

# ANNUAL REPORT 2012



**KOPY GOLDFIELDS**  
GOLD EXPLORATION

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# MAJOR STEPS TOWARDS EXPLOITING THE RICHES OF LENA GOLDFIELDS

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

Gold was first discovered in the Lena River area in 1843. The gold mining industry developed rapidly in the late 19th century, so that by 1908 some 30,000 workers were employed in the Lena River goldfields. But so far, only alluvial production has taken place.

In 2007, we founded the Swedish gold company Kopy Goldfields. Our aim was to exploit the bedrock gold deposits of Lena Goldfields. Combining the skill and knowledge of Russian geologists with an efficient, Swedish organization we strive to create a world-class company for gold exploration and production. Our long-term target is to identify 5 Moz of gold to support production of 0.2 Moz per year within existing and new license areas.

In 2012, we took several major steps towards fulfilling our vision. Drilling at our presently most promising gold project Krasny confirmed initial JORC compliant mineral resource estimation, showing 0.21 Moz of indicated resources at an average grade of 1.53 g/t Au and Inferred Mineral resources of 1.16 Moz at an average grade of 1.60 g/t Au. The current estimation covers 1,300 meters of mineralization out of total 2,850 meters strike confirmed with recent drilling. Based on these results, the deposit has a strong potential to be developed into a mine.

Meanwhile, we also acquired eight new licenses within geological structures with high potential for gold. We now have a total of 15 bedrock exploration and production licenses of 2,338 sq km, located in Lena Goldfields. All prospects have basic infrastructure and a long history of alluvial mining.

This has strengthened our position in Lena Goldfields. Now we are increasing our efforts.



## KOPY GOLDFIELDS IN BRIEF

# 1.4<sup>Moz</sup>

1.4 Moz of mineral  
resources under JORC



# 11,030

prospecting meters  
drilled during 2012  
(11 742 meters during  
2011)



# 15

Bedrock exploration and  
production licenses



# 2,338

2,338 km<sup>2</sup> exploration  
area



## LONG-TERM TARGETS

Discover 5 Moz of mineral  
resources and annually  
produce 0.2 Moz of gold  
within existing and new  
licence areas



## VISION

Kopy Goldfields vision is  
to create a world-class  
gold exploration and  
production company.



## THE YEAR IN BRIEF

### ■ Over 1 Moz in mineral resources according to JORC reported for the Krasny-license

An initial mineral resource report according to the JORC-standard was issued for a part of the Krasny Gold deposit in November 2012 and updated in March 2013, showing Indicated Mineral resources of 0.21 Moz at an average grade 1.53 g/t Au and Inferred Mineral resources of 1.16 Moz at an average grade 1.60 g/t Au. The estimation covers 1,300 meters of mineralization out of total 2,850 meters strike confirmed with the recent drilling. With the results, the deposit has a high potential to be developed into a mine.

### ■ Significant land acquisition brings high potential

During the year, the Company acquired eight new licenses covering an area of totally 2,083 km<sup>2</sup>. All licenses were acquired on a public auction and are all located in the area of Lena

Goldfields with basic infrastructure on place. They have a long history of alluvial mining and host geological structures with strong potential for elephant gold discoveries.

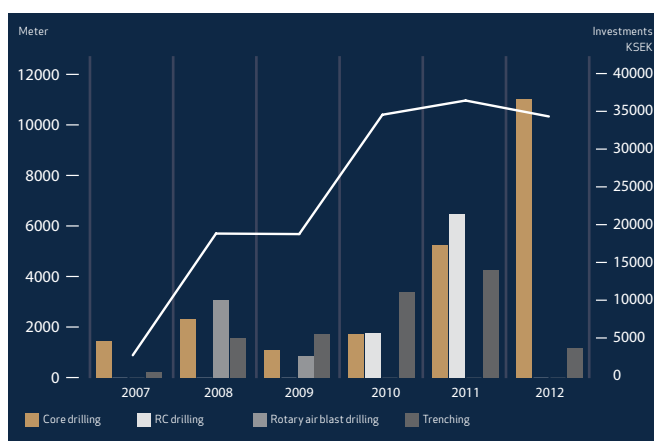
### ■ Further cost reductions implemented

Following a cost cutting program, the operating expenses decreased by 25% for the full year.

### ■ Two fully subscribed rights issues completed without any guarantors used

During the year, two rights issues were completed, which raised MSEK 51.4 in total before issue costs. Both rights issues were fully subscribed and no guarantors were used, which made the issue costs very low. In connection with the rights issues, Mr Markus Elsässer, became a new major shareholder with 6% of the shares.

## Exploration work 2007 - 2012



## Key figures 2012

	2012	2011	2010	2009
Operating income, KSEK	-14,215	-93,798	-10,998	-5,232
Earnings per share, SEK	-1.23	-12.49	-2.81	-16.03
Equity/Asset ratio, %	92.8	86.3	88.8	84.5
Investments in exploration and evaluation work, KSEK	34,321	36,430	34,547	18,752
Investments in licenses, KSEK	2,268	123	8,463	-
Average number of employees	62	93	79	45

## WORDS FROM THE CEO



Kopy Goldfield's chief geologist Dr. Evgeny Bozhko to the left discussing the Krasny project with CEO Mikhail Damrin to the right.

# MAJOR BREAKTHROUGH AT KRASNY LIKELY TO TRIGGER CHANGES

In 2012, we focused our exploration efforts on Krasny, our highly promising license area in Lena Goldfields. The investment proved successful - we were able to complete an initial JORC compliant mineral resource estimation of the gold deposit placing parts of it as Inferred resources. Our goal for this year is to bring Krasny as close as possible to production. Meanwhile, we will start to examine our newly acquired license areas, as well as looking to expand our exploration territory further. All these activities are in line with our efforts to fulfil our vision - to become a world-class exploration company.

Several important events took place in 2012 that drastically changed the basis and potential of Kopy Goldfields. These include major breakthroughs towards bringing Krasny to becoming a producing gold mine, the acquisition of promising new license areas – enlarging our total license area by nine times - as well as completing two fully subscribed rights issues, bringing new financial strength and muscle to our exploration activities.

At the end of November, we published an initial JORC compliant mineral resource estimation for Krasny, updated in March 2013, showing Indicated Mineral resources of 0.21 Moz at an average grade of 1.53 g/t Au and Inferred Mineral resources of 1.16 Moz at an average grade of 1.60 g/t Au. The current estimation covers 1,300 meters of mineralization out of a total of 1,650 meters strike confirmed with recent drilling. Based on these results, the deposit has a strong potential to be developed into a mine.

We are very pleased with the Krasny results. The current resource report is covering only the parts of the Krasny mineralization that we have drilled so far, and as such the resource estimation is limited to the most explored central part of the structure. However, we have evidence from recent drilling that the structure continues further in the west, and also comes closer to surface. We proceed with further drilling of the mineralization at the most western flank in order to build our knowledge of the deposit and hopefully increase both resource tonnage and grade. But, as already mentioned, we already have strong indications that Krasny is likely to make a mine.

Our goal for Krasny for 2013 is to bring the deposit as close to production as possible. Based on the results of the drilling performed during the first part of 2013, we will decide how to do accomplish this. Either, we will initiate a pre-feasibility study during the second part of the year, or continue exploration drilling in order to gain more information.

It is likely, however, that further development of Krasny will be performed together with a partner. This means that the project will without any doubt trigger changes in the company. The target for Kopy Goldfields is to explore and develop minable bedrock gold deposits, either developing them into mining production or selling them - depending on what will create better return for shareholders. Meanwhile, we also acquired six new licenses within geological structures with high potential for gold. We now have a total of 15 bedrock

exploration and production licenses in Lena Goldfields, covering a total area of 2,338 square kilometres.

All the new prospects have basic infrastructure and a long history of alluvial mining. They are located within the Maly Patom area of Lena Goldfields within geological structures similar to Sukhoy Log with strong potential for elephant gold discoveries. We are very happy to have been able to finally acquire these areas at a public auction, as we have been interested in them for a long time. All new properties are located within the last area left mainly unexplored within the Lena Goldfields. Our first step will be to summarize existing historic data, then develop an exploration program and commence field exploration activities during 2013.

The new prospects provide blue sky potential for Kopy Goldfields as they have geology and rock similar to Sukhoy Log, one of the world's biggest, undeveloped bedrock gold deposits. Sukhoy Log's estimated reserves of from 2,000 to 3,000 tonnes (64.3 million to 96.4 million Troy ounces) of gold and a smaller amount of silver make it into one of the world's largest untapped deposits of the precious metal. Russian authorities recently announced that Sukhoy Log will be put up for auction shortly. Future exploitation of the deposit would benefit Kopy Goldfields in several ways, one of the most important being that major investments would be made in reinforcing the infrastructure of the region. Meanwhile, we will concentrate on expanding our existing license area at Krasny to the west and northwest, as well as acquiring new licenses in the region.

Our growth has been made possible by existing and new shareholders and their belief in the company. In October 2011, the Canadian mining company Eldorado Gold Corp acquired 29 per cent of the shares in two directed share issues and has supported us since then. This provided us with increased stability and structure – as well as important mining knowledge and experience.

I would like to thank our shareholders for sharing our visions and for joining us on our exciting journey in exploiting the riches of Lena Goldfields.

Mikhail Damrin  
CEO Kopy Goldfields, April 2013



## LENA GOLDFIELDS





# LENA GOLDFIELDS – RICH IN GOLD DEPOSITS AND GOLD HISTORY

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



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

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

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

## AMBITIOUS EXPLORATION WORK IN THE 70'S

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

Since the 1840s, the region has steadily been producing round 0.4 Moz of alluvial gold per year. But previous exploration work has also shown that the Bodaibo area hosts several world-class bedrock gold deposits, including Vysochaishiy, Verny, Chertovo Koryto and Sukhoy Log, the latter being the largest undeveloped gold deposit in the world with some 60 Moz of reserves.

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



## GOOD MINING INFRASTRUCTURE

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

# MAYOR SEES A GREAT POTENTIAL IN BEDROCK MINING

"There is a growing interest from foreign investors to establish themselves here - and since they bring the competence and knowledge in bedrock mining that we need, they are welcome", says Alexander Victorovich Dubkov, mayor of Bodaibo, the regional centre. He sees a great potential in bedrock mining for the area.



- We have a great tradition of alluvial gold mining, with a lot of experience and knowledge being handed down from generation to generation, says Alexander Victorovich Dubkov.

Alluvial gold mining is the main industry in the Bodaibo area. Each of 16,000 citizens of Bodaibo has some relationship to the gold business. Generations of geologists and miners have been fostered here. Many young people follow in the footsteps of their parents and choose a career in mining. The universities of Tomsk and Irkutsk also provide a good supply of competent workers.

- We have a great tradition of alluvial gold mining, with a lot of experience and knowledge being handed down from generation to generation. More than 50 per cent of the people of Bodaibo are directly employed by the mining industry. But in order to develop the region further, we need to exploit our bedrock deposits, says Alexander Victorovich Dubkov.

- Previous exploration work has indicated that there is a good potential in bedrock mining. Now we need assistance in identifying these deposits further. We also need the competence to exploit them in an optimal way, he continues.

### KOPY GOLDFIELDS LEADING THE WAY

Kopy Goldfields is one of the first internationally listed companies that have applied for and been granted permission for bedrock exploration in the area. In general, it only takes between six and twelve months to acquire a mining permission in Russia. Production costs are also relatively low. One important explanation is the good supply of local expertise, another comparatively low costs for electricity and fuel.

From the start, the local authorities have sup-



ported Kopy Goldfields' exploration activities.

- We welcome international companies, since exploiting our bedrock deposits demand not only competence, but also investments. We try to provide assistance and a fair climate for foreign companies, Alexander Victorovich Dubkov says.

- But we also expect them to contribute to society here in Bodaibo and assist us in developing our infrastructure further, he adds.

### SUKHOY LOG ON THE AGENDA

The biggest known deposit in the region - and one of the biggest in the world - is Sukhoy Log. Soviet geologists surveyed Sukhoy Log intensively in the 1970s, yet little came of it. But now the Russian government is showing more interest, suggesting it might invite bids to mine the gold. While such talk has come and gone in the past - and no details of any tender have been given - there is new debate on how, and at what cost, the ore might be exploited. Analysts say the latest study on that single deposit indicates it could produce 1.6-1.9 million ounces of gold a year over three or four decades. Initial development costs are forecast at upwards of \$2.5 billion.

- It would mean a great deal to Bodaibo if Sukhoy Log were to be exploited, as this would bring a lot of new infrastructure to the area. But it would require major investments from both the government as well as from foreign companies, Alexander Victorovich Dubkov says.

# "LIKE A BIG PRESENT WAITING TO BE OPENED"

"This area is extremely interesting from a geologist's point of view, it's like a big present waiting to be opened", says Kopy Goldfields' chief geologist Dr. Evgeny Bozhko. With experience from a decade of different senior positions in exploration and mining companies operating in Africa and Russia, he is now happy to be back in Russia. "It's easier to handle the cold than the heat", he says.

- Gold is gold, no matter where you find it, says Evgeny Bozhko.

He should know. Equipped with a PhD in geology and mineral sciences and a diploma in exploration geology from the State University of Voronej, he started working for mining companies in Africa. During a decade he explored mineral deposits from Namibia and South Africa to Ethiopia. But in 2010, he returned to his native Russia and started working for Kopy Goldfields. He says that he likes the area around Bodaibo, with its vast wilderness and fascinating wildlife.

- But what really attracts me to the area is its great potential for bedrock gold. A lot of alluvial gold has been found in the area, but the bedrock largely remains unexplored. It's extremely exciting to start unwrapping this present, he says.

## "AN INTELLECTUAL CHALLENGE"

Evgeny Bozhko compares his job as a geologist to being a detective.

- It's an intellectual challenge. You have to find a pattern – and draw the right conclusions based on the clues you're provided with. The most important success factor in mining is to understand the geology of an area, he says.

At the moment, he is focussing his detective work on Kopy Goldfields' Krasny project. The latest JORC compliant mineral resource estimation for part of the Krasny gold deposit published in November 2012 and updated in March 2013, showed Indicated Mineral resources of 0.21 Moz at an average grade of 1.53 g/t Au and Inferred Mineral resources of 1.16 Moz at an average grade of 1.60 g/t Au. The current estimation covers 1,300 meters of mineralization out of a total of the 2,850 meters strike confirmed with the recent drilling.

- Based on these results, the deposit has a high potential to be developed into a mine. And the report only covers the most explored central part of the structure. We have indications from the recent drilling that the structure continues further to the west and also comes closer to surface. Our next step will be to continue drilling the most western flank in order to learn more, Evgeny Bozhko says.



- If these results are positive, we will increase the density of the drilling. Ultimately, we hope to identify a structure in this western part of the deposit that will be suitable for open-pit mining, he continues.

- Gold is gold, no matter where you find it, says Evgeny Bozhko.

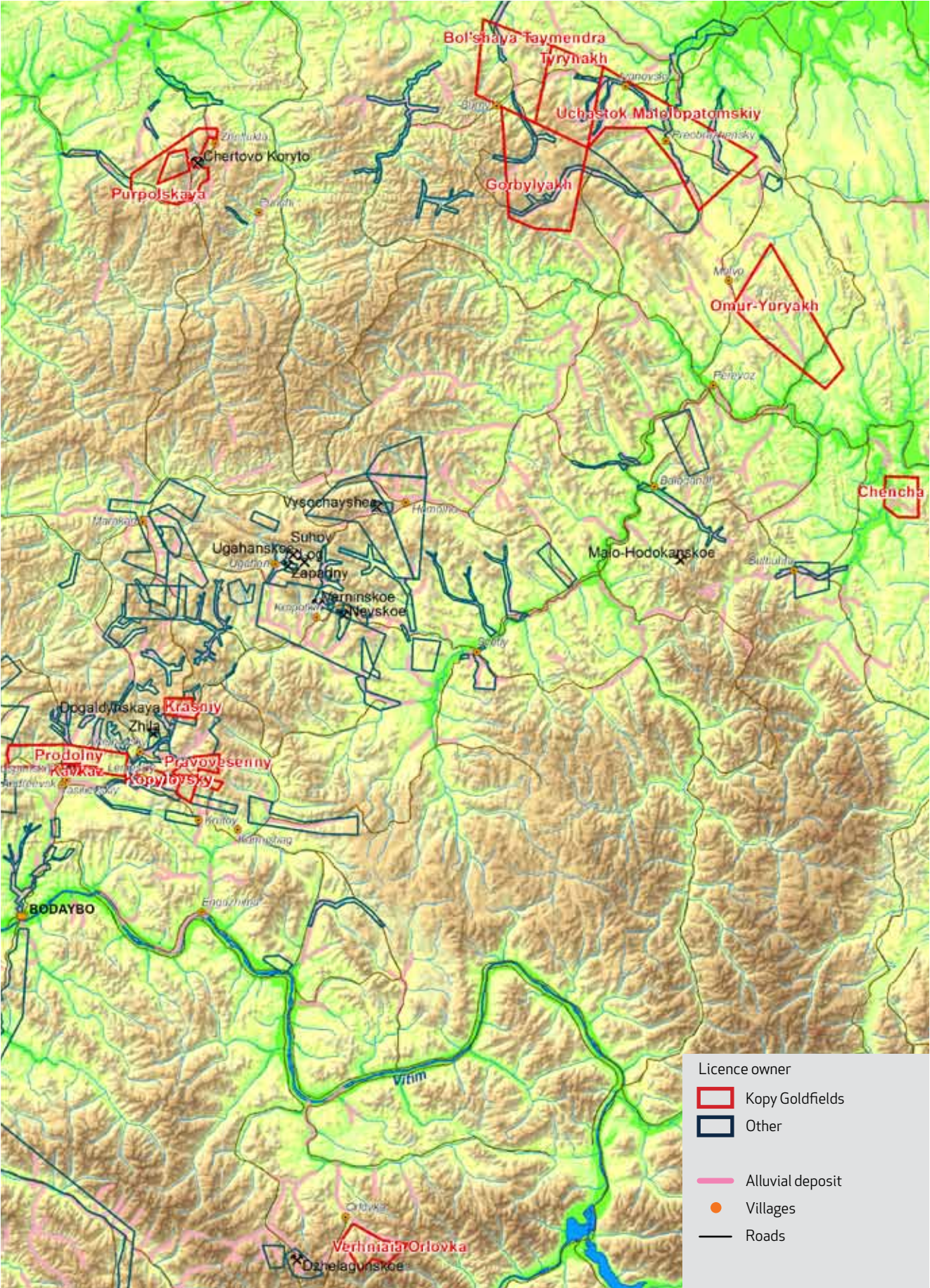
## EXPLORATION WILL START ON NEW LICENSES

The company will release several updates of the resource estimation at Krasny throughout the year. Meanwhile, Evgeny Bozhko and his staff of geologists will also develop exploration programs for the six new licences, that the company won in public auctions in November 2012. All areas are located within the Maly Patom area of Lena Goldfields.

- They have a geology and rock similar to Sukhoy Log and a strong potential for major gold deposits. Our first step will be to summarize existing historic data from a long history of alluvial mining in the area. Then we will develop an exploration program and start field exploration in 2013. The program will probably start with airborne geophysical survey of the area to quickly localize prospective targets for ground exploration activities, Evgeny Bozhko says.



# LICENSE AREAS





## LICENSE AREA GREW BY NINE TIMES IN 2012

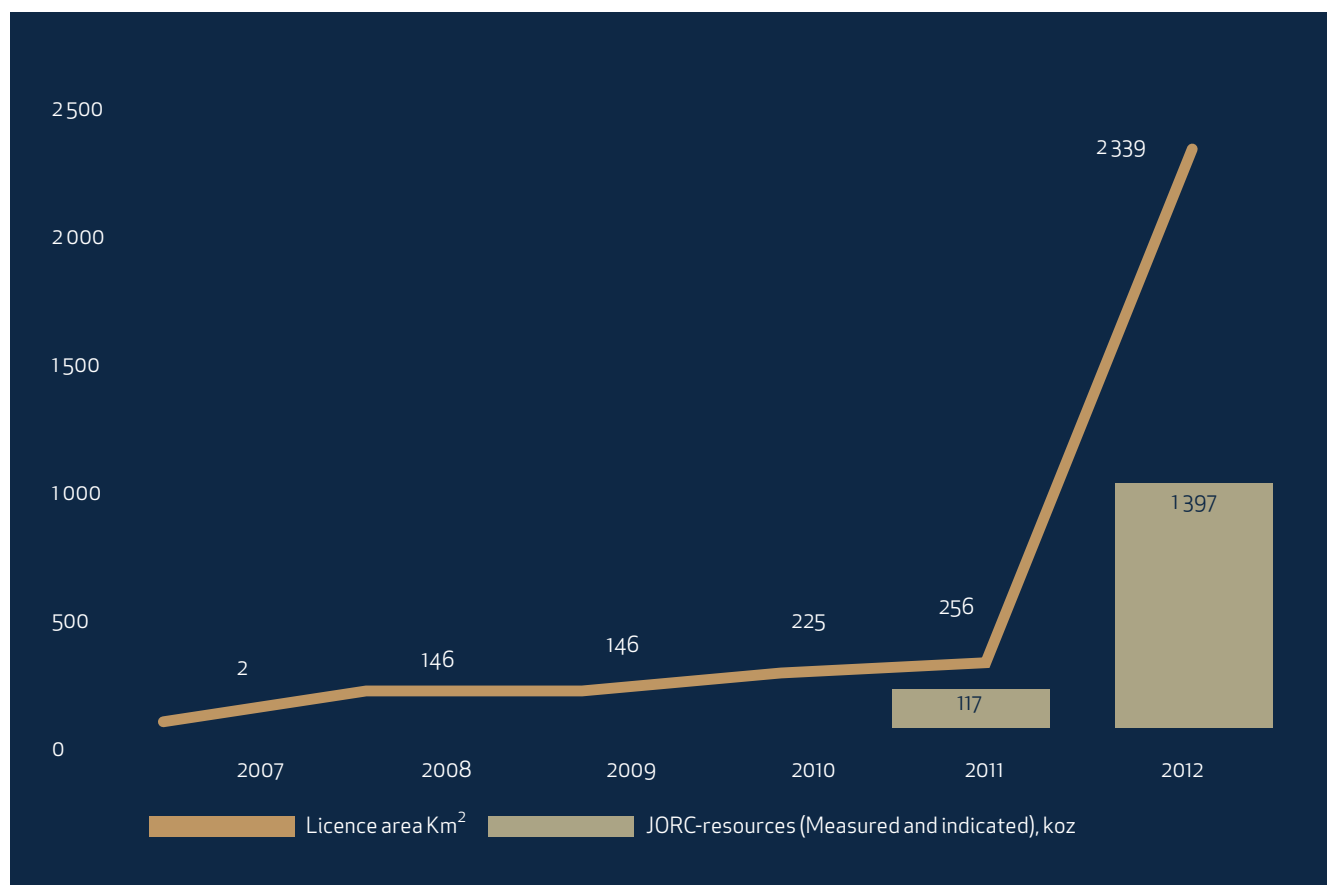
Kopy Goldfields acquired eight new licences in 2012, increasing its license area in Lena Goldfields from 256 km<sup>2</sup> to 2,338 km<sup>2</sup>. All the new licenses are located with Lena Goldfields within the old alluvial producing area with geology similar to Sukhoy Log.

Kopy Goldfields focused its development efforts on three of its bedrock gold projects during 2012 – Krasny, Kopylovskoye and Kavkaz.

All projects are in different stages of exploration, with current main focus on Krasny. They are all located in the vicinity of the town of Artemovskij, 40 km north-east of Bodaibo and approximately 880 km north-east of Irkutsk.

In November Kopy Goldfields won six public auctions, increasing its land position from 256 km<sup>2</sup> to 2,338 km<sup>2</sup>. All prospects are located within the Maly Patom area of Lena Goldfields within geological structures with strong potential for elephant gold discoveries. They all have basic infrastructure and a long history of alluvial mining.

### Land and resources growth



# INTENSIFIED EXPLORATION BASED ON POSITIVE DRILLING RESULTS

Krasny is Kopy Goldfields' most advanced gold project at the moment. The recent JORC compliant mineral resource estimation for part of the Krasny gold deposit was performed in November 2012 and updated in March 2013, showing 1.37 Moz of Inferred and Indicated gold resources at an average grade of 1.59 g/t. Based on these positive results, expansion drilling has now been intensified in the area.

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

## GEOLOGY AND MINERALIZATION

The Krasny project is located in a gold rich lithological and stratigraphical area. It is characterized by intensive geochemical gold anomalies and rich alluvial gold deposits in the streams. Limited exploration work done in the past has shown presence of primary gold mineralization at the surface and at the depth in the two continuous mineralized zones.

## EXPLORATIONS RESULTS 2012

In 2012, Kopy Goldfields conducted 11,030 meters of diamond drilling and 1,161 meters of trenching at Krasny. Based on the drilling, an initial JORC compliant mineral resource estimation for part of the Krasny gold deposit was conducted. It was published in November 2012 and updated in March 2013, showing Indicated Mineral resources of 0.21 Moz at an average grade of 1.53 g/t Au and Inferred Mineral resources of 1.16 Moz at an average grade of 1.60 g/t Au. The current estimation covers 1,300 meters of mineralization out of total 2,850 meters strike confirmed with recent drilling. With the results, the deposit has a high potential to be developed into a mine.

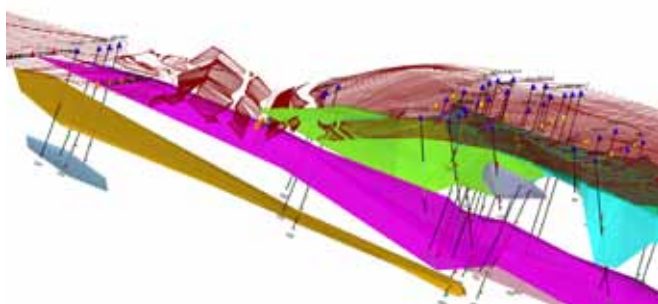
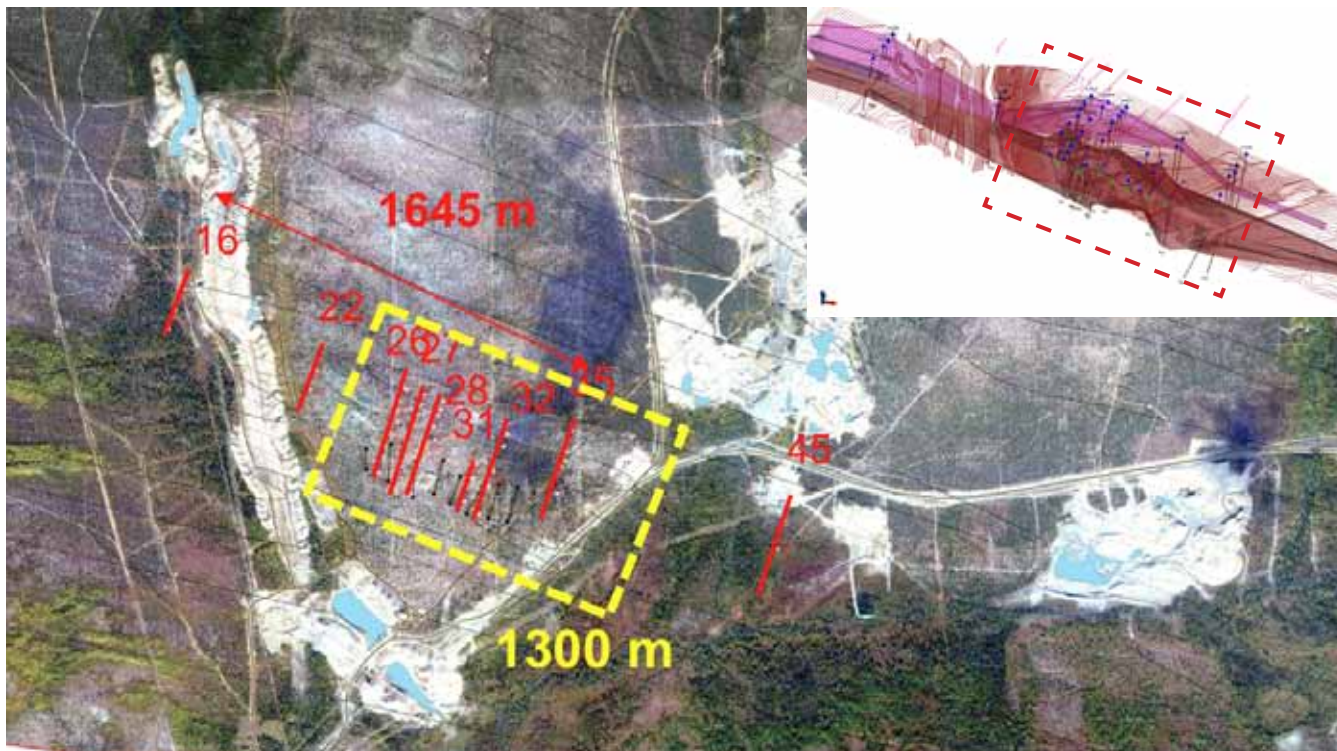
The Table attached shows the grade and gold resource variations dependent on the cut-of grade within the optimized open pit. The mineral resource estimate was performed by Alexey Nikandrov of Miramine and prepared in accordance with the Code JORC 2004 for reporting of Mineral Resources. The current resource report is covering only a part of the Krasny mineralization that has been drilled so far, and as such the resource estimation is limited to the most explored central part of the structure.

The gold grade estimation was conducted using Ordinary Kriging and a method of inverse distance weighing, with the estimate constrained within gold grade shapes

CUT-OFF, g/t	Category	Ore		Average grade, g/t	Au, tons	Au, Moz
		Million m <sup>3</sup>	Million tons			
0,20	Measured	0,00	0,00	0,00	0,00	0,00
	Indicated	3,09	8,04	1,06	8,50	0,27
	Inferred	17,88	46,49	1,03	48,00	1,54
0,40	Measured	0,00	0,00	0,00	0,00	0,00
	Indicated	2,68	6,97	1,18	8,20	0,26
	Inferred	14,53	37,76	1,20	45,10	1,45
0,60	Measured	0,00	0,00	0,00	0,00	0,00
	Indicated	2,19	5,70	1,33	7,60	0,24
	Inferred	11,57	30,08	1,37	41,30	1,33
0,80	Measured	0,00	0,00	0,00	0,00	0,00
	Indicated	1,67	4,33	1,53	6,60	0,21
	Inferred	8,66	22,51	1,60	36,10	1,16
1,00	Measured	0,00	0,00	0,00	0,00	0,00
	Indicated	1,29	3,35	1,71	5,70	0,18
	Inferred	6,70	17,43	1,81	31,50	1,01
1,20	Measured	0,00	0,00	0,00	0,00	0,00
	Indicated	0,98	2,55	1,91	4,90	0,16
	Inferred	5,18	13,46	2,02	27,20	0,87
1,40	Measured	0,00	0,00	0,00	0,00	0,00
	Indicated	0,75	1,95	2,10	4,10	0,13
	Inferred	4,11	10,69	2,21	23,60	0,76
1,60	Measured	0,00	0,00	0,00	0,00	0,00
	Indicated	0,52	1,36	2,37	3,20	0,10
	Inferred	3,09	8,04	2,45	19,70	0,63
1,80	Measured	0,00	0,00	0,00	0,00	0,00
	Indicated	0,37	0,96	2,65	2,50	0,08
	Inferred	2,45	6,36	2,64	16,80	0,54
2,00	Measured	0,00	0,00	0,00	0,00	0,00
	Indicated	0,26	0,68	2,97	2,00	0,06
	Inferred	1,90	4,93	2,86	14,10	0,45

constructed at a nominal 0.2 g/t Au cut-off. Gold grades were estimated using a combination of core and surface trench sample data. Miramine performed an independent verification of a portion of the electronic database provided by Krasny, and concluded that it was suitable for use in resource estimation. The basis for this resource estimate is a three-dimensional block model with a block size of 30m x 25m x 10m. A full report is available on the web site.





#### INTENSIFIED EXPLORATION INITIATED

Based on these positive results, in December 2012 Kopy Goldfields announced the start of a further drilling program on the Krasny project. The program will explore the extension of the western and the eastern end of the mineralization further along the strike. It also aims at upgrading the quality of the resources at the centre of the structure. The company plans to release several updates of the resource estimation throughout the year.

The future exploration program at Krasny will be developed.

#### DRILLING AND TRENCHING IN SEVERAL STAGES

The first stage of drilling will consist of 8-9 holes, covering a total of 2,500 meters. The drill holes will target the western continuation of Krasny mineralization not covered by the resource statement from 2012.

Upon successful completion of stage one, drilling of some 2,750 meters in a second stage will continue to explore the mineralization further along the strike to the west and to the east.

The third stage of drilling will cover 1,350 meters and target gold mineralization on the eastern continuation of the Krasny structure. Stage four will include 2,000 meters of drilling and 1,200 of trench sampling and will target the mineralization close to the surface at the central part of Krasny. Results from stages three and four are expected by August 2013 and will include resource upgrade for the central part of Krasny structure. Both stages will be developed in parallel upon completion of the second stage.

The fifth and final stage will include prefeasibility studies targeting to file a Russian statutory resource report for Krasny and prepare it for early production start.

#### TARGETS FOR 2013

- Scoping drilling along strike
- Infill drilling
- Commencing Feasibility Study

#### EXPLORATION ACTIVITIES 2012

A mineral resource estimate within JORC Code was signed by OOO Miramine, see table to the left.

- 11,030 meters of diamond drilling
- 1,161 meters of trenching

#### EXPLORATION ACTIVITIES 2011

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

#### EXPLORATION ACTIVITIES 2010

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

#### HISTORICAL EXPLORATION

The area was intensively prospected in previous years:

- detailed geochemical and geophysical survey of 1:25000 scale
- 14 723 meters of diamond boreholes drilled
- 110 797 meters of trenches
- 130 meters of underground shifts

# "EXCITING STAGE OF EXPLORATION AT KRASNY"

"The cold is not a problem, we drill around the clock so the machinery never freezes", says Alexander Nemchinov, site manager at Krasny. At the moment he is heading a team of 17 geologists, drillers and service staff present at the site. "I think everybody feels that we have reached an exciting point of the exploration work here, hoping to collect information that will enable a future open pit gold mine at Krasny", he says.

A bleak January sun is glistening on the caravans placed in neat rows among the snow-covered hills. The thermometer shows minus 37; relatively mild compared to the minus 53 to 57 experienced in December, proven by one of drillers rolling up the sleeves of his shirt when he gets out his caravan. Krasny – and the Bodaibo area – is characterized by its subarctic climate, with bitterly cold winters and warm summers.

- We're used to the cold and it's mostly not a problem – though sometimes the winds can be difficult. But you have to be careful with the machinery at low temperatures, as the cold makes it brittle, says Alexander Nemchinov.

### TWO DRILLINGS RIGS IN PLACE....

At the moment, the caravans are occupied by 17 geologists, drillers and service staff, working around the clock to map out the gold mineralization of Krasny. Two drilling rigs are being used at the moment. During the summer months, the site becomes a busy little village with some 60 people occupied in the exploration work.

- Recent drilling shows that the structure continues further in the west and also comes closer to surface. What we're doing now is drilling the mineralization at the most western flank in order to get some missing information. Hopefully, we will increase both resource tonnage and grade. However, we



already have strong evidence that Krasny is likely to make a mine, which makes our work very exciting right now, Alexander Nemchinov says.

### ....OPERATED BY TWO SHIFTS

The drillers work in two shifts, with the day shift starting at 7 with breakfast, followed by a meeting to plan the drilling activities of the day. Lunch is between 12 and 1pm and dinner from 8 till 9pm. The day ends with a sauna and perhaps watching some TV. Meanwhile, the night shift gets busy. The drillers work one month in field, then take a month break.

- The best thing about being out here is the forest, the wildlife and being so close to nature. The worst thing is being away from your family, says Alexander Nemchinov.

- Recent drilling shows that the structure continues further in the west and also comes closer to surface.







## OTHER PROJECTS

# POTENTIAL OF ELEPHANT GOLD DEPOSITS IN NEW LICENCE AREAS

Kopy Goldfields added eight new licences to its exploration portfolio in 2012. This means that the company now holds explorations licences for a total of 15 areas, including Krasny. The new prospects have geology and rock similar to that of Sukhoy Log and carry strong possibility to host elephant gold deposits.

### NEW LICENCES

All the new licences are located within the Maly Patom area of Lena Goldfields in the Bodaibo region, within geological structures with strong potential for elephant gold. They all have basic infrastructure and a long history of alluvial mining.

Maly Patom gold ore-placer area was first identified in 1970s during the regional geological survey on the gold content of black-slate strata. The area was contoured following wide development of placer gold in river basins; sulfide and quartz mineralizations and geochemical anomalies. Four major bedrock gold ore fields have previously been identified within the new license area - Ilyinskoye, Gorbylyakhskoye, Taimendrinskoye and Nirundinskoye.

The first step will be to summarize existing historic data, then develop an exploration program and commence field

exploration activities during 2013. The program will start with airborne geophysical survey of the area to quickly localise prospective targets for ground exploration activities.

### PREVIOUS LICENCES

Kopy Goldfields previous nine licenses, including Krasny, are mostly located close to each other and have similar geological structure. All are in different stages of exploration.

The Kavkaz and Kopylovskoye clusters are ready for FS and production. We are actively looking for joint venture partners to take these projects further into development.

In 2012 we developed an geological-exploration model of Central part of the Bodaibo area where Kopylovskoye, Prodolny licences are located. The model provides the background to target our exploration activities round Prodolny and for the new acquisitions in this particular area.

Central Asia Gold AB ("CAG") reaches an agreement to acquire OOO Kopylovsky and the Kopylovskoye license.

2006

Acquisition of the Prodolny license.

2007

Kopylovskoye AB is founded as a subsidiary to CAG.

2008

Acquisition of the Kavkaz license.

SRK Consulting ("SRK") is hired to evaluate the Company's projects.

2009

Exploration and development activities are initiated after positive results from SRK's evaluation



License	Acquired	Mineral resources ('000)*	Exploration target	Valid until:	Ownership Kopy Goldfields AB	License area
<b>Kopylovskoye</b>	2007	JORC: Indicated: 37koz@1.31 g/t Inferred: 80koz@1.07 g/t Signed by SRK Consulting	Bedrock	2020	100 %	1,5 sq km
<b>Kavkaz</b>	2008	Russian C1+C2: 33koz P1: 84koz	Bedrock	2015	100 %	3.4 sq km
<b>Krasny</b>	2010	JORC: Indicated: 0.21 Moz@1.53g/t Antegen: 1.16 Moz@1.60 g/t Signed by Miramine	Bedrock	2035	100 %	31 sq km
<b>Prodolnyy</b>	2008	Russian P2: 579koz	Bedrock	2033	100 %	141 sq km
<b>Pravovesenniy</b>	2010	Russian P3: 64koz	Bedrock	2030	100 %	35 sq km
<b>Vostochnaya</b>	2010	Russian P2: 161koz	Bedrock	2035	100 %	13 sq km
<b>Takhtykan</b>	2011	Russian P3: 161koz	Bedrock	2035	100 %	31 sq km
<b>Purpolskaya</b>	2012	Russian P3: 804koz	Bedrock	2017 (exploration license)	100 %	150 sq km
<b>Verkhnyaya Orlovka</b>	2012	Russian P3: 418koz	Bedrock	2017 (exploration license)	100 %	81 sq km
<b>Tyrynakh</b>	2012	Russian P3: 578koz	Bedrock	2037	100%	250 sq km
<b>Bolshaya Taimendra</b>	2012	Russian P3: 578koz	Bedrock	2037	100%	289 sq km
<b>Gorbylyakh</b>	2012	Russian P3: 578koz	Bedrock	2037	100%	417 sq km
<b>Omur-Yuryakh</b>	2012	Russian P3: 160koz	Bedrock	2037	100%	365 sq km
<b>Chencha</b>	2012	Russian P3: 321koz	Bedrock	2037	100%	71 sq km
<b>Malo-Patomsky</b>	2012	Russian P3: 578koz	Bedrock	2037	100%	460 sq km
<b>Total</b>		JORC: Indicated: 0.25 Moz Inferred: 1.24 Moz Russian: C1+C2: 33 koz P1-P3: 4,980 koz				

Acquisition of the Krasny and Pravovesenniy licenses.

Acquisition of the Takhtykan license.

Eldorado Gold Corp invests 29 MSEK in the Company and becomes major owner.

Acquisition of the Purpolskaya- och Verkhnyaya Orlovka-licenses.

**2010**

**2011**

**2012**

**2013**

Acquisition of the Vostochnaya license.

The Company is listed at First North.

The Company's first international mineral resource according to JORC is reported on the Kopylovskoye deposit.

The Company changes name to Kopy Goldfields AB"

Acquisition of six new licenses in the Maly Patom area of Lena Goldfields. All have structures resembling that of Sukhoy Log.

JORC compliant report on Krasny, showing it has a good potential to become a gold mine with more than 1 Moz in mineral resources.

# IDENTIFYING GOLD DEPOSITS WITH HIGHEST POTENTIAL

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



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

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

Once these have been located the next step is soil sampling and trenching to evaluate the anomaly at the surface. The topsoil is removed, a ditch is excavated and trench samples are taken along the line drawn along the floor of the ditch. Along this line, geologists use saws for cutting out mineral samples. These samples are then sent for analysis.

### RC-DRILLING/CORE-DRILLING

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

Core drilling is a method where you collect a core from the drill hole in order to analyse the geology and structure of the mineralization. At the moment, Kopy Goldfields is using two core drilling rigs, both operating at the Krasny project area.

### EVALUATION

Numerous project ideas are required before a few projects can become producing mines. The process involves many phases, and costs increase as the project approaches a potential production start-up. Once the exploration work is completed, the deposit is evaluated to determine whether the technical and economical preconditions exist for starting a new mine.

### REPORTING ACCORDING TO JORC

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



# INTERNATIONAL EXPERTISE EVALUATES TEST RESULTS AND DEVELOPS STRATEGY

Top geologists from Canada, Russia and Finland with experience and knowledge from gold exploration and mining around the world are brought together in Kopy Goldfields' Technical Committee. Their task is to evaluate test results from the company's exploration work in Lena Goldfields. It is also to outline a strategy for future exploration.

In 2011, Eldorado Gold became a major owner of Kopy Goldfields. Eldorado Gold is an international gold producing company based in Canada and with operations in countries including China, Turkey, Brazil and Greece. The company has eight operating mines and a pipeline of projects in different stages of construction and development. It also operates an extensive exploration program.

### SOME OF THE BEST BRAINS IN GEOLOGY

Following the acquisition, a technical committee consisting of representatives from Eldorado Gold and Kopy Goldfields was set up, bringing together some of the best brains in international geology. They are all specialists with extensive experience of gold exploration around the globe. The committee members are in constant dialogue with each other and also meets in person several times per year.

- In some ways, the Canadians have another way of thinking. They also have valuable experience from using very modern technology, including electromagnetic instruments used for heliborn exploration work, says Markku Mäkelä, board member of Kopy Goldfields and member of the Technical Committee.

### A MIXTURE OF SCIENCE AND EXPERIENCE

With more than 35 years of experience of

geology and mining operations from Finland and internationally, Markku Mäkelä is also an authority in the mining business, both in Finland and abroad. His list of merits include being head of the Finnish Institute for geological surveys (GTK) and leading the technical work of United Nations' Revolving Fund for Natural Resources Exploration to being a regional manager or Outokumpu.

-It's a good learning process for all of us. Several brains think bigger one, and when it comes to exploration, experience is invaluable. It's really a mixture of science and experience – and being used to disappointment. -Eldorado made some rethinking about our work at Krasny, which has proven very successful, Markku Mäkelä continues.

### KRASNY ON TOP OF THE AGENDA

Top on the Technical Committee's agenda for 2013 is the Krasny project.

- We really believe in this project. Our goal is to identify a gold deposit with a potential to be mined profitably. And we are well on our way. We're now aiming to move some of the resources that have been identified from inferred to indicated, Markku Mäkelä says. But the committee is also focussing their work on the new licence areas in Lena Goldfields which were acquired in 2012.

- One of the most exciting things about Lena Goldfields is that although a great



- We really believe in this project. Our goal is to identify a gold deposit with a potential to be mined profitably. And we are well on our way, says Markku Mäkelä.

amount of alluvial gold has been found there and some ambitious bedrock exploration was performed there in the 1970's by Soviet geologists, it's still extremely underexplored, Markku Mäkelä says.

-And Eldorado encourages us to think big, he adds.

The Technical Committee consists of Markku Mäkelä and Alex Mikhailov from Kopy Goldfields, together with Keith Patterson and Peter Lewis from Eldorado Gold.

# JEWELLERY MANUFACTURERS JOIN CENTRAL BANKS TO PUSH UP GOLD DEMAND

Gold demand reached an all-time-high in 2012, in value terms. Pushing growth were increased demand from the jewellery and central bank sectors. Meanwhile, China and India remained the world's biggest gold consumers.

Unlike many other assets, gold is practically indestructible. This means that all gold that has ever been produced still exists. Around 40 per cent of the gold produced today becomes jewellery, but this is just one area where there is a strong demand for gold. Others include investment operations, central bank reserves and the technology sector.

In value terms, gold demand in 2012 was 236.4 billion USD – an all-time high, according to World Gold Council. The annual volume of demand totalled 4,405.5 tonnes, down by 4 per cent from 2011 as an increase in demand from institutional investors and central banks only partly offset a year-on-year decline in consumer demand. Combined growth in jewellery and central bank demand exceeded declines in the investment and technology sectors to generate the increase in overall demand. In value terms, Q4 2012 was the highest fourth quarter total ever.

China and India remained the world's biggest gold consumers, despite challenging domestic economic conditions. In these two largest gold markets, annual demand was 30 per cent higher than the average for the past decade. Meanwhile, the recent trend of central banks moving from being net sellers of gold to becoming net buyers continued. The official sector purchases across the world are now at their highest level for almost half a century.

### GLOBAL PRODUCTION

Gold producing companies operate all over the world. The gold mining business accounts for two thirds of the present gold supply. The rest comes from recycling, as well as from central banks selling off parts of their gold reserves. Worth noting is that central banks after being net sellers of gold for 18 years, now have become net buyers.

During the 20th century, South Africa was the dominant gold producing country. In the 1970's, it produced around 70 per cent of the total world production of gold. In 2011, that role had been taken over by China with 13 per cent of the world production, followed by Australia and the US. Russia was in fourth place with 8 per cent of the production.

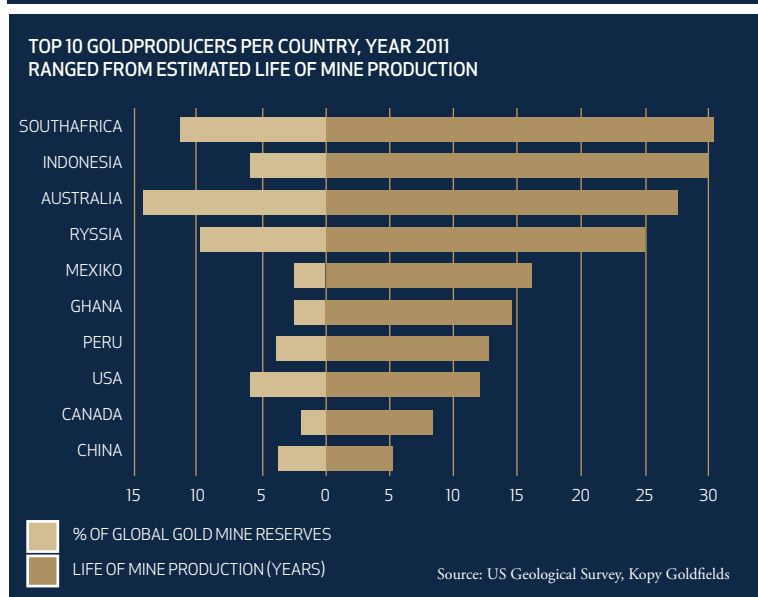
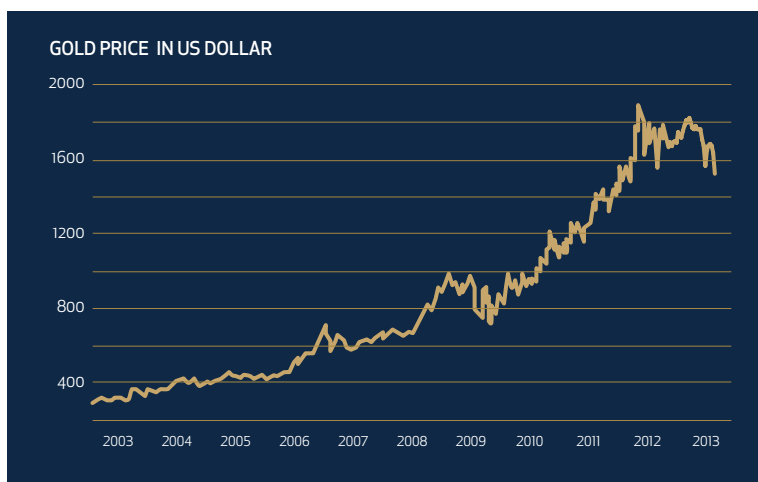
Lead times in gold production are relatively long. It takes up to ten years before a new mine contributes to the total production. This means that gold supply from

the mining sector is not easily affected by changing gold prices.

### CONSOLIDATION

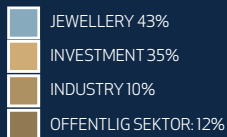
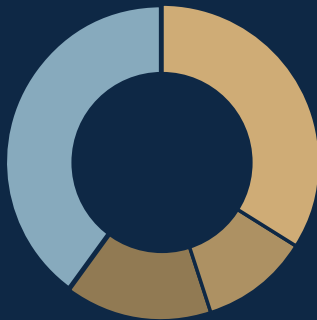
In recent years, several transactions have taken place aiming at consolidating the gold producers of the world. More than 50

per cent of these have deals have concerned national reserves and market shares. The biggest deal in 2011 took place in Russia, where Kazakhgold Group acquired Polyus Zoloto for 8.4 billion USD in a reverse take-over deal.

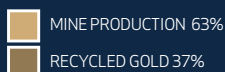


## "GOLD JUNIORS LARGELY UNDERVALUED"

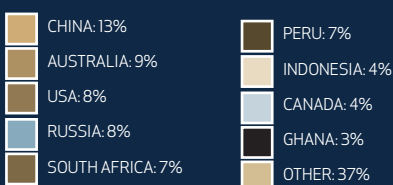
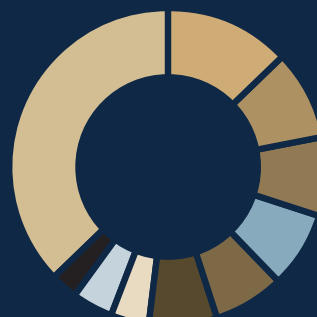
DEMAND 2012



SUPPLY 2012



GOLD PRODUCERS 2011



Source: World Gold Council

"Investing in gold junior companies is a cheap way to conduct exploration", says Hjalmar Ahlberg, analyst at Redeye, an investment bank focusing on Nordic growth companies. "This means that we could see increased demand for this type of company, which are largely undervalued at the moment", he continues.

Small gold producers and exploration companies are valued relatively low at the moment, which opens up opportunities for bigger producers to expand their businesses through acquisitions. The typical deal consists of a bigger company acquiring – or making a strategic investment – in a smaller exploration company, often to get access to deposits in new geographical areas. The drilling performed by junior companies is thus a crucial part of the global supply chain.

- This works both ways, as it's also important for small companies to have strong and competent owners. Eldorado Gold's acquisition in Kopy Goldfields, for instance, means that the big Canadian gold company can provide Kopy Goldfields with both financial muscle and important expertise, says Hjalmar Ahlberg.

- With Eldorado as majority owner, Kopy Goldfields has a good potential to take Krasny further towards gold production. There is also a good potential to further increase the mineral reserve at Krasny, as the most recent calculation is only based on half of the structure, he continues.

### MANY REASONS FOR LOW VALUATION

According to Hjalmar Ahlberg there are many reasons for the relatively low valuation of small gold exploration and production companies at the moment. Most of them are linked to sentiments.

- Some projects take longer than expected, while others don't live up to expectations. Often gold stocks are driven by news more than facts, creating volatility in the stock price. Often fundamentals are overlooked – such as infinite demand for the product, he says.

He also points out that while sentiment dominates short-term stock-price swings, over the long run stock prices are nearly



- With Eldorado as majority owner, Kopy Goldfields has a good potential to take Krasny further towards gold production, says Hjalmar Ahlberg.

exclusively determined by profits. The bigger the profits grow, the higher the stocks are bid of the companies earning them.

For the most recent analysis go to [www.redeye.se/bolag/kopy-goldfields](http://www.redeye.se/bolag/kopy-goldfields)



# STAFF OF SKILLED GEOLOGISTS AND MINING PROFESSIONALS

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

In the end of 2012, Kopy Goldfields had 56 employees of which 21 were permanent employed. During the year there is normally some variation between low and high season. The company is still a small employer in the area, but is focusing on creating interesting job opportunities in order to attract and retain the best possible employees.

This strive includes offering wages aligned to regional market levels and personal development opportunities with training. During low season, the company supports education for employees.

The company seeks to recruit staff from the nearby area. However, some of the company's employees come from other regions and stay on-site in purpose-built

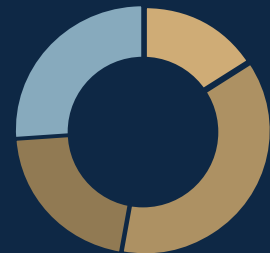
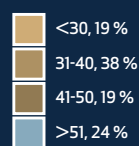
accommodation during the time of their shift.

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

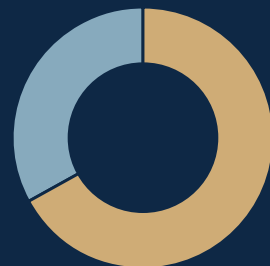
### FOCUS ON HEALTH AND SAFETY

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

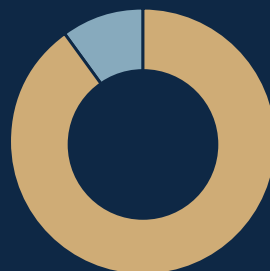
AGE OF PERMANENT EMPLOYEES



GENDER, PERMANENT EMPLOYEES



EDUCATION LEVEL, PERMANENT EMPLOYEES



AVERAGE NUMBER OF EMPLOYEES 2012



# INTERNATIONAL BEST PRACTICE STANDARD FOR ENVIRONMENTAL WORK

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

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

During 2010, a State Mining and Technical Supervisory Body reviewed Kopy Goldfields' sites. The result was that existing procedures were found in compliance with the requirements of the Environmental regulations.

## **LOW AIR OR WATER POLLUTION IMPACT**

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

tions emanate from trucks and other vehicles.

## **REGULATIONS AND FULFILMENTS**

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

# SUCCESSFUL INTERNATIONAL COMBINATION OF GEOLOGISTS, ORGANIZATION AND OWNERS BEHIND PROGRESS AT KRASNY

The passed year was important for us since we were able to prove the potential in Krasny – and also that our strategy to continuously expand our licence area in Lena Goldfields is correct. The progress at Krasny was based on a combination of our highly skilled Russian geologists, Swedish organization and strong international ownership that can provide us with both expertise and financial backing. One of our main challenges for the coming year is to take Krasny to the next level of identification and start examining our new licence areas, while maintaining strict cost effectiveness in all our operations.

One of the most important success factors of exploration and mining companies is the skill of its geologists. Drilling is expensive – so you must know where to drill. The Russian mining tradition has favoured 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. After many years of stagnation following the breakdown of the Soviet Union, gold production and exploration activities have increased significantly in recent years. Russia is currently second in the world in terms of estimated gold reserves. This has resulted in highly skilled and world-renowned geologists. Kopy Goldfields is happy to have some of these on its team.

Equally important is an efficient and experienced organization, being able to run its operations cost effectively, to act swiftly and, not least, have the strength and courage to choose – and discard – projects based on test results. In discarding Kopylovskye and focusing on Krasny, we proved that we do have strength to do this. We also proved the importance of continuously evaluating new opportunities and expanding into new licence areas in the highly promising Lena Goldfields.

Our progress during the year is also based on the fact that we received great support both financially and with expertise from our major

owner Eldorado Gold, providing us with new ideas and inspiration in our efforts to identify the gold deposit at Krasny.

It has also been important that, from the start, the local authorities in Bodaibo have supported our gold exploration activities. There is, generally, a favourable mining and tax legislation climate in Russia, providing a tightly regulated but fair environment for exploration and mining companies. Production costs are also relatively low, with one explanation being the good supply of local expertise, and another comparatively cheap electricity and fuel cost.

For sure, we still have some major steps ahead of us before we get to the stage of initiating gold production at Krasny. But during the year we were able to prove the strong potential of the project. Our focus now will be to continue the identification process preparing for a pre-feasibility study, while maintaining strict cost effectiveness in all our operations.

I would like to thank the board, CEO, management, employees and shareholders for their continued efforts and support to help us reach our goals.

Kjell Carlsson  
Chairman of the Board, April 2013





# THE SHARE

## Trading in shares

The abbreviation for the share is KOPY and the company is listed on NASDAQ OMX First North in Stockholm since August 2010. During 2012, the total number of shares traded amounted to 2 318 086 shares, with a total value of MSEK 9.9. The corresponding number of shares traded during 2011, was 3 821 033 shares with a total value of MSEK 40.5. Share turnover in the Kopy Goldfields-share – a measure of the share's liquidity – amounted to 16 percent (47) during the period, compared with 126 percent (59) for First North over the same period. On average 9,272 shares (15,103) were traded daily with a value of SEK 39 432 (159,898) daily.

## Share price trend

Kopy Goldfields' share price on the NASDAQ OMX First North in Stockholm decreased by 44.1 percent during 2012 and closed at SEK 3.10 at the end of the year. The highest price paid for the share during the year was SEK 7.00 on January 23, 2012 and the lowest was SEK 2.59 on November 16, 2012. The average price was SEK 4.23. During 2012, the First North index decreased by 36.3 percent.

Kopy Goldfields' total market capitalization amounted to MSEK 70.8 as of 31 December 2012 (MSEK 54.6 as per December 31, 2011).

## Ownership structure

The Company had in total 4,037 shareholders on February 28, 2013. The five largest shareholders on February 28, 2013 were Eldorado Gold Corp 29.0 %, KGK Holding AB 13.7 %, UBS Clients Account 10.2 %, Markus Elsasser 6.1 % and Commodity Quest AB 5.8 %.

## Share capital

Kopy Goldfields' share capital amounted to SEK 79,454,661 (54,930,476) on 31 December 2012, divided on a total of 22,851,621 (9,327,193) shares with a quota value of SEK 3.48 per share. 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 2012 financial year.

## Warrant TO3

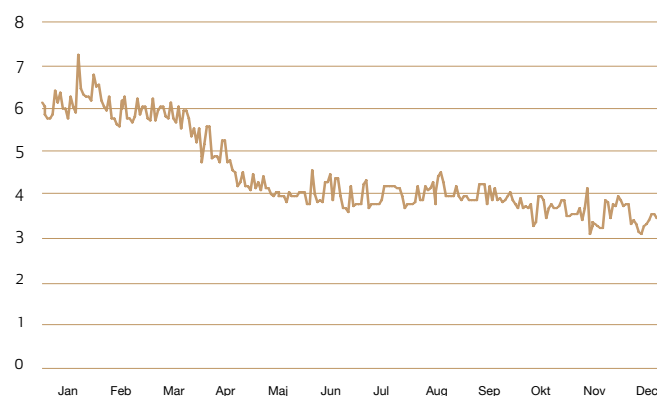
On November 7, 2012, the Board decided, with authorization from the EGM, to issue units with preferential rights for existing shareholders. Each unit consisted of two new shares in the Company and one warrant, TO3. As per December 31, 2012, following the registration of the rights issue, the number of warrants issued amounted to 3,264,517. The warrant entitles the holder to subscribe for one (1) new share in the company at a subscription price of SEK 4.00. The subscription period runs from November 1 until and including December 30, 2013. The warrant, TO3, was registered for trading on Nasdaq OMX First North on January 2, 2013.

## Long-term incentive program

The Extraordinary General Meeting held on November 5, 2012 resolved upon a long-term incentive program (incentive program 2012/2014) for management and key employees through an issue of maximum 688,449 warrants. The warrants were issued to the participants without consideration. Each warrant entitles the holder to subscribe for one (1) share in the Company, which means that the share capital can be increased by SEK 2,393,724 at maximum. The subscription period runs from December 1 – December 31, 2014 and strike price is SEK 4.50. As per December 31, 2012, the number of warrants issued amounted to 485,964.

The Extraordinary General Meeting held on July 27, 2011, resolved upon a long-term incentive program (incentive program 2011/2013) for management and key employees through an issue of warrants. The warrants were issued to the subsidiary Kopy Development and purchased by the key employees to market value. Each warrant entitles the holder to subscribe for one (1) share in the Company at a price of SEK 7.10 per share. The subscription period runs from September 1, 2013 until October 15, 2013. As per December 31, 2012, the number of warrants issued amounted to 200,187, which means that the share capital can be increased by SEK 646,046 at maximum.

## SHARE PRICE DEVELOPMENT DURING 2012



# DIRECTORS REPORT

The Board of Directors and the Chief Executive Officer of Kopy Goldfields AB (publ), 556723-6335, hereby submit the annual report for the financial year January 1 – December 31, 2012.

## Group structure and background

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

The Company is the 100% owner, directly or indirectly, of one Swedish subsidiary, Kopy Development AB, and seven Russian subsidiaries: LLC Kopylovsky, LLC Krasny, LLC Kavkaz Gold, LLC Prodolny, LLC Patom Gold, LLC Taiga and LLC Vostochny (former LLC Resurs). The Russian management company LLC Kopylovskoye Management was closed during 2012 and a representative office of Kopy Goldfields AB was opened in Moscow instead. All Russian subsidiaries are domiciled in Bodaibo, a city in the Irkutsk region in Russia. All subsidiaries are so called Limited Liability Companies (LLC). Each of the subsidiaries is the owner of different gold exploration and production licenses.

## Operations

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

During 2012, Kopy Goldfields acquired eight new licenses at a total amount of MSEK 2.3 and at the end of year 2012, the Company was one

hundred percentage owner of fifteen licenses which all are located around the Lena Goldfields, in the Bodaibo district in the Russian region of Irkutsk. The licenses are: Kopylovskoye, Krasny, Kavkaz, Prodolny, Pravoveseniy, Vostochnaya and Takhtykan, and the licenses acquired during 2012, Purpolskaya, Verkhnyaya Orlovka, Tyrynakh, Bolshaya Taimendra, Gorbilyakh, Omur-Yuryakh, Chenchka and Malo-Patomsky.

The Company focuses on the Artemovskiy district of Lena Goldfields, which is the target exploration area with 20 Moz of historic alluvial gold production. Seven of the licenses are geographically concentrated within a 40 x 20 km large area, within 40 to 75 km distance to the area's main town Bodaibo. The distance from the deposits to the main road is between one and ten km. From Kavkaz in the west to Takhtykan in the east, the distance is only 25 km, creating a good opportunity for servicing several deposits from one processing plant. The infrastructure is well developed with electricity supply and federal roads to the deposits. Eight licenses, all acquired during 2012, are geographically located on a distance of 200 – 300 km from Bodaibo, all served by a public road and have a history of alluvial production. All deposits are located up to 150 km from Sukhoy Log (60 Moz) which is the largest undeveloped gold deposit in Russia.

At the end of the year, the Company had identified 26 exploration targets in different development stages within 2,338 km<sup>2</sup>. The Kopylovskoye and Kavkaz projects are in pre-feasibility stages,

Krasny in scoping drilling stage and the other projects in early exploration stages.

In 2012 the exploration activities were focused on the Krasny project, but some minor evaluation of the other licenses was also done. Below is a short description of the results of the licenses that are in the most advanced stage.

For detailed information regarding each license and exploration activities please refer to section "License area grew by nine times in 2012" on page 13 and forward.

## Kopylovskoye and Kavkaz licenses

In 2011, the Company announced a maiden mineral resource estimation for the Kopylovskoye-license of 37,000 oz at an average grade of 1.31 g/t gold Indicated resources and 80,000 oz at an average grade of 1.07 g/t gold Inferred resources in accordance with the JORC Code, signed by SRK Consulting. The mineralization is open in all directions.

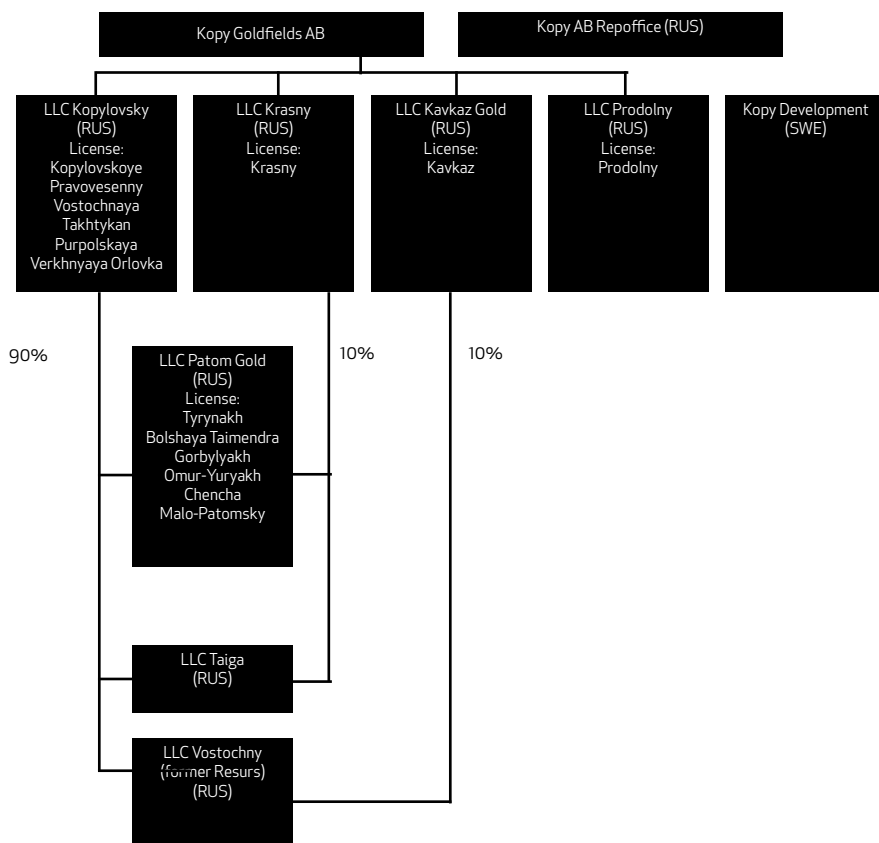
For the Kavkaz- license, the Company has previously reported gold mineralization with intercepts of 10.0 meters at an average grade of 2.79 g/t gold, 5.95 meters @ 2.05 g/t gold, 4.0 meters @ 2.22 g/t gold and 2.8 meters @ 2.94 g/t gold. The mineralization is open in all directions.

During 2012, Russian compliant resource appraisal reports covering Kopylovskoye and Kavkaz properties were finalized, which was crucial for further development of the projects towards production under joint venture arrangements. The projects are ready for pre-feasibility studies and the Company evaluates potential Joint Venture production or sale..

## Krasny license

In 2012, Kopy Goldfields conducted 11,030 meters of diamond drilling and 1,161 meters of trenching at Krasny. Based on the exploration results, an initial JORC compliant mineral resource estimation for part of the Krasny gold deposit was presented In November 2012 and later updated in March 2013. The mineral resource estimation placed 0.21 Moz at an average grade of 1.53 g/t Au as Indicated Mineral resources and 1.16 Moz at an average grade of 1.60 g/t as Inferred Mineral resources. With the results, the deposit has a high potential to be developed into a mine. The mineral resource estimate was signed by OOO Miramine and prepared in accordance with the Code JORC 2004 for reporting of Mineral Resources. The current resource report is covering only a part of the Krasny mineralization that has been drilled so far, and as such the resource estimation is limited to the most explored central part of the structure.

In November 2012, further drilling operations on Krasny were initiated for 2,400 meters of diamond drilling, targeting western strike continuation of Krasny mineralization.



## Prodolny-licensen

In 2012, the Company summarized and reinterpreted historic exploration data covering the Bodaibo syncline area where the Prodolny license is located in order to develop a unified model of the area and better target the exploration efforts for the Prodolny, Vostochnaya, Takhtykan and Pravovesenny areas.

## Ownership structure

The five largest shareholders on February 28, 2013 were Eldorado Gold Corp 29.0 %, KGK Holding AB 13.7 %, UBS AG Clients Account 10.2 %, Markus Elsasser 6.1 % and Commodity Quest AB 5.8 %. The Company had 4,037 shareholders in total.

## The share

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

During 2012, two rights issues with preferential rights for existing shareholders of 6,995,395 and 6,529,034 new shares were carried out. In connection with the second rights issue, 3,264,517 warrants were also issued. The number of outstanding shares as of December 31, 2012 amounted to 22,851,621 and the share capital amounted to SEK 79,454,661.

## Result

The operating result amounted to MSEK -14.2 (-93.8) which is MSEK 79.6 better compared to the prior year. The change is primarily due to an impairment of the Kopylovskoye-project during 2011, amounting to MSEK -74.7, as well as implemented cost reductions during 2012.

Result after financial items amounted to MSEK -14.8 (-94.2) and the result after tax amounted to MSEK -17.0 (-91.5). The financial net 2012 was MSEK -0.6 (-0.4), the difference compared with last year explained by higher interest cost in 2012.

## Tax

Net tax expenses amounted to MSEK 2.2, explained by change in deferred tax liability related to temporary differences in the capitalized exploration and evaluation costs. During 2011, the Company released deferred tax liabilities related to capitalized exploration and evaluation costs as a consequence of impairment done. The Company thereby reported a tax income of MSEK 2.7 for 2011.

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

## Earnings per share

Earnings per share amounted to SEK -1.23 (-12.49) for 2012. Equity per share amounted to SEK 6.75 compared to SEK 12.90 for the prior year.

## Cash flow, liquidity and financial position

Cash flow from operating activities, before changes in working capital, amounted to MSEK -13.7 (-18.2). The change in working capital was MSEK -1.2 (-7.1). Cash flow from investing activities amounted to MSEK -34.6 (-38.0), primarily due to investments in the exploration activities and new licenses. Cash flow from financing activities amounted to MSEK 40.6 (82.8), primarily related to two completed rights issues during the year. During the year, no long term loans have been raised (MSEK 10.2 during 2011). Interest bearing loans at the beginning of the year has been repaid by totally MSEK 9.6 (4.8), whereof MSEK 6.9 were repaid by set-off of shares in the completed rights issues.

Interest bearing loans amounted to MSEK 1.1 (11.2) at the end of the year. Cash and cash equivalents amounted to MSEK 11.4 (11.2) at the end of the year. External financing will be required during 2013 since exploration is very capital intensive. The Board has intensified the work to secure new financing during Q1 2013 and currently evaluates how and on which conditions the Company shall be financed.

The equity asset ratio amounted to 93 per cent at the end of the year compared to 86 per cent in the prior year. No dividend has been paid to the shareholders during the year.

## Equity

During 2012, the share capital was decreased by MSEK 22.5 through transfer to free funds after decision from the Annual General Meeting. During the year, two rights issues were completed, which raised MSEK 51.4 in total before issue costs. Issue costs amounted to totally MSEK 1.4. Loans amounting to MSEK 6.9 were set off against shares in the rights issues and the Company received MSEK 43.1 net after issue costs and set off.

In December 2010, a rights issue was completed to an amount of MSEK 64.8 before issue costs. This was recognized as not yet registered rights issue in equity for December 2010 and was registered in January 2011. The issue costs amounted to MSEK 8.1 and loans amounting to MSEK 16.3 were set off against shares in the issue and in January 2011 the Company received the proceeds from the issue. During 2011 an additional rights issue was completed in two steps, and warrants subscribed, which together raised MSEK 29.0 before issue costs. The issue costs amounted to MSEK 0.5 and the issue thus raised net MSEK 28.5.

## Investments

The Company's investments in exploration and evaluation work amounted to MSEK 34.3 (36.4) during the year. Investments in eight new licenses amounted to MSEK 2.3 (0.1). Investments in buildings, machinery and equipment amounted to MSEK 0.9 (4.6) in 2012.

Depreciation for the year amounted to MSEK 1.7 (1.4).

An impairment test of the Company's assets

was performed during the year. No impairment was identified. During 2011 the impairment test resulted in an impairment of MSEK -74.7.

## Parent company

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

Net income of the parent company amounted to MSEK -13.2 (-80.5) and equity amounted to MSEK 263.7 (226.9) on December 31, 2012.

During the year a Group-internal restructuring process was done and LLC Krasny and LLC Prodolny are now directly owned by Kopy Goldfields AB. Further, LLC Kopy Management was closed down and a representative office was opened in Moscow, which means that the profit and loss statement of the Parent Company includes the expenses of the Moscow office as from July 1, 2012, amounting to MSEK 0.9. Following the close-down of LLC Kopy Management, an impairment of shares in group companies was done of MSEK 3.3 in the parent company.

During 2011, an impairment of the Kopylovskoye-project that was done on the Group level, which was followed by a corresponding impairment of receivables from group companies and shares in group companies of MSEK -45.4 and MSEK -27.2 in the parent company.

## Real property

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

## Environmental policy

All exploration activity in the Kopy Goldfields group is in compliance with existing environmental regulations in the country where the activity takes place. There were no environmental accidents during 2012.

## Personnel

The average number of full time employees in the Kopy Goldfields group was 62 during 2012 (93), of which 14 (21) were women. At the beginning of the year the number of employees was 60 and at the end of the year 56, whereof 43 men and 13 women.

## Work of the board

The Board consisted of five to six members during 2012. During the year, the Board held 19 meetings where minutes were kept and in addition the Board stayed in continuous contact with each other. The Board also keeps a continuous contact with management. During the year special attention was given by the Board to financing issues and monitoring the exploration activities.

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



# DIRECTORS REPORT

## SIGNIFICANT RISKS AND UNCERTAINTIES MARKET-RELATED RISKS

### Risks related to macroeconomic factors

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

### Volatility in gold price

A decline in the gold price as an effect of reduced demand, increased supply, fluctuations in the US dollar or other macroeconomic factors, could negatively affect the Company's future revenue, income and financial position. Fluctuations in the official exchange rate of the Russian ruble and US dollar affects directly and indirectly the value of assets and liabilities.

### Insurance

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

### Risks related to Russia

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

International capital flows can be hampered by global financial difficulties.

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

The relation between Russia and the EU 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 process.

There is a risk of liquidation of the Company due to lack of formal agreements between the Company and the State.

Changes in laws, which currently prevent the nationalization of international assets, may have a negative effect on the Company's operations.

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

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

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

## Risks related to the Company's operations

### Geological risk

Gold exploration is associated with high risk.

All estimates of recoverable mineral resources in the ground are largely based on probabilities.

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

### Technical risk

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

### Environmental risk

If exploration and production is made using incorrect technical and chemical equipment environmental risks may arise in the Company, which may delay the Company's operations and also increase the cost of exploration which may affect the financial position of the Company.

Environmental requirements and counterparty costs may be raised against the Company which may delay other work or increase the costs of the Company.

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

### License management

Delays may occur in the exploration work, with the result that the Company must renew the production licenses, which may lead to delays in the start of production and which may affect the Company's financial position negatively. The Company may delay obligations in newly acquired licenses which may affect the Company's financial position negatively.

### Useful life of the deposits

The useful life and bearing capacity of a deposit depends on a number of factors such as metal prices, mineral resource, finance costs, etc. An unforeseen negative development of any of these parameters may negatively affect the Company's

result and financial position. There is a risk that the ore reserves may change in the future depending on changes in production costs, process or product price.

### Suppliers

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

### Risks related to acquisitions

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

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

### Dependence on qualified personnel

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

### Accidents

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

### Reporting process

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

### Risks related to the parent company

The Company's financial position depends on

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

## Financial risks

### Currency risks

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

### Transaction exposure

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

### Translation exposure

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

### Interest-rate risks

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

## Financing risks

### Need for additional capital

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

## Liquidity risk

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

## Re-financing risk

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

## Risks related to the share

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

## SUBSEQUENT EVENTS

There have been no significant events after the reporting period.

## OPERATIONAL OUTLOOK 2013

The Company will be focusing on three main targets in operations during 2013:

- Get closer towards production
- Increase resources
- Increase exploration potential

In order to get closer to production, the Company intends to further develop the reported resources within the Krasny project by converting some of the resources into Measured and Indicated categories and proceeding with feasibility study. Within the feasibility stage, the Company targets to file Russian a statutory reserve report in order to comply with the license terms and to prepare for production. Most of these activities will be developed through partner agreements in order to reduce the Company cash outflow. The Company will also proceed with the Kopylovskoye and Kavkaz projects. Both projects have Russian reserves filed, which provide a background for production planning under joint venture agreements. The company faces multiple interests from Russian Investors.

In order to increase resources, the Company will proceed with prospecting and exploration on the Krasny-project outside the area of reported resources. Upon completion of the current 2,500 meters drilling program, the company shall consider further scoping drilling on Krasny in order to extend the scope of mineralization and resources. The company intends to release a new resource report during the autumn 2013.

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

The Company will follow the scenario of the recent acquisitions – low initial entry cost, large land position, prospecting and an exploration type of license. The Company is also considering new project acquisitions through Joint venture agreements.

The company continuously reviews the overhead costs and during 2013 there will be further reductions within administration of the Group.

## GOING CONCERN

Exploration is a capital intensive activity and as disclosed elsewhere in these financial statements the Company does not yet report any revenue. Net income for 2012 amounts to KSEK –17,027 (–91,545). The size of the working capital deficit the nearest 12-month period is roughly estimated to be between MSEK 14–18. 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 estimates that additional financing will be required to continue the operations for the next 12-month period. The priority is given to get revenue through divestment or Joint venture agreements over the Kopylovskoye-, Kavkaz- and potentially Krasny projects. A new share issue is not excluded as a financing option either. Given the estimated value of the Company's licenses and probable new raised capital during 2013 the Board's assessment is that the Company can continue as a going concern.

## FOUR YEAR SUMMARY

	2012	2011	2010	2009
Earnings per share, SEK	-1.23	-12.49	-2.81	-16.03
Equity/asset ratio, %	92.8	86.3	88.8	84.5
Investments in intangible assets, MSEK	36.6	36.6	43.0	18.8

## PROPOSED DISPOSITION OF EARNINGS

At the annual general meeting's disposal:

SEK	
Additional paid-in capital	178,948,806
Fund for real value	-6,398,026
Retained earnings	24,916,860
Net loss for the year	-13,240,207
<b>Total</b>	<b>184,227,433</b>

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

# CONSOLIDATED INCOME STATEMENT

KSEK	Note	2012	2011
Other revenue		1,778	3,236
<b>Total revenue</b>		<b>1,778</b>	<b>3,236</b>
Work performed by the company for its own use and capitalized		12,186	15,049
<b>Operating expenses</b>			
Other external costs	8	-10,115	-17,865
Personnel costs	9	-18,004	-19,504
Depreciation and amortization of tangible and intangible assets	7	-60	-74,714
<b>Operating result</b>		<b>-14,215</b>	<b>-93,798</b>
<b>Result from financial investments</b>			
Financial income	11	175	264
Financial costs	11	-784	-665
<b>Result after financial items</b>		<b>-14,824</b>	<b>-94,199</b>
Tax	12	-2,203	2,654
<b>Net loss</b>		<b>-17,027</b>	<b>-91,545</b>
Attributable to the shareholders of Kopy Goldfields AB		-17,027	-91,545
Earnings per share before and after dilution*	13	-1.23	-12.49
Average number of shares before and after dilution*		13,838,263	7,331,287

\* Earnings per share before and after dilution as well as Average number of shares before and after dilution has been recalculated to reflect the rights issues in 2012.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	2012	2011
Net income	-17,027	-91,545
<b>Other comprehensive income</b>		
Exchange differences	-1,460	-1,920
<b>Total comprehensive income</b>	<b>-18,487</b>	<b>-93,465</b>
Attributable to the shareholders of Kopy Goldfields AB	-18,487	-93,465



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

KSEK	Note	2012-12-31	2011-12-31
<b>Assets</b>			
<b>Non-current assets</b>			
<i>Intangible fixed assets</i>			
Explorations licenses and evaluation work	14	140,422	104,700
		<b>140,422</b>	<b>104,700</b>
<i>Tangible fixed assets</i>			
Buildings	15	4,176	5,129
Machinery and equipment	16	3,061	3,886
		<b>7,237</b>	<b>9,015</b>
<b>Total non-current assets</b>		<b>147,659</b>	<b>113,715</b>
<b>Current assets</b>			
Inventory	17	1,876	1,776
		<b>1,876</b>	<b>1,776</b>
<i>Current receivables</i>			
Trade receivables		299	–
Other receivables	18	4,465	4,874
Prepaid expenses and accrued income	19	481	518
		<b>5,245</b>	<b>5,392</b>
<i>Short term investments</i>			
Cash and cash equivalents		11,421	20,386
		<b>11,421</b>	<b>20,386</b>
<b>Total current assets</b>		<b>18,542</b>	<b>27,554</b>
<b>Total assets</b>		<b>166,201</b>	<b>141,269</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION, CNTD

KSEK	Note	2012-12-31	2011-12-31
<b>Equity</b>			
<i>Capital and reserves attributable to the shareholders of the parent company</i>			
Share capital	21	79,455	54,930
Other paid-in capital		201,814	255,925
Reserves		-25,184	-23,724
Retained earnings, incl current year net income		-101,778	-165,205
<b>Total equity</b>		<b>154,307</b>	<b>121,926</b>
<b>Non-current liabilities</b>			
Deferred tax	12	3,672	1,528
Non-current liabilities	22	-	10,568
<b>Total non-current liabilities</b>		<b>3,672</b>	<b>12,096</b>
<b>Current liabilities</b>			
Current liabilities – interest bearing	22	1,071	617
Accounts payable		2,310	3,269
Current tax payable		482	402
Other current liabilities		1,589	1,543
Accrued expenses and prepaid income	23	2,770	1,416
<b>Total current liabilities</b>		<b>8,222</b>	<b>7,247</b>
<b>Total equity and liabilities</b>		<b>166,201</b>	<b>141,269</b>
<b>Pledged assets and contingent liabilities</b>			
Pledged assets	25	50	50
Contingent liabilities	25	None	None

## CONSOLIDATED CHANGES IN EQUITY

KSEK	Share capital	Not-registered share capital	Other paid in capital	Reserves	Retained earnings	Total equity
<b>Opening balance 2011</b>	<b>21,682</b>	<b>64,797</b>	<b>195,454</b>	<b>-21,804</b>	<b>-73,660</b>	<b>186,469</b>
Other comprehensive income				-1,920		-1,920
Net income					-91,545	-91,545
Not yet registered share issue	17,346	-64,797	47,451			0
Share issue	15,902		13,104			29,006
Issue costs			-522			-522
Warrants			438			438
<b>Closing balance 2011</b>	<b>54,930</b>	<b>-</b>	<b>255,925</b>	<b>-23,724</b>	<b>-165,205</b>	<b>121,926</b>
Other comprehensive income				-1,460		-1,460
Use of loss 2011 in accordance with AGM 's			-80,454		80,454	-
Net income					-17,027	-17,027
Share capital reduction	-22,500		22,500			-
Share issue	47,025		4,369			51,394
Issue costs			-1,359			-1,359
Warrants			833			833
<b>Closing balance 2012</b>	<b>79,455</b>	<b>-</b>	<b>201,814</b>	<b>-25,184</b>	<b>-101,778</b>	<b>154,307</b>

Kapitalet i sin helhet är hänförligt till Moderbolagets aktieägare



# CONSOLIDATED STATEMENT OF CASH FLOW

KSEK	Note	2012	2011
<b>Operating activities</b>			
Result after financial items <sup>1)</sup>		-14,824	-94,199
Adjustment for items not affecting cash flow	24	1,090	75,999
Paid / received taxes		0	0
<b>Cash flow from operating activities before changes in working capital</b>		<b>-13,734</b>	<b>-18,200</b>
<b>Cash flow from changes in working capital:</b>			
Increase (-)/Decrease (+) in inventory		-106	-1,259
Increase (-)/Decrease (+) in current receivables		-870	3,233
Increase (+)/Decrease (-) in current liabilities		-236	-9,137
<b>Cash flow from operating activities</b>		<b>-14,946</b>	<b>-25,363</b>
<b>Cash flow from investing activities</b>			
Expenditures on intangible assets	14	-35,048	-35,229
Expenditures on property, plant and equipment	15, 16	-817	-2,781
Proceeds on disposal of property, plant and equipment		1 207	-
Other		42	
<b>Cash flow from investing activities</b>		<b>-34,616</b>	<b>-38,010</b>
<b>Cash flow from financing activities</b>			
Proceeds from Share issues		44 544	77 462
Issue costs		-1 359	-522
Proceeds from warrants		163	438
Proceeds from loans received		-	10 230
Repayment of loans		-2 730	-4 753
<b>Cash flow from financing activities</b>		<b>40 618</b>	<b>82 855</b>
<b>Cash flow for the year</b>		<b>-8,944</b>	<b>19,482</b>
Cash and cash equivalents at the beginning of the year		20,386	916
Translation differences in cash		-21	-12
Cash and cash equivalents at the end of the year		11,421	20,386
<b>Supplemental information to the cash flow</b>			
<b>Cash and cash equivalents</b>			
The following is included in cash and cash equivalents:			
Cash and bank balances		11,421	20,386

<sup>1)</sup> The amount includes received interest of KSEK 174 (265) and paid interest of KSEK 177 (3)

## INCOME STATEMENT, PARENT COMPANY

KSEK	Note	2012	2011
Revenue	6	919	3,183
<b>Total revenue</b>		<b>919</b>	<b>3,183</b>
<b>Operating expenses</b>			
Other external costs	8	-3,479	-9,217
Personnel costs	9	-4,478	-3,433
Depreciation and amortization of tangible and intangible assets	7	-58	-
<b>Total operating expenses</b>		<b>-8,015</b>	<b>-12,650</b>
<b>Operating result</b>		<b>-7,096</b>	<b>-9,467</b>
<b>Result from financial items</b>			
Results from shares in group companies	10	-3,583	-27,122
Financial income	6, 11	876	1,848
Financial costs	11	-3,437	-45,713
<b>Result after financial items</b>		<b>-13,240</b>	<b>-80,454</b>
Tax	12	-	-
<b>Net income</b>		<b>-13,240</b>	<b>-80,454</b>

## STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

KSEK	2012	2011
Net income	-13,240	-80,454
<b>Other comprehensive income</b>		
Exchange differences	-170	-674
<b>Total comprehensive income</b>	<b>-13,410</b>	<b>-81,128</b>
<i>Attributable to the shareholders of Kopy Goldfields AB</i>	-13,410	-81,128

# BALANCE SHEET, PARENT COMPANY

KSEK	Note	2012-12-31	2011-12-31
<b>Assets</b>			
<b>Non-current assets</b>			
<i>Tangible fixed assets</i>			
Machinery and equipment	16	234	-
		<b>234</b>	<b>-</b>
<i>Financial fixed assets</i>			
Shares in group companies	10, 20	249,921	210,733
Receivables, group companies	11	0	2,282
		<b>249,921</b>	<b>213,015</b>
<b>Total non-current assets</b>		<b>250,155</b>	<b>213,015</b>
<b>Current assets</b>			
Current receivables			
Other receivables	18	317	389
Prepaid expenses	19	7,276	6,218
Cash and cash equivalents		9,890	19,626
<b>Total current assets</b>		<b>17,483</b>	<b>26,233</b>
<b>Total assets</b>		<b>267,638</b>	<b>239,248</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital	21	79,455	54,930
<b>Total restricted equity</b>		<b>79,455</b>	<b>54,930</b>
<i>Non-restricted equity</i>			
Additional paid-in capital		178,949	256,232
Fund for real value		-6,398	-6,228
Retained earnings, incl net income		11,676	-78,038
<b>Total non-restricted equity</b>		<b>184,228</b>	<b>171,966</b>
<b>Total equity</b>		<b>263,683</b>	<b>226,896</b>
<b>Non-current liabilities</b>			
Long-term interest bearing debt	22	-	10,230
<b>Total non-current liabilities</b>		<b>-</b>	<b>10,230</b>
<b>Current liabilities</b>			
Accounts payable		100	492
Interest bearing liabilities	22	651	-
Other current liabilities		434	214
Accrued expenses and prepaid income	23	2,770	1,416
<b>Total current liabilities</b>		<b>3,955</b>	<b>2,122</b>
<b>Total equity and liabilities</b>		<b>267,638</b>	<b>239,248</b>
Pledged assets and contingent liabilities			
Pledged assets	25	50	50
Contingent liabilities	25	Inga	None



## CHANGES IN EQUITY, PARENT COMPANY

KSEK	Share capital	Not registered share capital	Additional paid-in capital	Fund for real value	Retained earnings incl. net income	Total equity
<b>Opening balance 2011</b>	<b>21,683</b>	<b>64,797</b>	<b>195,455</b>	<b>-5,554</b>	<b>2,416</b>	<b>278,797</b>
Not yet registered share issue	17,346	-64,797	47,451			-
Share issue	15,902		13,104			29,006
Issue costs			-522			-522
Warrants			743			743
Other comprehensive income				-674		-674
Net income					-80,454	-80,454
<b>Closing balance 2011</b>	<b>54,930</b>	<b>-</b>	<b>256,232</b>	<b>-6,228</b>	<b>-78,038</b>	<b>226,896</b>
Use of loss 2011 in accordance with			-80,454		80,454	-
Share capital reduction	-22,500				22,500	-
Share issue	47,025		4,369			51,394
Issue costs			-1,359			-1,359
Warrants			163			163
Other comprehensive income				-170		-170
Net income					-13,240	-13,240
<b>Closing balance 2012</b>	<b>79,455</b>	<b>-</b>	<b>178,949</b>	<b>-6,398</b>	<b>11,676</b>	<b>263,683</b>

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

# CASH FLOW STATEMENTS, PARENT COMPANY

KSEK	Note	2012	2011
<b>Operating activities</b>			
Result after financial items <sup>1)</sup>		-13,240	-80,454
Adjustment for items not affecting cash flow	24	5,795	70,905
<b>Cash flow from operating activities before changes in working capital</b>		<b>-7,445</b>	<b>-9,549</b>
<b>Cash flow from changes in working capital:</b>			
Increase (-)/Decrease (+) in current receivables		-1,029	-2,547
Increase (+)/Decrease (-) in current liabilities		1,134	-8,206
<b>Cash flow from operating activities</b>		<b>-7,340</b>	<b>-20,302</b>
<b>Investing activities</b>			
Shareholder contributions		-42,454	-42,148
Expenditures on property, plant and equipment	16	-292	-
Loans to group companies		-268	-1,735
<b>Cash flow from investing activities</b>		<b>-43,014</b>	<b>-43,883</b>
<b>Financing activities</b>			
Share issue		44,544	77,462
Issue costs		-1,359	-522
Proceeds from warrants		163	-
Proceeds from loans received		-	10,230
Repaid loans		-2,730	-4,005
<b>Cash flow from financing activities</b>		<b>40,618</b>	<b>83,165</b>
Cash flow for the year		-9,736	-18,980
Cash at the beginning of the year		19,626	646
Cash at the end of the year		9,890	19,626
<b>Supplemental information to cash flow</b>			
<b>Cash and cash equivalents</b>			
The following components are included in cash and cash equivalents:			
Cash and bank balances		9,890	19,626

<sup>1)</sup> The amount includes received interest of KSEK 174 (260) and paid interest of KSEK 175 (0).

## NOTES

### Company information

Kopy Goldfields AB (publ) is a Swedish limited liability company domiciled and with head office in Stockholm (corporate registration number 556723-6335). The Group's operation is to conduct gold exploration in the Bodaibo district in the Irkutsk region of Russia. The parent company's functional and reporting currency is SEK. The annual report for the year ending December 31, 2012 was approved for publication by the Board of Directors on May 8, 2013 and will be presented to the Annual General Meeting for adoption on June 4, 2013.

### Accounting principles

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

### Basis of presentation

The consolidated financial statements are prepared on the historical cost basis and in accordance with International Financial Reporting Standards, IFRS, and the interpretations from the International Financial Reporting Interpretations Committee, IFRIC, as they have been adopted by the EU and in accordance with the Annual Accounts Act ("ÅRL") and the Swedish Accounting Standards Council's recommendation RFR 1, "Supplementary Accounting Rules for Consolidated Accounts". The parent company has prepared its financial statements in accordance with the Annual Accounts Act (1995:1554) through the application of RFR 2 "Accounting for legal entities". In accordance with RFR 2 the parent company should apply all of the IFRSs that have been adopted by the EU to the extent possible within the framework of the Annual Accounts Act and taking the link between accounting and taxation into account. The recommendation states which exceptions and additions that should be done from / to IFRS.

Shares in subsidiaries are carried at cost unless otherwise stated.

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

### Financial statement in accordance with IFRS

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

### Application of new or changed standards

a) New and changed standards which have been applied by the Group  
None of the new IFRS standards or statements from IFRIC that have come into effect as of January 1, 2012 has had any material impact of the Kopy Goldfields Group's financial statements.

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

IAS 1 "Financial statement presentation" amended, regarding other comprehensive income. The main change from these amendments is a requirement to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassified to profit and loss. The amended standard will be adopted from January 1, 2013.

IFRS 9 "Financial instruments" will replace parts of IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two categories; those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. For financial liabilities, the standard retains most of the IAS 39 requirements. The Group is still to assess the full impact of the new standard and intend to adopt IFRS 9 no later than 1 January 2015.

IFRS 10, "Consolidated financial statements" replaces IAS 27 and SIC 12 and builds on existing principles by identifying the concept of control as the determining factor in whether an entity shall be included within the consolidated financial of the parent company. The standard is not applicable until financial years beginning January 1,

2014 and the Group will not make an early adoption. The Group's assessment is that this standard will not have a material impact on the consolidated financial statement initially.

IFRS 11 "Joint Arrangements". The standard describes that joint arrangements are either joint operations or a joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Proportionate consolidation is not permitted for joint ventures. The standard is effective from 1 January 2014 but does not have any impact on the current financial statements since the Group does not have any joint arrangements.

IFRS 12, "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interest in other entities. The standard is effective from 1 January 2014 and the Group still has to evaluate the full effect of IFRS 12 on its financial statements.

IFRS 13 "Fair value measurements" aims to reduce the complexity by providing a precise definition of fair value and a single source of fair value measurements and disclosure requirements for use across IFRSs. The Group's assessment is that this standard will not have a material impact on the consolidated financial statement and intend to adopt IFRS 13 no later than 1 January 2013.

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

## NOTE 1 BASIS OF CONSOLIDATION

### Subsidiaries

Subsidiaries are all companies (including special purpose companies) where the Group 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 exercises a controlling influence. Subsidiaries are included in the consolidated financial statements as of the day when the controlling influence is transferred to the Group. They are excluded from the consolidated financial statements as of the day when the controlling influence ceases.

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

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

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

### Equity investments

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



# NOTES

## Segment reporting

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

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

## Foreign currency translation

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

Följande valutakurser har använts i koncernen:

The following exchange rates were used in the Group:

Currency	2012		2011	
	Balance sheet date rate	Average rate	Balance sheet date rate	Average rate
RUR	0.2147	0.2181	0.2154	0.2210
USD	6.5156	6.7754	6.9234	6.4969

## Group companies

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

- Assets and liabilities for each of the balance sheets are translated at the balance sheet date exchange rate
- Revenue and expenses for each of the income statements are translated at the average exchange rates
- All translation differences are recorded in other comprehensive income.

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

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

## Cash flow statement

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

## Revenue

### Revenue recognition

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

## Intangible assets

Intangible assets in Kopy Goldfields consist of:

## Exploration licenses

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

## Exploration work

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

Exploration expenses for pure exploration are expensed in the period in which they are incurred while expenses for evaluation work are expensed 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 capitalized as exploration licenses and are subject to depreciation according to generally accepted principles as described below.

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

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

The production licenses are depreciated when production commences.

## Tangible fixed assets

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

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

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

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

The residual values and useful lives are tested each balance sheet date and adjusted as needed.

Gains and losses arising at the disposal of assets is determined by comparing the selling price to the carrying value and are recognized in the income statement as other income and other costs respectively.

## Write down of non-financial assets

Assets that have indeterminable useful lives and capitalized exploration costs which have not yet been taken into use are not depreciated but are tested annually for impairment. Assets that are depreciated are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

A write down is done with an amount that is the difference between the carrying value and its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling costs and its value in use. When assessing the need for write down assets are grouped on the lowest levels where there are separately identifiable cash flows (cash generating units). At each balance sheet date, assets, other than financial assets and goodwill, which previously have been written down are tested to determine if the write down should be reversed.

### Leasing

Fixed assets which are leased are classified in accordance with the economical substance of the leasing agreement. Assets under financial leases are capitalized as fixed assets and future leasing payments as interest bearing liabilities. The leasing payments for assets under operational leases are recognized as an operational cost in the income statement. Leased fixed assets where a significant portion of the risks and rewards associated to ownership are transferred to the Group are classified as finance leases. Financial leases are recognized at the beginning of the leasing period at the lower of fair value and present value of the future minimum lease payments of the asset. Other leases are classified as operational leases. Payments under the leasing period (less any discounts from the lessor) are expensed on a straight line basis over the leasing period.

### Financial assets

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

### General

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

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

Financial assets at fair value through the income statement  
Financial assets recognized at fair value through the income statement are financial assets which are held for trading. 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 recognized 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 include cash and bank balances and blocked bank balances. Cash and bank balances are included in the cash flow statement.

### Accounts payable

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

### Borrowings

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

### Income taxes

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

Tax effects of items recognized in the income statement are also recognized in the income statement. Tax effects of items recognized in other comprehensive income or directly in equity are also recognized in other comprehensive income or directly in equity. Deferred tax is determined using the balance sheet method on all temporary differences arising between carrying value and tax value on assets and liabilities. Deferred tax receivable related to loss carry forwards or future tax deductions are recognized to the extent that it is probable that the deduction can be offset against future profits. As management cannot estimate when a possible taxable profit will arise, Kopy Goldfields has chosen not to recognize any deferred tax receivables.

### Remuneration to employees

#### Pension

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

#### Termination remuneration

Remuneration at termination is paid when the employee is terminated by Kopy Goldfields and the employee accepts a voluntary termination in exchange for such remunerations. Kopy Goldfields recognizes termination payments when the Group demonstrably has the obligation to either terminate employees according to a detailed formal plan without the possibility to cancel, or when termination payments is the result of an offer to encourage voluntary termination. Benefits due after more than 12 months after the balance sheet date are discounted to present value.

### Provisions

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

### Earnings per share

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

# NOTES

## 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**  
Skillnader mellan koncernen och moderbolagets redovisningsprinciper framgår nedan. De nedan angivna redovisningsprinciperna har tillämpats konsekvent på samtliga perioder som presenteras i moderbolagets finansiella rapporter.

### Subsidiaries

Shares in subsidiaries are recognized in the parent company according to the cost method. The parent recognizes received dividends as income if they have been earned after the acquisition. No dividend has been received, either in 2012 or 2011. Loans in foreign currency to the subsidiaries are treated as net investments in the foreign subsidiaries. Exchange differences that arise are recognized in Fund for real value in equity.

### Group and shareholder contributions

Shareholder's contributions are capitalized as investments in subsidiaries, in the Parent Company's balance sheet, subject to impairment tests. Group contributions are accounted for to reflect the substance of the transactions. According to RFR 2, the parent company has in 2011 changed its accounting principle, with retrospective application, for paid group contribution from being recognized in other comprehensive income to being recognized as financial items in the income statement. The change of accounting principle had no impact on the financial statements of the parent company.

### Presentation of income statement and balance sheet

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

## NOTE 3 RELATED PARTY TRANSACTIONS

In August 2011, the Company received an interest bearing long-term loan from major shareholders with maturity in July 2013. During 2012 KSEK 9,754 has been repaid including interest, whereof KSEK 6,849 was repaid by offsetting loans against shares in the 2012 rights issues. As per December 31, 2012, the outstanding loans amounted to KSEK 651 in total and have an interest rate of 7 %. See also note 6 and note 9.

## NOTE 4 FINANCIAL RISK FACTORS

During 2012, the financial risk management has followed the Kopy Goldfields financial policy. Kopy Goldfields classifies financial risk as:

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

### Currency risk

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

### Transaction exposure

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

### Translation exposure

The net income in the Russian Group companies and the value of the net investment are affected by changes in exchange rates, which affects the Group statement of financial position and income statement when translated to SEK. The current year translation effect on net income was KSEK -894 (-1,149).

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

Currency	Capitalized amounts/revenue	Net income
SEK	0	-7,727
RUR	13,964	-9,300
Total	13,964	-17,027

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

Currency	Assets	Liabilities
SEK	10,606	3,906
RUR	155,594	7,989
Total	166,200	11,895

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

### Interest rate risk

Kopy Goldfields is to a relatively small extent exposed to interest rate risk since there is only a small portion of loan financing. The net liability amounted to MSEK -10.4 (-9.2) at the end of 2012, consisting of cash MSEK 11.4 (20.3) and interest bearing liabilities of MSEK -1.1 (-11.1).

### Credit risk

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

### Financial credit risk

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

### Liquidity risk

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

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

### Re-financing risk

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

Despite the financial crisis the Board's judgment 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.

## 2012

Loan	Average interest (%)	Within 1 year	2–5 years	Later than 5 years	Total	Fair value
Leasing liabilities	7%–13%	420	–	–	420	420
Other loans	7%	651	–	–	651	651
Total		1,071	–	–	1,071	1,071

## 2011

Loan	Average interest (%)	Within 1 year	2–5 years	Later than 5 years	Total	Fair value
Leasing liabilities	12%	617	339	–	956	956
Other loans	7%	–	10,230	–	10,230	10,230
Total		617	10,569	–	11,186	11,186

#### NOTE 5 SIGNIFICANT ESTIMATES AND JUDGEMENTS FOR ACCOUNTING PURPOSES

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

##### Extractable deposit

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

##### Classification of acquisition of subsidiaries

In an acquisition the acquisition must be analyzed whether it is a business combination or an acquisition of an asset. It is common that exploration licenses are acquired via the acquisition of a subsidiary. In such cases an analysis is done to determine whether the acquisition meets the criteria for a business combination or not. The criteria that Kopy Goldfields reviews is the purpose of the acquisition, if the purpose is to acquire a business or an asset. If the acquisition of a company does not meet the criteria for a business combination it is recognized as an acquisition of an asset. Companies which only have a license without the associated management / administration of the license are normally classified as an acquisition of an asset.

##### Useful lives of intangible and tangible fixed assets

Management determines the estimated useful lives and the associated depreciation for the Group's intangible and tangible fixed assets. These estimations are based on historical knowledge about the equivalent assets useful lives. Useful life and estimated residual values are tested at each balance sheet date and adjusted as needed. For carrying values for the respective balance sheet date, see note 14–16.

##### 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 2012, no impairment was done.

##### Valuation of loss carry forwards

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

##### Going concern

Exploration is a capital intensive activity and as disclosed elsewhere in these financial statements the Company does not yet report any revenue. Net income for 2012 amounts to KSEK –17,027 (–91,545). The size of the working capital deficit the nearest 12-month period is roughly estimated to be between MSEK 14–18. 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 estimates that additional financing will be required to continue the operations for the next 12-month period. The priority is given to get revenue through divestment or Joint venture agreements over the Kopylovskoye-, Kavkaz- and potentially Krasny projects. A new share issue is not excluded as a financing option either. Given the estimated value of the Company's licenses and probable new raised capital during 2013 the Board's assessment is that the Company can continue as a going concern.

#### NOTE 6 INTRA GROUP PURCHASE AND SALES

100 per cent (100) of the parent company's net revenue or KSEK 919 (3,171) was related to sales to other companies within the Group. 81 percent (86) or KSEK 708 (1,588) of the interest income in the parent company is related to other companies within the Group.

#### NOTE 7 DEPRECIATION AND AMORTIZATION

KSEK	Group		Parent company	
	2012	2011	2012	2011
Buildings	402	436	–	–
Machinery and equipment	1,272	1,007	58	–
Impairment	–	74,706	–	–
<b>Total</b>	<b>1,674</b>	<b>76,149</b>	<b>58</b>	<b>–</b>

Of the amount above, KSEK 1,614 (1,435) has been capitalized as intangible assets.



# NOTES

## NOTE 8 AUDIT FEES

KSEK	The Group		Parent company	
	2012	2011	2012	2011
Audit fees				
Ernst & Young	351	237	351	237
Other audit firms	123	151	-	-
Tax advice				
Ernst & Young	15	40	15	40
Other audit firms	-	-	-	-
Other assignments				
Ernst & Young	94	142	94	142
Other audit firms	159	-	-	-
<b>Total</b>	<b>742</b>	<b>570</b>	<b>460</b>	<b>419</b>

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

	2012		2011	
	Total	Of which women	Total	Of which women
Parent company				
Sweden	2	0	2	1
Group companies				
Russia	60	14	91	20
<b>Total for the Group</b>	<b>62</b>	<b>14</b>	<b>93</b>	<b>21</b>

As of December 31, 2012 there were 21 full time permanent employees (60) 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

	2012		2011	
	As of December 31	Of which women	As of December 31	Of which women
Board of Directors	5	0	7	0
CEO and management	4	0	5	1
<b>Total for the Group</b>	<b>9</b>	<b>0</b>	<b>12</b>	<b>1</b>

Salaries, remuneration and social security costs

	2012	2011
The Group		
Board, CEO and management	6,056	4,965
(of which variable)	(1,989)	(464)
Other employees	9,119	10,641
<b>Total</b>	<b>15,175</b>	<b>15,606</b>
Social security costs	3,901	3,999
(of which pension costs)	(168)	(102)
<b>Total</b>	<b>19,076</b>	<b>19,287</b>
Parent Company		
Board, CEO and management	3,429	2,663
(of which variable)	(1,001)	(464)
Other employees	0	0
<b>Total</b>	<b>3,429</b>	<b>2,345</b>
Social security costs	1,081	871
(of which pension costs)	(168)	(102)
<b>Total</b>	<b>4,510</b>	<b>3,534</b>

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

	Salary/fee	Variable remuneration	Other benefits incentive <sup>1)</sup>	long-term	Pension cost	Total
Chairman of the Board, Kjell Carlsson	260	263	0	0	0	523
Board member, Sergey Petrov	100	0	0	0	0	100
Board member, Markku Mäkelä	140	0	0	0	0	140
Board member, Peter Geijerman <sup>2)</sup>	32	0	0	0	0	32
Board member, Johan Österling	100	111	0	0	0	211
Board member, Patric Perenius	45	0	0	0	0	45
Board member, Andreas Forssell	100	0	0	0	0	100
CEO, Mikhail Damrin	1,101	116	0	286	0	1,503
Other management (4 persons) <sup>3)</sup>	2,189	622	0	592	169	3,572
<b>Total Board and management</b>	<b>4,067</b>	<b>1,111</b>	<b>0</b>	<b>878</b>	<b>169</b>	<b>6,225</b>

<sup>1)</sup> Accounted cost for Incentive Program 2012/2014.

<sup>2)</sup> Peter Geijerman resigned from the Board on February 29, 2012.

<sup>3)</sup> Includes one person that left the Company during Q1 2012.

## 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 2012 amounted to KSEK 1,151 (1,079), of which KSEK 523 (544) was remuneration to the Chairman of the Board. For remuneration to other Board members, see table above.

The Chairman has via own company, in addition to the board remuneration, received KSEK 263 related to extra work done during 2012. The work done has been related to financing issues and operational matters. The Board member Johan Österling has via own company, in addition to the board remuneration, received KSEK 111 related to extra work done in connection with the 2012 rights issues.

### Remuneration and benefits to the CEO

Remuneration to the CEO amounted to KSEK 1,503 (1,094) KSEK for 2012. The remuneration consists of fixed salary, variable remuneration based on annual targets and long term incentive program. The CEO has a fixed annual salary of 129 KUSD net after tax. The variable remuneration amounts to maximum 20% of the fixed salary and is based on both soft and hard targets. The CEO is part of the Group's long term incentive program. There are no pension commitments towards the CEO.

### Pension plans

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

### Termination period and severance pay

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

### Long-term incentive program 2012/2014

The Extraordinary General Meeting held on November 5, 2012, resolved upon an issue of not more than 688,449 warrants, within the frames of a long-term incentive program (incentive program 2012/2014) for nine key employees. The objective of the program is to create owner commitment for management and other key employees with possibilities to increasing the value of the share, in parallel to decreasing the overhead costs.

The warrants were issued to the employees without consideration on terms adjusted for local conditions. For Sweden, it means that participating employees are purchasing the warrants at market value and receives an extra salary payment as compensation. The transfer period of the warrants last until the Annual General Meeting 2013 and as per year end, 485,965 warrants were issued to employees since three out of nine key positions in the Company were vacant. The warrants have a subscription period from December 1, 2014 up to and including December 31, 2014. Each warrant entitles the holder to subscribe for one (1) new share in the Company at a price of 4.50 SEK/share. See note 27 for more information.

As of December 31, 2012, the warrants were allocated as below:

Participant	Maximum number of warrants/position	Total number of warrants per category	Number of warrants transferred December 31, 2012
CEO (1 position)	161,988	161,988	161,988
Other management (5 positions)	80,994	404,970	242,982
Other key employees (3 positions)	40,497	121,491	80,994
<b>Total</b>		<b>688,449</b>	<b>485,964</b>

### Long-term incentive program 2011/2013

The Extraordinary General Meeting held on July 27, 2011, resolved upon an issue of warrants, within the frames of a long-term incentive program (incentive program 2011/2013) for key employees. The objective of the program is to create owner commitment for management and other key employees with possibilities to increasing the value of the share, in parallel to decreasing the overhead costs.

The warrants were issued to the subsidiary Kopy Development and purchased by the key employees at market value. Each warrant entitles the holder to subscribe for one (1) new share in the Company at a price of 7.10 SEK/share. The warrants have a subscription period from September 1, 2013 up to and including October 15, 2013. As per December 31, 2012, 200,187 warrants were issued to employees See note 27 for more information.

# NOTES

As of December 31, 2012, the warrants were allocated as below:

Participant	Maximum number of warrants/position	Number of warrants transferred December 31, 2012
CEO (1 position)	55,224	55,224
Other management (6 positions)	27,612	89,739
Other key employees (4 positions)	13,806	55,224
<b>Total</b>		<b>200,187</b>

## NOTE 10 RESULTS FROM SHARES IN GROUP COMPANIES

KSEK	Parent company	
	2012	2011
Impairment	-3,583	-27,122
<b>Total</b>	<b>-3,583</b>	<b>-27,122</b>

## NOTE 11 FINANCIAL INCOME AND COST

	The Group		Parent company	
KSEK	2012	2011	2012	2011
<b>Interest income and similar items</b>				
Interest income	175	264	168	260
Exchange differences	-	-	-	-
Other financial income	-	-	-	-
Interest income from Group companies	-	-	708	1,588
<b>Total financial income</b>	<b>175</b>	<b>264</b>	<b>876</b>	<b>1,848</b>

Interest cost and similar items				
Impairment	-	-	-2,846	-45,383
Interest cost	-762	-624	-570	-290
Exchange differences	-22	-41	-21	-40
Other	-	-	-	-
<b>Total financial cost</b>	<b>-784</b>	<b>-665</b>	<b>-3,437</b>	<b>-45,713</b>
<b>Net financial income and cost</b>	<b>-609</b>	<b>-401</b>	<b>-2,561</b>	<b>-43,865</b>

## NOTE 12 TAX

KSEK	The Group	
	2012	2011
Current tax	-	-
Deferred tax	-2,203	2,654
<b>Total</b>	<b>-2,203</b>	<b>2,654</b>

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

Reconciliation of the weighted average tax and actual tax

KSEK	The Group		Parent company	
	2012	2011	2012	2011
Result after financial items	-14,824	-94,199	-13,240	-80,454
Tax at current tax rate	3,899	24,774	3,482	21,159
Difference in tax rate in foreign operations	-1,409	625	-	-
Tax effects from:				
Nondeductible items	-272	-196	-1,696	-19,093
Adjustment deferred tax intangible assets	-	3,026	-	-
Loss carry forwards for which deferred tax is not recognized	-4,469	-25,575	-1,834	-2,066
<b>Reported tax</b>	<b>-2,203</b>	<b>2,654</b>	<b>0</b>	<b>0</b>

Tax rates are 26.3% in Sweden and 20% in Russia.

As of December 31, 2012 the Group had tax loss carry forwards of approximately MSEK 114.2. Deferred tax receivables related to tax loss carry forwards are recognized only to the extent that it is probable that they will be used. Since the Company's future possibility to use the tax loss carry forwards are uncertain the Company has not recognized any deferred tax receivables. The value of the tax losses are approximately MSEK 23.7. The tax loss carry forwards can be used for indefinite time in Sweden, while they can be used for 10 years in Russia.

Deferred tax receivables and liabilities relates to the following:

	December 31 2012	December 31 2011
Deferred tax		
Intangible assets	2,813	891
Leasing liabilities	858	637
<b>Total deferred tax liabilities</b>	<b>3,671</b>	<b>1,528</b>

Change in the net of deferred tax liabilities

	Opening balance	Recognized in the income statement	Translation differences	Closing balance
Deferred taxes				
Intangible assets	891	1,977	54	2,813
Leasing liabilities	637	226	5	858
<b>Total</b>	<b>1,528</b>	<b>2,203</b>	<b>59</b>	<b>3,671</b>

## NOTE 13 EARNINGS PER SHARE

Change in number of shares	2012	2011
Outstanding at the beginning of the period	9,327,193	6,626,937
Share issue May	6,995,394	
Share issue June		256
Share issue October		2,700,000
Share issue November	6,529,034	
<b>Outstanding at the end of the period</b>	<b>22,851,621</b>	<b>9,327,193</b>

Earnings per share before and after dilution

	2012	2011
Net income, KSEK, attributable to the shareholders of the parent company	-17,027	-91,545
Average number of shares before and after dilution	13,838,263	7,331,287
<b>Earnings per share before and after dilution</b>	<b>-1.23</b>	<b>-12.49</b>

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

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

**NOTE 14 EXPLORATION LICENSES AND EVALUATION WORK**

	The Group	
KSEK	2012	2011
Opening acquisition cost	175,759	144,839
Investments	34,321	36,430
Acquired licenses	2,268	123
Translation differences	-1,075	-5,633
<b>Closing acquisition cost</b>	<b>211,274</b>	<b>175,759</b>
Opening accumulated write down	-71,060	-
Write down	-	-74,706
Translation difference	208	3,646
<b>Closing accumulated write down</b>	<b>-70,852</b>	<b>-71,060</b>
<b>Carrying value</b>	<b>140,422</b>	<b>104,700</b>

The balance for exploration licenses and evaluation work includes approximately MSEK 45 of acquired licenses and the remaining part relates to capitalized exploration and evaluation work, approximately MSEK 95.

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, before tax – 15%

Price of gold – 1,500 USD per oz.

Tax rate – 22%

Royalty – 6%

Forecast period – Cash flows from the expected production period 2013-2019

The impairment tests have not shown any need for write-downs.

**NOTE 15 BUILDINGS**

	The Group	
KSEK	2012	2011
Opening acquisition cost	31,577	29,314
Investments	263	3,313
Disposals	-16,529	-
Translation difference	162	-1,050
<b>Closing acquisition cost</b>	<b>15,473</b>	<b>31,577</b>
Opening accumulated depreciation	-3,837	-3,517
Depreciation	-402	-436
Disposals	449	-
Translation difference	11	116
<b>Closing accumulated depreciation</b>	<b>-3,779</b>	<b>-3,837</b>

Opening accumulated write down	-22,611	-23,389
Disposals	15,267	-
Translation difference	-172	778
<b>Closing accumulated write down</b>	<b>-7,517</b>	<b>-22,611</b>
<b>Carrying value</b>	<b>4,176</b>	<b>5,129</b>

**NOTE 16 MACHINERY AND EQUIPMENT**

	The Group		Parent Company	
KSEK	2012	2011	2012	2011
Opening acquisition cost	13,859	13,419	-	-
Investments	710	1,283	292	-
Disposals	-392	-82	-	-
Translation difference	-17	-761	-	-
<b>Closing acquisition cost</b>	<b>14,159</b>	<b>13,859</b>	<b>292</b>	<b>-</b>
Opening accumulated depreciation	-2,665	-1,693	-	-
Depreciation	-1,272	-1,007	-58	-
Disposals	100	35	-	-
Translation difference	25	10	-	-
<b>Closing accumulated depreciation</b>	<b>-3,802</b>	<b>-2,655</b>	<b>-58</b>	<b>-</b>
Opening accumulated write down	-7,318	-7,952	-	-
Write down	-	-	-	-
Translation difference	22	634	-	-
<b>Closing accumulated write down</b>	<b>-7,296</b>	<b>-7,318</b>	<b>-</b>	<b>-</b>
<b>Carrying value</b>	<b>3,061</b>	<b>3,886</b>	<b>234</b>	<b>-</b>

**NOTE 17 INVENTORY**

	The Group	
KSEK	2012	2011
Raw material and consumables	1,876	1,776
<b>Carrying value</b>	<b>1,876</b>	<b>1,776</b>

**NOTE 18 OTHER RECEIVABLES**

	The Group		Parent company	
KSEK	2012	2011	2012	2011
Value added tax	2,878	3,510	273	339
Down payments	1,215	-	-	-
Other	372	1,364	44	50
<b>Total</b>	<b>4,465</b>	<b>4,874</b>	<b>317</b>	<b>389</b>

**NOTE 19 PREPAID EXPENSES**

	The Group		Parent company	
KSEK	2012	2011	2012	2011
Prepaid rent	26	26	26	26
Accrued revenue from subsidiaries	-	-	7,112	6,192
Prepaid exploration	316	492	-	-
Other	139	-	138	-
<b>Total</b>	<b>481</b>	<b>518</b>	<b>7,276</b>	<b>6,218</b>



# NOTES

## NOTE 20 SHARES IN SUBSIDIARIES

KSEK	Parent company	
	2012	2011
At the beginning of the year	210,733	195,707
Acquisitions	8	50
Shareholder contributions	42,763	42,098
Impairment	-3,583	-27,122
<b>Carrying value at the end of the year</b>	<b>249,921</b>	<b>210,733</b>

The table below specifies the subsidiaries of the Group as of December 31, 2012.

	Corporate.	Domicile	Ownership, %	Carrying value	Net income	Equity	Identification no
	in parent company						
LLC Kopylovsky	1043800732337	Bodaibo, Russia	100	47,203	-7,020	80,194	
LLC Kavkaz Gold	1073808020516	Bodaibo, Russia	100	21,386	-45	7,144	
LLC Krasny	1103802000048	Bodaibo, Russia	100	156,700	-217	21,924	
LLC Prodolny	1103802000037	Bodaibo, Russia	100	24,582	-10	3	
LLC Vostochny	1103802000389	Bodaibo, Russia	100	0	-6	0	
LLC Patom Gold	1123802000519	Bodaibo, Russia	100	0	-4	2	
LLC Taiga	1123802000552	Bodaibo, Russia	100	0	0	2	
Kopy Development AB	556858-1747	Stockholm, Sweden	100	50	-223	50	

## NOTE 21 CHANGES IN SHARE CAPITAL

Year	Event	Change in share capital, SEK	Change in share excl issue costs	Capitalization number of shares	Change in value, SEK	Nominal share capital	Total of shares	Total number
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		17,345,728	64,796,688	2,945,304	5.89	39,027,905	6,626,937
2011	Share issue							
	(Subscription to warrants)		1,508	6,400	256	5.89	39,029,413	6,627,193
2011	Directed share issue		10,011,780	17,000,000	1,700,000	5.89	49,041,193	8,327,193
2011	Directed share issue		5,889,283	12,000,000	1,000,000	5.89	54,930,476	9,327,193
2012	Reduction share capital		-22,500,000	-	-	3.48	32,430,476	9,327,193
2012	Share issue		24,322,855	26,582,497	6,995,394	3.48	56,753,331	16,322,587
2012	Share issue		22,701,330	24,810,329	6,529,034	3.48	79,454,661	22,851,621

## NOTE 22 FINANCIAL LIABILITIES

The gross financial liability, including accrued interest, amounted to KSEK 1,696 at the end of 2012. The following table specifies the maturity of the financial liability. For interest rate risk see note 4.

KSEK	The Group	
	2012	2011
Current financial liabilities		
Matures within 1 year	1,071	617
<b>Total current financial liabilities</b>	<b>1,071</b>	<b>617</b>
Non-current financial liabilities		
Other non-current loans with maturity		
>1 year <5 year	-	10,568
<b>Total non-current financial liabilities</b>	<b>-</b>	<b>10,568</b>
<b>Total financial liabilities</b>	<b>1,071</b>	<b>11,185</b>

KSEK	Parent company	
	2012	2011
Current financial liabilities		
Matures within 1 year	651	-
<b>Total current financial liabilities</b>	<b>651</b>	<b>-</b>
Non-current financial liabilities		
Other non-current loans with maturity		
>1 year <5 year	-	10,230
<b>Total non-current financial liabilities</b>	<b>-</b>	<b>10,230</b>
<b>Total financial liabilities</b>	<b>651</b>	<b>10,230</b>

In 2011, the Company received an interest bearing long-term loan from major shareholders with maturity date in July 2013. During 2012, KSEK 9,754 has been repaid including interest, whereof KSEK 6,849 was repaid by set-off of shares in the completed rights issues. The total outstanding loan as per December 31, 2012 amounted to KSEK 651 and has an interest rate of 7 %.

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 23 ACCRUED EXPENSES

KSEK	The Group		Parent company	
	2012	2011	2012	2011
Interest	625	269	625	269
Board fee	613	499	613	499
Social security fees	264	161	264	161
Other	1,268	487	1,268	487
<b>Total</b>	<b>2,770</b>	<b>1,416</b>	<b>2,770</b>	<b>1,416</b>

#### NOTE 24 ADJUSTMENT FOR ITEMS NOT AFFECTING CASH FLOW

KSEK	The Group	
	2012	2011
Depreciation and impairment	60	74 710
Accrued interest	192	258
Long-term incentive program	673	0
Gains	-102	1 853
Translation differences	66	-641
Other	201	-181
<b>Total</b>	<b>1 090</b>	<b>-75 999</b>

KSEK	Parent company	
	2012	2011
Depreciation and impairment	6,486	72,505
Accrued interest	-708	-1,588
Translation differences	12	-
Other	5	-12
<b>Total</b>	<b>5,795</b>	<b>70,905</b>

#### NOTE 25 PLEDGED ASSETS AND CONTINGENT LIABILITIES

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

There are no known on-going disputes as of December 31, 2012.

#### NOTE 26 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 2012 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 2012 the leasing costs amounted to KSEK 539 (332). Future leasing obligations related to leasing agreements within the Group are shown in the table below:

KSEK	2012	2011
Within 1 year	420	617
After 1 year within 5 years	-	339
After 5 years	-	-
<b>Total</b>	<b>420</b>	<b>956</b>

#### NOTE 27 OUTSTANDING OPTIONS

KSEK	Incentive Program
	2012/2014
Exercise price, SEK	4.50
First exercise date	2014-12-01
Last exercise date	2014-12-31
Number of issued options during the year	485,964
Exercised	-
Forfeited	-
At the end of the year	485,964
Of which fully vested at December 31, 2012 <sup>1)</sup>	485,964
Theoretical value <sup>2)</sup>	835,858
Theoretical value per option at issue <sup>2)</sup> , SEK	1.72
Theoretical value per option at December 31, 2012, SEK	1.35
Theoretical dilution	3%

<sup>1)</sup> The Extraordinary General Meeting held on November 5, 2012, resolved upon an issue of not more than 688,449 warrants, within the frames of a long-term incentive program (incentive program 2012/2014) for nine key employees. The warrants were issued to the employees without consideration on terms adjusted for local conditions. The transfer period of the warrants last until the Annual General Meeting 2013 and as per year end, 485,965 warrants were issued to employees since three out of nine key positions in the Company were vacant. Each warrant entitles the holder to subscribe for one (1) new share in the Company, which means that the share capital can be increased by SEK 2,393,724.36 at maximum.

<sup>2)</sup> Theoretical value of issued options has been determined using a generally accepted option value model (Black&Scholes) at the time of issue. Volatility of 100 per cent, a risk free interest rate of 0.765 %, expected life of 2.1 years was the main assumptions used. Fair value of Kopy Goldfields was estimated using the closing share price as of November 23, 2012 which amounted to SEK 3.58.

KSEK	Program TO3
	2012/2013
Exercise price, SEK	4.00
First exercise date	2013-11-01
Last exercise date	2013-12-30
Number of issued options during the year	3,264,517
Exercised	-
Forfeited	-
At the end of the year	3,264,517
Of which fully vested at December 31, 2012	3,264,517
Theoretical value <sup>3)</sup>	5,965,252
Theoretical value per option at issue <sup>3)</sup> , SEK	1.83
Theoretical value per option at December 31, 2011, SEK	1.83
Theoretical dilution	13%

# NOTES

<sup>3)</sup>Theoretical value of issued options has been determined using a generally accepted option value model (Black&Scholes) at the time of issue. Volatility of 100 per cent, a risk free interest rate of 0.72 %, expected life of 1 year was the main assumptions used. Fair value of Kopy Goldfields was estimated using the closing share price as of December 4, 2012 which amounted to SEK 3,50.

<sup>5)</sup>Theoretical value of issued options has been determined using a generally accepted option value model (Black&Scholes) at the time of issue. Volatility of 50 per cent, a risk free interest rate of 1.27 %, expected life of 2.1 years was the main assumptions used. Fair value of Kopy Goldfields was estimated using the closing share price as of September 8, 2011 which amounted to SEK 8.00.

KSEK	Incentive Program 2011/2013
Exercise price, SEK	7.10
First exercise date	2013-09-01
Last exercise date	2013-10-15
Number of issued options during the year	276,120
Exercised	-
Forfeited	-75,933
At the end of the year	200,187
Of which fully vested at December 31, 2012 <sup>4)</sup>	200,187
Theoretical value <sup>5)</sup>	742,762
Theoretical value per option at issue <sup>5)</sup> , SEK	2.69
Theoretical value per option at December 31, 2012, SEK	0.35
Theoretical dilution	1%

<sup>4)</sup>The Extraordinary General Meeting held on July 27, 2011 resolved upon an issue of not more than 276,120 warrants, within the frames of a long-term incentive program (incentive program 2011/2013) for eleven key employees. The warrants were issued to the subsidiary Kopy Development and purchased by the key employees at market value. As per year end 2012, 200,187 warrants were issued to employees. Each warrant entitles the holder to subscribe for one (1) new share in the Company, which means that the share capital can be increased by SEK 696,046.47 at maximum.

## NOTE 28 FINANCIAL INSTRUMENTS

Financial assets include loans and accounts receivables, prepayments and cash and cash equivalents. All financial liabilities have been classified as other financial liabilities valued at amortized 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 or the interest rates are estimated to on market terms.

## NOTE 29 SUBSEQUENT EVENTS

There have been no significant events after the reporting period.

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

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

The income statement and statement of financial position of the Group and the income statement and balance sheet of the Parent Company are subject to adoption at the annual general meeting on June 4, 2013.

Stockholm den May 8, 2013

Kjell Carlsson  
Chairman

Mikhail Damrin  
CEO

Johan Österling

Andreas Forssell

Sergei Petrov

Markku Mäkelä

Our audit report was issued on May 8, 2013 and deviates from the standard format

Ernst & Young AB

Per Hedström  
Authorized public accountant



# AUDITOR'S REPORT

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

## Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Kopy Goldfields AB (publ) for the financial year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 28-53.

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

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

## Auditor's responsibility

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

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

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

## Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by

the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

## Emphasis of matter

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.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Kopy Goldfields AB (publ) for the financial year 2012.

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

## Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act. As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

## Opinions

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

Stockholm, May 8, 2013

Ernst & Young AB

Per Hedström  
Authorized Public Accountant

## THE BOARD OF DIRECTORS

### Organization

The parent company is responsible for the group strategy and manages the subsidiaries, while performing intra-group functions such as financing, external information, financial reporting and the management of certain agreements.

The parent company has its registered office in Stockholm, while the subsidiaries have offices in Moscow, Russia and Bodaibo, Russia, where the Company's geologists and exploration teams are employed. The average number of employees for the 2012 financial year was 62, including temporarily hired employees.

### Corporate governance

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

### Board of Directors

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

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

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

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



#### **Kjell Carlsson**

Chairman of the Board and Board member since 2010.  
Born: 1951, Swedish citizen.  
Education: master of Science in mechanical engineering.  
Work experience: Senior management positions with Sandvik, Atlas Copco and ABB.  
Other assignments: Board member, Appalto AB; Board member, Kopy Development AB  
Relinquished assignments during the last five years: Chairman of the Board, Sandvik Nora AB; CEO and Board member, Sandvik Mining and Construction Tools AB; Chairman of the Board, AB Sandvik KPS; Board member, Monitoring Control Center MCC AB; Board member, Sandvik Mining and Construction Sverige AB; Partner of Ingenjöröföretag C.J. Carlsson HB.  
Shareholding in Kopy Goldfields: 64,000



#### **Markku Mäkelä**

Board member since 2010  
Born: 1944, Finnish citizen.  
Education: Professor, PhD in geology and mineralogy, University of Helsinki.  
Work experience: Over 35 years of 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 (UNR-FNRE) and regional exploration manager of Outokumpu.  
Other assignments: Board member, Dragon Mining Ltd.  
Relinquished assignments during the last five years: Chairman of the Board, Foundation for Research of Natural Resources in Finland; President of The International Peat Society (IPS).  
Shareholding in Kopy Goldfields: –

# THE BOARD OF DIRECTORS



## Sergei Petrov

Board member since 2009  
 Born: 1968, Russian citizen.  
 Education: MSc Physics Engineering, St Petersburg State Technical University and MBA, George Washington University.  
 Work experience: Managing Director, Z1 Investment Group; Head of investment banking, Corporate Finance Bank LLC; Managing Director, Antanta Capital; Director, Corporate finance, CIT Finance Bank.  
 Other assignments: Board member, Siberian Mining and Metallurgical Alliance – SIGMA; Board member, Ilim Timber Industry; Board member and Partner of Nettrader.ru  
 Relinquished assignments during the last five years: Board member, Pioglobal Real Estate Investment Fund.  
 Shareholding in Kopy Goldfields: 426,554



## Andreas Forssell

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



## Johan Österling

Board member since 2011  
 Born: 1946, Swedish citizen.  
 Education: Swedish LLM (Master in Law) and BA (business administration).  
 Work experience: Partner of Foyen law firm  
 Other assignments: Board member, Dragon Mining Sverige AB; Board member, LC-Tec AB; Chairman of the Board, Göthes AB; Chairman of the Board, Fahlia AB; Chairman of the Board, Penclic AB  
 Relinquished assignments during the last five years: Nomor AB  
 Shareholding in Kopy Goldfields: 200,000  
 Warrants: 25,000

## Auditor

Ernst & Young, responsible Per Hedström, Authorized Public Accountant

## MANAGEMENT

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



### **Mikhail Damrin**

CEO since 2009.

Born: 1970, Russian citizen.

Education: 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.

Relinquished assignments during the last five years: Board member, Tomsk Refining AB

Shareholding in Kopy Goldfields: 91,085

Warrants: 230,224



### **Tim Carlsson**

CFO since 2011, Deputy CEO since 2012.

Born: 1979, Swedish citizen.

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

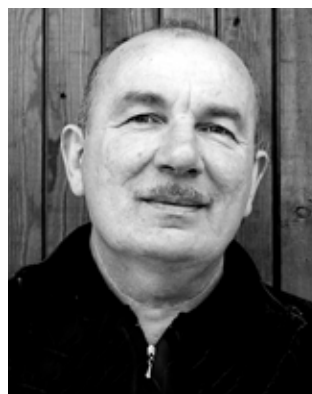
Work experience: Authorized Public Accountant, KPMG

Other assignments: Board member of Brf Oxen Mindre 22

Relinquished assignments during the last five years: –

Shareholding in Kopy Goldfields: 21,000

Warrants: 112,606



### **Alexander Vamboldt**

Managing director of LLC Kopylovsky since 2010.

Born: 1957, Russian citizen.

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

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

Other assignments: –

Relinquished assignments during the last five years: –

Shareholding in Kopy Goldfields: –



### **Warrants: 108,606**

### **Dr. Evgeny Bozhko**

Chief geologist since 2011, employed in Kopy Goldfields since 2010

Born: 1968, Russian citizen.

Education: PhD in geological and mineralogical science.

Degree in Prospecting and Exploration Geology from Voronezh State University, Russia

Work experience: Eleven years of Various Senior Geologist/Chief geologist positions within African exploration- and mining companies.

Other assignments: –

Relinquished assignments during the last five years: –

Shareholding in Kopy Goldfields: –

Warrants: 108,606



# WORDS

## **Alluvial gold**

Mineralization in the river bed on ground level.

## **Enrichment**

Concentration of a constituent of a mixture to be processed.

## **Enrichment plant**

Plant for processing.

## **Core drilling**

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

## **Chips**

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

## **Cut-off**

The lowest mineral content where the deposit is mined.

## **Diamant drilling**

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

## **Deposit**

The presence of mineralization.

## **Doré bars**

Non-refined gold bullion containing mostly silver and gold.

## **ETF**

Exchange traded fund, usually focused on gold investments.

## **Exchange**

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

## **Exploration**

Search for economic mining ores and minerals.

## **Fault**

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

## **Feasibility Study**

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

## **Flotation**

Part of the enrichment process in which

chemicals are used to significantly increase the concentration of valuable minerals.

## **Geochemistry**

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

## **Geophysics**

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

## **Gravimetric**

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

## **Indicated mineral resource**

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

## **Inferred mineral resource**

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

## **JORC**

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

## **Measured mineral resource**

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

## **Leaching**

Chemical dissolution of metals for selective extraction from the leachate.

## **Lena Goldfields**

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

## **Mineral resources**

The proportion of mineralized ring which quantity, grade, shape and physical characteristics are known in the borehole and analysis and allows a satisfactory interpretation of the geological picture

of the mineralization must be continuous (be related). Mineral resources must meet reasonable demands to be extracted economically. An estimate of the measured and indicated mineral resource is sufficient to serve as the basis of a preliminary feasibility study and can be the basis for significant development and expansion decisions.

## **Mineralization**

Natural concentration of minerals in the bedrock.

## **Open pit**

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

## **Ore Reserve**

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

## **Measured mineral resources**

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

## **Quartz**

Quartz is a mineral composed of silica, SiO<sub>2</sub>. The colour is white or transparent.

## **RAB-drilling**

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

## **RC-drilling**

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

## **Russian GKZ reserves**

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

## **Recovery**

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

## **Troy ounce (oz)**

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



