

KOPYLOVSKOYE

GOLD EXPLORATION & PRODUCTION



ANNUAL REPORT 2010

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Annual General Meeting

Annual General Meeting in Kopylovskoye AB (publ) will be held on Thursday, May 12, 2011 at 3 pm at SUMMIT, Grev Turegatan 30 Stockholm, Sweden.

REGISTRATION

Separate notice was published on April 13, 2011 in Svenska Dagbladet and Post- och Inrikestidningar, and could be downloaded on www.kopylovskoye.com.

To get the right to attend at Annual General Meeting shareholders have to register latest May 6, 2011 at 4 pm at agm@kopylovskoye.com.

Shareholders whose shares are nominee registered must no later than on Friday May 6, 2011, temporarily be entered into the share register kept by Euroclear Sweden AB in their own name, in order to be entitled to participate in the Annual General Meeting. A request for such re-registration must be submitted to the nominee well in advance of said date before May 6 2011.

COMING REPORTING DATES

■ 1st Quarter	May 12, 2011
■ 2nd Quarter	August 31, 2011
■ 3rd Quarter	November 17, 2011
■ 4th Quarter	March 28, 2012

VISION

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

LONG-TERM TARGETS

Confirm 5 Moz of gold resources to support production of 200 000 Oz of gold per year.

TRANSLATION

This English annual report is a translation of the Swedish annual report for 2010. If any discrepancies exist in the translation, the Swedish language version shall prevail.



Kopylovskoye in brief

7

BEDROCK
EXPLORATION
AND PRODUC-
TION LICENSES

17

PROJECTS IN
DIFFERENT
EXPLORATION
STAGES

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MILLION SEK
INVESTED IN
EXPLORATION
AND LICENSES

273

KOZ RUSSIAN
GKZ C1+C2
MINERAL
RESOURCES

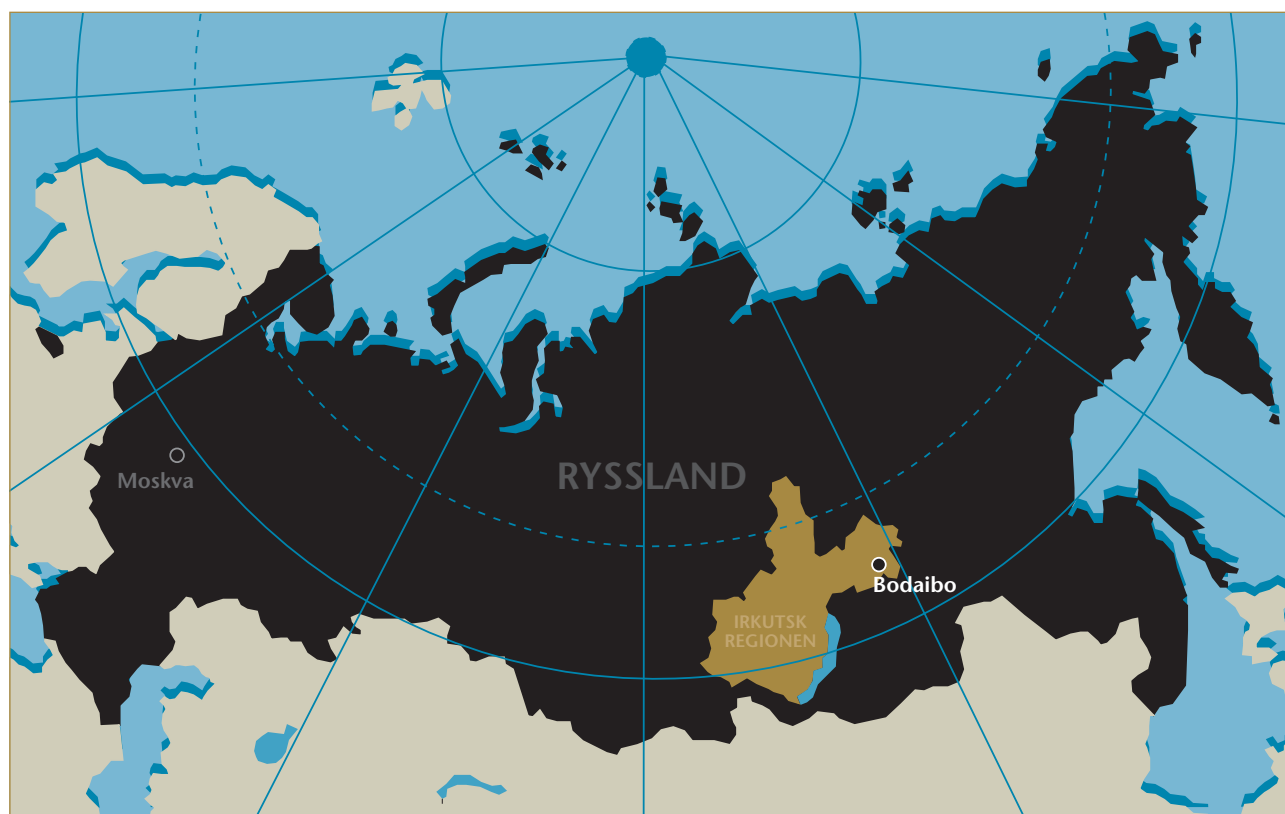
2013

PLANNED
PRODUCTION
START

4,700

SHAREHOLDERS
ON NASDAQ
OMX FIRST
NORTH IN
STOCKHOLM

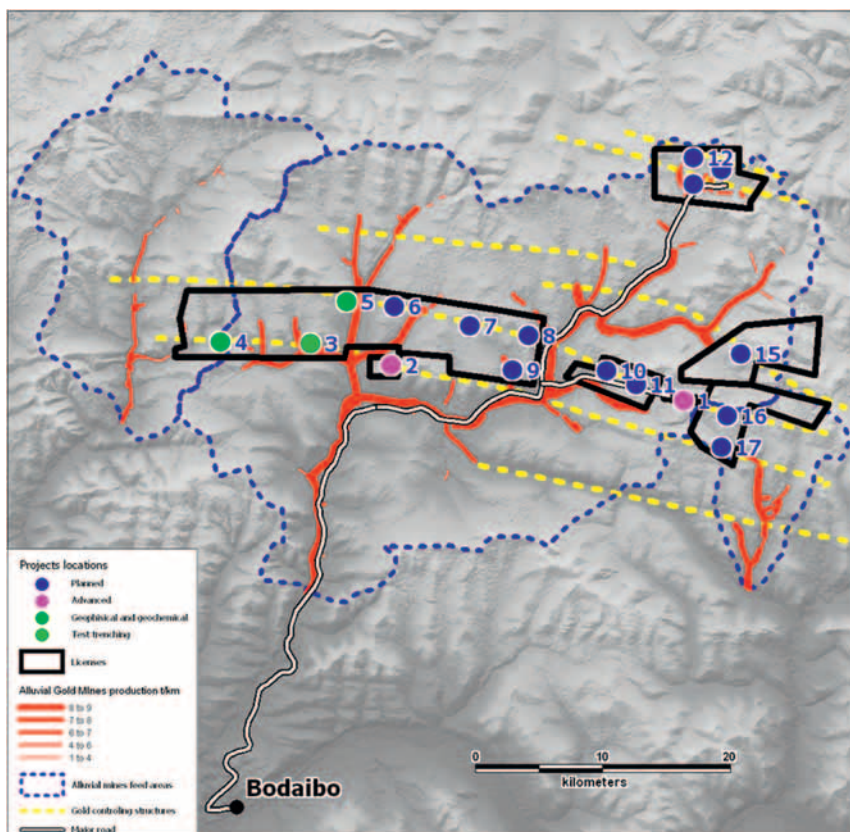
KOPYLOVSKOYE AB OPERATES IN A HISTORICAL GOLD RICH AREA OUTSIDE THE CITY BODAIBO



KOPYLOVSKOYES VALUE DRIVERS

- Dedicated to identify and explore bedrock gold deposits in the historic Lena Goldfields in the region of Irkutsk in Russia
- Focused on one gold rich area to benefit from scale economies and existing infrastructure including roads and supply of water and electricity
- Diversified by exploring 17 different projects in multiple phases
- Equipped with world-class exploration technology and a strong organization of 47 skilled full-time employees in Bodaibo, Tomsk, Moscow and Stockholm
- Committed to create shareholder value by refining assets and swiftly move projects into the next development phase
- Open to invite partners for production and to use M&A activities to extend the scope or to divest assets that have been refined into feasibility stage to a new level
- Supported by SRK Consulting, a leading international mining and exploration consultancy, providing independent guidance on exploration activities and will sign JORC reports
- Financed via the Swedish parent company Kopylovskoye AB who owns subsidies and licenses to 100% with the rights to both explore and produce for 25 years
- Listed on NASDAQ OMX First North, Stockholm with a shareholder base of 4,700 owners

17 EXPLORATION PROJECTS ON 255 SQUARE KILOMETERS



Kopylovskoye's 17 projects

CONSULTANTS KOPYLOVSKOYE CO-OPERATE WITH

- SRK Consulting, Reno Office, US
- Stewart Group Lab, Moscow, Russia

EQUIPMENT KOPYLOVSKOYE USES

- RC-rig from Schramm Inc
- Atlas Copco compressor
- Komatsu excavator
- Caterpillar bulldozer

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

Key events during the year

EXPLORING AND REFINING THE ASSETS

- On Kopylovskoye license, 450 meters of trenches, 950 meters of core holes and 1774 meters of RC holes were done, logged and sampled. Assay tests confirmed gold mineralization and confirmed the exploration model, which has been developed in cooperation with SRK Consulting.
- On Kavkaz license 940 meters of trenches and 763 meters of core drilling were done with the aim to investigate gold mineralisation along Milliony fault and the central anticline zone. Mineralisation was confirmed in both areas. The positive results commence further exploration targets. The mineralisation at the central Anticline zone supports a new discovery.
- On Uspensky area of the Prodolny license a new gold mineralization zone had been confirmed as result of the trenching of the geophysical and geochemical anomaly controlled by Milliony fault.
- The RC-drill program was further delayed due to logistical and technical problems. The company worked intensively during December and beginning of 2011 to solve the problems and finalize the drilling program. From March 2011, the company has two RC drilling contractor to drill in parallel on Kopylovskoye property.

CAPITAL INTENSIVE DEVELOPMENT STAGE

- Successful listing on NASDAQ OMX First North on August 27, 2010, extended the shareholder base and increased the visibility for the company. Successfully raised 112 MSEK in capital total during the year.
- In April, a share issue of 84.4 million shares raised 24.4 MSEK before issue costs. It was combined with an issue of 84.4 million subscription options. In June 73.2 million options were exercised which contributed 23.4 MSEK in July before issue costs. Net after issue costs 44.6 MSEK was contributed to the Company.

- The Company successfully raised 64.7 MSEK in capital before issue costs in December with a total of 3.6 million shares issued. It was combined with an issue of 1.5 million subscription options at a strike price of 25 SEK with subscription between May 16 and June 16, 2011. The Company received the proceeds from the rights issue in January 2011 and welcome 800 new shareholders.

INVESTMENTS AND RESULTS

- Increased the exploration portfolio from three to six properties, and a seventh acquired in January 2011. In March, Kopylovskoye won two auctions for Krasny and Pravovesenny exploration properties for bedrock gold exploration and production. In August, Kopylovskoye won the auction for the Vostochnaya exploration property. Acquisition costs for all three new licenses totalled 8.5 (0) MSEK. All licenses have bedrock exploration and production rights for 25 years.
- During the year 43 (19) MSEK was invested in exploration and evaluation work.
- Net income amounted to -9 (-9) MSEK for the year.
- Earnings per share amounted to -2.85 (16.24) SEK for the year.

BUILDING THE TEAM

- Björn Fernström, former partner of Ernst & Young and Kjell Carlsson, former director at Sandvik were elected as new board members at the Extra General Meeting in March. Prof. Markku Mäkelä, geologist with 30+ years of experience from the exploration and mining industry was elected as new board member. Kjell Carlsson was appointed Chairman. In September 2010, Alex Vamboldt joined the Bodaibo team as CEO of Kopylovskoye OOO. He is a professional geologist and mining engineer. His main objective is to move Kopylovskoye's projects into reserve feasibility stages and prepare for production start.
- The company is constantly reviewing and benchmarking expenditures and has commenced a cost reduction program targeting administration costs both in Sweden and in Russia.



Yuri Sinukov, project geologist for Kavkaz property, analyzing samples and decide together with the team and SRK Consulting where the drilling shall be carried out

Kopylovskoye AB summary of key financial figures 2010

	2010	2009	2008
Operating income, KSEK	-10,998	-5,232	-13,820
Earnings per share, SEK	-2.85	-16.24	-216.83
Equity / Asset ratio, %	88.8	84.5	83.8
Investments in exploration and evaluation work, KSEK	34,547	18,752	18,819
Investments in licenses, KSEK	8,463	–	14,156
Average number of employees	79	45	79



Vladimir Pauchev, Björn Fernström, Yuri Sinukov and Kjell Carlsson discussing geology on the Kavkaz-project.



Board of directors when visiting the projects in June 2010. Sergei Petrov, Björn Fernström, Anna Sandgren, Kjell Carlsson and Mikbail Damrin.



Kjell Carlsson visiting the mayor in Bodaibo in June 2010.

Building a world-class exploration company

Dear Shareholders,

During 2010 we began to develop the company to achieve the long-term strategy and the targets we set at the beginning of the year. Above all, we were successful with the acquisition of new licenses and the exploration work which confirmed several gold mineralizations which now has given us 17 projects in various stages of our portfolio. Last year's work is the platform for the great potential we now have in the company. I would like to thank our shareholders who supported us through the delays in the drilling program at the Kopylovskoye prospect, which postponed the JORC report in 2010. After 20 years in this business, I know that exploration takes time and can be unpredictable. Our organization is now making great efforts to increase the speed of drilling and to deliver results.

We diversify risks through simultaneous exploration of various projects in different stages. The benefits of this strategy have been confirmed. We received good exploration results from six advanced and early stage projects at the end of 2010 and beginning of 2011. They will be the next drilling targets once Kopylovskoye deposit has been finalized.

The board has been specific involved to support our CEO Mikhail Damrin in critical activities such as financing and drilling, while it is critical for the company's success.

During 2010, all board members visited Bodaibo, the geologist team and the projects several times. The board met with deputy governor of the Irkutsk region and mayor of Bodaibo, which we intend to do every time we visit our projects. We have strong relations with local government and authorities. We find them very supportive and we believe that our shared trust is vital to establish Kopylovskoye as a world-class exploration company within the Irkutsk region.

2010 was the year when Kopylovskoye raised 112 MSEK, became listed on NASDAQ OMX First North and attracted more than 800 new shareholders in new capital raising. We appreciate the increased interest for the company and we see that participation in capital days, both in Sweden and internationally have paid off. Exploration companies need shareholders with a long-term horizon for their investment. Raising capital, divestment of projects or joint ventures are the only ways to finance an exploration company. As we approach the feasibility study, the board will therefore focus on inviting a partner with experience from production.

The board, management and our employees are very committed to deliver results that exceed expectations and to create a world-class yet small exploration company.

With this, I would like to thank the board, CEO, management, employees and shareholders for great support in 2010.

Kjell Carlsson

Chairman of the Board, April 2011



A year of rapid progress

Dear shareholders,

2010 was a year of fast growth and rapid corporate development for Kopylovskoye AB. Firstly; we increased our exploration portfolio from three properties in 2009 to seven in January 2011 by winning Krasniy, Pravovesenniy, Vostochnaya and Takhtykan licenses. All these properties are located within Lena Goldfields, where our previous properties are located. Secondly, we achieved listing on NASDAQ OMX First North in Stockholm and throughout the year we were building company brand and market awareness. Thirdly, we strengthened the Board of Directors and the management team. Finally, we completed three successful capital raisings through the year and commenced an intensive exploration program.

In 2010 we initiated a lot of activities. We are now focused on delivering results. Within the next several months we target to prove resources for the Kopylovskoye, Kavkaz and potentially Krasniy and Uspenskoye projects. This will make the corner stone for the future growth of Kopylovskoye AB.

Our exploration program for 2011 is targeting three goals:

Target 1, Estimate resources in compliance with JORC Code

1. Drill Kopylovskoye project into resource stage followed by JORC report
2. Drill Kavkaz project (Millionny structure) into resource stage followed by JORC report
3. Drill and validate Russian historic resources for Krasniy property (Krasniy structure) with target to convert them into JORC compliant resources

Target 2, Prepare Kopylovskoye project for production start

4. Drill Kopylovskoye deposit into reserves and pre feasibility study stage and start planning for production

Target 3, Develop exploration potential

5. Drill Uspenskoye project into resource stage followed by JORC report
6. Explore Krasniy North



7. Drill Bannoye mineralization within Vostochnaya property followed by resource potential estimate
8. Explore Zolotoy, Obrucheva and Gromovskoye sites within Prodolny property
9. Further explore Kavkaz and Uspenskoye sites into reserves

The bulk of the exploration expenditures will go to the Kopylovskoye prospect. To establish resources, we target to complete the 18,000 meters RC-drilling, both scoping and in-fill drilling program. Thereafter we aim to upgrade them into reserves and commence preparation for mining. To be able to fulfill target 2 and 3 further financing is necessary.

On the corporate side we shall continue to focus on Investor Relations and develop Kopylovskoye's brand.

We believe that the Lena Goldfields provides unique gold exploration opportunities. Lena Goldfield has a great history of alluvial operations and was one of the world's main gold producing areas around 1900s. Based on hard rock deposits rather than alluvial production, Lena Goldfield has the potential to restore its position as a major gold producing region in the world.

On behalf of the management team of Kopylovskoye, I assure you that we are putting all the efforts to cost-efficiently prove the resources as soon as possible and move the company towards the production phase for your benefit.

With kind regards

Mikhail Damrin
CEO Kopylovskoye AB, April 2011



Developing an exploration trench on Obrucheva site within Prodolnyy property

An exploration company with clear targets

OPERATING IN ONE OF THE WORLD'S MOST GOLD RICH AREAS

Kopylovskoye is currently developing 17 bedrock gold projects within seven license areas, all controlled in full by the company. All projects are located in the Lena Goldfields area of the Irkutsk region of Russia. The projects are in different development stages, with the Kopylovskoye deposit being in the most advanced stage:

- Kopylovskoye shall finalise scooping drilling and estimate resources in accordance with JORC.
- Kavkaz is in the advanced exploration phase.
- Krasnyy-deposit at Krasnyy-license and the Uspenskiy-deposit at Prodolny Licensed are ready for resource drilling
- Takhtykan-license, Bannoye- and Bannoye East-deposits at Vostochnaya-license; Gromovsky North-, Obrucheva-, Vladimirovskiy- and Zolotoy-deposit on Prodolnylicense; Krasnyy East-, and Krasnyy North-deposit on Krasny-license and Kapustinskiy-deposit at Pravovesenniy-licenses are in early exploration phase.

The licenses are geographically concentrated within a 15 x 20 km large area, with 40–75 km distance to the area's main town Bodaibo. The distance from the deposits to the main road is between 1 and 10 km. From Kavkaz in the west to Takhtykan in the east is the distance only 25 km, creating a good opportunity for servicing several deposits from one processing plant.

VISION

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

BUSINESS CONCEPT

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

LONG-TERM TARGETS

Confirm 5 Moz of gold resources to support production of 200 000 Oz of gold per year.

STRATEGY

- Acquire and explore brown-field projects with good infrastructure in Lena Goldfields in Irkutsk region of Russia.
- Develop projects into production.
- Maintain a pipeline of bedrock exploration projects at different stages.
- Combine Nordic, Russian and international management to achieve operational excellence.
- Attract and retain strong international and Russian geological expertise.

SHORT-TERM TARGETS

- Establish JORC mineral resources of >1 Moz.
- Finalize a feasibility study.
- Secure funds:
 - Preferential right issues and/or private placements
 - Find long-term industrial partner.
 - Find long-term financial partner.
- Increase efficiency (more resources on shorter time with less money spent).
- Build awareness of Kopylovskoye and focus on Investor Relations.
- Acquire new gold projects in the area.

Creating value and diversifying risks

Kopylovskoye AB has 17 projects within 7 licenses in different exploration stages. Each stage has clear exploration targets and decision milestones, point of accountability, a responsible geologist, a limited budget and a timeline to deliver on. All projects have a responsible geologist, a limited budget and a timeline to deliver on.

Acquisition of licenses	Exploration	Advanced exploration	Feasibility studies	Mine and process design, construction	Mining
Focus on acquisitions within Lena Goldfields	Vladimirsk, Gromovskiy Central, N,E Bannoye Central, N, E Krapustinskiy, Takhtykan	Kavkaz, Uspensky, Obrucheva, Zolotoy and Krasnyy Central, N,E	Kopylovskoye		
Identify high-potential deposits and projects Acquire licenses for these properties on favourable terms in public auctions	Analyse historical data using modern technology Establish exploration programs Conduct geochemical and geophysical surveys Trenching and drilling before decision on whether to move on to advanced exploration	Modelling Trenching Drilling Resource estimation Scoping and pre-feasibility studies (economic evaluation)	In-fill drilling Convert mineral resources to reserves Detailed engineering and metallurgy studies Preparation of a feasibility study	Establish the technological, metallurgical and economic prerequisites to design an effective and profitable mining process Construction of mine, processing plant and related infrastructure	Profitable mining Mine site exploration to expand mine life Reclamation and mine closure
Equity financing	Equity financing	Equity financing	Equity financing – invite partner for production	Equity and debt financing with partners	Financing from proceeds of gold sales
Active project portfolio management – continuously evaluate divestments and acquisition opportunities					

OPERATIONAL ACHIEVEMENTS

Based on exploration data from 2010/2011, Kopylovskoye's goal is to commence a 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.

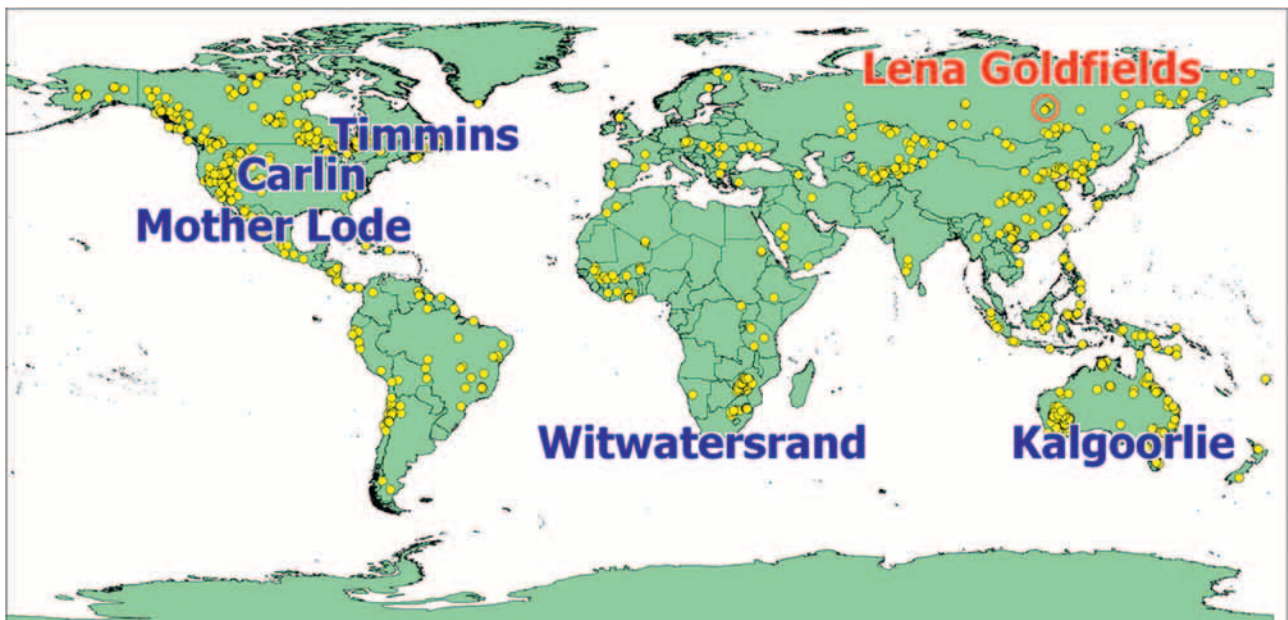
Long-term targets	How to achieve the targets	Focus in 2011
→ Be able to produce 0.2 MOz gold per year and commence production in 2013.	→ Prepare and finalize feasibility studies for current exploration projects before production start.	→ Prove Kopylovskoye prospect and develop it into a mine – finalize JORC resources report and file Russian state reserve report in Q2 2011, commence feasibility study in 2011 and invite a partner to start mine development during 2012.
→ Have resources of 5 Moz of gold to support production.	→ Identify and develop brown-field projects from the existing portfolio.	→ Drill on Kavkaz, Krasny and Prodolny – do scoping study and prove resources. Commence pre-feasibility studies and scoping study in 2011/2012.
→ Have resources of 5 Moz of gold to support production.	→ Acquire new licenses within the area with our local knowledge about the area from our geology team. and with support of SRK Consulting	→ Acquire licenses close to current properties. Takhtykan license was acquired Q1 2011 in line with this ambition.

Focus on a gold rich region

Kopylovskoye's projects are located in Lena Goldfields, near the city of Bodaibo, in the Irkutsk region of Russia. The projects are close to the town of Artemovsky, located 40 km northeast of Bodaibo and 880 km northeast of Irkutsk. Gold has been mined in the Bodaibo area for more than 150 years, and placer production was conducted as early as in the 1840s. Until today, the accumulated gold production in the Irkutsk region is nearly 43 Moz, of which over 98 per cent is alluvial gold. Dur-

ing 2010, total gold production in the region was 0.48 Moz, of which 0.38 Moz was alluvial gold.

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



Kopylovskoye (Lena Goldfields) projects are among the most interesting places in the world (source: SRK Consulting 2009)

District	Deposit type	Oz au produced + 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

LOCAL INFRASTRUCTURE AND SOLID LOCAL CONNECTIONS

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

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

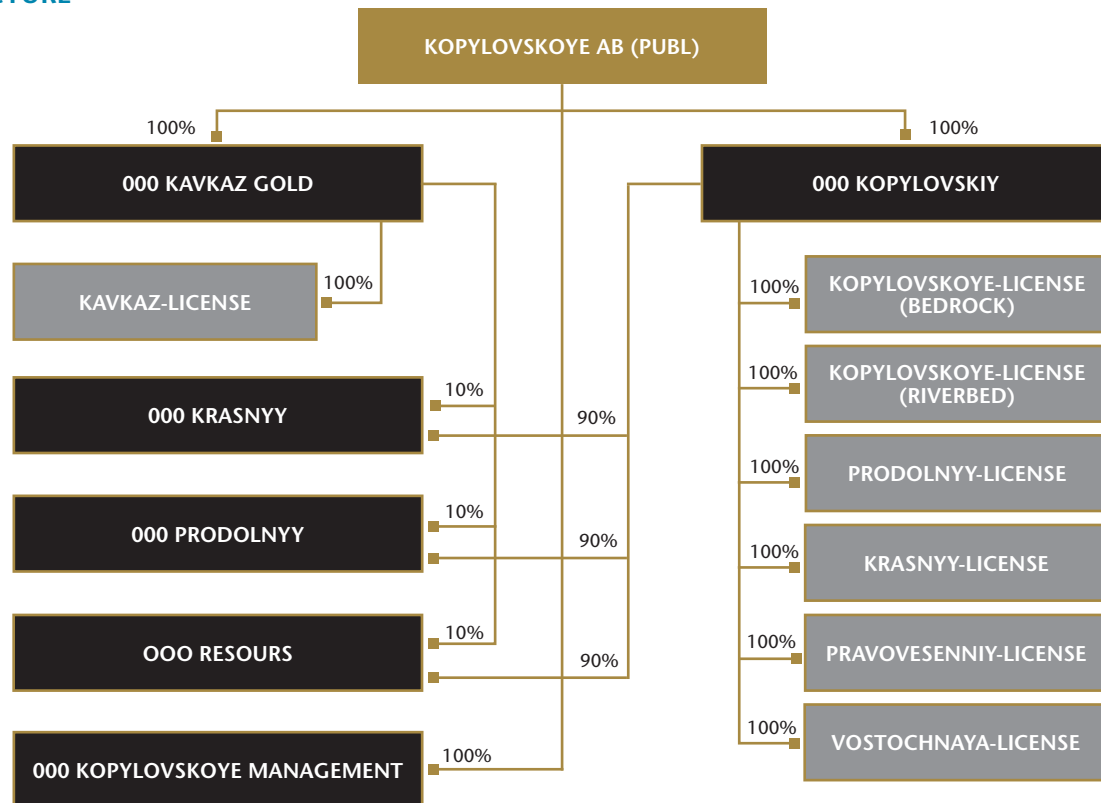
located close to each other, with the distance to the main state road – which runs north from Bodaibo to the town of Kropotkinsky – ranging between 1 and 10 km. The distance between the Kavkaz and the Takhtykan sites is only 25 km, making it possible to process ore from several deposits at one production plant.

The company intends to meet with the governor in Irkutsk region and the mayor in Bodaibo frequently to update on our results and progress of the company. During 2010 the board and management visited the vice governor of Irkutsk region and the mayor of Bodaibo. The company receives support from the federal institutions to create a world-class exploration company.

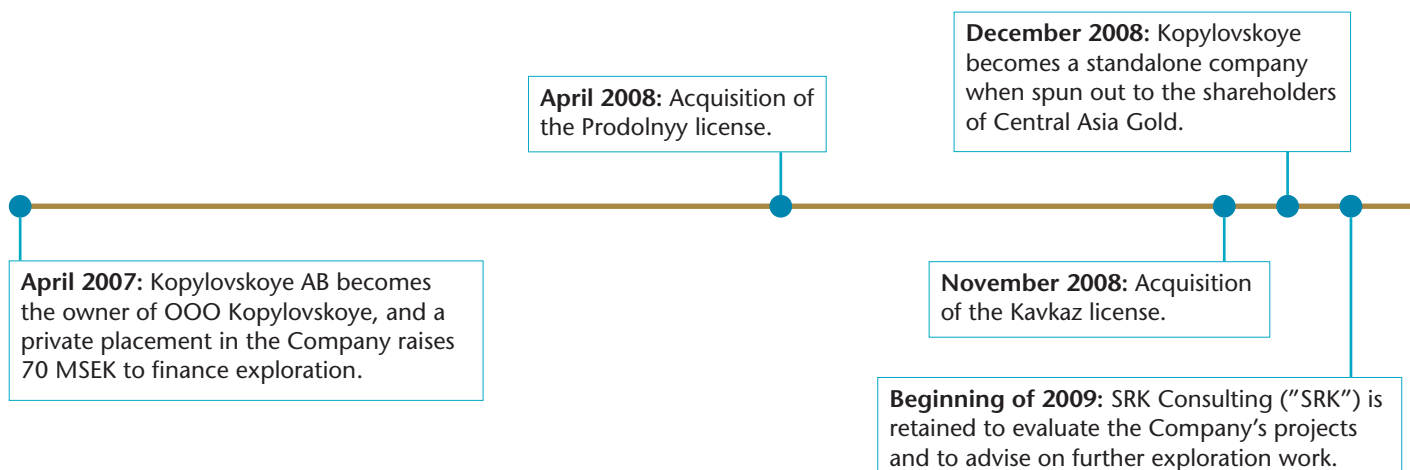


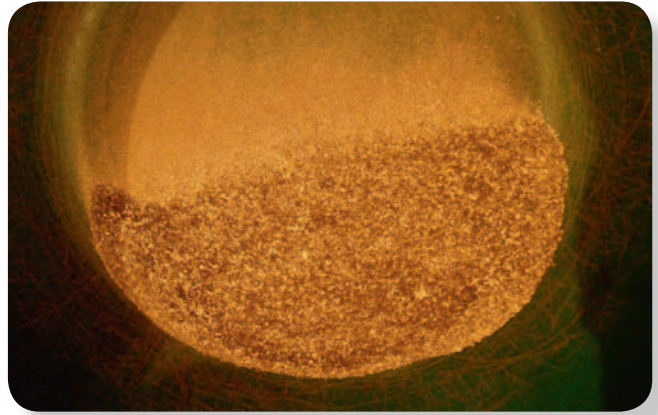
Efficient Group Structure

STRUCTURE



EVENTFUL HISTORY





September 2009: 20 MSEK is raised through a rights issue to finance operations, continued exploration- and license acquisitions.

April 2010: 24 MSEK is raised through a rights issue to finance operations, the year's drilling program for the Kopylovskoye deposit, and license acquisitions.

August 2010: Acquisition of the Vostochnaya license. The Company is listed on NASDAQ OMX First North, Stockholm.

January 2011: Acquisition of Takhtykan license.

March 2010: Acquisition of the Krasnyy and Pravovesenniy licenses.

July 2010: 23 MSEK is raised through the exercise of warrants.

December 2010: 65 MSEK is raised through a rights issue to finance further drilling and pre-feasibility-study at Kopylovskoye prospect.

Project portfolio in different stages

The Company is currently developing 17 bedrock gold exploration projects within seven bedrock exploration and production licenses. In addition, the company owns a license relating to exploration and production in the riverbed. The licenses are:

License	Acquired	Mineral resources (GKZ)	Exploration target	Valid until:	Ownership Kopylovskoye AB	License area
Kopylovskoye	2007	C1 7 428 C2 232 154 P1 333 441	Bedrock	2020	100 %	1,5 sq km
Kopylovskoye (returned to the state January 2011)	2007		Riverbed	2011	100 %	
Kavkaz	2008	C2 33 344	Bedrock	2015	100 %	3,4 sq km
Krasnyy	2010	P1 610 932	Bedrock	2035	100 %	31 sq km
Prodolnyy	2010	P2 578 778	Bedrock	2033	100 %	141 sq km
Pravovesenniy	2010		Bedrock	2030	100 %	35 sq km
Vostochnaya	2010	P1 150 000	Bedrock	2035	100 %	13 sq km
Takhtykan	Q12011		Bedrock	2035	100 %	31 sq km

The projects are in different development stages, with Kopylovskoye being in the most advanced stage. The total license area is 255 km² and all the company's licenses provide the right to bedrock exploration and production.

PRODUCTION TARGETED FOR 2013

The Company is targeting to start mining at the Kopylovskoye deposit in 2013. All the Company's deposits are projected to be mined as open-pits, with continued

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



Developing exploration trench on Uspenskoye project within Prodolnyy property

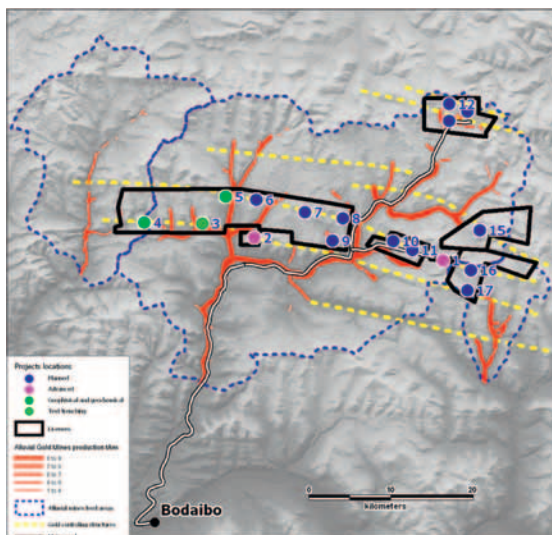
DEVELOPMENT STAGE FOR THE DIFFERENT PROJECTS

The exploration is capital-intensive and time consuming. The highest risk is considered to be in the drilling phase because it is the most capital intensive and the drilling results will later prove if it is profitable to mine or not. The company's goal is to spread risk by developing a few

projects in the most advanced stage and keep a lot of early stage projects, to be able to choose among the most potential ones, and to control costs and to share risks by focuses its resources on the most value-creating activities. After the drilling is done feasibility studies (pre-feasibility and feasibility studies), takes about 12 months in total.

Licence	Project	Number of project	Prospecting/ Drill target generation	Test drilling	Resource drilling	Infill drilling	PFS	FS
Kopylovskoye	Kopylovskoye	1	→	→	→	→	→	→
Kavkaz	Kavkaz	2	→	→	→	→	→	→
Prodolny	Uspensky	3	→	→	→	→	→	→
Prodolny	Zoloty	4	→	→	→	→	→	→
Prodolny	Vladimirovsky	5	→	→	→	→	→	→
Prodolny	Obrucheva	6	→	→	→	→	→	→
Prodolny	Gromovsky North	7	→	→	→	→	→	→
Prodolny	Gromovsky East	8	→	→	→	→	→	→
Prodolny	Gromovsky	9	→	→	→	→	→	→
Vostochnaya	Bannoye	10	→	→	→	→	→	→
Vostochnaya	Bannoye East	11	→	→	→	→	→	→
Krasny	Krasny North	12	→	→	→	→	→	→
Krasny	Krasny East	13	→	→	→	→	→	→
Krasny	Krasny	14	→	→	→	→	→	→
Pravovesenny	Kapustinskiy	15	→	→	→	→	→	→
Takhtykan	Takhtykan	16	→	→	→	→	→	→
Takhtykan	Takhtykan South	17	→	→	→	→	→	→

→ 2010 → Value drivers 2011



1. Kopylovskoye (feasibility-studie-stage)
2. Kavkaz (advanced exploration)
3. Uspenskiy (exploration)
4. Zolotoy (early exploration)
5. Vladimirovsky (early exploration)
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7. Gromovsky N (early exploration)
8. Gromovsky E (early exploration)
9. Gromovsky (early exploration)
10. Bannoye (early exploration)
11. Bannoye East (early exploration)
12. Krasny North (early exploration)
13. Krasny East (early exploration)
14. Krasnyy (exploration)
15. Kapustinskiy (early exploration)
16. Takhtykan (early exploration)
17. Takhtykan South (early exploration)

Refine and develop the projects

KOPYLOVSKOYE-LICENSE



The Kopylovskoye license is located 45 km northeast of Bodaibo and the license area covers approximately 1.5 km². The deposit was first discovered in the 1970s through a state managed regional geological survey program. The Kopylovskoye bedrock gold mineralization neighbors the Kopylovskoye alluvial deposit, which was in production during the 1990s. The first exploration and production license for the Kopylovskoye bedrock gold occurrence was issued in April 1999. During 2000–2005, extensive exploration work within a limited part of the license area was carried out, resulting in the filing of a Russian reserve report covering a small part of the mineralization.

Exploration target 2010

Finalize RC drilling and analyzing the results. Due to delayed drilling the company target to file JORC resource report during 2011.

12 months 2010 exploration activities

- 5 trenches for a total of 450 meter done, logged and sampled
- 9 core holes for a total of 950 meters drilled and logged
- 33 RC holes with a total length of 1,774 meters and depth of 50 meter were completed

Results from exploration activities 2010

- Assay test results from trenches confirmed gold mineralization at surface and in compliance with the SRK Consulting 3D exploration model. Assay tests from RC-drilling confirmed the 3D model on depth, with the most encouraging results from drill hole 911 at depth 24 meter with intercept of 12 meter with gold grade 2.66 g/t and drill hole 912 at depth 15 meter with intercept 4.5 meter with gold grade 1.48 g/t.

Exploration target 2011

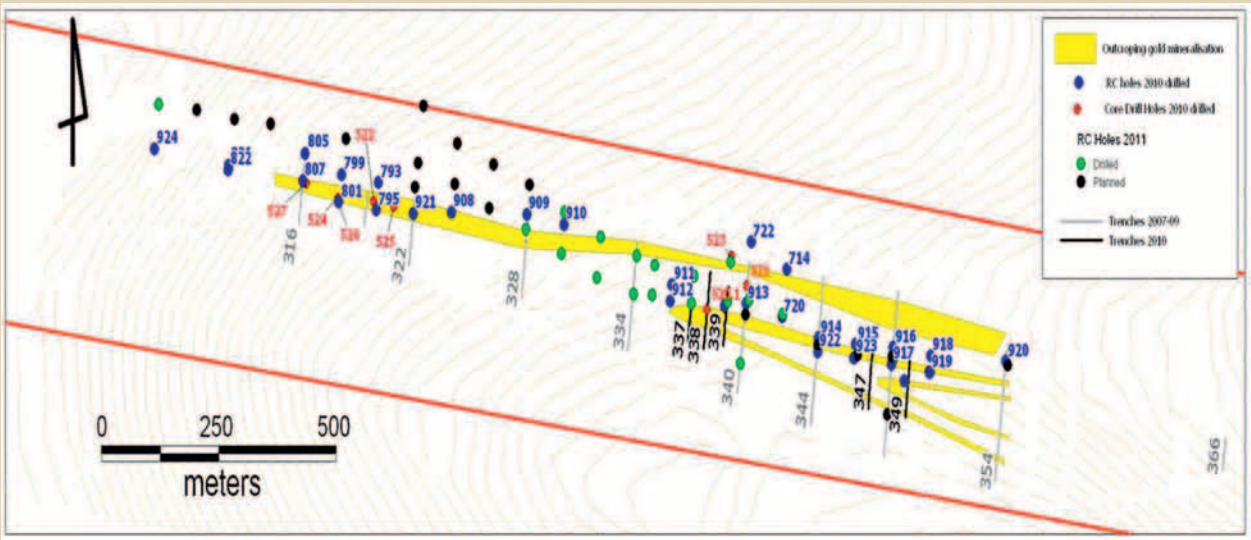
- Report mineral resources within JORC standard through 4,200 meter of RC-drilling
- Finalize pre-feasibility study through 10,000–15,000 meter of RC-drilling
- Commence feasibility study

Geology

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

INVESTMENTS IN EXPLORATION

MSEK	2007	2008	2009	2010
Exploration on Kopylovskoye-license	13.6	18.5	5.4	14.3



Drilling plan on Kopylovskoye-project to finalize 4,200 meter of drilling. The yellow areas are gold mineralization. The project is shown from above.

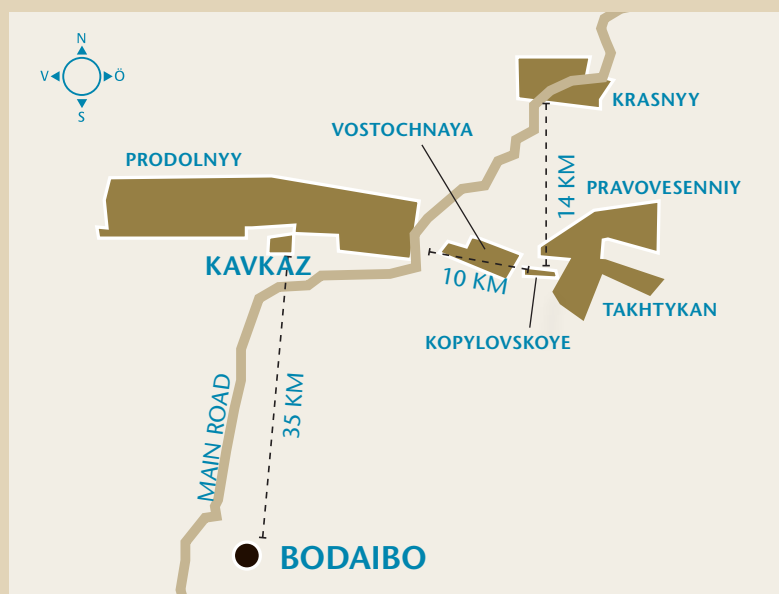
RESOURCES AND RESERVES BY RUSSIAN CLASSIFICATIONS GKZ

Russian classification Kopylovskoye	Ore mass (t)	Grade (g/t)	Cut-off (g/ton)	Gold (kg)	Gold (oz)
C1	80	2.9	1.0	231	7,428
C2	2,231	3.5	1.0	7,220	232,154
Total C1+C2	2,311	3.2	1.0	7,451	239,582
P1	3,308	3.1	n/a	10,370	333,441
Total P1+P2	n/a	3.1	n/a	10,370	333,441



RC-drilling in November at Kopylovskoye-project

KAVKAZ-LICENSE



The Kavkaz license is located 35 km north-east of Bodaibo and the license area covers approximately 3.4 km². The deposit was first discovered in the 1940s and has been explored since 1984 by the Bodaibo state exploration team, with minor exploration conducted by the former owners OOO Artelj Lena.

Exploration targets 2010

Collect data for JORC resource report for North Western part which is target to be filed in mid 2011 (Millionny fault), estimate potential central part (Central anticline zone)

12 months 2010 exploration activities

- 7 trenches of a total of 1,030 meters developed and logged
- 4 core holes for a total of 763 m drilled and analyzed

Results from exploration activities 2010

- The results confirm gold mineralization along a strike of 300 meters and returned gold grades of 3.03 g/t over 6 meters in diamond drill hole 509. Depth of drilling was down to 250 meter and the mineralization continues. The overall strike length of the Millionny fault exceed 1200 meter. The mineralization within the area is further open to the east, west and to the depth.
- A new mineralized area associated with Central anticline zone was identified.

Exploration target 2011

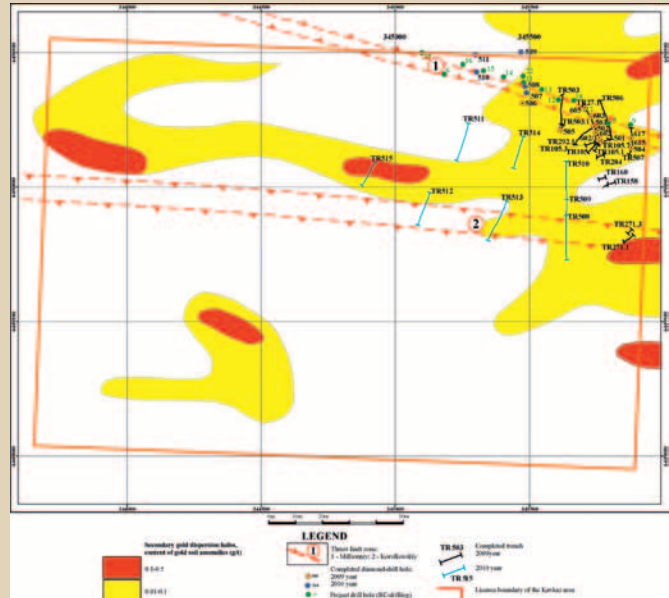
- Report mineral resources within JORC standard through 2 000 meter of RC-drilling

Geology

The main gold-ore potential is concentrated in the central zone, composed of pyritized carbon-carbonate-mica-quartz slate, and controls three typical and clearly expressed morphological types of gold-ore mineralization:

- 1) a thick network of thin sub parallel pyrite, pyrite-quartz and pyrite-carbonate-quartz veinlets with the content of the pyrite component up to 30–60%, with the gold grade up to 9.6 g/t.
- 2) lens-shaped intercepts of dispersed fine- and small-crystalline pyrite up to 15–20% from the rock volume with quartz and/or carbonate material admixture with the gold grade up to 2.3 g/t;
- 3) zones saturated with quartz veins and vein lets up to 5–15% of the rock volume, with the increase of the thickness of quartz veins up to 0.5–1.5 m, with stable increase of the gold grade up to 6.0 g/t.

Map over Kavkaz-project with red full dashed line as a boarder marker. Mineralized zone 1 and 2 is the longitudinal stripes. On the Kavkaz license gold mineralization was confirmed along the Millionsy fault zone (ore zone 1) and the Central anticline zone (ore zone 2). Both zones returned good gold grades. Gold mineralization controlled by Millionsy fault (Ore zone 1) had been studied 300 meters along a strike and to a depth of 250 meters.



INVESTMENTS IN EXPLORATION (MSEK)

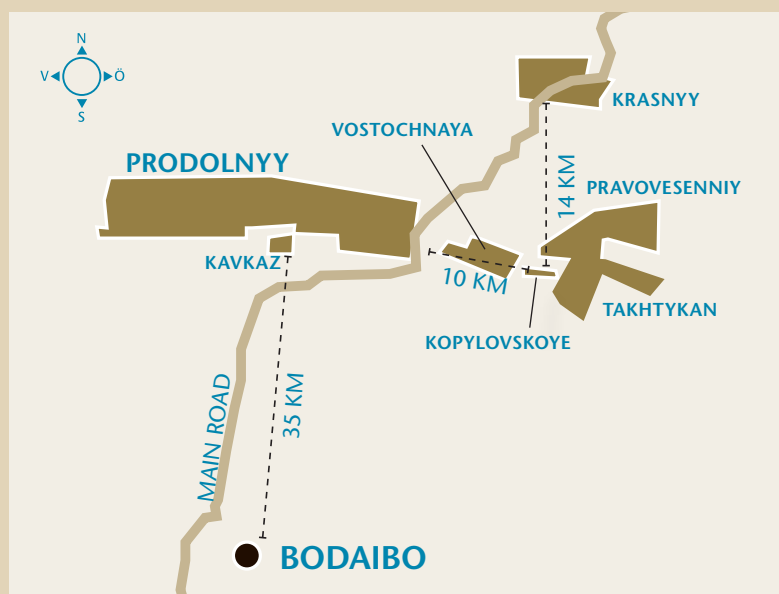
MSEK	2007	2008	2009	2010
Exploration on Kavkaz	0	0.4	7.1	12.8

RESOURCES AND RESERVES BY RUSSIAN CLASSIFICATIONS GKZ

Russian classification Kopylovskoye	Ore mass (t)	Grade (g/t)	Cut-off (g/ton)	Gold (kg)	Gold (oz)
C2	110	9.4	1.0	1,037	33,344
Total C1+C2	110	9.4	1.0	1,037	33,344
P1	175	9.4	n/a	1,645	52,894
Total P1+P2	n/a	9.4	n/a	1,645	52,894



PRODOLNY-LICENSE



The Prodolny license is located 40 km northeast of Bodaibo and the license area covers approximately 141 km². The deposit was first discovered in the 19th century and contains about 10 delineated exploration targets, of which three have been subject to current exploration work: Uspenskiy, Zolotoy and Obrucheva

Exploration target 2010

Collect data through trenching and RC-drilling for JORC resource report on Uspenskoye mineralization. This is planned to be filed during 2011 due to delay with RC drilling on the other sites, drill target generation at Zolotoy and Obrucheva.

12 months 2010 exploration activities

- Six trenches on Uspenskoye for a total of 1,340 meters developed, logged and sampled. The first assay test results confirm continues mineralization at surface.
- On Obrucheva three trenches for a total of 750 meter were developed to explore structures at surface.
- On Zolotoy and Obrucheva detailed geochemical and geophysical surveys 1:10000 – 10 sq km was completed. Preliminary interpretation results identified several structures at both locations.

Results from exploration activities 2010

- The currently explored prospective area shows an established gold mineralized zone up to 14 meters wide and with length of about 1 km. The total length of fault zone controlling the location of gold miner-

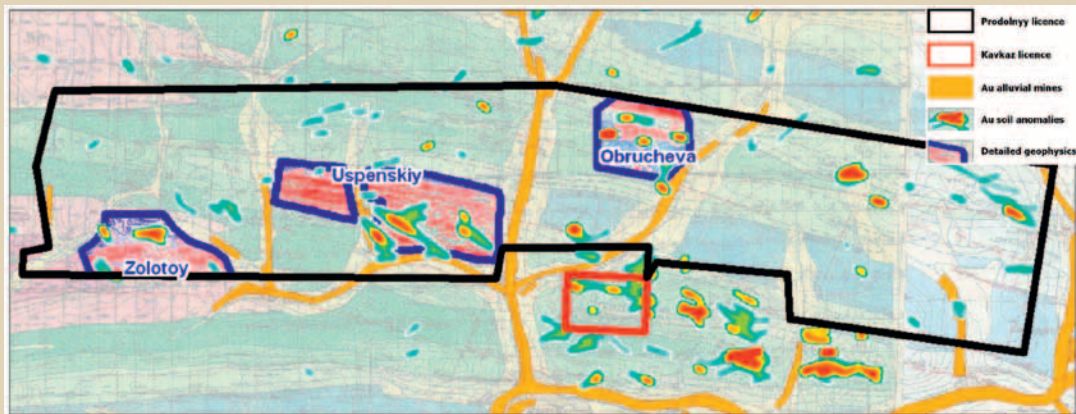
alization is about 15 km in extends of the Prodolny license. Trench samples at Uspenskiy project returned good grades of 2 meters at 3.53 gram/ton within 9.5 meters intercept with average grade of 1.31 gram/ton at trench 212.

Exploration target 2011

- Report mineral resources within JORC standard through 2 000 meter of RC-drilling on Uspenskiy-project

Geology

Geologically the Prodolny license is located in the central part of Bodaibo Complex Syncline (synclorium). The Bodaibo Complex syncline coincides with the Artemovsky Gold District. The Bodaibo Complex Syncline is composed of interlayered sandstone, siltstone with variable carbon content (commonly known as black schists), and limestone. The sedimentary rocks are weakly metamorphosed, and folded into a complex syncline with a number of strongly elongated secondary folds striking in the west-northwest direction. The main prospecting indicator for gold mineralization at the Prodolny site is presence of geophysical zoning, consisting in regular



Uspenskiy project (covering 10 km² out of 141 km²) is one out of eleven projects at Prodolny license, the largest license hold by Kopylovskoye AB. During autumn 2010 this projects has been explored through trenches. The currently explored prospective area shows an established gold mineralized zone up to 14 meters wide and with length of about 1 km. The total length of fault zone controlling the location of gold mineralization is about 15 km in the extend of the Prodolny license and will be target for further exploration. Economical potential will be assessed by RC drilling program.

location of magnetic field, resistance field, natural electrical field, polarized and natural potassium radioactive anomalies in relation to each other.

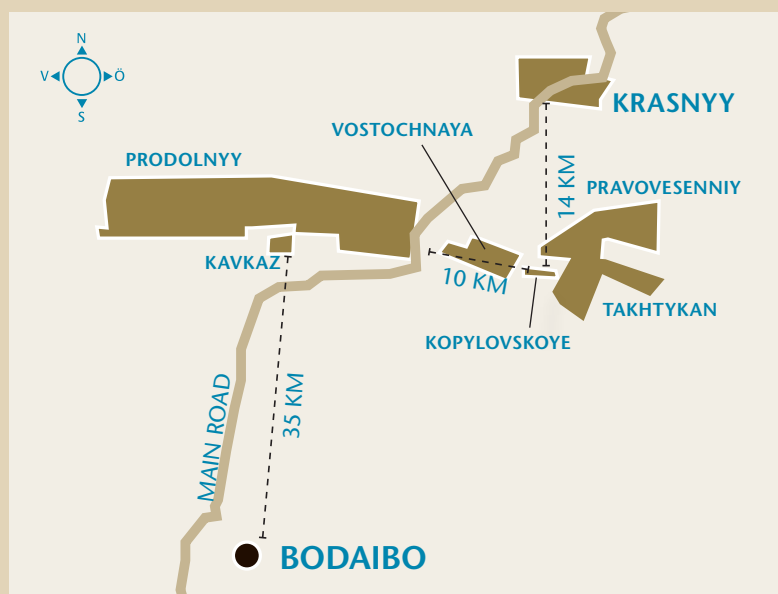
INVESTMENTS IN EXPLORATION (MSEK)

MSEK	2007	2008	2009	2010
Prospektering på Prodolny	0	0	6.2	7.2

RESOURCES AND RESERVES BY RUSSIAN CLASSIFICATIONS GKZ

Russian classification Prodolny	Grade (g/t)	Cut-off (g/ton)	Gold (kg)	Gold (oz)
P2	n/a	n/a	18,000	578,778
Total P2	n/a	n/a	18,000	578,778

KRASNY-LICENSE



The Krasny license is located 75 km north of Bodaibo and the license area covers approximately 31 km². The mineralisation was first discovered in 1979 and preliminary resource assessment was conducted during 1981–1986 by the Bodaibo state exploration team. The license was acquired by the Company in February 2010.

Exploration target 2010

Validate old historic data and develop exploration plan, the JORC resource report is postponed due to the delay with the RC rig until 2011.

12 months 2010 exploration activities

- Recognizance geological mapping over the license area
- Reviewed and digitalized historic exploration data
- Prepared and communicated exploration plan

Results from exploration activities 2010

- Based on historical exploration data three prospective areas were identified for first priority test and resource drilling.

Exploration target 2011

- RC drilling in spring 2011 within Krasny mineralization to validate historic Russian resources and issue JORC standard resource estimation

Geology

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

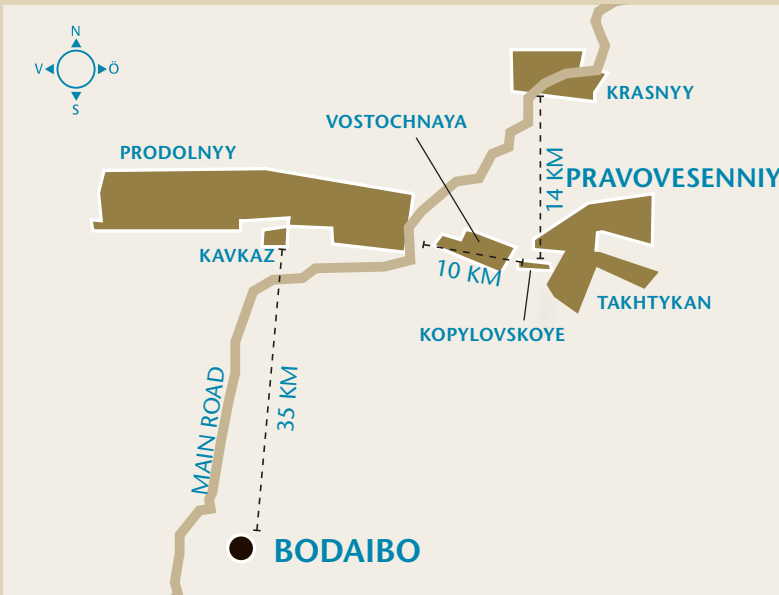
INVESTMENTS IN EXPLORATION (MSEK)

MSEK	2007	2008	2009	2010
Exploration on Krasny	0	0	6.2	0.1

RESOURCES AND RESERVES BY RUSSIAN CLASSIFICATIONS GKZ

Russian classification Krasny	Ore (kton)	Gold grade (g/ton)	Cut-off (g/ton)	Gold (kg)	Gold (oz)
P1	n/a	2.7	n/a	19,000	610,932
Total P1	n/a	2.7	n/a	19,000	610,932

PRAVOVESENNY-LICENSE



The Pravovesenny license is located 54 km north of Bodaibo and the license area covers approximately 35 km². The mineralization has been known since the 19th century and studied by the Bodaibo state exploration team during 1981–1986. The license was acquired by the Company in February 2010.

Exploration target 2010

Validate old historic data, develop and communicate exploration plan

12 months 2010 exploration activities

- Recognizance geological mapping over the license area
- Reviewed and digitalized historic exploration data
- Prepared and communicated exploration plan

Results from exploration activities 2010

- Historical data was digitalized and exploration models and targets developed.
- Exploration work scope was approved by relevant state authorities

Exploration target 2011

- Based on successful development of Kopylovskoye deposit and funds available, commence moderate evaluation of the property to understand how it can add up to the Kopylovskoye mine development.

Geology

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

INVESTMENTS IN EXPLORATION (MSEK)

MSEK	2010
Exploration on Pravovesenny	0.1

VOSTOCHNAYA-LICENSE



The Vostochnaya deposit is located 44 km northeast of Bodaibo, just one kilometer west of the Kopylovskoye deposit, and the license area covers approximately 13 km². The deposit was discovered in the beginning of the 20th century, and was preliminary assessed by the Bodaibo state exploration team during 1971–1973. The license was acquired by the Company in August 2010.

Exploration target 2010

The license was bought during Q3 2010 and no exploration activities were carried out during 2010.

Exploration target 2011

- Based on successful development of Kopylovskoye deposit and funds available, commence moderate evaluation of the property to understand how it can add up to the Kopylovskoye mine development.
- Validate old historic data and develop exploration plan
- Carry out reconnaissance geological mapping over the license area

Geology

Vostochnaya license area is located on the western extension of the Kopylovskoye mineralized zone and includes known gold mineralization at the Bannoye gold occurrence. Mineralization is mapped on the surface with detentions up to 700 m length and width about 12–18 meters. Gold grade vary from 0.6 to 6.0 g/t. Part of the mineralized zone had been assessed with trenches, exploration shafts (up to 20 m depth) and underground cross-cuts.

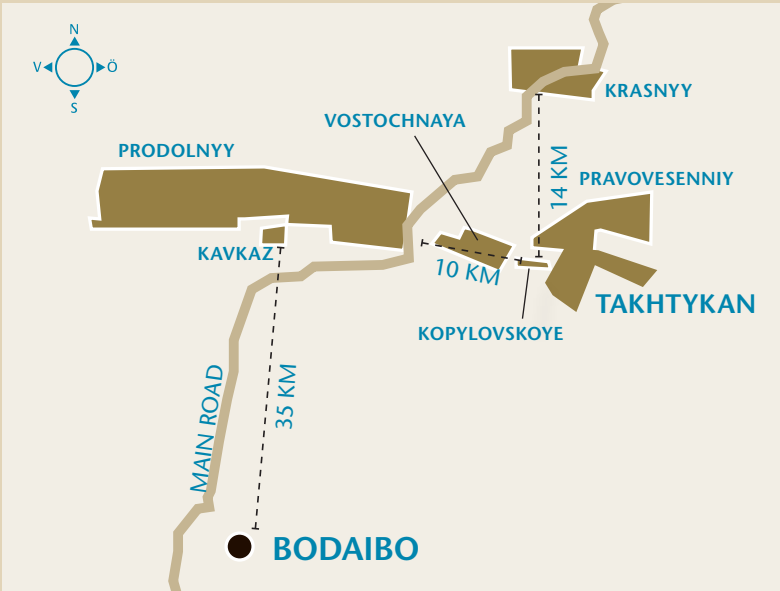
INVESTMENT IN EXPLORATION (MSEK)

MSEK	2010
Exploration on Vostochnaya	0.0

RESOURCES AND RESERVES BY RUSSIAN CLASSIFICATIONS GKZ

Russian classification Vostochnaya	Ore (kton)	Gold grade (g/ton)	Cut-off (g/ton)	Gold (kg)	Gold (oz)
P2	n/a	3.5	n/a	n/a	150,000
Total P2	n/a	3.5	n/a	n/a	150,000

TAKHTYKAN-LICENSE



Takhtykan license area covers 30 sq km and is located on the border of Kopylovskoye bedrock license. The license is for bedrock gold prospecting, exploration and production valid for 25 years. 2011 activities will include reviewing and summarizing of historic exploration data, drafting and filing exploration work scope report to License committee.

Exploration target 2010

The license was bought during Q1 2011 and no exploration activities were carried out during 2010.

Exploration target 2011

- Based on successful development of Kopylovskoye deposit and funds available, commence moderate evaluation of the property to understand how it can add up to the Kopylovskoye mine development.
- Validate old historic data and develop exploration plan
- Carry out recognizance geological mapping over the license area

Geology

Geologically, Takhtykan deposit is part of the larger Kopylovskoye mineralization and structurally very similar to the Kopylovskoye deposit. Takhtykan deposit has historically identified gold mineralization which will be the first exploration target.

INVESTMENT IN EXPLORATION (MSEK)

MSEK	2010
Exploration on Takhtykan	0.0



From exploration to mining in Russia

RUSSIAN MINERAL RESOURCES CLASSIFICATION SYSTEM¹⁾

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

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

Reserve/resource classification

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

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

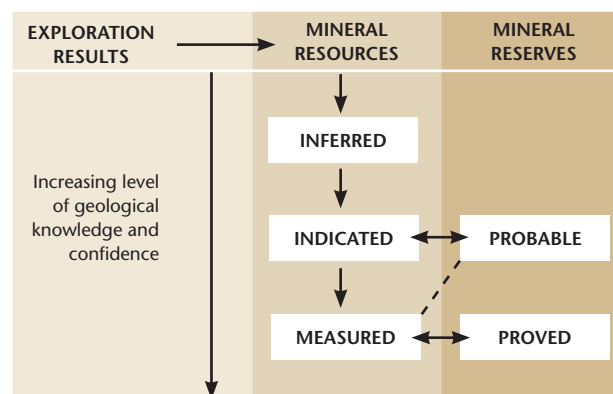
Second, mineral occurrences are classified as belonging to one of seven categories:

- A (reserves that are known in detail, and in production)
- B (reserves that have been explored but are known only in fair detail, and in production)
- C1 (reserves that have been estimated based on a sparse grid of trenches, drill holes or underground workings)

COMPLEXITY CLASSES AND HIGHEST CATEGORY OF RESOURCES/RESERVES NORMALLY ACHIEVABLE

I	II	III	IV
A	A,B	C1	C2

BASIC WESTERN APPROACH FOR MINERAL RESOURCES CLASSIFICATION



Consideration of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the "modifying factors")

RECONCILIATION OF RUSSIAN AND INTERNATIONAL REPORTING SYSTEMS

UNCLASSIFIED	INFERRED	INDICATED	MEASURED
P2+P3			
P1			
	C2		
		C1	
Note. A, B, C1 and C2 can also be reserves			A+B

1) Mining Journal, London, August 20, 2004

- C2 (reserves that have been estimated based on an extremely loose exploration grid with little data)
- P1 (resources that have been estimated on data from trenches, geochemical/geophysical surveys and sporadic drilling)
- P2 (resources representing possible mineral structures that have been estimated on data from geochemical/geophysical surveys)
- P3 (resources that have been estimated based on being located in a "favourable geological environment" and derived from figures of similar deposits in the region)

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

Deposit categories and complexity classes

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

The complexity classes are:

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

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

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

Risk management is a key element in exploration

OPERATIONAL RISK

Description of risk	Risk management	Result 2010 and exposure 2011
Geological risk All estimates of recoverable mineral resources in the ground are largely based on probabilities. Estimates of mineral resources and ore reserves are based on extensive test drilling, statistical 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 the final outcome.	Kopylovskoye seeks to recruit and work with well-trained and skilled staff with strong 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's risk is equivalent to comparable companies in the industry. Among the positive signs in 2010, SRK Consulting confirmed gold mineralisation on several deposits and showed that geology is favourable for gold deposits. In 2011, the company will focus on the classification of assets according to international standard JORC and prepare for pre-feasibility study.
Volatility in gold price Gold price may change due to reduced demand, changes in U.S. dollar and other macroeconomic factors, which may affect the Company's 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 in the Company.	Currently Kopylovskoye does not have a policy to hedge against gold price, future sales, since the company still is in the exploration stage. Management continually assesses whether or not hedging is required.	Volatility in gold price did not influence the company in 2010.
The economic life of discovery and evaluation of assets The economic life of the mine depends on several factors such as metal prices, mineral resources, finance costs, etc. There is a risk that the reserves may change in the future depending on changes in production costs, process or exchange product price.	Kopylovskoye's 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 reduce the risk.	In 2010, the company focused on the Kopylovskoye, Kavkaz and Prodolny license areas to investigate and estimate the potential resource potential, which gave good results and increased risk diversification. In 2011, Kopylovskoye will primarily continue to drill and complete Kopylovskoye JORC resource estimation.
Technical Risk and suppliers risks Factors related to technology and suppliers could lead to interruptions in exploration activities. Lack of or delay of advanced drilling equipment and rental of equipment could lead to increased costs.	The company is constantly working with local and western suppliers. Furthermore, we plan to make procurement and rental of machinery in good time before the season starts exploration. The Company intends to contract a second drilling company during the year to further reduce the risk.	The company contracted an international drilling company in 2010 to drill at Kopylovskoye-, Kavkaz, and Prodolny-licenses. Due to various problems the drilling season was delayed and the targets for 2010 were not reached. The Company has contracted a new drilling company early 2011 to proceed with drilling on the license areas.
License Management Breach of license obligations might result in the license being withdrawn 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 good relationships with authorities.	The Company fulfilled all requirements for 2010, and has a good relationship with the authorities.

FINANCIAL RISKS

Description of risk	Risk management	Result 2010 and exposure 2011
Need for additional capital The Company may in the future require additional capital. This may take place through the issuance of shares, other equity instruments or debt instruments, or by obtaining other external financing. It cannot be guaranteed that the Company will be able to obtain financing or that such financing can be obtained on terms and conditions advantageous for the Company or without considerable dilution for the shareholders. The failure to obtain additional financing at the right time may result in the Company being forced to postpone, decrease, or terminate business operations and investments or to sell assets. It cannot be guaranteed that such sale of assets can take place on terms and conditions that are advantageous to the Company.	The Company prepares and continuously follows up detailed budgets and cash flow forecasts. The Company also continuously evaluates different financing alternatives.	In 2010 the Company raised a total of 112 MSEK before issue costs in three financing rounds. The Company repaid part of the debt to the former owners. During 2011 the warrant 2010/2011 is valid during May 16–June 16, has strike price of 25 SEK and could in total bring 35 MSEK into the company. The Company plans to acquire additional working capital through new share issues, bridge financing and/or sale of assets or part of existing projects to implement the feasibility-studies and commence building production plant.
Liquidity risk Gold exploration is a capital intensive activity. The Company's planned exploration program will require additional capital. There is no assurance that additional capital can be obtained on favourable terms, or that enough capital is raised to fund operations as defined in the business plan.	The Company constantly evaluates liquidity and capital needs, in order to complete the planned exploration program and create growth in the Company.	No deviations in 2010.
Re-financing risk The re-financing risk is the risk that Kopylovskoye cannot finance its outstanding liabilities on acceptable terms, or at all, at a given point in time. Since the Company has little outstanding financial debt, the re-financing risk is considered limited.	The Company prepares and follows up detailed cash flow forecasts.	In 2010 the Company paid back financial liabilities and plans to pay back further financial liabilities in 2011.
Interest rate risk The Company may have to use bridge financing from time to time. Future changes in interest rates could adversely affect the Company's ability to raise bridge financing and production financing and increase the financing costs.	The Company targets to limit the use of bridge financing and keep interest rates as close to market rates as possible.	During 2010 the Company used bridge financing from time to time. For 2011 the Company intends to limit bridge financing. As long as the Company is in the exploration stage, it is not dependent on fluctuations in interest rates to a large extent, given that most of the financing is done via equity.
Currency risk The Company's reporting currency is SEK. The Group's investments are and will to a large extent be done in RUR. Simultaneously, the Company's underlying assets, gold reserves, are valued in USD since the world price of gold is set in USD.	In accordance with Kopylovskoye's financial policy, the Company does not hedge anticipated and budgeted transactions.	The company was affected by changes in the USD and RUR in 2010. The company targets to have revenues and expenditures in the same currency.
Impairment The value of the Company's intangible assets depends, among other things, on the results from the exploration activities, i.e. the estimated amount of mineral resources of a prospect. If the estimated mineral resources are deemed not to be sufficient for profitable mining a write down of carrying values may be needed.	The Company performs an annual impairment test of its exploration licenses, buildings and equipment in accordance with existing accounting principles. The recoverable amounts for cash generating units are established by calculating the value in use. In making these calculations certain estimations must be made relating to, among other things, discount rate, price of gold, and mineral resource estimations.	No discrepancies in 2010. Impairment test will be performed in 2011 as well.

RISK MANAGEMENT IS A KEY ELEMENT IN EXPLORATION

FINANCIAL RISKS, cont.

Description of risk	Risk management	Result 2010 and exposure 2011
Accounting and reporting risk The Russian statutory reporting is primarily prepared for reporting to tax authorities. The local financial reports have to be transformed from local accounting standards into IFRS for the reporting to the parent company. Russian accounting standards deviate from IFRS in a number of ways, which leads to risks for errors in the transformation process.	The Company has prepared its financial policy in accordance with IFRS and the transformation to IFRS of the Russian subsidiary accounts is done by persons knowledgeable in both Russian accounting standards and IFRS.	No discrepancy in 2010. The company continues to increase internal controls and comply with IFRS.

POLITICAL RISKS AND RISKS RELATED TO SOCIETY

Description of risk	Risk management	Result 2010 and exposure 2011
Political instability and corruption Operations in Russia are subject to a number of political, legal and economic factors that may affect the Company's operations and financial condition. Bribes and corruption are more common in Russia than in most western countries. International capital flows can be hampered due to global economic difficulties and the Company is dependent on state and local regulatory approvals, which can be both a complex and intractable process.	The company strives to work with an international perspective, with clear internal communication between subsidiaries and parent companies, to ensure that major transactions are approved by the Board and that the procurement process is transparent.	No discrepancy in 2010. Nearest presidential elections are in 2012, which could affect the country and its laws.



View on Prodolny property from the top of Kavkaz site in the autumn

Long history of Russian gold mining

According to the U.S. Geological Survey, total Russian gold mining production increased during 2009 to 185 tons compared to 176 tons for 2008. After 15 years of stagnation following the breakdown the Soviet Union, gold production, prospecting and exploration activities have increased significantly in Russia during recent years.

Russian gold production has for a long time been centered on alluvial production, with bedrock production overtaking alluvial production as late as 2003. For 2009, bedrock production accounted for an estimated 70 per cent of total mine output, with alluvial production at 30 per cent, according to the Russian Union of Gold Miners.

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

In 2009, the 15 largest gold producing companies accounted for 74 per cent of the total Russian gold production, with the eight largest producers displayed below. In the Irkutsk region, there are a number of gold mining companies operating, with the majority being national entities. A list of known companies operating in this region is displayed in the table on the next page.

For many years during the Soviet period, the Russian gold-mining industry was one of the main leaders in the global gold mining industry. During the mid to late 1990s, mine production began to come under private control and gold output fell appreciably because of lack of investment and the withdrawal of government financial support. In recent years, however, the industry has begun to recover and appears to have embarked on a new era. Investment in the industry has increased and this has coincided with a shift away from the seasonal alluvial operations towards year-round bedrock mining.

Kopylovskoye AB is one of the first in the Arto-movskiy district within Lena Goldfields to apply for bedrock exploration. Kopylovskoye is contributing to the restoration of the Russian gold industry's lost competitive position and demonstrating the attractiveness of investing in Russia again.

TRADITION

Throughout the long history of gold mining in Russia, the problem of depletion has never been an issue with the country currently second in the world in terms of estimated gold reserves. The major gold-bearing deposits are located in very remote areas and are yet to be fully exploited. Those that have been mined, or are currently being mined, have a relatively high gold content and suitable for open-pit operations.

EXPERTISE

The Russian mining tradition favored the development of scientific and technical expertise within the country that is still prevalent today. New technology has allowed Russian companies to increase mining and processing cost efficiencies and economically develop more complex ore bodies. Kopylovskoye use for example a lot of seasonal summer works from Tomsk and Irkutsk University.

THE RUSSIAN LEGAL ENVIRONMENT

The Russian legal framework for mining companies includes royalty taxes on mining and minerals exploration, environmental requirements and a high degree of scrutiny from governments at all levels. This provides a tightly regulated but fair environment for companies to explore, develop and generate high returns from their assets.

The use of mineral resources in Russia is based on three main principles:

- 1) State ownership of subsoil;
- 2) Private ownership of the extracted minerals;
- 3) Paying for subsoil use.

State owned licenses to explore and exploit a deposit are available to any business enterprise (including foreign ones) through open tender or auction. The license holder is entitled to conduct geological studies and/or mining within a certain time period deemed sufficient to complete work on pre-negotiated terms. For foreign companies, the Russian state has the right to impose restrictions on the use of subsoil areas deemed to have strategic significance.

COST ADVANTAGES

Key to the development of gold mining in Russia has been its relatively low cost compared to the global industry averages. Many of the leading Russian gold producers have production costs far below global averages. The low cost has been due to the availability of local skilled workers and highly qualified engineers thereby negating the

need for comparatively higher expatriate labor expenses, cheaper electricity and fuel costs and also the wealth of available scientific and technical expertise in the country. In addition, many mining regions of Russia have well-developed energy and transport infrastructure with the obvious example being the longest railway in the world.

MAIN FOREIGN GOLD PRODUCERS IN RUSSIA

Company	Corporate country	Stock Exchange	Gold production from Russian operation			
			2010	2009	2008	2007
Kinross Gold	Canada	New York, Toronto	19,910	25,591	15,433	1,942
Petropavlovsk	UK	London, New York	13,924	14,835	12,240	8,405
Highland Gold Mining	UK	London	5,338	5,145	5,120	4,623
Leviev Group	USA	–	1,893	1,969	1,221	134
Angara Mining	UK	London	850	1,594	1,057	949
Central Asia Gold	Sweden	Stockholm	730	666	846	1,073
High River Gold Mines	Canada	Toronto	–	–	1,867	4,683
Bema Gold ¹⁾	Canada	–	–	–	–	110
Total			42,645	49,155	37,784	22,564
% of total Russian production			24%	27%	22%	13%

1) Bema Gold was acquired by Kinross Gold 2007

Source: Russian Union of Gold Miners

PRODUCTION COMPANIES IN IRKUTSK REGION

Company	Corporate country	Stock Exchange	Operations/ licenses in Irkutsk-region	Gold production per year (kg)
Polyus Gold	Russia	Moscow, London	Zapadnoye, Vernenskoye, Pervenets, Chertovo Krito	40,400 ^{*)}
GV Gold (OJSC Vysochaishy)	Russia	–	Golets Vysochaishy, Ozherelie, Ykanskoye, Leprindo	3,450
LenSib	Russia	–	Nevskoye	500
Redkon	Russia	–	Elektricheskoye	500
Severstal Gold	Russia	Moscow, London	Uryakhskoye	6,000 ^{*)}

^{*)} Group total

Sources: Company website and presentations, www.kopylovskoye.com

Solid demand for gold

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 2010. 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).

Many investors regard gold 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.

Investors in gold can point to a growing body of research supporting gold’s reputation as a protector against 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.

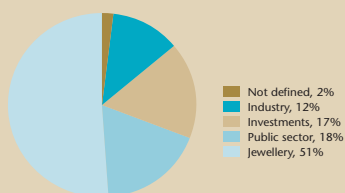
TECHNOLOGY DEVELOPMENT DRIVES GOLD DEMAND

The World Gold Council expects demand for gold in the industrial sector to be supported by strong long-term fundamental electronics demand, given the metal’s unique properties and the semiconductor industry’s need for a material that combines proven performance and high reliability. Much of the growth in gold used in electronic products is anticipated to occur in India, China, Japan and other Asian nations, both due to growth in the electronics manufacturing industries in these regions and consumer demand for new consumer electronic products. In addition to its current industrial applications, we believe gold will lie at the core of many technological breakthroughs in the coming years.

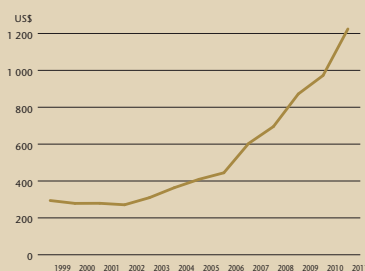
JEWELLERY

Growth of jewellery demand was fuelled by a small number of key markets. In an environment of rising prices, with record price levels being reached in a number of currencies, jewellery demand was up year-on-year in India, China, Turkey, Russia and Hong Kong. These results demonstrate that consumers in these countries are becoming accustomed to higher price ranges and, in some cases, that the investment aspect of gold is increasingly playing a role in demand for jewellery. Price expectations are also being revised upwards, with consumers preferring to make gold jewellery purchases at current prices in order to avoid purchasing at yet higher prices in future.

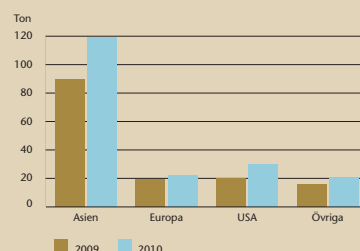
DISTRIBUTION OF DEMAND OF GOLD (2010)



GOLD PRICE



INDUSTRIAL GOLD DEMAND PER REGION (TONNES)

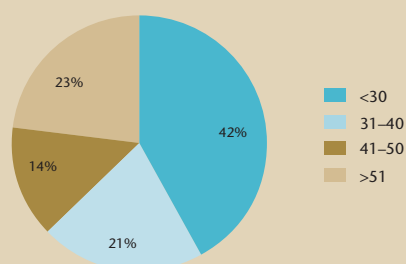




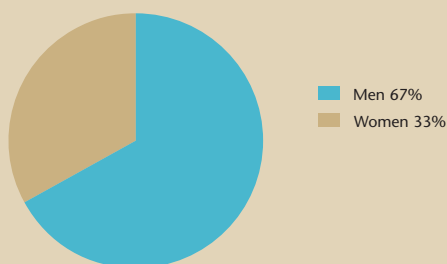
*Per Hedström, auditor for Kopylovskoye AB,
visiting Kopylovskoye projects in September 2010*

Skilled and dedicated employees

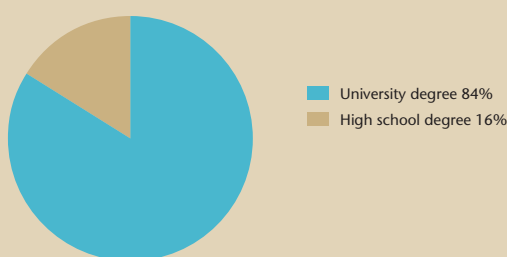
AGE OF THE EMPLOYEES



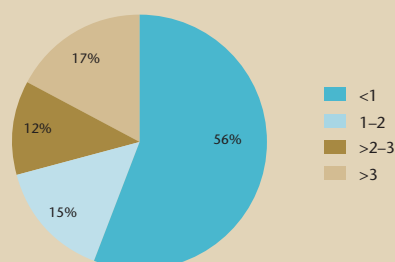
GENDER



EDUCATION LEVEL



YEARS WITHIN THE COMPANY



Kopylovskoye's core values are Commitment, Responsibility and Excellence. Qualified, experienced and motivated employees are central to the success of the company. The company has focused on the training and development of its staff. The continued growth and success of the company depends on its ability to attract, train, develop and retain the best possible employees.

The company has in total 47 employees with some variations between high and low season. Kopylovskoye is still a small employer in Bodaibo but aim to recruit the most skilled people with the right values. The company cooperates with Tomsk and Irkutsk University. Kopylovskoye seeks to align wage levels to the regional market level and provide workers with long-term career and personal development opportunities.

The company seeks to recruit staff from nearby settlements. However, due to the remote location of the projects, some of the company's employees come from further afield and stay on-site in purpose-built accommodation during the time of their shift.



Geologists in discussion.



Camp at Prodolny-license.

MEET WITH OUR EMPLOYEES

**Alexander Vamboldt**

"My main target is to create a strong team spirit and with high quality reach the goals within the company. We must make wise and effective decisions and find pragmatic solutions of complex situations. It is important that everyone in the company have an open dialogue and build a "one for all, all for one" feeling. Although our Russian team is far from the Swedish team and the market we will create a clear respect and understanding across the organization for everyone's responsibilities and jointly achieve the goals we have set."

**Evgeniy Bozhko**

"Being a geologist, I think that the work at the Bodaibo Syncline is interesting because the area is highly prosperous for revealing ore gold. Indeed, with a huge historical data available, personal previous experience, new knowledge on the processes of ore formation etcetera, I work not only as a geologist, but more like a detective collecting and analyzing the whole set of data."

**Elena Vatrushkina**

"Being a junior geologist, I'm interested in the Bodaibo Syncline first of all because of its unlimited potential to provide new knowledge and rich work experience. The area has for many years been studied by a group of highly professional geologists, and still there are a lot of vacant prospecting areas. This moves us to using modern methods, latest software and equipment. The beautiful nature of the Zabaikal Region adds to the experience."

**Alex Krasnoshekov**

"The Bodaibo District is unique by the amount of placer gold produced. More than 1.5Kt of gold have been produced during 150 years. But the district is still studied with insufficient detail and the discovered deposits are not the only ones in the district. The possibilities of discovery of new deposits are very high."

Health, safety and environment

OUR APPROACH

Kopylovskoye AB recognizes that operating in a safe and responsible manner will ensure that its business is respected at a local level, federal level and by the investment community worldwide. The company takes compliance with Russian health and safety and environmental legislation seriously and is seeking to go beyond this by bringing its projects in line with international best practice. The company seeks to ensure that its workforce feel valued and respected through the provision of good facilities and safe and comfortable working conditions. The company is committed to support education for their employees during low season.

HEALTH AND SAFETY

Kopylovskoye recognizes that it is obliged to protect the health of all its workers and has the right to operate in a safe working environment. All staff receives health and safety training as part of the initial introduction process. Job-specific training is then provided within each workplace. Health and safety monitoring and internal inspections of working environments are undertaken to ensure compliance with Russian regulatory requirements.

ENVIRONMENT

Kopylovskoye manages the environmental impacts of its operations across the full project lifecycle in accordance with Russian regulatory requirements and is seeking to

align these practices with international best practice. All of the company's projects are subject to rigorous permitting requirements by the Russian authorities. During 2010, an independent environmental committee reviewed our sites and conducted which found existing procedures broadly in compliance with the requirements of the Environmental regulations.

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

REGULATIONS AND FULFILLMENTS

1. "On Air Protection" (edition as of 27.12.2009)
Federal Law dd. 04.05.1999 No 96-FL
Adopted by the State Duma of the Federal Council of the Russian Federation
2. "On Environmental Protection" Federal Law dd. 10.01.2002 No 7-FL (adopted by the State Duma of the Federal Council of the Russian Federation on 20.12.2001) Article 16. Payment for Negative Environmental Impact.
3. "On Production and Consumption Waste" Federal Law dd. 24.06.1998 No 89 FL
4. Safety requirements to exploration (PB 08-37-2005)

PAYMENTS BY KOPYLOVSKOYE WHICH IS NORMAL FEES PER YEAR FOR ENVIRONMENT IMPACT FROM EXPLORATION:

Description	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total for the Year
Payment for negative impact	KSEK 13	KSEK 2	KSEK 3	KSEK 5	KSEK 23



The Board of Directors, management and auditor

BOARD OF DIRECTORS, MANAGEMENT AND AUDITOR

Responsibilities of the Board of Directors

The Board of Directors is responsible for the Company's strategy and targets; to approve budgets and business plans; approve costs and investments; and major corporate changes within Kopylovskoye AB. The Board of Directors also appoints the CEO and determines the remuneration and other terms for the CEO.

Composition of the Board of Directors

Kopylovskoye's Board of Directors consists of seven members, of which Kjell Carlsson is the chairman. The members of the Board are presented in detail below. All board of directors are elected until next annual general meeting. All shareholdings are including family and privately-held companies.

BOARD OF DIRECTORS



KJELL CARLSSON

Chairman of the Board and Board member since 2010.

Born: 1951, Swedish citizen.

Education: Master of science in mechanical engineering.

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

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

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

Shareholding in Kopylovskoye: 48,166

Warrants: 12,583



MIKHAIL DAMRIN

Board member and CEO since 2009.

Born: 1970, Russian citizen.

Education: Master of science in optical engineering, Moscow Technical University; Bachelor's degree in mining technology, Tomsk Polytechnical University; Bachelor's degree in international finance, Russian Academy of Foreign Trade; MBA, Cranfield University.

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

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

Relinquished assignments during the last five years: –

Shareholding in Kopylovskoye: 62,431

Warrants: 1,124



BJÖRN FERNSTRÖM

Board member since 2010.

Born: 1950, Swedish citizen.

Education: Bachelor of science in economics.

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

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

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

Shareholding in Kopylovskoye: 7,830

Warrants: 1,740

THE BOARD OF DIRECTORS AND MANAGEMENT



ULRIKA HAGDAHL

SBord member since 2007.

Born: 1962, Swedish citizen.

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

Work experience: Founder of ORC Software AB.

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

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

Shareholding in Kopylovskoye: 380,411

Warrants: 22,720



CLAES LEVIN

Board member since 2009.

Born: 1941, Swedish citizen.

Education: First university degree in law, Lund University.

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

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

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

Shareholding in Kopylovskoye: 24,500

Warrants: –



MARKKU MÄKELÄ

Board member since 2010.

Born: 1944, Finnish citizen.

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

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

Other assignments: Board member of Dragon Mining Ltd.

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

Shareholding in Kopylovskoye: –

Warrants: –



SERGEI PETROV

Board member since 2009.

Born: 1968, Russian citizen.

Education: MBA, George Washington University.

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

Other assignments: Joint owner of Nettrader.ru.

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

Shareholding in Kopylovskoye: 286,554

Warrants: 60,000

AUDITOR

Ernst & Young, responsible Per Hedström

MANAGEMENT

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



MIKHAIL DAMRIN

CEO and Board member since 2009.

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



**ANNA SANDGREN
(PREVIOUS DAUN WESTER)**

Vice president, investor relations since 2010.

Born: 1978, Swedish citizen.

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

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

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

Relinquished assignments during the last five years: –

Shareholding in Kopylovskoye: 12,015

Warrants: 2,670



ALEXANDER MIKHAILOV

Vice president, exploration since 2010.

Born: 1959, Russian citizen.

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

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

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

Relinquished assignments during the last five years: –

Shareholding in Kopylovskoye: –



GUNNAR DANIELSSON

CFO since 2010.

Born: 1960, Swedish citizen.

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

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

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

Relinquished assignments during the last five years: –

Shareholding in Kopylovskoye: 8,020

Warrants: 2,910



ALEXANDER VAMBOLDT

Managing director of OOO Kopylovskiy since 2010.

Born: 1957, Russian citizen.

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

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

Other assignments: –

Relinquished assignments during the last five years: –

Shareholding in Kopylovskoye: –



ALEXANDER KRASNOSCHEKOV

Chief geologist since 2007.

Born: 1981, Russian citizen.

Education: Master in exploration geology, Tomsk Polytechnical University.

Work experience: Geologist with OOO Tardan Gold.

Other assignments: –

Relinquished assignments during the last five years: –

Shareholding in Kopylovskoye: –

The Share

TRADING IN SHARES

The abbreviation for the share is KOPY and the company is listed on NASDAQ OMX First North in Stockholm 974,011 shares were traded with a value of 23.7 MSEK in 2010. Share turnover in Kopylovskoye-share – a measure of the share's liquidity – amounted to 64 percent during the period, compared with 62 percent for First North over the same period. On average 10,943 shares were traded daily with a value of 266,632 SEK daily.

SHARE PRICE TREND

Kopylovskoye's share price on the NASDAQ OMX First North in Stockholm decreased by 36.6 percent during 2010, reaching SEK 19,40 at the end of the year. The highest price paid for the share during the year was SEK 33.50 on August 27, 2010 and the lowest was SEK 16 on 7 September. The average price was SEK 23.69. During the period from August 27 to December 31, the First North index increased with 8.7 percent.

Kopylovskoye's total market capitalization amounted to MSEK 71.4 as of 31 December 2010.

OWNERSHIP STRUCTURE

In total there were 4 783 shareholders on February 11, 2011. During the year there was a substantial increase in the number of small shareholders of around 800 new shareholders. The five largest shareholders by February 11, 2011 were Håkan Knutsson incl. company and pension insurance 14.78%, Euroclear Bank 11.48%, Commodity Quest AB 11.81 %, SIX SIS AG 8.42% and Ulrika Hagdahl incl. company 5.74%.

SHARE CAPITAL

Kopylovskoye share capital amounted to SEK 21,682,178 (12,402,500) on 31 December 2010, divided on a total of 3,681,633 (210,594,450) shares with a quota value of SEK 5.89. 100 percent of the shares were registered on the NASDAQ OMX First North in Stockholm. All the shares have equal voting rights and equal rights to a share in the company's capital and profits.

DIVIDEND POLICY

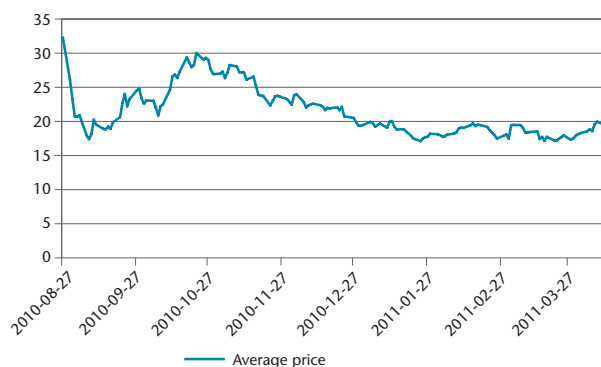
The primary objective is to add value for the company's shareholders and employees by running a profitable business with growth. This is to be achieved through increased exploration activities in order to add gold mineral resources and reserves, through the development of discoveries and through the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

The Board of Directors recommends that no dividend be paid for the 2010 financial year.

WARRANT 2010/2011

At an Extraordinary General Meeting December 1, 2010 it was decided to issue 1 472 653 warrants, 2010/2011. One warrant was distributed free of charge for two signed, received and paid shares in the issue. Each 2010/2011 warrant entitles the holder to subscribe for one (1) new share in the Company, at a price of 25 SEK per share. The subscription period runs from May 16 2011 until June 16 2011. The warrants are traded on Nasdaq OMX First North and from first day of trading, January 14, 2011 until April 13, 2011 has 212,034 warrants been traded with average daily trading of 7,068 warrants with average price of 0.48 SEK per warrant.

SHAREPRICE DEVELOPMENT SINCE LISTING AT FIRST NORTH
AUGUST 27, 2010



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, 2010.

GROUP STRUCTURE AND BACKGROUND

Kopylovskoye AB is a Swedish gold exploration company listed on NASDAQ OMX First North.

The Company is the 100% owner, directly or indirectly, of six Russian subsidiaries: OOO Kopylovskiy, OOO Kavkaz Gold, OOO Krasnyy, OOO Prodolnyy, OOO Resurs and OOO Kopylovskoye Management. All subsidiaries, except OOO Kopylovskoye Management which is domiciled in Moscow, are domiciled in Bodaibo, a city in the Irkutsk region in Russia. All subsidiaries are so called Limited Liability Companies (LLC). Each of the subsidiaries is the owner of different gold exploration and production licenses, except OOO Kopylovskoye Management which bears certain administrative costs in Russia.

OPERATIONS

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

At the end of 2010 Kopylovskoye AB had seven licenses which all are located around the Lena gold field in the Bodaibo district in the Russian region of Irkutsk. The licenses are:

- Kopylovskoye (alluvial)
- Kopylovskoye (bedrock)
- Kavkaz
- Prodolnyy
- Krasnyy
- Pravovesenniy
- Vostochnaya

OOO Kopylovskiy owns one hundred percent of all the licenses except Kavkaz which is owned by OOO Kavkaz Gold. OOO Kopylovskiy also owns the alluvial gold deposit which is located in Kopylovskoye.

OOO Kavkaz Gold owns one hundred percent of the Kavkaz license. OOO Kavkaz Gold was acquired from Central Asia Gold in the autumn 2008 for a purchase price of 13.5 MSEK. 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 Company has 17 exploration projects in different development stages on the different license areas. The Kopylovskoye project is well into reserve assessment stage while Kavkaz is in an early stage of reserve assessment and the other projects in exploration stage.

In 2010 the exploration activities were focused on the Kopylovskoye, Kavkaz and Prodolnyy licenses. Below is a short description of the activities on these three different licenses.

For detailed information regarding each license and exploration activities please refer to section "Refine and develop the projects" on page 20.

KOPYLOVSKOYE LICENSE

In 2010 trenching and core drilling was completed and analyzed. RC-drilling was started but not completed. The RC-drilling is expected to be completed and analyzed during 2011. The results from the trenching confirmed the gold mineralization on the surface in accordance with the 3D exploration model developed in cooperation with SRK. The partial analysis from the RC-drilling confirmed the 3D model on the depth.

KAVKAZ LICENSE

Trenching and core drilling was completed and analyzed in 2010. The results of the analysis confirmed gold mineralisation on the surface and on the depth. A new gold mineralisation was also detected at the central part.

PRODOLNY LICENSE

Within the Prodolny license area exploration activities were performed on Uspenskoye-, Obrucheva- and Zolotoy projects. The exploration consisted of trenching and sample analysis and geochemical and geophysical surveys. The analysis confirmed gold mineralization.

OWNERSHIP STRUCTURE

As of February 11 2011 the major shareholders of the Company were Håkan Knutsson incl companies and endowment insurance, 14.8%, Commodity Quest AB 11.8%, Euroclear Bank 11.5%, SIX SIS AG 8.4% and Ulrika Hagdahl incl companies 5.7%. The Company had a total of 4,783 shareholders.

THE SHARE

The Company's share is listed on NASDAQ OMX First North since August 27, 2010.

In August 2010 a reverse split 1:100 was completed and the number of shares was reduced by 364.5 million. In December a rights issue of 2.9 million shares was completed. The number of outstanding shares as of December 31, 2010 amounted to 6,626,937 and the share capital amounted to 21,682,177.56 SEK.

RESULT

The operating result amounted to -11.0 MSEK (-5.2) which is -5.8 MSEK lower compared to the prior year. The change is primarily due to increased exploration activities and an increased organisation at the head office in Stockholm.

Result after financial items amounted to -13.2 MSEK (-5.6) and the result after tax amounted to -8.6 MSEK (-8.6). The financial net 2010 was -2.2 MSEK (-0.4). The increased financial costs are related to short term lending during the year.

TAX

At the end of the year the Company released deferred tax liabilities related to capitalised exploration and evaluation costs as the provisions were assessed as being too high. The Company thereby reports a tax income of 4.6 MSEK (-3.0).

Management's assessment is that Group will not have will not have any profits from the operations in the next few years. The Company does not recognise any deferred tax assets related to tax loss carry forwards.

EARNINGS PER SHARE

Earnings per share amounted to -2.85 SEK (-16.24) for 2010. Equity per share amounted to 28.14 SEK compared to 50.10 for the prior year.

CASH FLOW, LIQUIDITY AND FINANCIAL POSITION

Cash flow from operating activities, before changes in working capital, amounted to -11.3 MSEK (0.8). The change in working capital was -2.2 MSEK (-2.7). Cash flow from investing activities amounted to -47.8 MSEK (-19.1), primarily due to investments in the exploration activities and new licenses but also new equipment. Cash

flow from financing activities amounted to 52.3 MSEK (13.7) primarily related to completed rights issue, subscription of warrants and short term loans. Interest bearing loans at the beginning of the year and short term loans raised during the year has been repaid by 30.3 MSEK (4.6).

Interest bearing loans amounted to 6.4 MSEK (6.4) at the end of the year. Cash and cash equivalents amounted to 0.9 MSEK (5.7) at the end of the year. External financing will be required during 2011 since exploration is very capital intensive. The Board currently evaluates how and on which conditions the Company shall be financed.

The equity asset ratio amounted to 89 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.

EQUITY

During 2010 a rights issue was completed and warrants subscribed to which together raised 47.9 MSEK before issue costs. Issue costs amounted to 3.3 MSEK and the issue thus raised net 44.6 MSEK. In December an additional 64.8 MSEK before issue costs was raised in a rights issue. This is recognised as not yet registered rights issue in equity. Issue costs amounted to 8.1 MSEK. Loans amounting to 16.3 MSEK were set off against shares in the issue and in January 2011 the Company received the proceeds from the issue.

INVESTMENTS

The Company's investments in exploration and evaluation work amounted to 34.5 MSEK (18.8) during the year. Investments in three new licenses amounted to 8.5 MSEK (0). Investments in buildings, machinery and equipment amounted to 6.1 MSEK (0.9) in 2009.

Depreciation for the year amounted to 1.2 MSEK (0.7).

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 without any significant operational activity. The parent company supports the subsidiaries with financing, strategy decisions etc. Net income of the parent company

amounted to –5.0 MSEK (–1.2) and equity amounted to 278.8 MSEK (185.5) at December 31, 2010.

REAL PROPERTY

Kopylovskoye does not own any real property except for simple buildings and constructions. The administrative functions in Stockholm, Tomsk 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 2010.

PERSONNEL

The average number of full time employees in the Kopylovskoye group was 79 during 2009 (45), of which 12 were women. At the beginning of the year the number of employees was 48. During the year the number of employees decreased to 47 (48) at the end of the year when it consisted of 39 men and 8 women.

WORK OF THE BOARD

The Board consist of seven members. During 2010 the Board held 19 meetings where minutes were kept and in addition the Board stay in continuous contact with each other. The Board also keep a continuous contact with management. During the year special attention was given by the Board to financing issues, monitoring the exploration activities and listing on NASDAQ OMX First North.

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

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 with certainty the exact amount of gold available, and the shape of a potential ore body and its distribution. The exact amount of gold is known only when the gold has been extracted from the gold deposit. Data relating to mineral resources and ore reserves as presented by the Company, and by others, should be seen against this background and therefore can deviate from this.

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

- International capital flows can be hampered by global financial difficulties
- Changes in inflation may affect the Company's financial position
- The 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 some extent underdeveloped and may impair or delay the Company's operations or 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

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

SUBSEQUENT EVENTS

The proceeds from the rights issue that was completed in December 2010 was received by the Company in January 2011. The Company received a total of 41.9 MSEK after set off of loans and payment of issue costs.

In January 2011 the Company repaid 4.0 MSEK in short term loans raised during the autumn of 2010.

In January 2011 the Company acquired the Tahktykan license on public auction. The license includes exploration and production. Tahktykan is located directly to the east of the Kopylovskoye license and has a geology similar to Kopylovskoye license and Bannoye mineralisation. The purchase price for the license was approximately 0.2 MSEK.

OPERATIONAL OUTLOOK 2011

- The Company's target is to refine Kopylovskoye-, Kavkaz- and Krasny-prospects through 8 000 meter of RC-drilling and report mineral resources in accordance with the JORC standard in order to evaluate the future mining possibilities
- The Company targets to finalize infill drilling of 10,000–15,000 meters and finalize pre-feasibility study at Kopylovskoye-prospect
- The Company has hired a second drilling subcontractor to increase drilling speed and reducing risks in the exploration phase
- Continuous evaluation of financing alternatives
- If financing is available and the prioritized prospects develops positively, the Company plans to refine the prospects located nearby the Kopylovskoye prospect from early exploration phase to be able to estimate the size of the potential mineral resources
- The Company is reviewing expenditures and has commenced a cost reduction program

- The Company evaluates the possibilities of inviting a partner for the future production start at the Kopylovskoye-prospect

- The Company continues to work with SRK Consulting who is continuously supervising the drilling and exploration results. SRK Consulting is responsible for issuing the JORC-reports. Alex Stewart Laboratory in Moscow continues to analyze samples from trenching and RC-drilling.

GOING CONCERN

Exploration is a capital intensive activity and the Company does not yet report any revenue. Net income for 2010 amounts to –8,610 KSEK (–8,653). The size of the working capital deficit the nearest 12-month period is roughly estimated to be between 40–120 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 primarily should be done via new share issues supplemented by bridge financing. Given the estimated value of the Company's licenses and probable new raised capital during 2011 the Board's assessment is that the Company can continue on a going concern.

THREE YEAR SUMMARY

	2010	2009	2008
Earnings per share, SEK	–2.85	–16.24	–216.83
Equity / asset ratio, %	88.8	84.5	83.8
Investments in intangible assets, MSEK	43.0	18.8	33.0

PROPOSED DISPOSITION OF EARNINGS

At the annual general meeting's disposal:

SEK	
Additional paid-in capital	195,455,550
Fund for real value	–5,553,825
Retained earnings	7,391,239
Net income for the year	–4,974,379
Total	192,318,585

The Board propose:

To carry over to retained earnings 192,318,585

Consolidated Income statement

KSEK	Note	2010	2009
Other revenue		433	524
Total revenue		433	524
Work performed by the company for its own use and capitalized		13,740	6,596
Operating expenses			
Other external costs	8	-8,046	-4,310
Personnel costs	9	-15,962	-7,298
Depreciation of tangible and intangible fixed assets	7	-1,163	-744
Operating result		-10,998	-5,232
Result from financial investments			
Financial income	10	27	46
Financial costs	10	-2,244	-415
Result after financial items		-13,215	-5,601
Tax	11	4,605	-2,962
Net income		-8,610	-8,563
<i>Attributable to the shareholders of Kopylovskoye AB</i>		-8,610	-8,563
Earnings per share before and after dilution	12	-2.85	-16.24
Average number of shares before and after dilution		3,024,366	527,269

Consolidated Statement of Comprehensive income

KSEK	2010	2009
Net income	-8,610	-8,563
Other comprehensive income		
Exchange differences	-11,683	-7,682
Total comprehensive income	-20,293	-16,245
<i>Attributable to the shareholders of Kopylovskoye AB</i>	-20,293	-16,245

Consolidated Statement of Financial position

KSEK	Note	2010-12-31	2009-12-31
Assets			
Non-current assets			
<i>Intangible fixed assets</i>			
Explorations licenses and evaluation work	13	144,839	111,338
		144,839	111,338
<i>Tangible fixed assets</i>			
Buildings	14	2,408	2,239
Machinery and equipment	15	3,774	8
		6,182	2,247
Total non-current assets		151,021	113,585
Current assets			
Inventory	16	715	553
		715	553
<i>Current receivables</i>			
Other receivables	17	53,108	4,579
Prepaid expenses and accrued income	18	4,195	432
		57,303	5,011
<i>Short term investments</i>			
Cash and cash equivalents		916	5,702
		916	5,702
Total current assets		58,934	11,266
Total assets		209,955	124,851

Consolidated Statement of Financial position, cntd

KSEK	Note	2010-12-31	2009-12-31
Equity			
<i>Capital and reserves attributable to the shareholders of the parent company</i>			
Share capital	20	21,682	12,403
Not yet registered share issue		64,797	–
Other paid-in capital		195,454	168,278
Reserves		–21,804	–10,121
Retained earnings, incl current year net income		–73,660	–65,050
Total equity		186,469	105,510
Non-current liabilities			
Deferred tax	11	4,403	7,674
Non-current liabilities	21	990	–
		5,393	7,674
Current liabilities			
Current liabilities – interest bearing	21	5,419	6,425
Accounts payable		6,086	3,008
Current tax payable		307	228
Other current liabilities		628	1,398
Accrued expenses and prepaid income	22	5,653	608
Total current liabilities		18,093	11,667
Total equity and liabilities		209,955	124,851
Pledged assets and contingent liabilities			
Pledged assets	24	50	50
Contingent liabilities	24	None	None

Consolidated changes in equity

KSEK	Share capital	Not-registered share capital	Other paid in capital	Reserves	Retained earnings	Total equity
Opening balance 2009	10,000		161,913	-2,439	-65,987	103,487
Other comprehensive income				-7,682		-7,682
Net income					-8,563	-8,563
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
Other comprehensive income				-11,683		-11,683
Net income					-8,610	-8,610
Share issue	9,279		38,610			47,889
Not yet registered share issue		64,797				64,797
Issue costs			-11,434			-11,434
Closing balance 2010	21,682	64,797	195,454	-21,804	-73,660	186,469

Consolidated Statement of Cash flow

KSEK	Note	2010	2009
Operating activities			
Result after financial items ¹⁾		-13,215	-5,601
Adjustment for items not affecting cash flow	23	1,944	6,446
Paid / received taxes		0	-34
Cash flow from operating activities before changes in working capital		-11,271	811
Cash flow from changes in working capital:			
Increase (-)/Decrease (+) in inventory		-211	-169
Increase (-)/Decrease (+) in current receivables		-2,868	1,377
Increase (+)/Decrease (-) in current liabilities		5,286	-3,952
Cash flow from operating activities		-9,064	-1,933
Investing activities			
Acquisition of intangible assets	13	-41,853	-18,248
Acquisition of tangible assets	14, 15	-6,143	-898
Cash flow from investing activities		-47,996	-19,146
Financing activities			
Proceeds from Share issues		64,225	20,210
Issue costs		-11,434	-1,942
Proceeds from loans received		29,831	-
Repayment of loans		-30,329	-4,605
Cash flow from financing activities		52,293	13,663
Cash flow for the year		-4,767	-7,416
Cash and cash equivalents at the beginning of the year		5,702	13,162
Translation differences in cash		-19	-44
Cash and cash equivalents at the end of the year		916	5,702
Supplemental information to the cash flow			
Cash and cash equivalents			
The following is included in cash and cash equivalents:			
Cash and bank balances		916	5,702

1) The amount includes received interest of 27 KSEK (46) and paid interest of 1,757 KSEK (378)

Income statement, parent company

KSEK	Note	2010	2009
Revenue	6	3,043	2,799
Operating expenses			
Other external costs	8	-6,904	-4,339
Personnel costs	9	-2,310	-489
Total operating expenses		-9,214	-4,828
Operating result		-6,171	-2,029
Result from financial items			
Financial income	6, 10	1,683	873
Financial costs	10	-487	-40
Result after financial items		-4,975	-1,196
Tax	11	-	-
Net income		-4,975	-1,196

Statement of Comprehensive income, parent company

KSEK	2010	2009
Net income	-4,975	-1,196
Other comprehensive income		
Exchange differences	-2,983	-3,396
Total comprehensive income	-7,958	-4,592
<i>Attributable to the shareholders of Kopylovskoye AB</i>	<i>-7,958</i>	<i>-4,592</i>

Balance sheet, parent company

KSEK	Note	2010-12-31	2009-12-31
Assets			
Non-current assets			
<i>Financial fixed assets</i>			
Shares in group companies	19	195,707	135,414
Receivables, group companies		44,262	46,152
Total non-current assets		239,969	181,566
Current assets			
<i>Current receivables</i>			
Other receivables	17	49,474	1,375
Prepaid expenses	18	3,046	9
		52,520	1,384
<i>Short term investments</i>			
Cash and cash equivalents		646	5,425
Total current assets		53,166	6,809
Total assets		293,135	188,375
Equity and liabilities			
Equity			
<i>Restricted equity</i>			
Share capital	20	21,682	12,403
Not registered share issue		64,797	–
Total restricted equity		86,479	12,403
<i>Non-restricted equity</i>			
Additonal paid-in capital		195,456	168,278
Fund for real value		–5,554	–2,571
Retained earnings, incl net income		2,416	7,391
Total non-restricted equity		192,318	173,098
Total equity		278,797	185,501
Current liabilities			
Accounts payable		4,555	2,163
Interest bearing liabilities	21	4,005	–
Other current liabilities		125	103
Accrued expenses and prepaid income	22	5,653	608
Total current liabilities		14,338	2,874
Total equity and liabilities		293,135	188,375
Pledged assets and contingent liabilities			
Pledged assets	24	50	50
Contingent liabilities	24	None	None

Changes in equity, parent company

KSEK	Share capital	Not registered share capital	Additional paid-in capital	Fund for real value	Retained earnings incl. net income	Total equity
Opening 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
Other comprehensive income				-3,396		-3,396
Net income					-1,196	-1,196
Closing balance 2009	12,403	0	168,278	-2,571	7,391	185,501
Share issue	9,280		38,610			47,890
Not yet registered share issue		64,797				64,797
Issue costs			-11,433			-11,433
Other comprehensive income				-2,983		-2,983
Net income					-4,975	-4,975
Closing balance 2010	21,683	64,797	195,455	-5,554	2,416	278,797

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

Cash flow statements, parent company

KSEK	Note	2010	2009
Operating activities			
Result after financial items ¹⁾		-4,975	-1,196
Adjustment for items not affecting cash flow	23	1,097	
Cash flow from operating activities before changes in working capital		-3,878	-1,196
Cash flow from changes in working capital:			
Increase (-)/Decrease (+) in current receivables		-2,672	-1,371
Increase (+)/Decrease (-) in current liabilities		7,458	1,818
Cash flow from operating activities		908	-749
Investing activities			
Shareholder contributions		-60,385	-17,156
Loans to group companis		-2,098	-7,475
Cash flow from investing activities		-62,483	-24,631
Financing activities			
Share issue		64,225	20,210
Issue costs		-11,434	-1,942
Proceeds from loans received		20,340	-
Repaid loans		-16,335	-
Cash flow from financing activities		56,796	18,268
Cash flow for the year		-4,779	-7,112
Cash at the beginning of the year		5,425	12,537
Cash at the end of the year		646	5,425
Supplemental information to cash flow			
Cash and cash equivalents			
The following components are included in cash and cash equivalents:			
Cash and bank balances		646	5,425

1) The amount includes received interest of 5 KSEK (22) and paid interest of 0 KSEK (-3).

Notes

Company information

Kopylovskoye AB (publ) is a Swedish limited liability company domiciled and with head office in Stockholm (corporate registration number 556723-6335). The Group's operations is to conduct gold exploration in the Bodaibo district in the Irkutsk region in Russia. The parent company's functional and reporting currency is SEK. The annual report for the year ending December 31, 2010 was approved for publication by the Board of Directors on April 21, 2011 and will be presented to the Annual General Meeting for adoption on May 12, 2011.

Accounting principles

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

Basis of presentation

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

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

Shares in subsidiaries are carried at cost unless otherwise stated.

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

Financial statement in accordance with IFRS

The preparation of financial statements in accordance with IFRS requires the use of certain significant estimates for accounting purposes. It also requires management to make certain 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) *New and changed standards which have been applied by the Group* IFRS 3 (revised), "Business combinations", and related changes to IAS 27 "Consolidated and separate financial statements", IAS 28 "Investments in associates, and IAS 31 "Interest in joint ventures", shall be applied prospectively for business combinations where the purchase date occurs in the first financial year starting on July 1, 2009 or later. The revised standard continue to proscribe that the purchase method shall be applied for business combinations with a few significant changes. All consideration paid to acquire a business, for exam-

ple, 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. All transaction costs in relation to an acquisition must be expensed. IFRS 3 (revised) did not have any impact on the current financial statements as no business combinations were completed in 2010.

IAS 27 (amended) "Consolidated and separate financial statements". The amended standard requires that all transactions with holders of non-controlling interests is recognised in equity unless they give rise to a change in the controlling interest and these transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard proscribes that when a parent company loses its controlling interest any remaining interest shall be revalued at fair value and a gain or loss recognised in the income statement. IAS 27 (amended) did not have any effect on the current financial statements as none of the investments are without controlling interest, there have been no transactions where the company has lost the controlling interest but still has an interest and there has not been any transactions with holders of non-controlling interest.

IAS 38 (revised), "Intangible assets". The revision clarifies the valuation at fair value of intangible assets acquired in a business combination. According to the revised standard intangible assets can be grouped and treated as one asset if the assets have similar useful lives. The revised standard did not have any effect on the current consolidated financial statements.

b) *New and changed standards, and interpretations that shall be applied for the first time in financial years starting January 1, 2010 but that currently are not relevant for the Group (but that can affect future transactions)*

IFRIC 17, "Distribution of non-cash assets by dividend to owners" (applicable in financial years starting July 1, 2009 or later). This interpretation gives guidance on the accounting for agreements whereby a company makes a distribution in kind to the shareholders. A change has also been made to IFRS 5 where it is required that the assets are classified as held for distribution only if they are available for immediate distribution in its present state and that the distribution is highly probable.

IFRIC 9 and IAS 39 (change) "Embedded derivatives" (applicable for financial years ending June 30, 2009 or later). This change requires that a company should assess whether an embedded derivative should be separated from the host contract when the company reclassifies a compound financial asset from the category fair value via income statement. The assessment shall be based on the circumstances existing on the later of the date when the company first entered into the agreement and the date when the terms of the agreement were changed and that significantly changes the cash flows that would have been required in the agreement. If the company cannot make the assessment the instrument shall remain classified as fair value via the income statement.

IFRIC 16 (change), "Hedges of a net investment in a foreign operation" (applicable in financial years beginning on July 1, 2009 or later). The change requires that, in a hedge of a net investment in a foreign operation, meeting the requirements for hedge accounting can be held by any of the companies within the group, including the foreign operation, provided that the requirements of identification, documentation and efficiency in IAS 39 related to the net investment are

met. In particular the group's hedging policy shall be clearly documented due to the possibility to different identifications on different levels in the group.

IAS 1 (change), "Presentation of financial statements". The change clarifies that the potential settlement of a liability by issue of shares is not relevant for its classification as current or non-current. A change in the definition of a current liability, 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 for at least 12 months after the end of the financial year) despite that the counterparty at any time can require settlement in shares.

IAS 36 (change), "Impairment of assets" is applicable in financial years starting January 1, 2010 or later. The change clarifies that the largest cash generating unit (or group of units) to which goodwill should be allocated for the purpose of testing for impairment, is a operating segment as defined in item 5 in IFRS 8 "Operating segments" (i.e. before the combination of segments with similar economic characteristics).

IFRS 5 (change) "Non-current assets held for sale and discontinued operations". The change clarifies that IFRS 5 specifies the disclosure requirements for non-current assets (or groups of assets held for sale) classified as non-current assets held for sale or discontinued operations. It also clarifies that the general requirement in IAS 1 is still applicable, particularly item 15 (to give a true and fair view) and item 125 (sources of uncertainties in estimations). The Group applies IFRS 5 (change) as of January 1, 2010.

c) New standards, changes and interpretations of existing standards that have not yet come into force and that have not been early adopted by the Group.

IFRS 9 "Financial instruments" (published in November 2009). This standard is the first step in the process of replacing IAS 39 "Financial instruments: evaluation and classification". IFRS 9 introduces two new requirements for classification of financial assets and is likely to affect the Group's accounting for financial assets. The standard is not applicable until financial years beginning January 1, 2013 but is available for early adoption. The standard has not yet been adopted by the EU. The Group still has to evaluate the full effect of IFRS 9 on its financial statements.

IAS 24 (revised), "Related party disclosures", published in November 2009. The revised standard replaces IAS 24 "Related party disclosures", published 2003. IAS 24 (revised) shall be applied in financial years beginning on January 1, 2011 or later. Early adoption is allowed for the whole standard as well as for parts of it. The revised standard clarifies and simplifies the definition of a related party and removes the requirements for a state related party to disclose details for all transactions with the state and other related parties to the state. The Group will apply the revised standard starting January 1, 2011. When the revised standard is applied, the Group will have to disclose transactions between group companies and the group's associates. Presently the standard is assessed as having a limited effect on the financial statements as the Group has no associated companies.

IFRIC 19, "Extinguishing financial liabilities with equity instruments" (applicable in financial years beginning July 1, 2010 or later). The interpretation clarifies the accounting for renegotiation of conditions of a loan so that all or part of the loan is settled by issue of shares (debt for equity swap). The shares should be fair valued and the difference between this value and the carrying value of the loan should be recognised in the income statement. If the fair value of the

shares cannot be determined in a reliable way it should be determined so that it reflects the fair value of the loan. The Group will apply the interpretation starting January 1, 2011 but it is not assessed as having an impact on the Group or parent company 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. Up until 2009 expenses directly attributable to the acquisition are included in the cost of the acquisition. Identifiable acquired assets and assumed liabilities and contingent liabilities in a business combination are valued at fair value on the date of acquisition, regardless of any minority interest. Any excess in the cost of the acquisition over the fair value of identifiable acquired assets, assumed liabilities and contingent liabilities is 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:

Currency	2010		2009	
	Balance sheet date rate	Average rate	Balance sheet date rate	Average rate
RUR	0.2231	0.2373	0.2386	0.2406

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 includes transactions which are payments to or from the Group. Cash and cash equivalents in the cash flow statement corresponds to the definition of cash and cash equivalents in the balance sheet.

Revenue

Revenue recognition

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.

NOTES

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 expensed on a straight line basis over the leasing period.

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 statement.

Loan receivables

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

Inventory

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

Cash and cash equivalents

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

Accounts payable

Accounts payable are initially 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 are 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

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

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 share during the period. When calculating earnings per share after dilution net income and average number of shares is adjusted to reflect effects of potential dilutive ordinary shares, which under reporting periods are 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 "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 recognises received dividends as income regardless if they have been earned before or after the acquisition. No dividend has been received, either in 2010 or 2009.

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.

NOTES

NOTE 3 RELATED PARTY TRANSACTIONS

In February 2010 the Russian subsidiary OOO Kopylovskiy received an interest bearing loan in the amount of 40 MRUR (approximately 10.4 MSEK) from the investment bank "Your First Capital". The annual interest was 28.8 per cent. The loan has been fully repaid by several instalments during 2010. Sergei Petrov, a board member of Kopylovskoye AB, is a shareholder in "Your First Capital".

In the autumn of 2010 shareholders, members of the board and management forwarded loans to Kopylovskoye. The loans were partly set off in the rights issue which was completed in December 2010 and partly settled in cash in January 2011. The loans had interest rates between 7 and 12 per cent.

See also note 9 "Personell" for remuneration to the board and management.

NOTE 4 FINANCIAL RISK FACTORS

In 2010 Kopylovskoye developed and implemented a financial policy. Kopylovskoye classifies financial risk 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 to the subsidiaries which normally is done in USD. Since loans and credit terms are relatively long-term there is an exposure in both the parent company and the subsidiaries.

Translation exposure

The net income in the Russian Group companies and the value of the net investment are affected by changes in exchange rates, which affects the Group statement of financial position and income statement when translated to SEK. The current year translation effect on net income was -2,858 KSEK (195).

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

Currency	Capitalised amounts/revenue	Net income
SEK	23	-6,210
RUR	14,150	-2,401
Total	14,173	-8,611

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

Currency	Assets	Liabilities
SEK	50,145	6,810
RUR	159,810	118,041
Total	209,955	124,851

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 5.5 MSEK (0.7) at the end of 2010 consisting of cash 0.9 MSEK (5.7) and interest bearing liabilities of -5.5 MSEK (-6.4).

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 has developed 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.

2010

Loan	Average interest (%)	Within 1 year	2–5 years	Later than 5 years	Total	Fair value
Leasing liabilities	12%	659	990	–	1,649	1,649
Other loans	7%–15%	4,760	–	–	4,760	4,760
Total		5,419	990	–	6,409	6,409

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

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 include a significant risk for material adjustments in the carrying values of assets and liabilities in the next financial year are described below.

Extractable deposit

Exploration expenses for pure exploration work is expensed while expenses for evaluation work is 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 affect 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 have 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 13–15.

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 2010 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 assets related to tax loss carry forwards.

Going concern

Exploration is a capital intensive activity and as disclosed elsewhere in these financial statements the Company does not yet report any revenue. Net income for 2010 amounts to –8,610 KSEK (–8,563). The size of the working capital deficit the nearest 12-month period is roughly estimated to be between 40–120 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 estimated value of the Company's licenses and probable new raised capital during 2011 the Board's assessment is that the Company can continue as a going concern.

NOTE 6 INTRA GROUP PURCHASE AND SALES

99 per cent (100) of the parent company's net revenue or 3,021 KSEK (2,799) was related to sales to other companies within the Group. 99 per cent (95) or 1,678 KSEK (826) of the interest income in the parent company is related to other companies within the Group.

NOTES

NOTE 7 DEPRECIATION

KSEK	Group	
	2010	2009
Buildings	-293	-357
Machinery and equipment	-870	-387
Total depreciation	-1,163	-744

NOTE 8 AUDIT FEES

KSEK	Group		Parent company	
	2010	2009	2010	2009
Audit fees				
Ernst & Young	250	-	250	-
PWC	170	150	170	150
Other audit firms	133	-	-	-
Tax advice				
Ernst & Young	-	-	-	-
PWC	-	-	-	-
Other audit firms	-	-	-	-
Other assignments				
Ernst & Young	226	-	226	-
PWC	53	-	53	-
Other audit firms	-	-	-	-
	832	150	699	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 Tax advice or Other assignments.

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

NOTE 9 PERSONNEL

Average number of employees

	2010		2009	
	Total	Of which women	Total	Of which women
Parent company				
Sweden	2	1	-	-
Group companies				
Russia	77	12	45	3
Total for the Group	79	13	45	3

As of December 31, 2010 there were 47 full time employees (48) in the Group. During the course of a year the Company use temporarily hired employees for exploration work. This explains the higher average number of employees.

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

	2010		2009	
	As of December 31	Of which women	As of December 31	Of which women
Board of Directors	6	1	4	1
CEO and management	6	1	1	-
Total for the Group	12	2	5	1

Salaries, remuneration and social security costs

Salaries, remuneration and social security costs

	2010	2009
The Group		
Board, CEO and management	3,034	1,813
(of which variable)	(117)	(46)
Other employees	9,998	4,111
Total	13,032	5,924
Social security costs	2,859	1,374
(of which pension costs)	(118)	(0)
Total	15,891	7,298
Parent Company		
Board, CEO and management	1,598	334
(of which variable)	(0)	(0)
Other employees	0	0
Total	1,598	334
Social security costs	641	105
(of which pension costs)	(118)	(0)
Total	2,239	439

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

	Salary/fee	Variable remuneration	Other benefits	Pension cost	Total
Chairman of the Board, Kjell Carlsson	140	0	0	0	140
Board member, Ulrika Hagdahl ¹⁾	120	0	0	0	120
Board member, Claes Levin	80	0	0	0	80
Board member, Björn Fernström	60	0	0	0	60
Board member, Sergey Petrov	80	0	0	0	80
Board member, Markku Mäkelä	40	0	0	0	40
Board member, Joakim Christiansson ¹⁾	40	0	0	0	40
Board member, Håkan Knutsson ¹⁾	20	0	0	0	20
CEO, Mikhail Damrin	998	117	0	0	1,115
Deputy CEO, Anna Daun Wester	645	0	0	55	700
Other management (4)	694	0	0	63	757
Total Board and management	2,917	117	0	118	3,152

1) Ulrika Hagdahl served as Chairman of the Board and Joakim Christiansson served as board member until the Annual General Meeting in 2010. Håkan Knutsson resigned from the Board on March 1, 2010.

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 2010 amounted to 580 (240) KSEK. Of which 140 (80) KSEK was remuneration to the Chairman of the Board. For remuneration to other Board members, see table above.

The Chairman has, in addition to the board remuneration, received 168 KSEK related to extra work done from the annual general meeting 2010 until December 31, 2010.

Remuneration and benefits to the CEO

Remuneration to the CEO amounted to 1,115 (8530) KSEK for 2010. The CEO is 1/12 employed to 1/12 in Kopylovskoye AB and to 11/12 in OOO Kopylovskoye Management, and receives his salary in the same proportion from the respective companies. The CEO has a total contracted salary from both companies of 133 KUS\$ 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 parent company pays defined contribution pension fees to the deputy CEO and the CFO. The Group does not have any other pension obligations in the subsidiaries or the parent company.

Termination period and severance pay

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

NOTE 10 FINANCIAL INCOME AND COST

KSEK	The Group		Parent company	
	2010	2009	2010	2009
Interest income and similar items				
Interest income	27	46	5	47
Exchange differences	–	–	–	–
Other financial income	–	–	–	–
Interest income from Group companies	–	–	1,678	826
Total financial income	27	46	1,683	873

KSEK	The Group		Parent company	
	2010	2009	2010	2009
Interest cost and similar items				
Interest cost	–2,181	–409	–424	–34
Exchange differences	–63	–	–63	–
Other	–	–5	–	–6
Total financial cost	–2,244	–414	–487	–40
Net financial income and cost	–2,217	–368	1,196	833

NOTES

NOTE 11 TAX

KSEK	The Group	
	2010	2009
Current tax	-145	-9
Deferred tax	4,750	-2,953
Total	4,605	-2,962

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

KSEK	The Group		Parent company	
	2010	2009	2010	2009
Result after financial items	-13,215	-5,601	-4,975	-1,196
Tax at current tax rate	3,475	1,493	1,308	314
Difference in tax rate in foreign operations	-519	-316	-	-
Tax effects from:				
Non deductible items	-171	-16	-36	-14
Adjustment deferred tax intangible assets	5,052	-	-	-
Effect of change in tax rate	-	797	-	-
Loss carry forwards for which deferred tax is not recognised	-3,232	-4,920	-1,272	-300
Reported tax	4,605	-2,962	0	0

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

As of December 31, 2010 the Group had tax loss carry forwards of approximately 29.1 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 7.4 MSEK.

Deferred tax receivables and liabilities relates to the following:

	December 31, 2010	December 31, 2009
Deferred tax liabilities		
Intangible assets	4,119	7,674
Leasing liabilities	284	-
Total deferred tax liabilities	4,403	7,674

Change in the net of deferred tax liabilities

	Opening balance	Recognised in the income statement	Translation differences	Closing balance
Deferred taxes				
Intangible assets	7,674	-5,052	1,497	4,119
Leasing liabilities	0	302	-18	284
Total	7,674	-4,750	1,479	4,403

During the year deferred tax liabilities related to intangible assets has been released as they were assessed as being too high.

NOTE 12 EARNINGS PER SHARE

Change in number of shares

	2010	2009
Outstanding at the beginning of the period	210,594,450	849,000,000
Share issue April	84,407,580	
Share issue July	73,161,345	
Reverse split July		-840,510,000
Reverse split August	-364,481,742	
Share issue October		202,104,450
Share issue December	2,945,304	
Outstanding at the end of the period	6,626,937	210,594,450

The share issue in December 2010 has been registered in January 2011.

Earnings per share before and after dilution

	2010	2009
Net income, KSEK, attributable to the shareholders of the parent company	-8,610	-8,563
Average number of shares before and after dilution	3,024,366	527,269
Earnings per share before and after dilution	-2,85	-16,24

Earnings per share before and after dilution is calculated by dividing the net income attributable to the shareholders of the parent company by the average number of outstanding ordinary shares during the period exclusive of repurchased treasury shares held by the parent company. The average number of shares for 2009 has been adjusted for the reverse split executed during 2010.

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 13 EXPLORATION LICENSES AND EVALUATION WORK

KSEK	The Group	
	2010	2009
Opening balance	111,338	100,102
Investments	34,547	18,752
Acquired licenses	8,463	0
Translation differences	-9,509	-7,516
Closing balance	144,839	111,338
Carrying value	144,839	111,338

The balance for exploration licenses and evaluation work includes approximately 76 MSEK of acquired licenses and the remaining part relates to capitalised exploration and evaluation work, approximately 69 MSEK.

In assessing the possible impairment on exploration licenses and evaluation work future cash flows are discounted and compared to the carrying values. The following significant assumptions have been used:

- Discount rate – 15%
- Price of gold – 1,200 USD per oz
- Tax rate – 20%
- Royalty – 6%
- Forecast period – Cash flows from expected production 2013–2020

The impairment tests has not shown any need for impairment write downs.

NOTE 14 BUILDINGS

KSEK	The Group	
	2010	2009
Opening acquisition cost	30,778	33,600
Investments	628	–
Disposals	–	-1,392
Translation difference	-2,092	-1,430
Closing acquisition cost	29,314	30,778
Opening accumulated depreciation	-3,486	-2,499
Depreciation	-293	-357
Disposals	–	134
Translation difference	262	-764
Closing accumulated depreciation	-3,517	-3,486
Opening accumulated write down	-25,053	-27,101
Translation difference	1,664	2,048
Closing accumulated write down	-23,389	-25,053
Carrying value	2,408	2,239

NOTE 15 MACHINERY AND EQUIPMENT

KSEK	The Group	
	2010	2009
Opening acquisition cost	9,469	10,399
Investments	5,906	898
Disposals	-694	–
Translation difference	-1,262	-1,828
Closing acquisition cost	13,419	9,469
Opening accumulated depreciation	-1,109	-680
Depreciation	-870	-387
Disposals	195	–
Translation difference	91	-42
Closing accumulated depreciation	-1,693	-1,109
Opening accumulated write down	-8,352	-9,035
Write down	–	–
Translation difference	400	683
Closing accumulated write down	-7,952	-8,352
Carrying value	3,774	8

NOTE 16 INVENTORY

KSEK	The Group	
	2010	2009
Raw material and consumables	715	553
Carrying value	715	553

NOTE 17 OTHER RECEIVABLES

KSEK	The Group	
	2010	2009
Value added tax	3,646	3,534
Receivable share issue settlement	48,462	683
Other	1,000	362
Total	53,108	4,579

KSEK	Parent company	
	2010	2009
Value added tax	898	689
Receivable share issue settlement	48,462	683
Other	114	3
Total	49,474	1,375

The proceeds from the rights issue has been settled and received by Kopylovskoye in January 2011.

NOTES

NOTE 18 PREPAID EXPENSES

KSEK	The Group		Parent company	
	2010	2009	2010	2009
Prepaid rent	25	9	25	9
Accrued revenue from subsidiaries	–	–	3,021	–
Prepaid exploration	4,135	423	–	–
Other	35	–	–	–
Total	4,195	432	3,046	9

NOTE 19 SHARES IN SUBSIDIARIES

KSEK	Parent company	
	2010	2009
At the beginning of the year	135,414	118,258
Acquisitions	–	–
Shareholder contributions	60,293	17,156
Carrying value at the end of the year	195,707	135,414

Note 19, cntd

The table below specifies the subsidiaries of the Group as of December 31, 2010.

	Corporate Identification no.	Domicile	Ownership, %	Carrying value in parent company	Net income	Equity
OOO Kopylovskiy	1043800732337	Bodaibo, Russia	100	177,236	–10,256	49,296
OOO Kavkaz	1073808020516	Bodaibo, Russia	100	15,205	–168	1,278
OOO Krasniy	1103802000048	Bodaibo, Russia	100	0	–9	2
OOO Prodolniiy	1103802000037	Bodaibo, Russia	100	0	–9	2
OOO Resurs	1103802000389	Bodaibo, Russia	100	0	2	0
OOO Kopylovskoe Management	1097746306063	Moskva, Russia	100	3,266	2	830

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	–	–	848,000,000	0.01	10,000,000	849,000,000
2009	Reverse split 1:100	–	–	–840,510,000	1.1779	10,000,000	8,490,000
2009	Reduction share capital	–9,500,000	–	–	0.0589	500,000	8,490,000
2009	Preferential issue	11,500,000	19,527,000	195,270,000	0.0589	12,000,000	203,760,000
2009	Directed share issue	402,500	683,445	6,834,450	0.0589	12,402,500	210,594,450
2010	Share issue	4,971,000	24,478,198	84,407,580	0.0589	17,373,500	295,002,030
2010	Share issue (subscription to warrants)	4,308,678	23,411,630	73,161,345	0.0589	21,682,178	368,163,375
2010	Reverse split 1:100	–	–	–364,481,742	5.89	21,682,178	3,681,633
2010	Share issue ¹⁾	17,345,728	64,796,688	2,945,304	5.89	39,027,905	6,626,937

1) The share issue was registered at the Swedish Companies Registration Office in the beginning of 2011.

NOTE 21 FINANCIAL LIABILITIES

The gross financial liability, including accrued interest, amounted to 6,409 KSEK at the end of 2010. The following table specify the maturity of the financial liability. For interest rate risk see note 4.

KSEK	The Group	
	2010	2009
<i>Current financial liabilities</i>		–
Matures within 1 year	5,419	6,425
Total current financial liabilities	5,419	6,425
<i>Non-current financial liabilities</i>		
Other non-current loans with maturity >1 year <5 year	990	–
Total non-current financial liabilities	990	–
Total financial liabilities	6,409	6,425

KSEK	Parent company	
	2010	2009
<i>Current financial liabilities</i>		
Matures within 1 year	4,005	–
Total current financial liabilities	4,005	–

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

NOTE 22 ACCRUED EXPENSES

KSEK	The Group		Parent company	
	2010	2009	2010	2009
Issue costs	4,406	–	4,406	–
Interest	399	31	399	31
Board fee	320	240	320	240
Social security fees	188	105	188	105
Other	340	232	340	232
Total	5,653	608	5,653	608

NOTE 23 ADJUSTMENT FOR ITEMS NOT AFFECTING CASH FLOW

KSEK	The Group	
	2010	2009
Depreciation	5	744
Accrued interest	–6	–
Provisions	437	–
Gains	633	–
Translation differences	875	5,702
Total	1,944	6,446

KSEK	Parent company	
	2010	2009
Translation differences	1,097	–
Total	1,097	–

NOTE 24 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. During the spring 2010 the Company paid a fee that was estimated as fair to the consultant. In October 2010 the consultant's lawyer called for arbitration at the Arbitration Court of the Stockholm Chamber of Commerce regarding the remaining part of the disputed amount, which amounts to approximately 800 KSEK. The Company's assessment is that the consultant does not have grounds for the claims and opposes the claim. Negotiations were held at the Arbitration Court in the beginning of April 2011 and the Arbitrator is expected to announce his decision at the latest in the beginning of June 2011. Management is not able to estimate the outcome of the dispute.

NOTE 25 LEASING

The Company's leasing agreements, where the risks and rewards associated with the ownership falls on the Group, are classified as financial leases. The Group has during 2010 only assets classified as financial leases. At the disposal of the Group, via financial leasing agreements, are mainly equipment relating to exploration activities. For the financial year 2010 the leasing costs amounted to 729 KSEK (0). Future leasing obligations related to leasing agreements within the Group are shown in the table below:

KSEK	2010	2009
Within 1 year	1,329	–
After 1 year within 5 years	2,324	–
After 5 years	–	–
Total	3,653	0

NOTES

NOTE 26 OUTSTANDING OPTIONS

KSEK	Program 2010/2011
Exercise price, SEK	25.00
First exercise date	2011-05-16
Last exercise date	2011-06-16
Number of issued options during they year	1,472,652
Exercised	–
Forfeited	–
At the end of the year	1,472,652
Of which fully vested at December 31, 2010	1,472,652
Theoretical value, ¹⁾	2,208,978
Theoretical value per option at issue, ¹⁾ SEK	1.50
Theoretical value per option at December 31, 2010, SEK	1.50
Theoretical dilution	22%

KSEK	Program 2008/11
Exercise price, SEK	0.14
Exercise price after reverse split 2009, 1:100, SEK	14.00
Exercise price after reverse split 2010, 1:100, SEK	1,400.00
First exercise date	2009-01-13
Last exercise date	2011-12-31
Number of issued options at the beginning of the year	42,450,000
Number of issued options after reverse split 2009, 1:100 ²⁾	4,250,000
Number of issued options after reverse split 2010, 1:100 ³⁾	42,500
Exercised	–
Forfeited	–
At the end of the year	42,500
Of which fully vested at December 31, 2009	42,500
Theoretical value, ¹⁾	27,386
Theoretical value per option at issue ¹⁾ , SEK	0.06
Theoretical value per option at December 31, 2010, SEK	0.00
Theoretical dilution	0.6%

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.

3) In relation to the reverse split of shares 1:100 effected in the autumn of 2010 the holders of the options have the right to subscribe for 42,500 shares with an exercise price of 1,400 SEK per share.

NOTE 27 FINANCIAL INSTRUMENTS

All financial assets have been classified as loan and accounts receivable, which includes Receivable for issue proceeds (part of Other receivables) and Cash and cash equivalents. All financial liabilities have been classified as other financial liabilities valued at amortised cost, which includes Non-current financial liabilities, Current interest bearing liabilities, Accounts payable and part of Other current liabilities. The fair value of the financial assets and liabilities are estimated to in all material respects correspond to the carrying values as the maturities are short term and the interest rates are estimated to on market terms.

NOTE 28 SUBSEQUENT EVENTS

In January 2011 the Company received the proceeds from the rights issue which was completed in December 2010. The Company received a total of 41.9 MSEK after setting off loans and payment of issue costs.

In January 2011 Kopylovskoye acquired a new license, Tahktykan-prospect, which has a geology similar to Kopylovskoye-prospect and Bannoye mineralisation (part of Vostochnaya), and with good mineral potential and with possibility to use the same production plan as the Kopylovskoye-prospect at production start.

The Board of Directors and the CEO hereby provide an assurance that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) to the extent they have been adopted by the EU, and that they provide a true and fair view of the Group's financial position and results. The annual report 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 statement of financial position of the Group and the income statement and balance sheet of the parent company are subject to adoption at the annual general meeting on May 12, 2011.

Stockholm April 21, 2011

Kjell Carlsson
Chairman

Mikhail Damrin
CEO

Ulrika Hagdahl

Claes Levin

Björn Fernström

Sergei Petrov

Markku Mäkelä

Our audit report was issued on April 21, 2011 and deviates from the standard format

Ernst & Young AB

Per Hedström
Authorised public accountant

Audit Report

To the Annual General Meeting of Kopylovskoye AB (publ)
Company registration number 556723-6335

We 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 2010. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 47–75. 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. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

The audit was performed in accordance with generally accepted auditing standards in Sweden. Those standards require that we 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 our opinion concerning discharge from liability, we 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. We 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. We believe that our audit provides a reasonable basis for our 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.

We recommend to the annual meeting of shareholders that the income statement and balance sheet of the parent company and the income statement and the statement of financial position 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.

Without affecting our opinion we would like to draw attention to the information in the director's report and in note 5 under the heading "Going concern" regarding the Company's need for future capital.

Stockholm April 21, 2011

Ernst & Young AB

Per Hedström

Authorised public accountant

Word list

Alluvial gold

Mineralization in the river bed on ground level.

Enrichment

Concentration of a constituent of a mixture to be processed.

Enrichment plant

Plant for processing.

Core drilling

A drilling method to examine the rock core, which is used partly in connection with exploration, i.e. searching for minerals worth mining.

Chips

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

Cut-off

The lowest mineral content where the deposit is mined.

Diamant drilling

Drilling method to drill the cores of rock, including core drilling.

Deposit

The presence of mineralization.

Doré bars

Non-refined gold bullion containing mostly silver and gold.

ETF

Exchange traded fund, usually focused on gold investments.

Exchange

The percentage of the amount of a particular metal in a raw material extracted in the enrichment process.

Exploration

Search for economic mining ores and minerals.

Fault

The crust formation, which raised, lowered or moved sideways.

Feasibility Study

Feasibility and profitability study which forms the basis for decisions on mining investment.

Flotation

Part of the enrichment process in which chemicals are used to significantly increase the concentration of valuable minerals.

Geochemistry

Science of metals and other chemical substances on their natural behaviour in the environment.

Geophysics

Study of soil physics properties. Magnetic and electrical measurements and gravity measurements are some geophysical methods of exploration.

Gravimetric

Separation method based on the various minerals that has different weight.

Indicated mineral resource

The part of the mineral resource that has less geological knowledge and confidence than inferred and measured.

Inferred mineral resource

The part of the mineral resource that have little geological knowledge and confidence. Inferred mineral resource may not be added up with the reserves or measured and indicated resources, and may not be the basis for economic evaluations.

JORC

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

Measured mineral resource

The part of the mineral resource that has high geological knowledge and confidence.

Leaching

Chemical dissolution of metals for selective extraction from the leachate.

Lena Goldfields

The name of gold-producing area 150 years ago, which lies between the rivers Lena and Vitim in Irkutsk region. Geographical coincides with the northern part of Bodaibo area.

Mineral resources

The proportion of mineralized ring which quantity, grade, shape and physical characteristics are known in the borehole and analysis and allows a satisfactory interpretation of the geological picture of the mineralization must be continuous (be related). Mineral resources must meet reasonable demands to be extracted economically. An estimate of the measured and indicated mineral resource is sufficient to serve as the basis of a preliminary feasibility study and can be the basis for significant development and expansion decisions.

Mineralization

Natural concentration of minerals in the bedrock.

Open pit

A place where mining deposits are shallow and where mining takes place in open day.

Ore Reserve

Is part of a mineral resource in which economic extraction demonstrated by at least a preliminary feasibility study and could be economic mined.

Measured mineral resources

The part of the ore reserve of high geological knowledge and confidence.

Quartz

Quartz is a mineral composed of silica, SiO₂. The colour is white or transparent.

RAB-drilling

Rotary air blast drilling rig/Technique, which is a drilling technology for exploration.

RC-drilling

A drilling method used primarily in connection with exploration that is searching for mineral deposits. RC is an abbreviation of Reverse Circulation.

Russian GKZ reserves

The Russian State Commission on Mineral Reserves. Responsible for register and approve mineral resources and ore reserves.

Recovery

Percentage of a mineral in a material that can be extracted from the enrichment process.

Troy ounce (oz)

1 oz = 31,304 gram. Measure for gold.

