia.

IAS 23 "Borrowing costs". The revised standard requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a significant time to get ready for its intended use and that is for the internal use or sale. The Company did not have any interest costs that qualified for capitalisation in 2009 or in earlier years.

b) Standards, amendments and interpretations of existing standards where the change has not yet come into effect and that have not been early adopted by the Group.
The following standards and interpretations of existing standards have been published and are mandatory for the Group's financial statements on financial years beginning on January 1, 2010 or later and have not bee early adopted:

IFRIC 17, "Distribution of non-cash assets to owners" (effective for financial years beginning July 1, 2009 or later).

IAS 27 (revised), "Consolidated and separate financial statements". The revised standard will require an entity to attribute total comprehensive income to owners of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The revised standard specifies that changes in a parent's ownership interest in a subsidiary that does not result in the loss of control must be accounted for as equity transactions. The Group will adopt IAS 27 (revised) prospectively for transactions with holders of non-controlling interests as of January 1, 2010.

IFRS 3 (revised), "Business combinations". The revised standard continues to prescribe that the purchase method should be applied on business combinations but with a few significant changes. All consideration paid to acquire a business, for example, should be at fair value on the date of acquisition, while subsequent conditional payments normally are classified as liabilities and fair valued through the income statement. Non-controlling interests in the acquired business can, for each acquisition, be valued either at fair value or to the proportionate share of the acquired net assets that is held by the non-controlling interest. All transaction costs in relation to an acquisition must be expensed. The Group will adopt IFRS 3 (revised) prospectively for all acquisitions as of January 1, 2010.

IFRS 5 (revised), "Non-current assets held for sale and discontinued operations". The revision clarifies that the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations are only those set out in IFRS 5. The revision also clarifies that the general requirement in IAS 1 still applies, in particular item 15 (to give a true and fair view) and item 125 (sources of uncertainties in estimations). The Group will adopt IFRS 5 (revised) as of January 1, 2010. The revision is not expected to have a significant impact on the consolidated financial statements.

IAS 1 (revised), "Presentation of financial statements". The revision clarifies that the potential settlement of a liability through the issue of shares is not relevant for the classification of the liability as current or non-current. By a change in the definition of a current liability, the revision allows that a liability is classified as non-current (provided that the company has an unconditional right to postpone the settlement by transferring cash or other assets during at least 12 months after the end of the financial year) despite the fact that the counterparty can at any time require settlement by a share issue. The Group will adopt IAS 1 (revised) as of January 1, 2010, It is not expected to have any significant impact on he consolidated financial statements.

IFRS 2 (revised), "Group cash-settled and share based payment transactions". The revision incorporates IFRIC 8 "Scope of IFRS 2" and IFRIC 11 "Group and treasury share transactions" into the standard. The previous guidance in IFRIC 11 is also supplements the classification of intra group transactions, which is not included in the interpretation. The new guidance is not expected to have a significant impact on the consolidated financial statements.

IFRS 9, "Financial instruments" (effective January 1, 2013) is a new standard which will be presented in three phases. In 2009 classification and valuation of financial assets was published. According to the new standard there are two categories for valuation of financial assets – amortised cost and fair value. Management estimates that IFRS 9 only will have a marginal effect on the consolidated financial statements and net income. This standard is not yet approved by the EU.

IAS 38 (change), "Intangible assets". The change clarifies the fair valuation of an intangible assets acquired in a business combination. According to the change intangible assets can be grouped and treated as one asset if the assets have similar useful lives. The change is not expected to have a significant impact on the consolidated financial statements.

NOTE 1 BASIS OF CONSOLIDATION

Subsidiaries
Subsidiaries are all companies (including special purpose companies) where the Group has the power to govern the financial and operating policies of an entity in a way which normally is attached to a shareholding in excess of 50% of the shares voting power or where the Group, by agreement, alone exercise 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. All business combinations in 2007 and 2008 were acquisition of assets. 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, plus expenses directly attributable to 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 recognised 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 recognised immediately in the income statement.

Intra group transactions, balances and unrealised profits on transactions between group companies are eliminated. Also unrealised losses are eliminated, but any losses are treated as an indication that an 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.

Equity investments
All companies where the Group have 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 recognised 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 Kopylovskoye 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 economical 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 in the Consolidated Statement of Comprehensive income.
The following exchange rates were used in the Group:

	2009		2008	
Currency	Balance sheet date rate	Average rate	Balance sheet date rate	Average rate
RUR	0.2386	0.2406	0.2581	0.2632

Group companies
Result and financial position for all group companies (of which none have a hyper inflation 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 is 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 include 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
Kopylovskoye does not have any gold sales as the Company has not yet reached the production phase. Existing revenue include sale of inventory and certain equipment. Revenue is recognised exclusive of value added tax, returns and discounts and after elimination of intra group sales.

Intangible assets
Intangible assets in Kopylovskoye 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 up 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 capitalised 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 mineralisation 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. Kopylovskoye 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 economical potential in the exploration costs that have been capitalized is changed, they are immediately written down. All capitalised 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 recognised 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 recognised 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 maintenance are recognised 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 recognised in the income statement as other income and other costs respectively.

Write down of non-financial assets

Assets that have indeterminable useful lives and capitalised 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 indicates 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 capitalised as fixed assets and future leasing payments as interest bearing liabilities. The leasing payments for assets under operational leases are recognised 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 recognised 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 expenses on a straight line basis over the leasing period.

The Company does not have any leasing contracts other than those for premises.

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 recognised and reassess the classification at each balance sheet date.

General

The acquisition and disposal of financial assets are recognised on the transaction date - the date when the Group has an obligation to acquire or dispose of the asset. Financial instruments are initially recognised at fair value plus transaction costs, which applies for all financial assets that are not recognised at fair value through the income statement. Financial assets recognised at fair value through the income statement are initially recognised at fair value, while related transaction costs are recognised 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 recognised 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 fulfil his obligations.

Financial assets at fair value through the income statement

Financial assets recognised at fair value through the income statement are financial assets which are held for trading. A financial asset is classified in this category if it is acquired with the main purpose to be sold within a short time frame. The Company does not have any assets recognised at fair value through the income.

Loan receivables

Loan and other receivables are financial assets that are not derivatives. The have determined or determinable payments and are not quoted on an active market. The 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 includes cash and bank balances and blocked bank balances that are expected to become available within 3 months from of the balance sheet date. Cash and bank balances are included in the cash flow statement.

Accounts payable

Accounts payable are initially recognised at fair value and subsequently at amortised cost.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs. Borrowings are subsequently recognised at amortised cost and any difference between amounts received (net of transaction costs) and the amounts to be repaid are recognised in the income statement allocated over the loan period, using the effective interest method. Borrowing costs is recognised 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 recognised in the income statement are also recognised in the income statement. Tax effects of items recognised in other comprehensive income or directly in equity are also recognised 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 recognised 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 Kopylovskoye has chosen not to recognise any deferred tax receivables.

Remuneration to employees

Pension

Kopylovskoye does not have any pension costs.

Termination remuneration

Remuneration at termination is paid when the employee is terminated by Kopylovskoye and the employee accepts a voluntary termination in exchange for such remunerations. Kopylovskoye recognises 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 recognised 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 shares 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 convertible loans 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 2.2 "Accounting for legal entities" is applied.

Differences in accounting principles between the Group and the parent company

Differences in accounting principles between the Group and the parent company are described below. The accounting principles described below have been applied consistently in all periods presented in the financial statements of the parent company.

Subsidiaries

Shares in subsidiaries are recognised in the parent company according to the cost method. The parent recognise received dividends as income regardless if they have been earned before or after the acquisition. No dividend has been received, either in 2009 or 2008.

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

Group and shareholder contributions

The parent company recognise group and shareholder contributions in accordance with the statement from the Emerging Issues Task force within the Swedish Financial Accounting Standards Council. Shareholder contributions are recognised directly in equity at the receiving company and are capitalised in shares in subsidiaries at the contributing company, to the extent it does not require a write down. Group contributions are recognised in accordance with the economic substance.

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

During 2009 shareholders gave loans to Kopylovskoye in relation to the share issue in September 2009. The creditors received interest of 1 per cent. The loans were netted in the share issue and were thereby settled.

NOTE 4 FINANCIAL RISK FACTORS

Kopylovskoye did not have a financial policy in 2009 but intends to develop one during 2010.

Kopylovskoye however classifies financial risks as:

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

Currency risk

Kopylovskoye 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 Kopylovskoye 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 ot the subsidiaries which normally is done in the functional currency of the subsidiaries. The currency is therefore concentrated to the Swedish parent company. Since loans and credit terms are relatively long-term there is an exposure in the parent company.

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 balance sheet and income statement when translated to SEK. The current year translation effect on net income was 195 KSEK.

The Group's cost and net income is divided in the following currencies:

Currency	Capitalised amounts/revenue	Net income
SEK	0	–1
RUR	6,596	–8,562
Total	**6,596**	**–8,563**

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

Currency	Assets	Liabilities
SEK	6,810	2,874
RUR	118,041	16,467
Total	**124,851**	**19,341**

Currently the Group does not have a currency police and does thus not hedge any of the above translation exposures against the Ruble.

Interest rate risk

Kopylovskoye is to a relatively small extent exposed to interest rate risk since there is only 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 and interest income and cost is affected by changes in interest. The net liability amounted to 0.7 MSEK (net receivable 2.1) at the end of 2009 consisting of cash 5.7 MSEK (13.1) and interest bearing liabilities of -6.4 (-11.0).

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 fulfil his obligations. This exposure arises in investments in cash and other financial instruments with positive unrealised results against banks and other counterparties. Kopylovskoye limits these risks by placing surplus cash funds with counterparties with high credit ratings, currently one of the large commercial banks.

The Company plans to develop a financial policy during 2010.

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

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 year primarily be done via equity.

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

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

Outstanding loans at the balance sheet date, mostly related to acquisitions, have the following structure, average interest and maturity.

2009

Loan	Average interest (%)	Within 1 year	2-5 years	Later than 5 years	Total	Fair value
Other loans	15%	6,425	-	-	6,425	6,425
Total		**6,425**	-	-	**6,425**	**6,425**

2008

Loan	Average interest (%)	Within 1 year	2-5 years	Later than 5 years	Total	Fair value
Other loans	15%	4,775	6,255	-	11,030	11,030
Total		**4,775**	**6,255**	-	**11,030**	**11,030**

NOTE 5 SIGNIFICANT ESTIMATES AND JUDGEMENTS FOR ACCOUNTING PURPOSES

The Group makes estimates and judgements 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 judgements that includes a significant risk for material adjustments I 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 capitalised 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 judgement can relate to the possibility to in the future sell the deposit with a profit. The above are judgements that to a great extent affects the Company's balance sheet and income statement.

Classification of acquisition of subsidiaries
In an acquisition the acquisition must be analysed 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 Kopylovskoye 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 recognised as an acquisition of an asset. Companies which only has a license without the associated management / administration of the license are normally classified as an acquisition of an asset. All the acquisitions that Kopylovskoye did in 2008 and 2007 were judged to be acquisition of assets.

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, Buildings, Machinery and equipment
Each year the Group reviews if any needs for write down exist for exploration licenses and evaluation work, buildings, and machinery and equipment in accordance with the accounting principle which is described in the section "Write down of non-financial assets". Recoverable values for cash generating units have been determined by calculating value in use. Certain estimates are made for these calculations related discount rate, price of gold, reserves etc.

In 2009 there was no impairment.

Valuation of loss carry forwards
Each year the Group reviews if deferred tax receivables can be recognised 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 recognise any deferred tax receivables related to tax loss carry forwards.

Going concern

Exploration is a capital intensive activity. The size of the working capital deficit the nearest 12-month period is roughly estimated to be between 35-125 MSEK. The lower amount is for the case that the exploration activities are kept to a minimum so that the Company is only fulfilling the minimum requirements in the license agreements. The Board thus estimate that additional financing will be required to continue the operations for the next 12-month period. The opinion of the Board is that financing firstly should be done via new share issues. Given the value of the Company's licenses and probable new raised capital during 2010 the Board's assessment is that the Company can continue on a going concern.

NOTE 6 INTRA GROUP PURCHASE AND SALES

100 per cent (0) of the parent company's revenue or 2,799 KSEK (0) related to other companies within the Group.

NOTE 7 CAPITALISED WORK

The capitalised work consists of the following types of cost:

	The Group	
KSEK	2009	2008
Other external costs	12,156	12,897
Personnel costs	6,092	5,790
Depreciation of tangible fixed assets	504	132
Total capitalised costs (note 14)	**18,752**	**18,819**

Other external costs are recognised net in the income statement while personnel costs and depreciation is recognised on a gross basis as "Work performed by the Company for its own use and capitalised".

NOTE 8 DEPRECIATION

	The Group	
KSEK	2009	2008
Buildings	–357	–1 540
Machinery and equipment	–387	–469
Total depreciation	**–744**	**–2 009**

NOTE 9 AUDIT FEES

	The Group		Parent company	
KSEK	2009	2008	2009	2008
PriceWaterhouseCoopers				
Audit fees			150	150
Other Auditors	150	150		
Audit fees	-	100	-	-
	150	**250**	**150**	**150**

Audit assignments 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 Other assignments.

NOTE 10 PERSONNEL

Average number of employees

	2009		2008	
	Total	Of which women	Total	Of which women
Parent company				
Sweden	-	-	-	-
Group companies				
Russia	45	3	79	7
Total for the Group	**45**	**3**	**79**	**7**

As of December 31, 2009 there were 48 full time employees (15) in the Group

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

	2009		2008	
	As of December 31	Of which women	As of December 31	Of which women
Board of Directors	4	1	3	1
CEO and management	1	-	1	-
Total for the Group	**5**	**1**	**4**	**1**

Salaries, remuneration and social security costs

Salaries, remuneration and social security costs	2009	2008
The Group		
Board, CEO and management	1,813	0
(of which variable)	(46)	(0)
Other employees	4,111	8,079
Total	**5,924**	**8,079**
Social security costs	1,374	1,663
(of which pension costs)	(0)	(0)
Total	**7,298**	**9,742**
The parent company		
Board, CEO and management	334	0
(of which variable)	(0)	(0)
Other employees	0	0
Total	**334**	**0**
Social security costs	105	0
(of which pension costs)	(0)	(0)
Total	**439**	**0**

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

	Salary/fee	Variable remuneration	Other benefits	Pension cost	Total
Chairman of the Board, Ulrika Hagdahl	80	0	0	0	80
Board member, Joakim Christiansson	40	0	0	0	40
Board member, Håkan Knutsson	40	0	0	0	40
Board member , Claes Levin	40	0	0	0	40
Board member, Sergey Petrov	40	0	0	0	40
CEO, Mikhail Damrin	853	0	0	0	853
Other management (3)	673	46	0	0	719
Total Board and management	**1 766**	**46**	**0**	**0**	**1 812**

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 2009 amounted to 240 (0) KSEK. Of which 80 (0) KSEK was remuneration to the Chairman of the Board. For remuneration to other Board members, see table above.

Remuneration and benefits to the CEO

Remuneration to the CEO amounted to 853 (0) KSEK for 2009. The CEO is 1/12 employed in, and receives his salary from, the parent company, 11/12 employed in OOO Kopylovskoye Management. The CEO has a total contracted salary from both companies of 139,584 US$ per annum. The division of employment reflects, in all material respects, how his work is divided between Sweden and Russia. There are no pension commitments towards the CEO.

Pension plans

The Group does not have any pension plans, neither in the subsidiaries nor in the parent company.

Termination period and severance pay

The CEO and the Company has a mutual notice period of six months. There is no agreement regarding severance payments.

NOTE 11 FINANCIAL INCOME AND COST

	The Group		Parent company	
KSEK	2009	2008	2009	2008
Interest income and similar items				
Interest income	46	831	47	272
Interest income from Group companies	-	-	826	1 241
Total financial income	**46**	**831**	**873**	**1 513**

	The Group		Parent company	
KSEK	2009	2008	2009	2008
Interest cost and similar items				
Interest cost	–409	–609	–34	–3
Other	–5	-	–6	-
Total financial cost	**–414**	**–609**	**–40**	**–3**
Net financial income and cost	**–368**	**222**	**833**	**1 510**

NOTE 12 TAX

	The Group		Parent company	
KSEK	2009	2008	2009	2008
Current tax	–9	–294	-	-
Deferred tax	–2,953	–4,517	-	-
Total	**–2,962**	**–4,811**	-	-

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

Reconciliation of the weighted average tax and actual tax:

	The Group		Parent company	
KSEK	2009	2008	2009	2008
Result after financial items	–5,601	–13,598	–1,196	–28
Tax at current tax rate	1,493	3,807	314	7
Difference in tax rate in foreign operations	–316	-	-	-
Tax effects from:				
Non deductible items	–16	-	–14	-
Items accounted for directly in equity	972	263	893	217
Effect of change in tax rate	797	-	-	-
Loss carry forwards for which deferred tax is not recognised	–5,892	–8,881	–1,193	–224
Reported tax	**–2,962**	**–4,811**	**0**	**0**

Tax rates are 26,3% in Sweden and 20% in Russia.

As of December 31, 2009 the Group had tax loss carry forwards of approximately 14.3 MSEK. Deferred tax receivables related to tax loss carry forwards are recognised 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 recognised any deferred tax receivables. The value of the tax losses are approximately 3.3 MSEK.

Deferred tax receivables and liabilities relates to the following:

	December 31, 2009	December 31, 2008
Deferred tax liabilities		
Intangible assets	7,674	5 081
Total deferred tax liabilities	**7 674**	**5 081**

Change in the net of deferred tax liabilities

	Opening balance	Recognised in the income statement	Translation differences	Closing balance
Deferred taxes				
Intangible assets	5,081	2,953	–360	7,674
Total	**5,081**	**2,953**	**–360**	**7,674**

NOTE 13 EARNINGS PER SHARE

Change in number of shares

	2009	2008
Outstanding at the beginning of the period	849,000,000	1,000,000
Reverse split	–840,510,000	-
Share issue	202,104,450	-
Split	-	848,000,000
Outstanding at the end of the period	**210,594,450**	**849,000,000**

Earnings per share before and after dilution

	2009	2008
Net income, KSEK, attributable to the shareholders of the parent company	–8,563	–18,409
Average number of shares before and after dilution	52,726,902	849,000,000
Earnings per share before and after dilution	–0.16	–0.02

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.

Since net income is negative potential dilution from outstanding options is not taken into account, as earnings per share would improve considering the dilution effect.

NOTE 14 EXPLORATION LICENSES AND EVALUATION WORK

	The Group	
KSEK	2009	2008
Opening balance	100,102	68,559
Investments	18,752	18,819
Acquired licenses	0	14,156
Translation differences	–7,516	–1,432
Closing balance	**111,338**	**100,102**
Carrying value	**111,338**	**100,102**

The balance for exploration licenses and evaluation work includes approximately 74 MSEK of acquired licenses and the remaining part relates to capitalised exploration and evaluation work, approximately 37 MSEK.

NOTE 15 BUILDINGS

	The Group	
KSEK	2009	2008
Opening acquisition cost	33,600	33,865
Investments	-	115
Disposals	–1,392	-
Translation difference	–1,430	–380
Closing acquisition cost	**30,778**	**33,600**
Opening accumulated depreciation	–2,499	–1,020
Depreciation	–357	–1,540
Disposals	134	
Translation difference	–764	61
Closing accumulated depreciation	**–3,486**	**–2,499**
Opening accumulated write down	–27,101	–27,388
Translation difference	2,048	287
Closing accumulated write down	**–25,053**	**–27,101**
Carrying value	**2,239**	**4,000**

NOTE 16 MACHINERY AND EQUIPMENT

	The Group	
KSEK	2009	2008
Opening acquisition cost	10,399	11,008
Investments	898	736
Reclassification	-	–1,263
Trasnslation difference	–1,828	–82
Closing acquisition cost	**9,469**	**10,399**
Opening accumulated depreciation	–680	–227
Depreciation	–387	–469
Translation difference	–42	16
Closing accumulated depreciation	**–1,109**	**–680**
Opening accumulated write down	–9,035	–9,130
Write down	-	-
Translation difference	683	95
Closing accumulated write down	**–8,352**	**–9,035**
Carrying value	**8**	**684**

NOTE 17 INVENTORY

	The Group	
KSEK	2009	2008
Raw material and consumables	553	355
Carrying value	**553**	**355**

NOTE 18 OTHER RECEIVABLES

	The Group	
KSEK	2009	2008
Value added tax	3,534	3,350
Receivable share issue settlement	683	-
Other	362	1,670
Total	**4,579**	**5,020**

NOTE 19 SHARES IN SUBSIDIARIES

	The Group	
KSEK	2009	2008
At the beginning of the year	118,258	85,644
Acquisitions	-	13,522
Shareholder contributions	17,156	19,092
Carrying value at the end of the year	**135,414**	**118,258**

The table below specifies the subsidiaries of the Group as of December 31, 2009.

	Corporate Identification no.	Domicile	Ownership, %	Carrying value in parent company	Net income	Equity
OOO Kopylovskoye	1043800732337	Bodaibo, Russia	100	121,892	–15,137	–5,428
OOO Kavkaz	1073808020516	Bodaibo, Russia	100	13,522	–7,162	–7,672
OOO Kopylovskoye Management	1097746306063	Moscow, Russia	100	0	–840	–831

NOTE 20 CHANGES IN SHARE CAPITAL

Year	Event	Change in share capital, SEK	Capitalisation 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	-	-	840,000,000	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

NOTE 21 FINANCIAL LIABILITIES

The gross financial liability, including accrued interest, amounted to 6,245 KSEK at the end of 2009. The following table specify the maturity of the financial liability. For interest rate risk see note 4.

	The Group	
KSEK	2009	2008
Current financial liabilities		
Matures within 1 year	6,425	4,775
Total current financial liabilities	**6,425**	**4,775**
Non-current financial liabilities		
Other non-current loans with maturity >1 year <5 year	-	6,255
Total non-current financial liabilites	**-**	**6,225**
Total financial liabilities	**6,425**	**11,030**

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.

The Company's gross loan liability is denominated in RUR.

NOTE 22 ADJUSTMENT FOR ITEMS NOT AFFECTING CASH FLOW

	The Group	
KSEK	2009	2008
Depreciation	744	2,009
Translation differences	5,702	–937
Total	**6,446**	**1,072**

NOTE 23 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets of 50 KSEK (50) relate to blocked cash funds with Euroclear Sweden AB (previously VPC AB) as beneficiary and should cover receivables on Kopylovskoye AB from time to time.

The Company has a dispute with a former consultant that provided financial services. The claims of the consultant are provided in full. Management can currently not estimate the outcome of the dispute.

NOTE 24 OUTSTANDING OPTIONS

	Program
KSEK	2008/11
Excercise price, SEK	0.14
Excercise price after reverse split 1:100, SEK[2]	14
First excercise date	January 13, 2009
Last excercise date	December 31, 2011
Number of issued options at the beginning of the year	42,450,000
Excercised	-
Forfeited	-
At the end of the year	42,450,000
Of which fully vested at December 31, 2009	42,450,000
Theoretical value[1]	27,386
Theoretical value per option at issue, SEK[1]	0.06
Theoretical value per option at December 31, 2009, SEK	0.06
Theoretical dilution	5%

[1] Theoretical value of issued options have been determined using a generally accepted option value model (Black& Scholes) at the issue. Volatility of 65 per cent, a risk free interest rate of 2%, expected life of 1.5 years were the main assumptions used. Fair value of Kopylovskoye was estimated using the Tax authority's division of acquisition cost of 21% and Central Asia Gold's share price at the issue.

[2] In relation to the reverse split of shares 1:100 effected in the autumn of 2009 the holders of the options have the right to subscribe for 424,500 shares with an exercise price of 14 SEK per share.

NOTE 25 SUBSEQUENT EVENTS

On February 15, 2010 the subsidiary OOO Kopylovskoye took up an interest bearing loan amounting to 40 MRUR (approximately 10.4 MSEK) from the Investment bank "Your First Capital". The loan bears an annual interest rate of 28.8 per cent. The loan should be repaid in three instalments, 10 MRUR on May 10, 2010, 10 MRUR on July 10, 2010 and 20 MRUR on August 31, 2010. The loan is guaranteed by OOO Kavkaz and Kopylovskoye AB.

At an extra shareholders' meeting in March 2010 Kjell Carlsson and Björn Fernström were elected as new members of the Board. Furthermore Alexey Mikhailov has been employed as Vice President Exploration.

In March 2010 the Company won two licenses on auction, Krasny and Provovesenny, both having the right for exploration and production. Both deposits are located nearby the Kopylovskoye and Prodolny deposits. The price for the two license amounted to approximately 6.2 MSEK including acquisition costs.

The extra shareholders' meeting on March 9, 2010 decided to issue 84,407,580 subscription options, TO1 2010. The options were issued without consideration for each subscribed, assigned and paid share in the new share issued described below. Each subscription option TO1 2010 gives the holder a right to subscribe to one (1) new share in the Company for a price of 0.32 SEK. The subscription period expires on June 30, 2010.

A new share issue of a total of 84,407,580 new shares was completed in April 2010. The issue raised approximately 24.4 MSEK before issue costs.

A CFO has been recruited in May to the Group's head quarter in Stockholm. The CFO will start in August 2010.

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 accounts have been prepared in accordance with generally accepted accounting standards and provide 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 balance sheet of the Group and he income statement and balance sheet of the parent company are subject to adoption at the annual general meeting on June 29, 2010.

Stockholm May 24, 2010

Ulrika Hagdahl
Chairman

Claes Levin

Joakim Christiansson

Sergei Petrov

Kjell Carlsson

Mikhail Damrin
CEO

Björn Fernström

My audit report was issued on May 24, 2010

Johan Arpe
Authiorised public accountant
Öhrlings PricewaterhouseCoopers AB

Audit Report

To the Annual General Meeting of

Kopylovskoye AB (publ)
Company registration number 556723-6335

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the CEO of Kopylovskoye AB (publ) for the financial year 2009. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 30-58. The board of directors and the CEO are responsible for the accounts and the administration of the company, as well as for ensuring that the Annual Accounts Act is applied in the preparation of the annual accounts and that the International Financial Reporting Standards (IFRS), to the extent they have been adopted by the EU, and the Annual Accounts Act are applied in the preparation of the consolidated accounts. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

The audit was performed in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain a high level of, but not absolute, assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the CEO and significant estimates made by the board of directors and the CEO when preparing the annual accounts and consolidated accounts, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and the company's circumstances in order to be able to determine the liability, if any, to the company of any board member or the CEO. I also examined whether any board member or the CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's results of operations and financial position in accordance with generally accepted accounting principles in Sweden. 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 the Annual Accounts Act and give a true and fair view of the Group's results of operations and financial position. The statutory report of the directors is consistent with the other parts of the annual accounts and consolidated accounts.

I recommend to the annual meeting of shareholders that the income statement and balance sheet of the parent company and the income statement and the balance sheet for the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the 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 24, 2010

Johan Arpe
Authorised public accountant

Wordlist

Alluvial gold	Mineralizations in the river bed.
Anomalies	Deviation from normal value, relates in the moraine area with elevated concentrations of metals.
AU	Gold
Bankable	The opportunity to bank financing of activities through project-or gold loans.
Core samples	A drilling method to examine the rock core, which is used partly in connection with exploration, i e searching for minerals worth mining.
Cut-off	The lowest mineral content where the deposit is mined.
CW Shallow	Central West Shallow, description of the ore body Kopylovskoye.
Deluvial gold	Mineralization, which arise from the altered bedrock, along the slopes. The mineralization appears to slow down towards the sink, which is called the alluvial gold.
Deposit	The presence of mineralization.
Doré bars	Non-refined gold bullion containing mostly silver and gold.
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.
Fire assay method	A fusion process that separates the metals / minerals from pollution and from other particles. The method determines the quantitative amount of the metals / minerals in the samples.
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 behavior in the environment.
Geophysics	Study of soil physics properties. Magnetic and electrical measurements and gravity measurements are some geophysical methods of exploration.
Gravimetry	Separation based on the various minerals are different heavy.
Greenfield	Area not previously been explored.
Igneous rocks	A rock formed by magma that has penetrated through the crust and solidified. Extrusiva igneous rocks formed by volcanic activity, these are also known as volcanic rocks.
Indicated Resource	The part of the mineral resource that has less geological knowledge and confidence.
Induced polarization (IP)	Is a geophysical imaging technique that identifies the sub-surface materials such as ore body.
Industrial minerals	The main mineral in rocks such as quartz, feldspar, calcite, talc, apatite, graphite.
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 nor be the basis for economic evaluations.
Initial pre-feasibility-study	The first stage of feasibility study.
JORC	Code - recognized standard set by the Australian Joint Ore Reserve Commit (JORC) for calculation of mineral resources.
Known 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.

Litology	Macroscopic hand-collected samples with scale description of rocks.
Metamorphic rocks	A group of rocks formed when igneous or sedimentary rocks are exposed to high pressures and temperatures. This may, for instance, by the pressed deeper into the crust. The high pressure and temperature changes means that the mineral composition of rocks and changed rock undergoes metamorphosis.
Milliony fault	Region in the Bodaibo area with high mineralization.
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.
Mineral-ization	Natural concentration of minerals in the bedrock.
Mineral-ization	Natural concentration of minerals in the bedrock.
Moz	Million ounces.
Open pit	A place where mining deposits are shallow and where mining takes place in open day.
Ore Calculation	Analysis of technical and economic variables to examine the deposit's size and the nature and determine if it is profitable to break.
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.
Ounce	31,104 grams. Weight unit for gold.
Prefeasability Study	Second stage of feasibility study. Contains unlike the initial study prefeasiblity also a mining plan for the deposit.
Preliminary feasibility study	A feasibility study with a lower accuracy level than a full feasibility study.
Probable reserve	The proportion of ore reserves with less geological knowledge and confidence.
Profile	Cross, - length, or horisontal section.
Profitability Study	A study with sufficient accuracy to serve as the basis for investment decisions.
Prospecting	Locating ores with different methods eg boulder tracing, geochemistry, geophysics etc.
Proven ore reserve	The part of the ore reserve of high geological knowledge and confidence.
Quartz	Quartz is a mineral composed of silica, $SiO2$. The color is white or transparent.
RAB	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 Committee for reserve estimates
Spectrometry	Techniques used to analyze concetration of atoms, molecules.
SRK Consulting	International consultancy firm in the exploration and mining production.
Survey Methodology	Where you drill out cores of rock, including core drilling.

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