

# Year - End Report January – December 2010



## Key events fourth quarter 2010

### Exploring and refining the assets

- The RC-drill programme 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 programme.
- Within the Kopylovskoye-prospect 1774 meters of RC holes were drilled, logged and sampled. Assay tests confirmed gold mineralization and 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 completed with the aim to investigate gold mineralisation along Milliony fault and the central anticline zone. Mineralisation was confirmed in both areas. The mineralisation at the central Anticline zone is 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.

### Capital intensive development stage

- 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.
- The Company also received short term loans during the fourth quarter amounting to 9 MSEK. All short term loans were set off in the rights issue or paid back in cash in January 2011.

### Investments and results

- During the year 41 MSEK, of which 9 MSEK in the fourth quarter, was invested in exploration and evaluation work and three new licenses.
- Net income amounted to -9 MSEK, of which 3 MSEK in the fourth quarter.
- Earnings per share amounted to -2.85 SEK for the nine months and 0.71 SEK in the fourth quarter.

### Building the team and be cost-efficient

- The company is constantly reviewing and benchmarking expenditures and has commenced a cost reduction program targeting administration costs both in Sweden and in Russia.

### Significant events after the balance sheet date

- In January 2011 the Company bided on and won the auction for the Takhtykan license area. Takhtykan is bordering the east part of Kopylovskoye licence area and has the same geological structure as Kopylovskoye license. The price for the license was 0.2 MSEK.
- Kopylovskoye AB is trying to find a solution with the drill contractor to get the spare parts on site and begin drilling again. In parallel, a second drill rig is contracted from another company who will speed up the drilling on the Kopylovskoye deposit.

## Summary of key financial figures 2010

- The company does not yet report net revenues
- Earnings after tax -9 MSEK (-9) of which 3 MSEK (-4) during the fourth quarter
- Earnings per share -2.85 SEK (-16.24), of which 0.71 SEK (-7.68) during fourth quarter
- Cash flow was -5 MSEK (-7) for 2010

## Strong cash position and encouraging results from exploration activities build confidence for 2011

Dear shareholders,

Thank you for the support you give Kopylovskoye AB. The company is developing fast and the fourth quarter was full of events, both exciting and challenging.

We finalized a successful capital raising end of December of 64.7 MSEK excluding rights issue costs. The interest from small shareholders was great and 800 new shareholders subscribed for shares in our company. We have now in total 4 783 shareholders.



Our operations director, Mr Vamboldt, chairman Mr Carlsson and VP Exploration Mr Mikhailov on facility yard, Bodaibo, October 2010

Welcome to all new shareholders! The rights issue was supported by all major shareholders some have increased their holdings which are a positive sign. To increase awareness of the company and build investor relations we attended Mines & Money in London, which is one of the largest mining and finance fairs in the world.

We are approached by many interested potential partners and financial investors. The interest of investing in Russia seems to grow and the strength of being a Swedish listed company with Nordic/Russian board and management strengthen the confidence of investing in Kopylovskoye.

During fourth quarter the challenge with the RC-drilling contractor continued. Unfortunately the winch broke and spare parts were not in place, therefore we experienced further delays. We succeeded to finalize 1,774 meter of drilling at the Kopylovskoye- deposit and aim to contract two drilling rigs during 2011 to speed up drilling and reduce risk. Results from Uspenskoye (within Prodolny) and Kavkaz were encouraging and confirmed mineralization along the strikes. The results are the basis for the drilling program on the deposits for 2011.

2010 was a year full of corporate development activities; strengthening the board of directors and management, listing at Nasdaq OMX First North, capital raising of 112 MSEK and building awareness of the company in an international environment. We also received a lot of encouraging exploration results from six of our most developed projects and we succeeded in acquiring three new licenses within the year and one more in the end of January 2011. These acquisitions were coordinated by local authorities. They have trust in our projects and support our target to build a world-class exploration and production company in the region within the coming years.

Together with my team I am looking forward to further developing the company with currently 17 projects on 7 licenses with full commitment, responsibility and excellence, and succeed to bring the Kopylovskoye- deposit into pre-feasibility stage, commence feasibility studies and deliver JORC reports during 2011.

Moscow, March 25, 2011

Mikhail Damrin, CEO

## Kopylovskoye AB on a mission

### History of Kopylovskoye AB

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

### 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 historical large scale gold producing area Lena Goldfields in the Irkutsk region of Russia. The projects are in different development stages, with the Kopylovskoye deposit being in the most advanced stage:

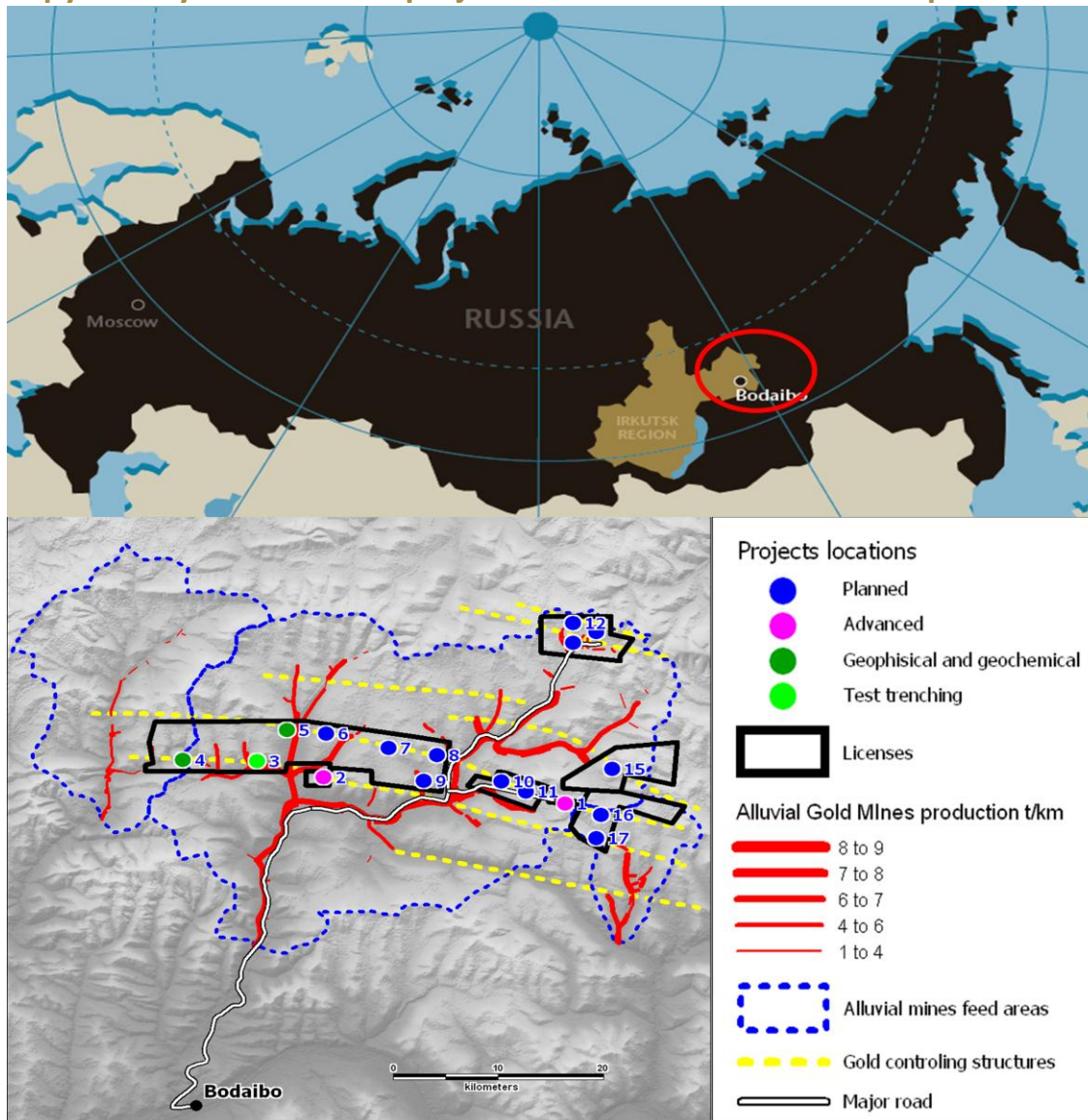
- Kopylovskoye shall commence feasibility study.
- Kavkaz is in the advanced exploration phase.
- Krasnyy-mineralisation at Krasnyy-license, the Uspenskiy-mineralisation at Prodolny -license and Bannoye mineralisation at Vostochnaya license are ready for resource drilling
- Takhtykan-license, Bannoye East-mineralisation at Vostochnaya-license; Gromovsky North, Obrucheva-, Vladmirovskiy- and Zolotoy-sites on Prodolnyy-license; Krasnyy East-, and Krasnyy North-targets on Krasny-license and Kapustinskiy-mineralisation 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.

### Business concept

Kopylovskoyes vision is to become a world-class exploration and production company. The company’s business concept is to develop bedrock gold projects located within the existing alluvial gold mines in Lena Goldfields in Bodaibo area of Irkutsk Region in Russia from exploration into production. The long-term target is to hold 5 Moz of mineral resources and to be able to produce 0.2 Moz of gold. Short term target is to report resources and reserves in the international standard JORC, to complete pre-feasibility study, commence feasibility study 2011 at Kopylovskoye-deposit, continue develop other projects into intermediate and advanced exploration stages and complete production planning, with the objective to produce the first gold from Kopylovskoye deposit in 2013.

Kopylovskoye AB holds 17 projects within 7 licenses on 255 sq km



Kopylovskoye AB mineral resources and reserves (Russian classification GKZ)

Classification	Ore (kton)	Gold grade (g/ton)	Cut-off (g/ton)	Gold (kg)	Gold (oz)
C1	80	2,9	1,0	231	7 428
C2	2 341	3,5	1,0	8 257	265 498
<b>Total C1+C2</b>	<b>2 422</b>	<b>3,2</b>	<b>1,0</b>	<b>8 488</b>	<b>272 926</b>
P1	3 483	n/a	n/a	31 015	997 276
P2	n/a	n/a	n/a	18 000	728 778
<b>Total P1+P2</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>49 015</b>	<b>1 726 054</b>

## Value creation activities on each license January - December 2010

### Kopylovskoye license

**Exploration target 2010:** Finalize RC drilling and analyzing the results. Due to delayed drilling the company target to file JORC resource report in Q1 2011.

#### 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 3 500 meter of RC-drilling
- Finalize pre-feasibility study through 10 000-15 000 meter of RC-drilling
- Commence feasibility study

Russian classification Kopylovskoye	Ore (kton)	Gold grade (g/ton)	Cut-off (g/ton)	Gold (kg)	Gold (oz)
C1	80	2,9	1,0	231	7 428
C2	2 231	3,2	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

### Kavkaz license

**Exploration targets 2010:** Collect data for JORC resource report for North Western part which is target to be filed in mid 2011 (Milliony 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 Milliony 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

Russian classification Kavkaz	Ore (kton)	Gold grade (g/ton)	Cut-off (g/ton)	Gold (kg)	Gold (oz)
C2	110	9,4	1,0	1 037	33 344
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

**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 Obruchevea.

#### 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 Obruchevea three trenches for a total of 750 meter were developed to explore structures at surface.
- On Zolotoy and Obruchevea 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 mineralization 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

Russian classification Prodolny	Ore (kton)	Gold grade (g/ton)	Cut-off (g/ton)	Gold (kg)	Gold (oz)
P2	n/a	n/a	n/a	18 000	578 778
Total P1+P2	n/a	n/a	n/a	18 000	578 778

### Krasny license

**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

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
<b>Total P1+P2</b>	<b>n/a</b>	<b>2,7</b>	<b>n/a</b>	<b>19 000</b>	<b>610 932</b>

## Pravovesenny license

**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.

## Vostochnaya license

**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 recognizance geological mapping over the license area

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
<b>Total P2</b>	<b>n/a</b>	<b>3.5</b>	<b>n/a</b>	<b>n/a</b>	<b>150 000</b>

## Takhtykan

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. Kopylovskoye must start exploration not later than in the spring 2012. Exploration costs are limited to developing an exploration plan and have it approved in 2011.



**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 reconnaissance geological mapping over the license area

**Outlook 2011**

- The company target to refine Kopylovskoye-, Kavkaz- and Krasny-prospect through 8 000 meter of RC-drilling and report their mineral resources within JORC standard
- The company target to finalize infill drilling of 10 000- 15 000 meter and finalize pre-feasibility study at Kopylovskoye- prospect
- The company has commenced a second drill rig to increase speed of drilling and reduce operational risks
- The company plans to further refine prospects close to Kopylovskoye-prospect from early exploration stage to intermediate stage and be able to estimate mineral resource potential if available funds and success of other prospects
- The company is reviewing expenditures and has commenced cost reduction programs
- The company evaluates options to invite a partner to assist with future production start at Kopylovskoye-prospect
- The company continues to work with SRK Consulting who is continuously supervising the drilling and exploration results since they will issue a JORC-report. Samples from the activities are continuously analyzed at Alex Stewart Laboratory in Moscow.

## January – December and fourth quarter 2010

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

During the period the Company invested 32.6 MSEK (18.7) in exploration and evaluation work and 8.5 MSEK (0) in new licences. The new licenses were acquired on open auctions. Of the exploration and evaluation work 13.8 MSEK (6.6) consisted of work performed by the company for its own use and capitalised. During the fourth quarter the investments in exploration and evaluation work amounted to 8.7 MSEK (10.0).

Operating costs amounted to 25.2 MSEK (12.3) of which 16.0 MSEK (7.3) were personnel costs. In the fourth quarter the operating costs amounted to 6.0 MSEK (1.4).

Net income for the period amounted to -8.6 MSEK (-8.6) which equals -2.85 SEK per share (-0.16). Net income for the fourth quarter amounted to 2.6 MSEK (-3.6) which equals 0.71 SEK (-0.02) per share.

During the period January – December the Russian ruble depreciated against the Swedish krona with approximately 6.5% and during the period October - December it appreciated with approximately 1.1%. Since a large portion of the Groups assets are denominated in rubles the Company reports translation differences of -11.7 MSEK and 0.2 MSEK in the consolidated statement of comprehensive income for the period January – December and October - December respectively.

Cash and cash equivalents amounted to 0.9 MSEK (5.7) at the end of the period.

Cash flow for the period amounted to -4.8 MSEK (-7.4). During the period the Company raised 102.8 MSEK, net of issue costs, in new share issues and utilization of subscription options. 41.9 MSEK of this was received in January 2011. The Company also completed a bridge financing agreement with a Russian creditor of approximately 10.4 MSEK. At the end of the period the bridge loan amounted to 0 MSEK. During the year the Company also raised short term loans from a number of the larger shareholders, directors of the board and management. The loans amounted to 18.7 MSEK and were either repaid by way of set off in the rights issue in December 2010 or in cash in January 2011. The loans had interest rates of between 7 and 12 per cent.

Equity amounted to 186.5 MSEK (105.5) at the end of the period which equals 28.13 SEK per share (50.10).

Equity asset ratio was 88.8% (84.5%) at the end of the period.

The average number of employees during the period was 77 (45).

### Going concern

Gold exploration is a capital intensive activity and as noted above the Company does not yet have any revenue. As described in the 2009 annual report and prospectuses published in 2010 the Company will require additional financing to continue the operations for the next 12-month period. The Board believe that financing primarily should be done via new share issues supplemented by bridge financing. Given the estimated values of the Company's licenses and probable additionally raised capital the Board's assessment is that the Company can continue on a going concern.

### Significant events after the reporting period

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

In January 2011, Kopylovskoye AB was awarded a new exploration license; Takhtikan-license, which has similar geology to the Kopylovskoye property and Bannoye-mineralization with good mineral potential and production synergies with Kopylovskoye property.

In January 2011, Kopylovskoye AB announced new exploration results from trenches at Uspenskiy project (covering 10 km<sup>2</sup> out of 141 km<sup>2</sup> at Prodolny- license) return 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.

In February 2011, Kopylovskoye AB announced results from Kavkaz license which confirms 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

### The Parent Company

Total assets at the end of the period amounted to 293.1 MSEK (188.4). Cash and cash equivalents amounted to 0.6 MSEK (5.4). Net income for the period amounted to -5.0 MSEK (-1.2).

### Dividend

The Board will propose to the Annual General Meeting on May 12, 2011 that no dividend is paid.

### Risks and uncertainties

A detailed description of the Company's risks is included in the 2009 annual report of Kopylovskoye and prospectuses published in 2010. There have not been any significant changes in significant risks and uncertainties during the period. The risks include, among others, geological risks, risks related to the deposits, supplier and contractor delivery risk, impairment test risks, gold price risks and political risks,

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

Stockholm March 25, 2011  
Kopylovskoye AB (publ)

Kjell Carlsson  
Chairman

Mikhail Damrin  
CEO

Björn Fernström

Ulrika Hagdahl

Claes Levin

Markku Mäkelä

Sergei Petrov

### **Annual General Meeting**

The Annual General Meeting is planned to be held on May 12, 2011 at 3 pm in Summit's office at Nybrogatan in Stockholm.

### **Upcoming financial reporting**

Annual report 2010	April 21, 2011
Interim report January – March 2011	May 12, 2011
Interim report April – June 2011	August 31, 2011
Interim report July – September 2011	November 15, 2011

### **Publication under Swedish law**

Kopylovskoye is publishing this information in accordance with the Swedish Financial Markets Act (Sw. Lag om värdepappersmarknaden) and/or the Swedish Financial Trading Act (Sw. Lag om handel med finansiella instrument). This information was released for publication on March 25, 2011 at 09.00 CET.

Kopylovskoye reports mineral resources and ore reserves according to the Russian GKZ system, but is currently working on applying the internationally accepted JORC code to verify the mineral resources and ore reserves. SRK Consulting acts as consultant and will approve the JORC reports. Kopylovskoye AB applies International Financial Reporting Standards (IFRS), as approved by the European Union. Mangold Fondkommission acts as Certified Adviser and Liquidity Provider.

The technical information in this press release was approved by Alexander Mikhailov, VP exploration at Kopylovskoye AB. Alexander is an exploration geologist with 28 years of professional experience in the gold exploration. Graduated from the Moscow Mineral Exploration Institute (The leading Soviet mineral exploration training establishment) in 1982. Fellow of the London Geological Society (1008536) and Society of Exploration Geochemistry.

QA/QC procedures for 2010 RC drilling and sampling have been recommended by SRK Consulting.

### **For more information, please contact:**

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## CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Oct-Dec 2010	Oct-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
Net turnover		0	0	0	0
Other revenue		189	236	433	524
<b>Total revenue</b>		<b>189</b>	<b>236</b>	<b>433</b>	<b>524</b>
Work performed by the company for its own use and capitalized		4 520	1 761	13 740	6 596
Operating expenses		-5 653	-1 521	-24 008	-11 608
Depreciation		-381	-115	-1 163	-744
<b>Total operating expenses</b>		<b>-6 034</b>	<b>-1 406</b>	<b>-25 171</b>	<b>-12 352</b>
<b>Operating result</b>		<b>-1 325</b>	<b>591</b>	<b>-10 998</b>	<b>-5 232</b>
Financial items		-590	-2	-2 217	-369
<b>Result after financial items</b>		<b>-1 915</b>	<b>589</b>	<b>-13 215</b>	<b>-5 601</b>
Tax	5	4 536	-4 153	4 605	-2 962
<b>Net income for the period</b>		<b>2 621</b>	<b>-3 564</b>	<b>-8 610</b>	<b>-8 563</b>
<i>Earnings per share before and after dilution</i>		<b>0.71</b>	<b>-7.68</b>	<b>-2.85</b>	<b>-16.24</b>
<i>Average number of shares before and after dilution*</i>		<b>3 681 633</b>	<b>469 768</b>	<b>3 024 366</b>	<b>527 269</b>
<i>Number of shares at the end of the period*</i>		<b>6 626 937</b>	<b>2 105 945</b>	<b>6 626 937</b>	<b>2 105 945</b>

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Oct-Dec 2010	Oct-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
Net income for the period	2 621	-3 564	-8 610	-8 563
<i>Other comprehensive income</i>				
Exchange differences	228	2 841	-11 683	-7 682
<b>Total comprehensive income for the period</b>	<b>2 849</b>	<b>-723</b>	<b>-20 293</b>	<b>-16 245</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

KSEK	Note	2010 Dec 31	2009 Dec 31
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible fixed assets</i>			
Exploration licenses and evaluation work		144 839	111 338
<i>Tangible fixed assets</i>			
Buildings and Machinery and equipment		6 182	2 247
<b>Total non-current assets</b>		<b>151 021</b>	<b>113 585</b>
<i>Current assets</i>			
Inventory		715	553
Receivables	6	57 303	5 011
Cash & cash equivalents		916	5 702
<b>Total current assets</b>		<b>58 934</b>	<b>11 266</b>
<b>TOTAL ASSETS</b>		<b>209 955</b>	<b>124 851</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>	7	<b>186 469</b>	<b>105 510</b>
<b>Total non-current liabilities</b>		<b>5 393</b>	<b>7 674</b>
<b>Total current liabilities</b>		<b>18 093</b>	<b>11 667</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>209 955</b>	<b>124 851</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

KSEK	Note	2010 Jan-Dec	2009 Jan-Dec
Cash flow from operating activities		-9 292	-1 933
Cash flow from investing activities		-47 767	-19 146
Cash flow from financing activities	7	52 292	13 633
<b>Cash flow for the period</b>		<b>-4 767</b>	<b>-7 416</b>
Cash at the beginning of the period		5 702	13 163
Exchange differences on cash		-19	-45
Cash at the end of the period		916	5 702

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KSEK	Note	2010 Jan-Dec	2009 Jan-Dec
<b>Equity at the beginning of the period</b>		<b>105 510</b>	<b>103 487</b>
Share issue		47 890	20 210
Not yet registered share issue	7	64 797	-1 942
Issue costs		-11 435	-
Net income for the period		-8 610	-8 563
Other comprehensive income for the period		-11 683	-7 682
<b>Equity at the end of the period</b>		<b>186 469</b>	<b>105 510</b>

## PARENT COMPANY CONDENSED INCOME STATEMENT

	Oct-Dec 2010	Oct-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
Revenue	1 420	699	3 043	2 799
Operating expenses	-2 881	-1 812	-9 214	-4 828
<b>Operating result</b>	<b>-1 461</b>	<b>-1 113</b>	<b>-6 171</b>	<b>-2 029</b>
Financial items	238	220	1 196	833
<b>Result after financial items</b>	<b>-1 223</b>	<b>-893</b>	<b>-4 975</b>	<b>-1 196</b>
Tax			0	0
<b>NET INCOME FOR THE PERIOD</b>	<b>-1 223</b>	<b>-893</b>	<b>-4 975</b>	<b>-1 196</b>

## PARENT COMPANY CONDENSED BALANCE SHEET

KSEK	Note	2010 Dec 31	2009 Dec 31
<b>ASSETS</b>			
<i>Financial fixed assets</i>			
Shares in group companies		195 707	135 414
Receivables, group companies		44 262	46 152
<b>Total non-current assets</b>		<b>239 969</b>	<b>181 566</b>
<i>Current assets</i>			
Receivables	6	52 520	1 384
Cash & cash equivalents		646	5 425
<b>Total current assets</b>		<b>53 166</b>	<b>6 809</b>
<b>TOTAL ASSETS</b>		<b>293 135</b>	<b>188 375</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
		<b>278 797</b>	<b>185 501</b>
<b>Total current liabilities</b>		<b>14 338</b>	<b>2 874</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>293 135</b>	<b>188 375</b>



## NOTES

**Note 1 Information about the Company**

Kopylovskoye AB (publ), corporate identity number 556723-6335, with registered office in Stockholm, Sweden, is a public company listed on Nasdaq OMX First North. The Company's and its subsidiaries' operations are described in the "Kopylovskoye in brief" section in this report.

**Note 2 Accounting principles**

The interim report for the period ended December 31, 2010 has been prepared in accordance with IAS 34 and the Swedish Annual Reports Act (Sw. *Årsredovisningslagen*). The interim consolidated financial statements have been prepared, consistently with the 2009 consolidated financial statements, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and by the Swedish Annual Reports Act. The parent company's financial statements have been prepared in accordance with the Swedish Annual Reports Act and the recommendations "RFR 2 on Financial Reporting for Legal Entities" issued by the Swedish Financial Reporting Board (Sw. *Rådet för finansiell rapportering*).

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

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

The Company completed its annual impairment test of the capitalized exploration and evaluation costs as of December 31, 2010 whereby the Company did not identify that any impairment at the moment.

**Note 3 Segment reporting**

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

**Note 4 Related party transactions**

In February the company completed a bridge financing amounting to 40 MRUR (approximately 10.4 MSEK) with an annual interest rate of 28.8% with a Russian creditor. Sergei Petrov, a board member of Kopylovskoye AB, is a shareholder of the Russian creditor which provided the bridge financing. The loan has been fully repaid through several instalments during 2010. The final instalment was made in November 2010.

In the fourth quarter the Company raised a total of 9 MSEK in short term loans from larger shareholders, directors of the board and management. Together with loans raised in September amounting to 9.7 MSEK the loans were partly repaid by way of set off in the rights issue in December 2010 and partly in cash in January 2011. The loans carried an interest of between 7 and 12 per cent.

**Note 5 Tax**

As of December 31, 2010 the Company released deferred tax liabilities related to capitalized exploration and evaluation costs as the liabilities were assessed as being too high. The Company does not recognize any deferred tax assets related to tax loss carry forwards.

**Note 6 Receivables**

Receivables in the balance sheet include a receivable on Mangold Fondkommission AB related to the proceeds from the rights issue completed in December 2010. The receivable has been settled in January 2011. See also note 7.

**Note 7 Not yet registered share issue**

In December a new share issue of 64.7 MSEK was completed. The Company received the proceeds from the issue in cash in January 2011 net of loans that were set off in the issue and net of issue costs. The Company received net 41.9 MSEK in January 2011.

**Note 8 Contingent liabilities**

As described in the annual report 2009 the Company has a dispute with a former consultant that provided financial services. In the spring of 2010 the Company paid what was deemed a fair fee for the services. In October the legal counsel of the consultant filed a petition that the remaining part of the dispute, which amounts to approximately 800 KSEK, be settled by the Stockholm Chamber of Commerce Arbitration Court. The Company assess that the counterparty has no ground for the claim. Proceedings in the Arbitration Court are scheduled for April 2011.

## Word list

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