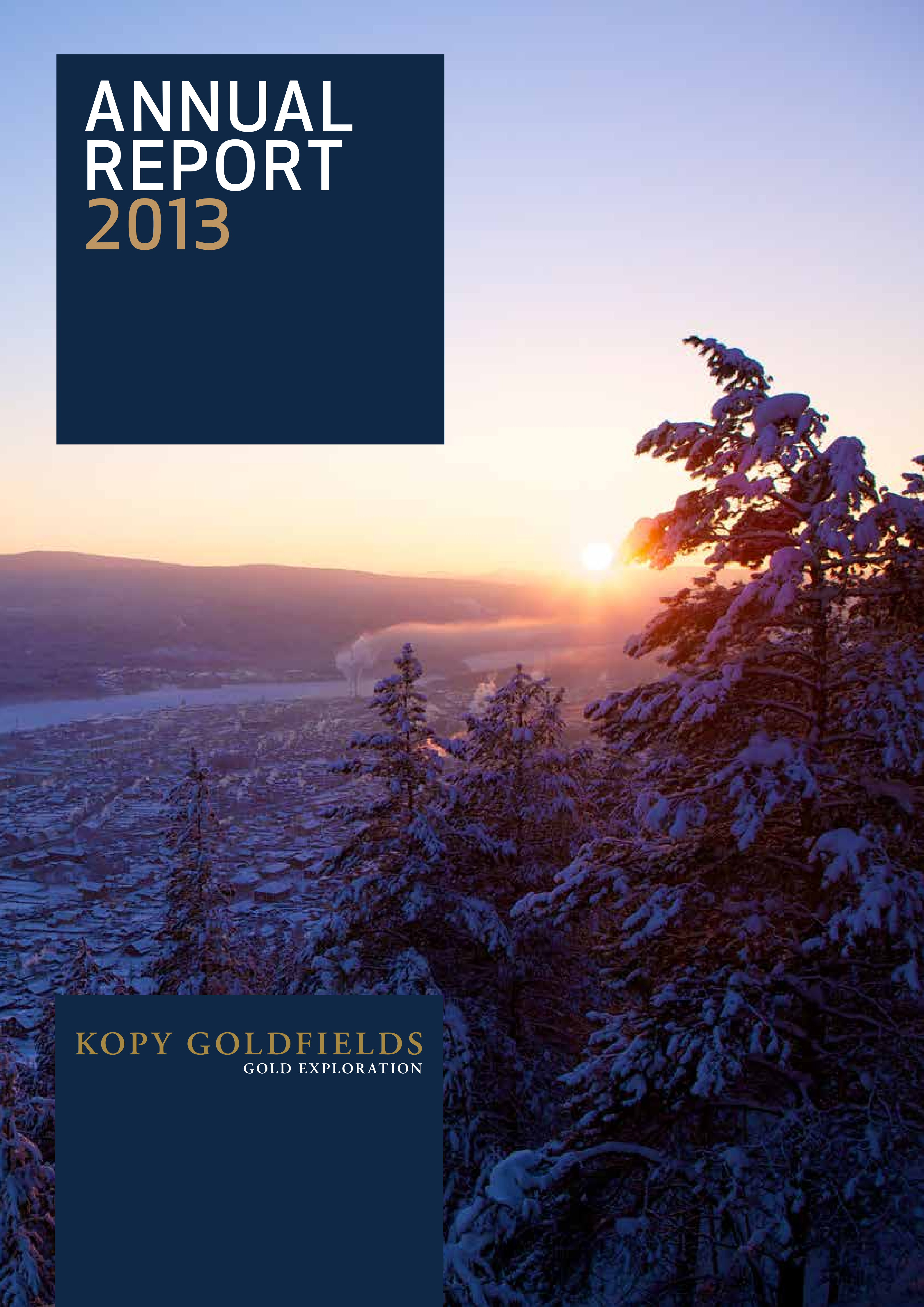
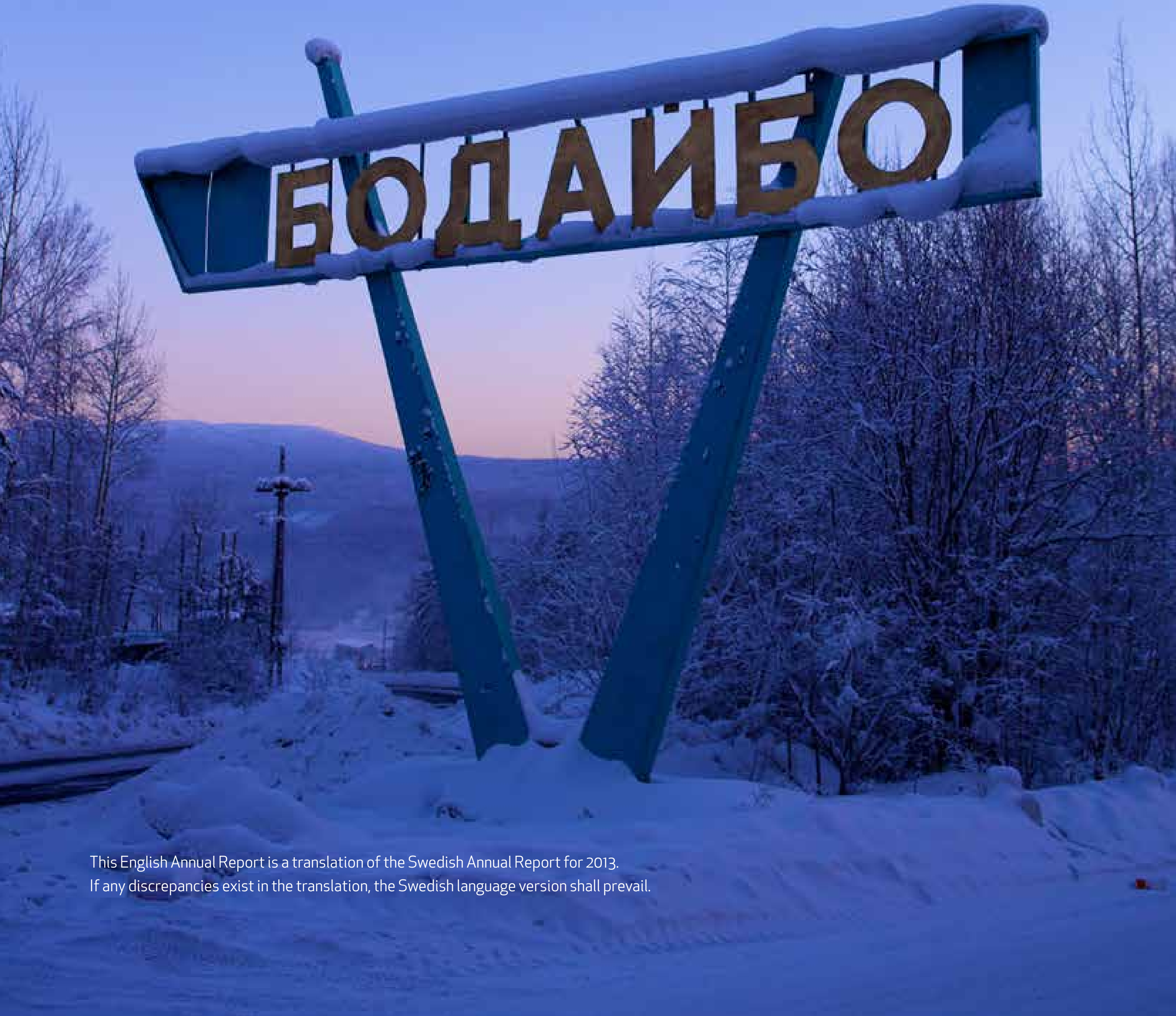
ANNUAL REPORT 2013



KOPY GOLDFIELDS
GOLD EXPLORATION



This English Annual Report is a translation of the Swedish Annual Report for 2013.
If any discrepancies exist in the translation, the Swedish language version shall prevail.

FOCUSING ON PROJECTS WITH THE CLEAREST POTENTIAL

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.

The gold rush started 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, mostly alluvial production has taken place.

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

In 2013, we decided to change our strategy and focus our exploration efforts in Lena Goldfields to projects with the clearest potential. This meant selling two of our prospecting licenses, while returning two others to the Russian authorities, in order to reduce exploration spending and preserve cash.

Thus, we could focus our efforts on the part of our portfolio balanced towards advanced exploration, including Krasny, our gold project closest to production in Lena Goldfields. A scoping study on Krasny published in the first half confirmed that the project has a strong potential to be developed into a long-term gold producer, with 1.37 Moz of inferred and indicated gold resources.

An important step towards developing Krasny into a producing mine was taken in November when we signed a letter of intent with the major Russian gold producer GV Gold. The deal includes GV Gold acquiring 51 per cent of Krasny by financing an in-fill exploration program and spending up to USD 9 million.

Our goal for 2014 regarding Krasny is to establish the project's gold reserves. Regarding the company, it is to continue to focus on limiting our own exploration investments and developing projects with partners.

KOPY GOLDFIELDS IN BRIEF

1,5 Moz

of mineral resources under JORC

50 MRUB

2 licenses sold during 2013 for 50 MRUB

11

Bedrock exploration and production licenses

1963

km^2 of exploration area

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

Letter of Intent signed to take the Krasny project to the production phase under partnership

THE YEAR IN BRIEF

Two licenses sold for 50 million roubles
In December 2013 the Company sold the Kavkaz- and Prodolny licenses in a cash sale. The total sales amount was RUB 50 million, corresponding to approximately SEK 10 million or USD 1.5 million.

Mineral resources exceeding 1 Moz reported and a scoping study published for the Krasny license
An updated mineral resource report according to the JORC-standard was issued for a part of the Krasny gold deposit in March 2013, showing indicated and inferred mineral resources of 1.37 Moz at an average gold grade of 1.59 g/t. The estimation only covers a part of the Krasny-mineralization that has been drilled so far and is therefore limited to the most explored central part of the structure.

During February and March 2013 a scoping study was done for the Krasny gold deposit based on the mineral resources reported in November 2012. In April 2013 the scoping study was published based on the market conditions at that time and the previous twelve months period. The scoping study confirms a potential for 60 koz of open pit production of gold per year during 18 years and financial returns of USD 360 million in free cash flow.

Letter of Intent signed to take the Krasny-project to the production phase under partnership
In November 2013 the Company signed a Letter of Intent with the Russian gold producer GV Gold to develop the Krasny-project under a joint venture. According to the Letter of Intent, GV Gold may earn up to a 51% interest in the Krasny Project by completing an in-fill exploration program followed by a reserve report in accordance with both the Russian GKZ classification and the international JORC standard. Dependent on the final details of the exploration program, the budget of the program is estimated up to USD 6 million and will be financed by GV Gold in full. The program will primarily target the part of the Krasny deposit which is closer to surface and limited to the depth of 190 meters. The exploration program will be developed in two stages and is scheduled to be completed within 14 months including the reserve reporting. During the exploration period, Kopy Goldfields will act as operator of the Project. The deal also include an upfront cash payment of USD 1 million to Kopy Goldfields and the possibility of an additional consideration of USD 2 million subject to the results of the reserve reporting.

Further cost reductions
The operating expenses (excl impairments) decreased by 35% for the full year as a result of a cos reduction program.

A share issue raised 11.1 million SEK
In July 2013 a share issue with preferential rights for existing shareholders was completed, in which 7,394,636 shares were subscribed and MSEK 11.1 was raised. In connection with the share issue, shareholder loans of MSEK 1.3 were set off against new shares and a short term loan of MSEK 2.2 including interest was repaid.

Key figures 2013

	2013	2012	2011	2010	2009
Operating income, KSEK	-68,752	-14,215	-93,798	-10,998	-5,232
Earnings per share, SEK	-2.51	-1.16	-11.72	-2.64	-15.05
Equity/Asset ratio, %	88.7	92.8	86.3	88.8	84.5
Investments in exploration and evaluation work, KSEK	19,376	34,321	36,430	34,547	18,752
Investments in licenses, KSEK	18	2,268	123	8,463	-
Average number of employees	38	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.

IMPORTANT STEPS TOWARDS STREAMLINING OPERATIONS AND BRINGING KRASNY INTO PRODUCTION

During the spring 2013 we decided to revise our strategy. Our aim was to reduce the greenfield part of our license portfolio, focus on projects in an advanced exploration stage and closer to production, cut exploration costs and ensure long-term survival. We achieved this through selling two licences, while returning two others to the Russian state. Meanwhile, we reached an agreement with the major Russian gold producer GV Gold on joint development of Krasny, bringing our most advanced gold project an important step closer to production.

Focusing and streamlining. These were our main targets when sharply dropping gold prices threw many junior exploration companies into a fight for survival. In order to strengthen the company's finances, we decided to divest some of our projects, as well as to reduce the number of staff. We also decided to start intensifying our search for a potential partner for Krasny.

The year started on a positive note as a scoping study for the Krasny gold project confirmed a potential for 60 koz of open pit production of gold per year during 18 years. The study showed a total of mined gold resources of 1.37 Moz (40.7 tons) at an average grade of 1.59 grams per ton. It demonstrated that with only the part of the mineralization included in the resource estimation, the Krasny project already has the capacity to become a long-term gold producer. We believed that the study provided us with enough information to attract and negotiate a successful deal with a strong partner, which could help us to develop the project further.

The most obvious choice was JV Gold, a major Russian gold producer with most of the production coming from the Bodaibo area of Lena Goldfields, where we operate. Long-term negotiations resulted in a letter of intent between the two companies, signed in November 2013. The deal includes GV Gold acquiring up to a 51 per cent interest in the Krasny project by financing an in-fill exploration program and spending up to USD 9 million. It also includes an upfront cash payment of USD 1 million and the possibility of USD 2 million, subject to the results of the exploration. This is an important step towards developing the Krasny deposit into a thriving gold mine. The next step, which we hope to take in 2014, is to prove the gold reserves.

We are pleased to join forces with one of Russia's largest and fastest growing gold producers with extensive competence and experience of building and operating mines in Lena Goldfields. The agreement is also in line with our strategy to limit our own exploration investments and focus on developing projects with partners.

This deal will strengthen our finances in 2014, as did the sale of the Kavkaz and Prodolny licences for USD 1.5 million. The buyer was a Russian company "Siberian Gold Mining Company", which intends to develop both projects into gold production. Apart from strengthening our cash balance for 2014, the deal was important as it proves that we have quality projects that attract other investors even in a very depressed financial market. It also shows the possibility of commercializing licences in the area and proves the ability to repatriate cash from Russia. In parallel, we returned two early exploration licences, Purpolskaya and Verkhnyaya Orlovka, to the Russian state.

During July, in the middle of the crisis for the gold mining industry, we successfully closed a preferential share issue, raising SEK 11.1 million. The share issue triggered a significant change of our shareholder structure and we were pleased to welcome many new shareholders to the company.

Our wstrategy is based on four principles: focus, cost savings, minimizing exploration expenditures on a short-term basis and getting into production. The steps we took during the past, difficult year prove that we have both the projects and the ability to achieve our ultimate goal – to become a world-class exploration company.

I would like to thank our shareholders for standing by us and sharing our visions.

Mikhail Damrin
CEO Kopy Goldfields, April 2014

LENA GOLDFIELDS – RICH IN GOLD DEPOSITS AND GOLD HISTORY

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

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

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

A gold fever of pioneers claimed Russia's wild east for the tsars in the 19th century. The massive goldfields that lined the river Lena were, at the turn of the century, amongst the most profitable enterprises in the Russian Empire. The Lena Gold Mining Joint Stock Company, the principal owner of the majority of goldfields in the region, was running at profits of 7,000,000 roubles a year. The comfortable 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

This event was succeeded by a more peaceful era of continued alluvial gold production. In the 1970's, there were Soviet ambitions to exploit the bedrock deposits in the area and ambitious exploration work was carried out. Half-built bridges scattered along the road out of Bodaibo and concrete pillars sticking out among the fir trees carry remnants of this period. Russia is at the moment in second place when it comes to estimated gold reserves in the world, with about 30 per cent of the total Russian gold production being conducted by international companies. Since the 1840s, the region has steadily been producing around 0.25 Moz of alluvial gold per year. But previous exploration work has also shown that the Bodaibo area hosts several world-class bedrock gold deposits, including Vysochaishiy, Verny, Chertovo Koryto and Sukhoy Log, the latter being the largest undeveloped gold deposit in the world with some 60 Moz of reserves.

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

GOOD MINING INFRASTRUCTURE

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

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

The only company with a solid track record of bedrock gold mining in the Bodaibo area. GV Gold is the eighth largest gold producer in Russia and has been operating in Lena Goldfields for more than 15 years. The agreement Kopy Goldfields reached in 2013 with GV Gold brings extensive competence and experience of building and operating gold mines in the area to the Krasny project.

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

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

FINANCING AN IN-FILL EXPLORATION PROGRAM

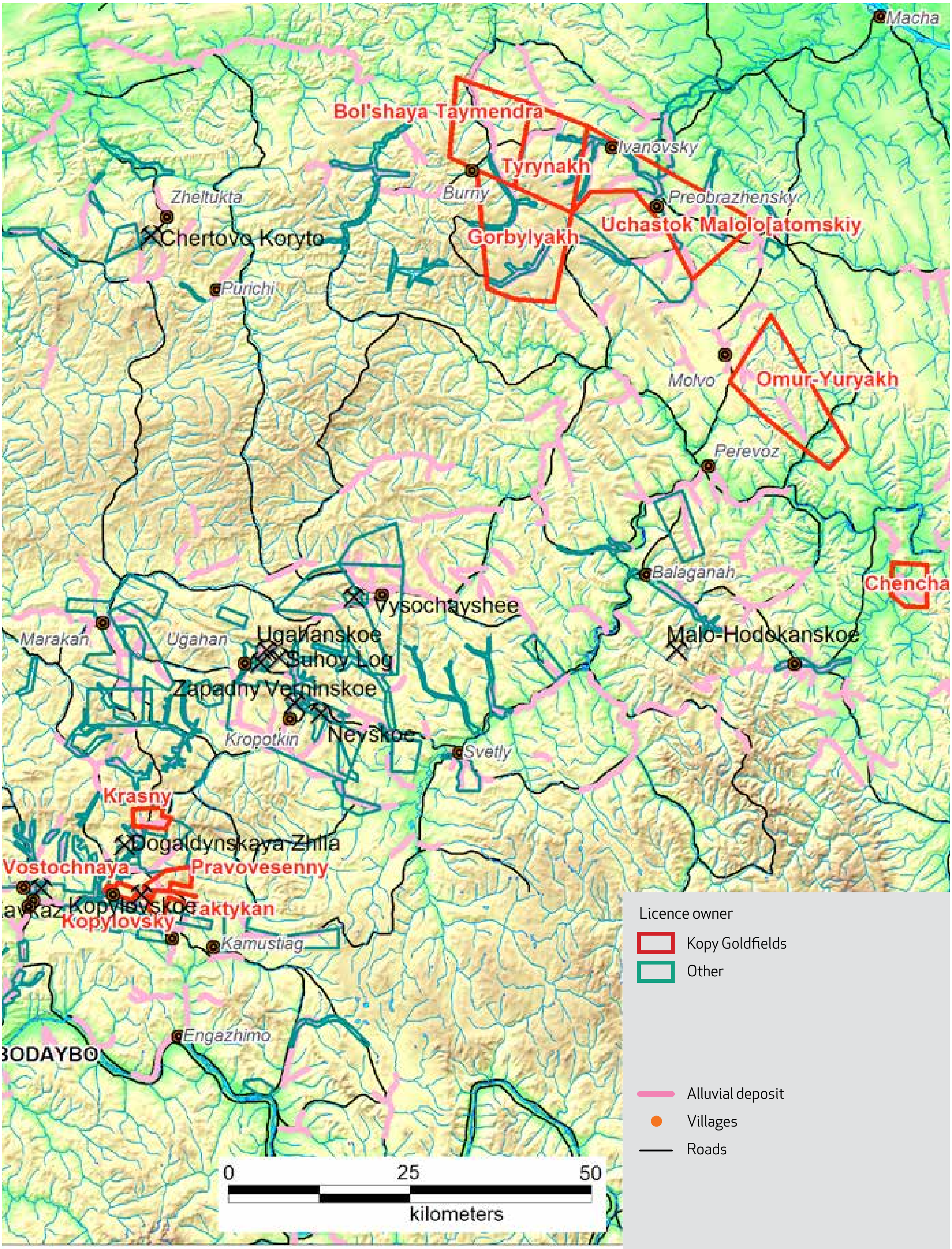
In May 2013, GV Gold and Kopy Goldfields initiated discussion about jointly continuing the development of the Krasny project. After a due diligence process during the summer and early autumn, a letter of intent was signed in November 2013. The agreement aims at creating conditions for GV Gold to acquire up to a 51 per cent interest in the Krasny project by financing an in-fill exploration program and spending up to USD 9 million. The Krasny project hosts 1.37 million of inferred and indicated gold resources.

According to the agreement, the in-fill exploration program will be followed by a reserve report in accordance with both the Russian GKZ classification and the international JORC standard. The exploration program has an estimated budget of USD 6 million, which will be financed in full by GV Gold. The deal also includes an upfront payment of USD 1 million to Kopy Goldfields and the possibility of an additional USD 2 million, subject to the results of the reserve report. The program will primarily target the part of the Krasny deposit closest to the surface, limited to a depth of 190 metres. The exploration program will be developed in two stages and is scheduled to be completed within 14 months, including reserve reporting. During the exploration period, Kopy Goldfields will act as operator of the project.

IMPORTANT STEP TOWARDS DEVELOPING KRASNY INTO A MINE

The cooperation agreement is an important step towards developing the Krasny deposit into a mine, combining Kopy Goldfield's explorations skills with GV Gold's production experience and know-how. By the end of 2014, Kopy Goldfields hope to have proven gold reserves in Krasny that will create a basis for starting production in 2016.

PROJECTS - AN OVERVIEW



FOCUS ON PROJECTS IN AN ADVANCED EXPLORATION STAGE

Kopy Goldfields currently controls the biggest gold exploration area of Lena Goldfields. In 2013, however, the company decided to reduce the greenfield part of its license portfolio and to focus on projects in an advanced exploration stage, closer to production. This resulted in a decision to sell two licences, while returning two others to the Russian state.

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

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

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

LOCATED CLOSE TO SUKHOY LOG

Six of the licences, all of which were acquired in 2012, are located within 200 – 300 kilometres from Bodaibo. They all have access to roads and a history of alluvial production. All deposits are located less than 150 kilometres from Sukhoy Log, which - with its 60 Moz of gold - is the biggest undeveloped gold deposit in Russia.

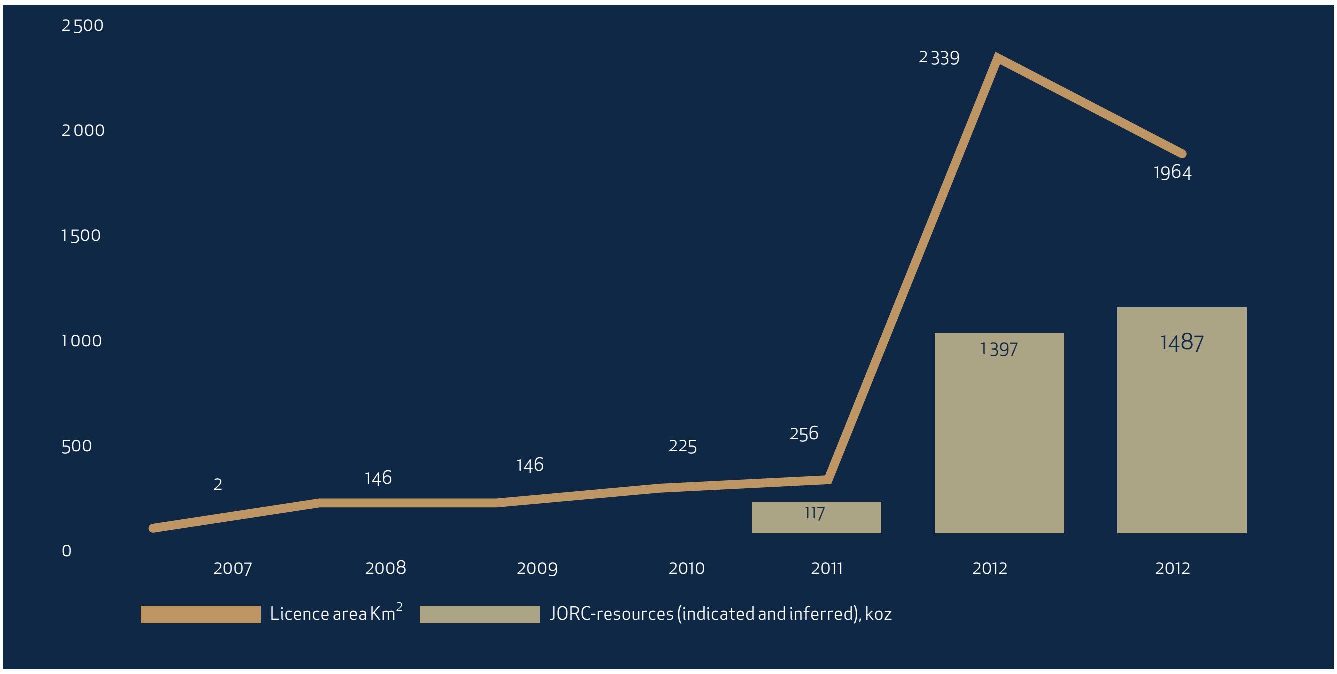
Kopy Goldfields is currently the company controlling the biggest exploration area in Lena Goldfields with a diversified portfolio of projects. The agreement reached with JV Gold in 2013 to jointly develop the Krasny project, i.e. the project closest to production, is expected to be followed by similar joint ventures for other projects.

TWO LICENCES SOLD – AND TWO RETURNED

As a result of the new strategy to reduce the greenfield part of the portfolio, the licences Verkhnyaya Orlovka and Purpolskaya were returned to the Russian state in the third quarter 2013. Both licences were acquired in 2012 and despite their good exploration potential they were regarded as requiring too much money and time to be developed to a stage where they either could be sold or put into production.

Meanwhile, the licences Kavkaz and Prodolny were sold in December 2013 in order to improve cash flows and focus on the areas with the highest potential.

Land and resources growth



POSITIVE DRILLING RESULTS – JOINT VENTURE TO BRING KRASNY INTO PRODUCTION

Krasny is Kopy Goldfields' most exciting gold project to date. Intense drilling at the site during the first part of the year resulted in a resource update and later in a positive scoping study, indicating a potential of 60 koz open pit production of gold per year during 18 years. During the autumn an agreement was signed with Russian gold producer GV Gold to jointly develop the promising deposit into production.

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 four 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 potentially 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.

UPDATED MINERAL RESOURCE CALCULATION

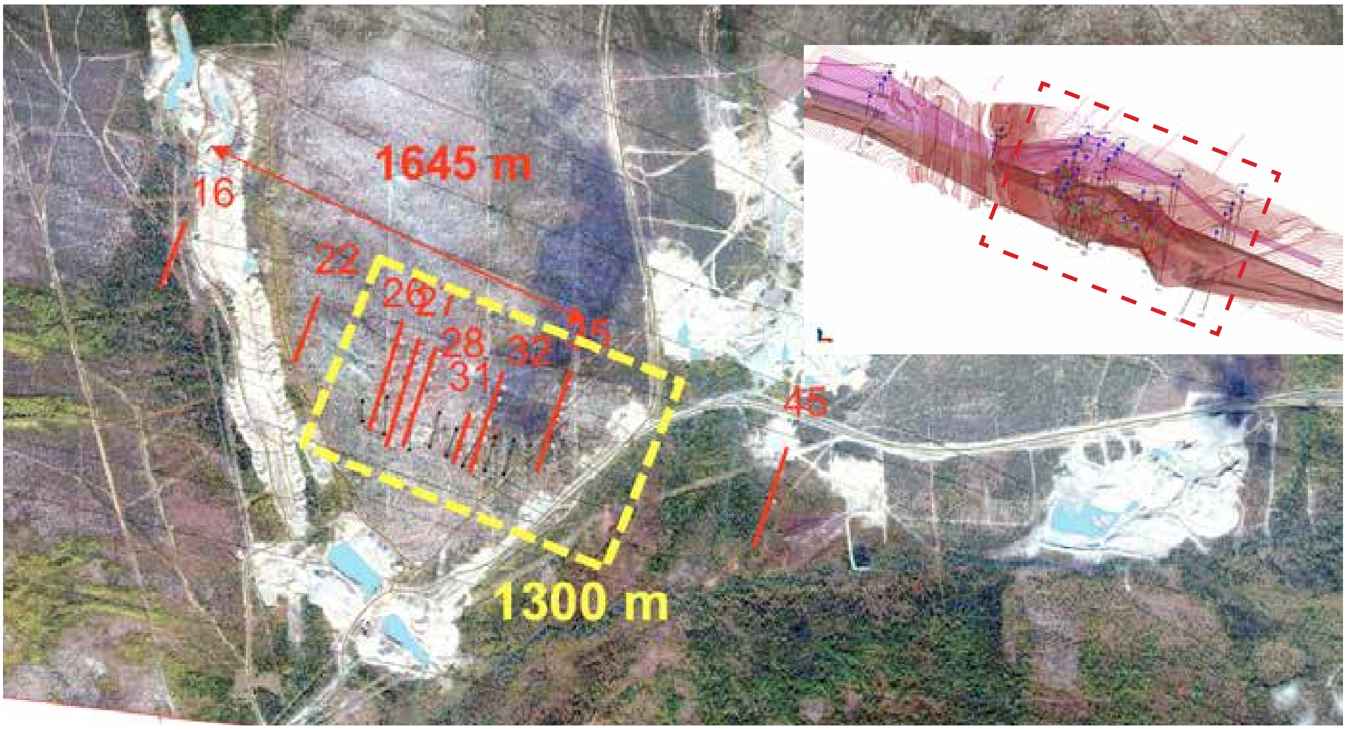
Based on the first calculations of the mineral resources from 2012 according to the JORC standard, a further 2,400 metres of drilling was conducted at the project during the first quarter 2013. The drilling resulted in an update of the mineral resource calculation according to the JORC standard, published in March 2013. The update showed 1.37 Moz of indicated and inferred mineral resources of gold at an average grade of 1.59 g/t. The mineral resource estimate was performed by Miramine in accordance with the Code JORC 2004 for reporting of mineral resources.
With these results, the deposit has a high potential to be developed into a mine. The current resource estimation is limited to the most explored central part of the structure, but drilling has shown that the gold mineralisation extends further to the west and also comes closer to surface.

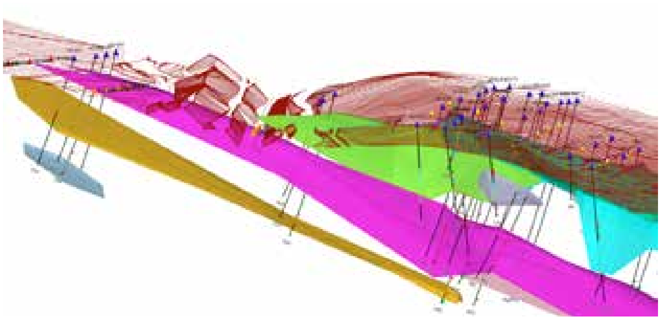
Gold grades were estimated using a combination of core and surface trench sample data. Miramine performed an independent verification of a portion of the electronic database provided by Krasny, and concluded that it was suitable for use in resource estimation. The basis for this resource estimate is a three-dimensional block model with a block size of 30m x 25m x 10m.

CUT-OFF, g/t	Category	Ore		Average grade, g/t	Au, tons	Au, Moz
		Million m^3	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

POSITIVE SCOPING STUDY

During February and March 2013, a scoping study was performed for the Krasny deposit, based on the mineral resources reported in November 2012 and the market conditions that prevailed at the time and during the previous 12-month





period. The study, which was published in April 2013, showed a potential of 60 koz of open pit production of gold per year during 18 years with strong financial returns of USD 360 million in free cash flow.

JOINT VENTURE FOR FURTHER DEVELOPMENT

In November 2013, Kopy Goldfields signed a letter of intent with Russian gold producer GV Gold to develop the Krasny project as a joint venture. GV Gold will acquire up to a 51% interest in Krasny by financing an in-fill exploration program and spending up to USD 9 million. The in-fill exploration program will be followed by a reserve report in accordance with both the Russian GKZ classification and the international JORC standard.

Dependent on the final details of the exploration program, the budget of the program is estimated up to USD 6 million and will be financed by GV Gold in full. The program will target the part of the Krasny deposit that is closer to surface and limited to the depth of 190 meters. The exploration program will be developed in two stages and is completed within 14 months, including the reserve reporting. During the exploration period, Kopy Goldfields will act as operator of the project.

TARGETS FOR 2014

- Infilldrilling together with a partner to prove reserves, including approximately 15,600 meters of diamond drilling and 1,700 meters of trenching, as well as technological sampling

EXPLORATION ACTIVITIES 2013

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

EXPLORATION ACTIVITIES 2012

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

EXPLORATION ACTIVITIES 2011

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

EXPLORATION ACTIVITIES 2010

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

HISTORICAL EXPLORATION

The area was intensively prospected in previous years:

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

OTHER PROJECTS

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

EXPLORATION METHODS

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 are 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, geologist use saws for cutting out mineral samples. These samples are then sent for analysis.

RC-DRILLING/CORE-DRILLING

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

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

EVALUATION

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

REPORTING ACCORDING TO JORC

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.

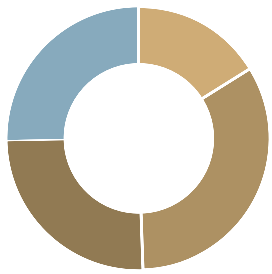
EMPLOYEES

STAFF OF SKILLED GEOLOGISTS AND MINING PROFESSIONALS

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

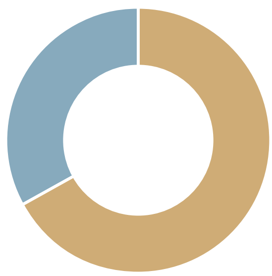
AGE OF PERMANENT EMPLOYEES

- <30, 17 %
- 31-40, 33 %
- 41-50, 25 %
- >51, 25 %



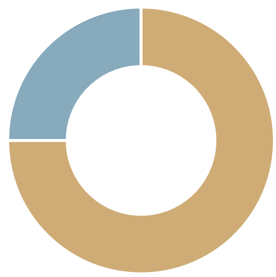
GENDER, PERMANENT EMPLOYEES

- MEN 67%
- WOMEN 33%



EDUCATION LEVEL, PERMANENT EMPLOYEES

- UNIVERSITY 75 %
- SECONDARY 25%



AVERAGE NUMBER OF EMPLOYEES 2013

- TEMPORARY 58 %
- PERMANENT 42 %

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

Due to the necessity to cut costs in 2013 as a result of the sharply dropping gold crisis and the effect in had on the gold mining and exploration market, Kopy Goldfields had to radically reduce the average number of employees to 18 at the year end, compared to 54 the year before.

RECRUITING IN THE AREA
The company seeks to recruit staff from the nearby area. However, some of the company's employees come from other regions and stay on-site in purpose-built accommodation during the time of their shift.

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

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

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 operations emanate from trucks and other vehicles.

REGULATIONS AND FULFILMENTS

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

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 2013, the total number of shares traded amounted to 58 741 182 shares, with a total value of MSEK 107.1. The corresponding number of shares traded during 2012, was 2 318 086 shares with a total value of MSEK 9.9. Share turnover in the Kopy Goldfields-share – a measure of the share's liquidity – amounted to 270 percent (16) during the period, compared with 84 percent (126) for First North over the same period. On average 234 965 shares (9 272) were traded daily with a value of SEK 428 228 (39 432) daily.

Share price trend

Kopy Goldfields' share price on the NASDAQ OMX First North in Stockholm decreased by 47.4 percent during 2013 and closed at SEK 1.63 at the end of the year. The highest price paid for the share during the year was SEK 3.75 on January 17, 2013 and the lowest was SEK 0.64 on August 22, 2013. The average price was SEK 1.89. During 2013, the First North index decreased by 46.7 percent.

Kopy Goldfields' total market capitalization amounted to MSEK 49.3 as of 31 December 2013 (MSEK 70.8 as of 31 December 2012).

Ownership structure

The Company had in total 4 237 shareholders on February 28, 2014. The five largest shareholders on February 28, 2014 were KGK Holding AB 11.2 %, Försäkringsbolaget Avanza Pension 8.1 %, UBS AG Clients Account 7.9 %, Markus Elsasser 6.2 % and Nordnet Pensionsförsäkring 5.2 %.

Share capital

Kopy Goldfields' share capital amounted to SEK 20 000 000 (79 454 661) on 31 December 2013, divided on a total of 30 246 257 (22 851 621) shares with a quota value of SEK 0.66 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 2013 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 entitled the holder to subscribe for one (1) new share in the company at a subscription price of SEK 4.00.

The subscription period ran from November 1 until and including December 30, 2013 and in total 963 shares were subscribed at a total value of SEK 3 852. The transaction was not registered until January 2014 and is hence accounted for as not yet registered share issue as per December 31, 2013. Following the registration, the number of issued shares in Kopy Goldfields amounts to 30 247 220 and the share capital increases by SEK 636.77 to SEK 20 000 636.77.

Long-term incentive programs

The Extraordinary General Meeting held on November 5, 2012 resolved upon a long-term incentive program (incentive program 2012/2014) for management and key employees through issuance of warrants. The warrants were issued to the participants without consideration. Each warrant entitles the holder to subscribe for one (1) share in the Company at a strike price of SEK 4.50 per share. The subscription period runs from December 1 – December 31, 2014. As per December 31, 2013, the number of warrants issued amounted to 485,964, which means that the share capital can be increased by SEK 321 339 at maximum.

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. The subscription period ran from September 1, 2013 until October 15, 2013 and each warrant entitled the holder to subscribe for one (1) share in the Company at a price of SEK 7.10 per share. No new shares were subscribed in the program.

SHARE PRICE DEVELOPMENT DURING 2013

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, 2013.

Group structure and background

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

The Company was as per December 31, 2013 the 100% owner, directly or indirectly, of one Swedish subsidiary, Kopy Development AB, and five Russian subsidiaries: LLC Kopylovsky, LLC Krasny, LLC Patom Gold, LLC Taiga and LLC Vostochny. 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.

The Russian management company LLC Kopylovskoye Management was closed during 2012 when a representative office of Kopy Goldfields AB was opened in Moscow instead. In December 2013, the fully owned subsidiaries LLC Kavkaz Gold and LLC Prodolny were sold. During the first quarter of 2014, two new subsidiaries have been established, AB Krasny Gold Fields, domiciled in Sweden, and Bodaibo Holding Ltd, domiciled on Cyprus.

Vision and business concept

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

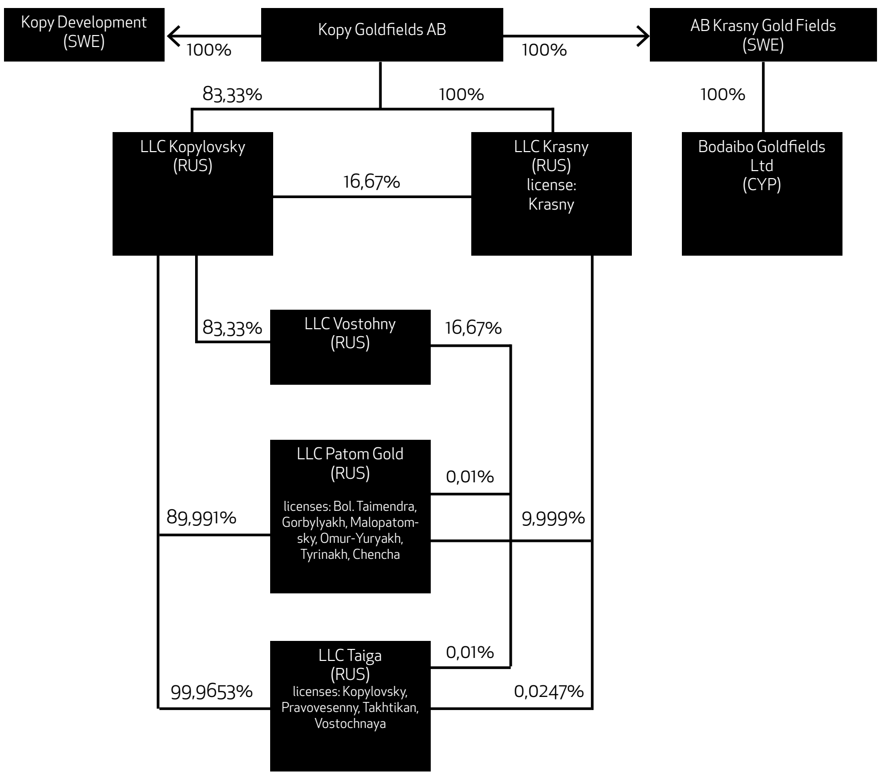
Operations

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

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

The Company focuses on the Artemovsky district of Lena Goldfields, which is the target exploration area with 20 Moz of historic alluvial gold production. Five of the licenses are geographically concentrated within a 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. The infrastructure is well developed with electricity supply and federal roads to the deposits. Six 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.

As a result of the current crisis on the gold and mining business, Kopy Goldfields has significantly decreased the exploration expenditures and also revised the strategy of how to develop going forward. Kopy Goldfields currently holds the largest exploration area in Lena Goldfields and has a diversified project portfolio and will from now on develop more projects under partnership/joint venture. The Company has identifies a number of clusters to develop or divest, which are briefly presented below. For detailed information regarding each license and exploration activities please refer to section "Focus on projects in an advance exploration stage" on page 11 and forward.



Krasny license

The Krasny license is the Company´s main project. Based on the initial JORC compliant mineral resource estimation which was published on 2012, further drilling of 2,400 meters was done on the Krasny project during the first quarter 2013. In March 2013, updated mineral resource estimation according to the JORC-code was published, showing 1.37 Moz of indicated and inferred gold resources with an average grade of 1.59 g/t. The mineral resource estimate was signed by OOO Miramine and prepared in accordance with the Code JORC 2004 for reporting of Mineral Resources. 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.

During February and March 2013 a scoping study was done for the Krasny gold deposit based on the mineral resources reported in November 2012. In April 2013 the scoping study was published based on the market conditions at that time and the previous twelve months period. The scoping study confirms a potential for 60 koz of open pit production of gold per year during 18 years and financial returns of USD 360 million in free cash flow.

In November 2013 the Company signed a Letter of Intent with the Russian gold producer GV Gold to develop the Krasny-project under a joint venture. According to the Letter of Intent, GV Gold may earn up to a 51% interest in the Krasny Project by completing an in-fill exploration program followed by a reserve report in accordance with both the Russian GKZ classification and the international JORC standard. Dependent on the final details of the exploration program, the budget of the program is estimated up to USD 6 million and will be financed by GV Gold in full. The program will primarily target the part of the Krasny deposit which is closer to surface and limited to the depth of 190 meters. The exploration program will be developed in two stages and is scheduled to be completed within 14 months including the reserve reporting. During the exploration period, Kopy Goldfields will act as operator of the Project. The deal also include an upfront cash payment of USD 1 million to Kopy Goldfields and the possibility of an additional consideration of USD 2 million subject to the results of the reserve reporting.

Maly Patom area

The Maly Patom area consists of six licenses with a total area of 1 852 km2, acquired in the end of year 2012. All licenses are located within the Maly Patom area of Lena Goldfields, Bodaibo region of Russia, within geological structures with strong potential for elephant gold discoveries. They have all basic infrastructure on place and a long history of alluvial mining. The Maly Patom gold ore-placer area was first identified in 1970s during the regional geological survey on the gold content of black-slate strata. The area was contoured following wide development of placer gold in river basins showing sulfide and quartz mineralizations and geochemical anomalies.

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

Kopylovskoye cluster

The Kopylovskoye cluster consist of the four licenses Kopylovskoye, Pravovesenny, Takhtykan and Vostochnaya. The Kopylovskoye-license is the most advanced project, with an area of 1.5 km2 and license terms valid until year 2020 allowing both exploration and production. In June 2011, the Company announced a maiden mineral resource estimation for the Kopylovskoye-license of 37 koz at an average grade of 1.31 g/t gold Indicated resources and 80 koz at an average grade of 1.07 g/t gold Inferred resources in accordance with the JORC Code. The mineralization is open in all directions. The project is ready for Joint Venture production or sale.

Sale and return of licenses

In December 2013 the two licenses Kavkaz and Prodolny, owned by subsidiaries with corresponding names, were sold in a cash sale amounting to RUB 50 million (corresponding to approximately SEK 10 million or USD 1.5 million). 10% of the sales amount was received upon signing in December 2013 and the remaining 90% was received in February 2014. The Kavkaz- license had C1 and C2 mineral reserves according to Russian classification of 109 koz and P1 mineral resources of 155 koz, a total area of 4.5 km2 and license terms valid until 2015 allowing exploration and production.

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

Ownership structure

The five largest shareholders on February 28, 2014 were KGK Holding AB 11.2 %, Försäkringsbolaget Avanza Pension 8.1 %, UBS AG Clients Account 7.9 %, Markus Elsasser 6.2 % and Nordnet Pensionsförsäkring 5.2 %. The Company had 4 237 shareholders in total.

The share

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

During June – August 2013, the share capital was decreased by MSEK 59.5 without redemption of shares, followed by a share issue with preferential rights for existing shareholders in which 7 394 636 shares were subscribed and MSEK 11.1 was raised and a transfer of funds from non-restricted equity to the share capital of MSEK 53.0. The Extra General Meeting held in August 2013, resolved to decrease the share capital by MSEK 59.0 without redemption of shares by transferring funds to non-restricted equity. This transaction was registered by the Swedish Companies Registration Office in November 2013. The subscription period for subscribing for new shares through warrant "TO3" was due on December 30, 2013 and in total 963 shares was subscribed. The transaction was not registered until January 2014 and is hence accounted for as not yet registered share issue as per December 31, 2013.

The number of outstanding shares as of December 31, 2013 amounted to 30 246 257 and the share capital amounted to SEK 20 000 000. Following the registration of the subscription of shares through warrant TO3, the number of issued shares in Kopy Goldfields amounts to 30 247 220 and the share capital amounts to SEK 20 000 636.77.

Result

The operating result amounted to MSEK –68.8 (–14.2) which is a decline of MSEK 54.5 compared to the prior year. The change is primarily due to impairment of four licenses at a total of MSEK –61.9, balanced by decreased personnel costs of MSEK 5.1 as a result of the cost reduction program that the Company is implementing. The operating result also includes an amount of MSEK –0.5, being the net from sale of two licenses.

Result after financial items amounted to MSEK –69.3 (–14.8) and the result after tax amounted to MSEK –66.6 (–17.0). The financial net 2013 was MSEK –0.5 (–0.6), the difference compared with last year explained by lower interest cost in 2013.

Tax

Net tax for the period amounted to MSEK 2.7 (–2.2), explained by changes in deferred tax liability as a result of restructuring and change in final tax in the Russian subsidiaries as well as the sale of two subsidiaries.

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

Earnings per share

Earnings per share amounted to SEK –2.51 (–1.16) for 2013. Equity per share amounted to SEK 2.90 compared to SEK 6.39 for the prior year.

Cash flow, liquidity and financial position

Cash flow from operating activities, before changes in working capital, amounted to MSEK –8.5 (–13.7). The change in working capital was MSEK 5.8 (–1.2). Cash flow from investing activities amounted to MSEK –17.1 (–34.6), primarily due to investments in the exploration activities. Cash flow from financing activities amounted to MSEK 11.0 (40.6), primarily related to a completed rights issue during the year and the raise of a short term bridge loan. During the year, two short term bridge loans have been raised, totaling MSEK 5.0 (0), of which MSEK 2.0 has been repaid during 2013 and the remaining MSEK 3.0 has been repaid in February 2014. Interest bearing loans at the beginning of the year has been repaid by totally MSEK 1.3 (9.6), whereof MSEK 1.3 (6.9) were repaid by set-off of shares in completed rights issues.

Interest bearing loans amounted to MSEK 3.0 (1.1) at the end of the year. Cash and cash equivalents amounted to MSEK 2.5 (11.4) at the end of the year. External financing will be required during 2014 since exploration is very capital intensive. The Board has intensified the work to secure new financing during Q1 2014 and currently evaluates how and on which conditions the Company shall be financed. The priority is given to get revenue through divestment or Joint venture agreements over the Kopylovskoye- and the Krasny projects.

The equity asset ratio amounted to 89 per cent at the end of the year compared to 93 per cent in the prior year. No dividend has been paid to the shareholders during the year.

Equity

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

The subscription period for subscribing for new shares through warrant "TO3" was due on December 30, 2013 and in total 963 shares was subscribed at a total value of SEK 3 852. The transaction was not registered until January 2014 and is hence accounted for as not yet registered share issue as per December 31, 2013.

Investments

The Group´s investments in exploration and evaluation work amounted to MSEK 19.4 (34.3) during the year. No acquisition of licenses was done in 2013 but for the corresponding year, eight new licenses were acquired on public auctions and MSEK 2.3 as invested in the acquisitions. Investments in buildings, machinery and equipment amounted to MSEK 0.1 (0.9) in 2013.

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

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

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

Parent company

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

Net income of the parent company amounted to MSEK –150.6 (–13.2) and equity amounted to MSEK 122.1 (263.7) on December 31, 2013. During the year, the Company announced the filing of an application for return of two prospecting licenses to the Russian state, and in addition, two other licenses were sold in a cash sale. Further, the Company announced that a Letter of Intent has been signed with the Russian gold producer GV Gold to develop the Krasny-project further towards production under a joint venture. According to the accounting rules, these decisions to divest the assets mean that the valuation of shares in subsidiaries and receivables from group companies is changed to reflect the transaction amounts. This in turn leads to an impairment of shares in subsidiaries in the Parent Company of totally MSEK –132.0. The Parent Company further shows result from sale of subsidiaries of MSEK –25.1 and reversed write-downs of receivables from group companies of MSEK 11.7.

During 2012, 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 2.1 for the full year 2013 and 0.9 for the half-year 2012. Following the close-down of LLC Kopy Management, the Parent Company impaired shares in group companies by MSEK 3.3 in 2012.

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 2013.

Personnel

The average number of full time employees in the Kopy Goldfields group was 38 (62) during 2013, of which 11 (14) were women. At the beginning of the year the number of employees was 56 and at the end of the year 17, whereof 13 men and 4 women.

Work of the board

The Board consisted of five to six members during 2013. During the year, the Board held 17 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.

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

DIRECTORS REPORT

affect the Company's operations and financial position. The Company sees the following risks as the biggest challenges in operating in Russia:

International capital flows can be hampered by global financial difficulties.

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

The relation between Russia and the EU and/or the USA may be worsened.

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

In August 2013, the Company announced the filing of an application for return of two prospecting licenses, Purpolskaya och Verkhnyaya Orlovka, to the Russian state. The application was confirmed in January 2014 and the licenses were returned. The return of the licenses did not have any negative impact on the cash flow.

In February 2014, the Company received the remaining part of the sales amount from the sale of the subsidiaries LLC Kavkaz Gold and LLC Prodolny and a short term loan of SEK 3 million was repaid and pledges were released.

On April 30, 2014, the Company raised a short term loan of SEK 3 million which is due for repayment on April 30, 2015. The interest rate is 10% and the loan may be converted into new share at a subscription rate of SEK 1.30 per share.

OPERATIONAL OUTLOOK 2014

The Company will be focusing on the following targets in operations during 2014:

- Get closer towards production
- Increase the 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 proceed with feasibility study. Within the feasibility stage, the Company targets to file a Russian 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´s expenditures. The Company will also proceed with the Kopylovskoye project. The project has Russian reserves filed, which provide a background for production planning under joint venture agreements. The company faces a number of interests from Russian Investors.

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

The company continuously reviews the overhead costs and during 2014 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 2013 amounts to KSEK –66,582 (–17,027). The size of the working capital deficit the nearest 12-month period is roughly estimated to be between MSEK 7-10. 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 Board believes that financing primarily should be done via either sale of assets or new share issues possibly supplemented by bridge financing. The priority is given to get revenue through divestment or Joint venture agreements over the Kopylovskoye- and the Krasny projects. Given the estimated values of the Company's licenses and probable additionally raised capital during 2014, the Board's assessment is that the Company can continue on a going concern.

FIVE YEAR SUMMARY

	2013	2012	2011	2010	2009
Earnings per share, SEK	–2.51	–1.16	–11.72	–2.64	–15.05
Equity / asset ratio, %	88.7	92.8	86.3	88.8	84.5
Investments in intangible assets, MSEK	19.4	36.6	36.6	43.0	18.8

PROPOSED DISPOSITION OF EARNINGS

At the annual general meeting's disposal:

SEK	
Additional paid-in capital	181 913 226
Fund for real value	–6 797 631
Retained earnings	77 603 184
Net loss for the year	–150 637 991
Total	**102 080 788**

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

CONSOLIDATED INCOME STATEMENT

KSEK	Note	2013	2012
Other revenue	6	2 728	1 778
Total revenue		**2 728**	**1 778**
Work performed by the company for its own use and capitalized	4	9 160	12 186
Operating expenses			
Other external costs	9	–5 316	–10 115
Personnel costs	10	–12 872	–18 004
Result from sale of subsidiaries		–491	–
Depreciation and amortization of tangible and intangible assets	8	–61 961	–60
Operating result		**–68 752**	**–14 215**
Result from financial investments			
Financial income	12	44	175
Financial costs	12	–553	–784
Result after financial items		**–69 261**	**–14 824**
Tax	13	2 679	–2 203
Net loss		**–66 582**	**–17 027**
Attributable to the shareholders of Kopy Goldfields AB		–66 582	–17 027
Earnings per share before and after dilution*	14	–2,51	–1,16
Average number of shares before and after dilution*		26 491 661	14 739 122

* 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 and 2013.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	2013	2012
Net income	–66 582	–17 027
Items that may be reclassified subsequently to profit or loss		
Translation differences on foreign operations	–9 463	–1 460
Total comprehensive income	**–76 045**	**–18 487**
Attributable to the shareholders of Kopy Goldfields AB	*–76 045*	*–18 487*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

KSEK	Note	2013-12-31	2012-12-31
Assets			
Non-current assets			
Intangible fixed assets			
Explorations licenses and evaluation work	15	79 299	140 422
		79 299	**140 422**
Tangible fixed assets			
Buildings	16	2 918	4 176
Machinery and equipment	17	1 928	3 061
		4 846	**7 237**
Total non-current assets		**84 145**	**147 659**
Current assets			
Inventory	18	847	1 876
		847	**1 876**
Current receivables			
Trade receivables	4	742	299
Other receivables	19	10 535	4 465
Prepaid expenses and accrued income	20	176	481
		11 453	**5 245**
Short term investments			
Cash and cash equivalents		2 476	11 421
		2 476	**11 421**
Total current assets		**14 776**	**18 542**
Total assets		**98 921**	**166 201**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, CNTD

KSEK	Note	2013-12-31	2012-12-31
Equity			
Capital and reserves attributable to the shareholders of the parent company			
Share capital	22	20 000	79 455
Not yet registered share issue		4	–
Other paid-in capital		270 706	201 814
Reserves		–34 647	–25 184
Retained earnings, incl current year net income		–168 360	–101 778
Total equity		**87 703**	**154 307**
Non-current liabilities			
Deferred tax	13	–	3 672
Total non-current liabilities		**–**	**3 672**
Current liabilities			
Current liabilities – interest bearing	23	3 000	1 071
Accounts payable		1 323	2 310
Current tax payable		1 596	482
Other current liabilities		1 186	1 589
Accrued expenses and prepaid income	24	4 113	2 770
Total current liabilities		**11 218**	**8 222**
Total equity and liabilities		**98 921**	**166 201**
Pledged assets and contingent liabilities			
Pledged assets	26	9 019	50
Contingent liabilities	26	None	None

CONSOLIDATED CHANGES IN EQUITY

KSEK	Share capital	Not-registered share capital	Other paid in capital	Reserves	Retained earnings	Total equity
Opening balance 2012	**54 930**	**–**	**255 925**	**–23 724**	**–165 205**	**121 926**
Other comprehensive income				–1 460		–1 460
Use of loss 2011 in accordance with AGM´s decision			–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
Closing balance 2012	**79 455**	**–**	**201 814**	**–25 184**	**–101 778**	**154 307**
Other comprehensive income				–9 463		–9 463
Net income					–66 582	–66 582
Share capital reduction	–118 955		118 955			–
Share issue	6 472		4 620			11 092
Transfer of funds from non-restricted equity to the share capital	53 028		–53 028			–
Not yet registered share issue		4				4
Issue costs			–1 655			–1 655
Closing balance 2013	**20 000**	**4**	**270 706**	**–34 647**	**–168 360**	**87 703**

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

CONSOLIDATED STATEMENT OF CASH FLOW

KSEK	Note	2013	2012
Operating activities			
Result after financial items 1)		−69 262	−14 824
Adjustment for items not affecting cash flow	25	60 730	1 090
Paid / received taxes		0	0
Cash flow from operating activities before changes in working capital		**−8 532**	**−13 734**
Cash flow from changes in working capital:			
Increase (−)/Decrease (+) in inventory		919	−106
Increase (−)/Decrease (+) in current receivables		273	−870
Increase (+)/Decrease (−) in current liabilities		4 571	−236
Cash flow from operating activities		**−2 769**	**−14 946**
Cash flow from investing activities			
Expenditures on intangible assets	15	−20 676	−35 048
Expenditures on property, plant and equipment	16, 17	−126	−817
Proceeds on disposal of property, plant and equipment		2 722	1 207
Proceeds on disposal of subsidiaries/licenses		993	–
Other		–	42
Cash flow from investing activities		**−17 087**	**−34 616**
Cash flow from financing activities			
Proceeds from Share issues		9 793	44 544
Issue costs		−1 656	−1 359
Proceeds from warrants		–	163
Proceeds from loans received		5 000	–
Repayment of loans		−2 150	−2 730
Cash flow from financing activities		**10 987**	**40 618**
Cash flow for the year		**−8 869**	**−8 944**
Cash and cash equivalents at the beginning of the year		11 421	20 386
Translation differences in cash		−76	−21
Cash and cash equivalents at the end of the year		2 476	11 421
Supplemental information to the cash flow			
Cash and cash equivalents			
The following is included in cash and cash equivalents:			
Cash and bank balances		2 476	11 421

[1] The amount includes received interest of KSEK 33 (174) and paid interest of KSEK 0 (177)

INCOME STATEMENT, PARENT COMPANY

KSEK	Note	2013	2012
Revenue	7	3 743	919
Total revenue		**3 743**	**919**
Operating expenses			
Other external costs	9	−5 878	−3 479
Personnel costs	10	−3 712	−4 478
Depreciation and amortization of tangible and intangible assets	8	−58	−58
Total operating expenses		**−9 648**	**−8 015**
Operating result		**−5 905**	**−7 096**
Result from financial items			
Results from shares in group companies	11	−157 004	−3 583
Results from other financial assets	12	12 782	−2 138
Interest income	7, 12	44	167
Interest expenses	12	−555	−591
Result after financial items		**−150 638**	**−13 240**
Tax	13	–	–
Net income		**−150 638**	**−13 240**

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

KSEK	2013	2012
Net income	−150 638	−13 240
Other comprehensive income		
Exchange differences	−400	−170
Total comprehensive income	**−151 038**	**−13 410**

BALANCE SHEET, PARENT COMPANY

KSEK	Note	2013-12-31	2012-12-31
Assets			
Non-current assets			
Tangible fixed assets			
Machinery and equipment	17	175	234
		175	**234**
Financial fixed assets			
Shares in group companies	11, 21	118 465	249 921
Receivables, group companies	12	0	0
		118 465	**249 921**
Total non-current assets		**118 640**	**250 155**
Current assets			
Current receivables			
Other receivables	19	9 196	317
Prepaid expenses	20	35	7 276
Cash and cash equivalents		2 346	9 890
Total current assets		**11 577**	**17 483**
Total assets		**130 217**	**267 638**
Equity and liabilities			
Equity			
Restricted equity			
Share capital	22	20 000	79 455
Not yet registered share issue		4	–
Total restricted equity		**20 004**	**79 455**
Non-restricted equity			
Additional paid-in capital		181 913	178 949
Fund for real value		–6 798	–6 398
Retained earnings, incl net income		–73 035	11 676
Total non-restricted equity		**102 081**	**184 228**
Total equity		**122 085**	**263 683**
Current liabilities			
Accounts payable		279	100
Interest bearing liabilities	23	3 000	651
Other current liabilities		740	434
Accrued expenses and prepaid income	24	4 113	2 770
Total current liabilities		**8 132**	**3 955**
Total equity and liabilities		**130 217**	**267 638**
Pledged assets and contingent liabilities			
Pledged assets	26	9 019	50
Contingent liabilities	26	None	None

CHANGES IN EQUITY, PARENT COMPANY

KSEK	Share capital	Not registered share capital	Additional paid-in capital	Fund for real value	Retained earnings incl. net income	Total equity
Opening balance 2012	**54 930**	**-**	**256 232**	**–6 228**	**–78 038**	**226 896**
Use of loss 2011 in accordance with AGM ' s decision			–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
Closing balance 2012	**79 455**	**-**	**178 949**	**–6 398**	**11 676**	**263 683**
Share capital reduction	–118 955				118 955	–
Share issue	6 472		4 620			11 092
Not yet registered share issue		4				4
Transfer of funds from non-restricted equity to the share capital	53 028				–53 028	
Issue costs			–1 656			–1 656
Other comprehensive income				–400		–400
Net income					–150 638	–150 638
Closing balance 2013	**20 000**	**4**	**181 913**	**–6 798**	**–73 035**	**122 085**

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

CASH FLOW STATEMENTS, PARENT COMPANY

KSEK	Note	2013	2012
Operating activities			
Result after financial items [1)]		−150 638	−13 240
Adjustment for items not affecting cash flow	25	140 653	5 795
Cash flow from operating activities before changes in working capital		**−9 985**	**−7 445**
Cash flow from changes in working capital:			
Increase (−)/Decrease (+) in current receivables		270	−1 029
Increase (+)/Decrease (−) in current liabilities		2 452	1 134
Cash flow from operating activities		**−7 263**	**−7 340**
Investing activities			
Shareholder contributions		−10 466	−42 454
Expenditures on property, plant and equipment	17	–	−292
Proceeds on disposal of subsidiaries		993	–
Loans to group companies		−1 795	−268
Cash flow from investing activities		**−11 268**	**−43 014**
Financing activities			
Share issue		9 793	44 544
Issue costs		−1 656	−1 359
Proceeds from warrants		–	163
Proceeds from loans received		5 000	–
Repaid loans		−2 150	−2 730
Cash flow from financing activities		**10 987**	**40 618**
Cash flow for the year		−7 544	−9 736
Cash at the beginning of the year		9 890	19 626
Cash at the end of the year		2 346	9 890
Supplemental information to cash flow			
Cash and cash equivalents			
The following components are included in cash and cash equivalents:			
Cash and bank balances		2 346	9 890

[1)] The amount includes received interest of KSEK 33 (174) and paid interest of KSEK 0 (175)

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, 2013 was approved for publication by the Board of Directors on May 5, 2014 and will be presented to the Annual General Meeting for adoption on May 27, 2014.

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
Following an amendment to IAS 1, Presentation of Financial Statements, which took effect on 1 January 2013, other comprehensive income is now allocated to two groups: items that may be reclassified to profit or loss in subsequent periods and items that will not be reclassified to profit or loss in subsequent periods

None of the other IFRS standards or statements from IFRIC that have come into effect as of January 1, 2013 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.
A number of new standards and amendments to interpretations and existing standards took effect for fiscal years beginning after 1 January 2014 and were not applied when preparing the consolidated financial statements. None of these are expected to have a material impact on the consolidated financial statements except for the following

IFRS 10, Consolidated financial statements, replaces IAS 27 and SIC 12 and builds on existing principles by identifying the concept of control as the determining factor in whether an entity shall be included within the consolidated financial of the parent company. The standard provides additional guidance on determining whether control exists when it can be difficult to assess. The Group will apply IFRS 10 from 1 January 2014 but it is not expected to affect the Group's or Parent Company's financial statements.

IFRS 11, Joint Arrangements, provides a more realistic picture of joint arrangements by focusing on rights and obligations rather than the legal form of an arrangement. The recommendation regulates accounting in a company that is a party to a joint arrangement. A joint arrangement is an arrangement over which two or more parties have joint control. There are two types of joint arrangements: joint operations and joint ventures. A joint operation arises when the parties that have joint control over the arrangement have direct rights to the assets and responsibility for the liabilities in an arrangement. In such an arrangement, assets, liabilities, income, and expenses are recognized based on the holders' share of these, that is, as per proportionate consolidation. A joint venture arises when the parties that have joint control have rights to the net assets in an arrangement. In such an arrangement, the holder recognizes its share as per the equity method. The proportional method is no longer permitted. The Group will apply IFRS 11 as of 1 January 2014 and currently Kopy Goldfields is not involved in any joint arrangement. The Company is however currently negotiating a potential cooperation regarding one of the Group ' s licenses and depending on the final outcome of the contract, the new standard may have an effect on the financial statements.

IFRS 12, Disclosures of Interests in Other Entities, includes disclosure requirements for subsidiaries, joint arrangements, associated companies, and unconsolidated structured entities. The disclosure requirements are now more extensive, and the aim is to provide more information to users of the financial statements so they can evaluate the nature of and risks associated with holdings in other entities along with the impact that these holdings have on a company's financial statements. The Group will apply IFRS 12 as of 1 January 2014. The standard could affect Kopy Goldfields' disclosures in the annual report.
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.

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 in the Consolidated Statement of Comprehensive income.

The following exchange rates were used in the Group:

	2013		2012	
Currency	Balance sheet date rate	Average rate	Balance sheet date rate	Average rate
RUR	0.1994	0.2046	0.2147	0.2181
USD	6.5270	6.5140	6.5156	6.7754

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.

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.

NOTE 2 PARENT COMPANY ACCOUNTING PRINCIPLES

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

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

Subsidiaries
Shares in subsidiaries are recognized in the parent company according to the cost method. The parent recognizes received dividends as income if they have been earned after the acquisition. No dividend has been received, either in 2013 or 2012. 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. The remaining amount of KSEK 1,299 including interest, was repaid in July 2013 by set off in a share issue. See also note 7 and note 10.

NOTE 4 FINANCIAL RISK FACTORS

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

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

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 –755 (–894).

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

Currency	Capitalized amounts/revenue	Net income
SEK	0	4 759
RUR	11 888	–71 341
Total	11 888	–66 582

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

Currency	Assets	Liabilities
SEK	11 752	8 082
RUR	87 168	3 136
Total	98 920	11 218

The Group has chosen not to hegde 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 –0.5 (net receivable 10.4) at the end of 2013, consisting of cash MSEK 2.5 (11.4) and interest bearing liabilities of MSEK –3.0 (–1.1).

Credit risk
Credit risk is primarily attached to the financial credit risk since the Company does not have any commercial accounts receivable or similar. Accounts receivables as per December 31, 2013 relates to sale of property, plant and equipment, which has been paid during 2014.

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.
It is the Board's judgment that financing probably will be obtained for the next twelve month period, but maybe on different terms than previously.
The outstanding loan at the balance sheet date had the following structure, average interest and maturity. The loan was repaid in February 2014.

2013

Loan	Average interest (%)	Within 1 year	2–5 years	Later than 5 years	Total	Fair value
Other loans	8 %	3 000	–	–	3 000	3 000
Total		3 000	–	–	3 000	3 000

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

NOTE 5 SIGNIFICANT ESTIMATES AND JUDGEMENTS FOR ACCOUNTING PURPOSES

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

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

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

Useful lives of intangible and tangible fixed assets
Management determines the estimated useful lives and the associated depreciation for the Group's intangible and tangible fixed assets. These estimations are based on historical knowledge about the equivalent assets useful lives. Useful life and estimated residual values are tested at each balance sheet date and adjusted as needed. For carrying values for the respective balance sheet date, see note 15–17.

Impairment test for Exploration licenses and evaluation work, 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". The recoverable amount for cash generating units is the higher of the asset's fair value less selling costs and its value in use. When assessing the value in use, certain estimates are made for these calculations related to discount rate, price of gold, reserves etc.
During 2013, four licenses were impaired by totally MSEK 61.9, see note 15.

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 2013 amounts to KSEK –66,582 (–17,027). The size of the working capital deficit the nearest 12-month period is roughly estimated to be between MSEK 7-10. 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 Board believes that financing primarily should be done via either sale of assets or new share issues possibly supplemented by bridge financing. The priority is given to get revenue through divestment or Joint venture agreements over the Kopylovskoye- and the Krasny projects. Given the estimated values of the Company's licenses and probable additionally raised capital during 2014, the Board's assessment is that the Company can continue on a going concern.

NOTE 6 OTHER REVENUE

	Group	
KSEK	2013	2012
Sale of property plant and equipment	2 035	102
Sale of inventory	409	1 205
Other	284	471
Total	**2 728**	**1 778**

NOTE 7 INTRA GROUP PURCHASE AND SALES

100 per cent (100) of the parent company's net revenue or KSEK 3 743 (919) was related to sales to other companies within the Group. 96 percent (81) or KSEK 1 078 (708) of the interest income in the parent company is related to other companies within the Group.

NOTE 7 DEPRECIATION AND AMORTIZATION

	Group		Parent company	
KSEK	2013	2012	2013	2012
Buildings	322	402	–	–
Machinery and equipment	1 065	1 272	58	58
Impairment	61 903	–	–	–
Total	**63 290**	**1 674**	**58**	**58**

Of the amount above, KSEK 1 329 (1 614) has been capitalized as intangible assets.

NOTE 8 AUDIT FEES

KSEK	The Group 2013	The Group 2012	Parent company 2013	Parent company 2012
Ernst & Young				
Audit fee	274	385	274	385
Audit activities other than the audit assignment	66	60	66	60
Other services, tax	–	15	–	15
Other services, other	49	–	49	–
Total	**389**	**460**	**389**	**460**
Other audit firms				
Audit fee	126	123	–	–
Audit activities other than the audit assignment	–	159	–	–
Other services, tax	–	–	–	–
Other services, other	–	–	–	–
Total	**515**	**742**	**389**	**460**

Audit fee include the audit of the financial statements and accounting records and the administration of the Company by the Board and CEO, other assignments that fall on the Company's auditor to do and advice and other assistance which is the result of the audit. All other assignments are Tax services or Other services.
Other services in the table above mainly relates to reviews in relation to preparation of prospectuses and specific accounting issues.

NOTE 9 PERSONNEL

Average number of employees

	2013 Total	2013 Of which women	2012 Total	2012 Of which women
Parent company				
Sweden	2	0	2	0
Group companies				
Russia	36	11	60	14
Total for the Group	**38**	**11**	**62**	**14**

As of December 31, 2013 there were 12 full time permanent employees (21) 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

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

	2013 As of December 31	2013 Of which women	2012 As of December 31	2012 Of which women
Board of Directors	6	0	5	0
CEO and management	4	0	4	0
Total for the Group	**10**	**0**	**9**	**0**

Salaries, remuneration and social security costs

	2013	2012
The Group		
Board, CEO and management	4 606	6 056
(of which variable)	(934)	(1 989)
Other employees	5 882	9 119
Total	**10 488**	**15 175**
Social security costs	2 720	3 901
(of which pension costs)	(129)	(168)
Total	**13 208**	**19 076**
Parent Company		
Board, CEO and management	3 295	3 429
(of which variable)	(578)	(1 001)
Other employees	0	0
Total	**3 295**	**3 429**
Social security costs	862	1 081
(of which pension costs)	(129)	(168)
Total	**4 157**	**4 510**

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

	Salary/fee	Variable remuneration	Other benefits	long-term incentive[1]	Pension cost	Total
Chairman of the Board, Kjell Carlsson	260	254	0	0	0	514
Board member, Sergey Petrov	100	0	0	0	0	100
Board member, Markku Mäkelä	100	0	0	0	0	100
Board member, Markus Elsasser[1]	50	0	0	0	0	50
Board member, Johan Österling	100	35	0	0	0	135
Board member, Andreas Forssell	100	0	0	0	0	100
CEO, Mikhail Damrin	1 127	97	0	0	0	1 224
Deputy CEO, Tim Carlsson	880	192	0	0	129	1 201
Other management (2 persons)	955	356	0	0	0	1 311
Total Board and management	**3 672**	**934**	**0**	**0**	**129**	**4 735**

[1] Markus Elsasser was elected to the Board of Directors on the Annual General Meeting in June 2013 and hence only 50% of the annual board fee is accounted for during the financial year 2013.

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 2013 amounted to KSEK 999 (1 151), of which KSEK 514 (523) 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 254 related to extra work done during 2013. 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 35 related to legal advice during 2013.

Remuneration and benefits to the CEO

Remuneration to the CEO amounted to KSEK 1 224 (1 503) KSEK for 2013. 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 135 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 2013, 485,965 warrants were issued. 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 28 for more information.

As of December 31, 2013, the warrants were allocated as below:

Participant	Maximum number of warrants/position	Number of warrants transferred December 31, 2013
CEO (1 position)	161 988	161 988
Other management (3 positions)	80 994	242 982
Other key employees (2 positions)	40 497	80 994
Total		**485,964**

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 entitled the holder to subscribe for one (1) new share in the Company at a price of 7.10 SEK/share. The warrants had a subscription period from September 1, 2013 up to and including October 15, 2013. No shares were subscribed. See note 28 for more information.

NOTES

NOTE 11 RESULTS FROM SHARES IN GROUP COMPANIES

KSEK	Parent company 2013	2012
Sale of shares in subsidiaries	–25 050	–
Impairment	–131 954	–3 583
Total	**157 004**	**–3 583**

During the year, the Company announced the filing of an application for return of two prospecting licenses to the Russian state, and in addition, two other licenses were sold in a cash sale. Further, the Company announced that a Letter of Intent has been signed with the Russian gold producer GV Gold to develop the Krasny-project further towards production under a joint venture.

According to the accounting rules, these decisions to divest the assets mean that the valuation of shares in subsidiaries and receivables from group companies is changed to reflect the transaction amounts. This in turn leads to an impairment of shares in subsidiaries in the Parent Company of totally MSEK –132.0.

The Parent Company further shows result from sale of subsidiaries of MSEK –25.1 and reversed write-downs of receivables from group companies of MSEK 11.7, see note 12.

During 2012, LLC Kopy Management was closed down and a representative office was opened in Moscow. Following the close-down of LLC Kopy Management, the Parent Company impaired shares in group companies by MSEK 3.3 in 2012.

NOTE 12 FINANCIAL INCOME AND COST

company KSEK	The Group 2013	2012	Parent 2013	2012
Financial income				
Interest income	44	175	44	168
Exchange differences	–	–	–	–
Other financial income	–	–	–	–
Interest income from Group companies	–	–	1 078	708
Reversal of write-down	–	–	11 704	–
Total financial income	**44**	**175**	**12 826**	**876**
Financial costs				
Impairment	–	–	–	–2 846
Interest cost	–453	–762	–453	–570
Exchange differences	–100	–22	–102	–21
Other	–	–	–	–
Total financial cost	**-553**	**-784**	**-555**	**-3 437**
Net financial income and cost	**-509**	**-609**	**12 271**	**-2 561**

NOTE 13 TAX

KSEK	The Group 2013	2012
Current tax	–	–
Deferred tax	2 679	–2 203
Total	**2 679**	**-2 203**

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 2013	202	Parent company 2013	2012
Result after financial items	–69 261	–14 824	–150 638	–13 240
Tax at current tax rate	15 238	3 899	33 140	3 482
Difference in tax rate in foreign operations	–1 397	–1 409	–	–
Tax effects from:				
Nondeductible items	–76	–272	–31 983	–1 696
Nontaxable items	124	–	–	–
Loss carry forwards for which deferred tax is not recognized	–11 210	–4 469	–1 157	–1 834
Reported tax	**2 679**	**-2 203**	**0**	**0**

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

As of December 31, 2013 the Group had tax loss carry forwards of approximately MSEK 164.4. 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 33.9, whereof MSEK 11.1 relates to the Parent Company in Sweden and MSEK 22.8 to Russian subsidiaries. The tax loss carry forwards can be used for indefinite time in Sweden, while they can be used for 10 years in Russia.

Deferred tax receivables and liabilities relates to the following:

	December 31 2013	December 31 2012
Deferred tax		
Intangible assets	0	2 813
Leasing liabilities	0	858
Total deferred tax liabilities	**0**	**3 671**

Change in the net of deferred tax liabilities

	Opening balance	Recognized in the income statement	Translation differences	Closing balance
Deferred taxes				
Intangible assets	–2 813	1 862	951	0
Leasing liabilities	–858	817	41	0
Total	**-3 671**	**2 679**	**992**	**0**

Changes in deferred tax liability are related to write-downs of intangible assets, change in final tax in the Russian subsidiaries as well as the sale of two subsidiaries.

NOTE 14 EARNINGS PER SHARE

Change in number of shares

	2013	2012
Outstanding at the beginning of the period	22 851 621	9 327 193
Share issue May		6 995 394
Share issue July	7 394 636	
Share issue November		6 529 034
Outstanding at the end of the period	**30 246 257**	**22 851 621**

December 30, 2013 was the last day for subscription of shares using the warrant TO3 and a total of 963 shares were subscribed. The transaction was registered at the Swedish Companies Office in January 2014 and is not included above.

Earnings per share before and after dilution

	2013	2012
Net income, KSEK, attributable to the shareholders of the parent company	–66 582	–17 027
Average number of shares before and after dilution	26 491 661	14 739 122
Earnings per share before and after dilution	**-2.51**	**–1.16**

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 15 EXPLORATION LICENSES AND EVALUATION WORK

	The Group	
KSEK	2013	2012
Opening acquisition cost	211 274	175 759
Investments	19 376	34 321
Acquired licenses	18	2 268
Disposals	-64 601	–
Translation differences	–13 795	–1 075
Closing acquisition cost	**152 272**	**211 274**
Opening accumulated write down	–70 852	–71 060
Write down	–61 902	–
Disposals	54 144	–
Translation difference	5 637	208
Closing accumulated write down	**-72 973**	**-70 852**
Carrying value	**79 299**	**140 422**

The balance for exploration licenses and evaluation work includes approximately MSEK 29 of acquired licenses and the remaining part relates to capitalized exploration and evaluation work, approximately MSEK 50.

In assessing the possible impairment on exploration licenses and evaluation work, the carrying values are compared with the recoverable amount. The recoverable amount is the higher of the asset's fair value less selling costs and its value in use. During the year, the Company has sold two licenses and decided to return two licenses. In addition, a Letter of Intent has been signed to develop one license under a joint venture. These transactions have served as a base to estimate the recoverable amount of the assets and during the year impairments of MSEK 62 have been done.

NOTE 16 BUILDINGS

	The Group	
KSEK	2013	2012
Opening acquisition cost	15 473	31 577
Investments	2	263
Disposals	–6 466	–16 529
Translation difference	–939	162
Closing acquisition cost	**8 070**	**15 473**
Opening accumulated depreciation	–3 779	–3 837
Depreciation	–322	–402
Disposals	1 498	449
Translation difference	240	11
Closing accumulated depreciation	**-2 363**	**-3 779**
Opening accumulated write down	–7 517	–22 611
Disposals	4 301	15 267
Translation difference	427	–172
Closing accumulated write down	**-2 789**	**-7 517**
Carrying value	**2 918**	**4 176**

NOTE 17 MACHINERY AND EQUIPMENT

	The Group		Parent Company	
KSEK	2013	2012	2013	2012
Opening acquisition cost	14 159	13 859	292	–
Investments	116	710	–	292
Disposals	–4 082	–392	–	–
Translation difference	–909	–17	–	–
Closing acquisition cost	**9 284**	**14 159**	**292**	**292**
Opening accumulated depreciation	–3 802	–2 655	–58	–
Depreciation	–1 065	–1 272	–58	–58
Disposals	2 048	100	–	
Translation difference	241	25	–	–
Closing accumulated depreciation	**-2 579**	**-3 802**	**-116**	**-58**
Opening accumulated write down	–7 296	–7 318	–	–
Write down	2 035	–	–	–
Translation difference	484	22	–	–
Closing accumulated write down	**-4 777**	**-7 296**	**-**	**-**
Carrying value	**1 928**	**3 061**	**176**	**234**

NOTE 18 INVENTORY

	The Group	
KSEK	2013	2012
Raw material and consumables	847	1 876
Carrying value	**847**	**1 876**

NOTE 19 OTHER RECEIVABLES

	The Group		Parent company	
KSEK	2013	2012	2013	2012
Value added tax	1 366	2 878	122	273
Down payments	–	1 215	–	–
Receivable sales amount	9 019	–	9 019	–
Other	150	372	55	44
Total	**10 535**	**4 465**	**9 196**	**317**

NOTE 20 PREPAID EXPENSES

	The Group		Parent company	
KSEK	2013	2012	2013	2012
Prepaid rent	26	26	26	26
Accrued revenue from subsidiaries	–	–	–	7 112
Prepaid exploration	141	316	–	–
Other	9	139	9	138
Total	**176**	**481**	**35**	**7 276**

NOTE 21 SHARES IN SUBSIDIARIES

	Parent company	
KSEK	2013	2012
At the beginning of the year	249 921	210 733
Acquisitions	–	8
Shareholder contributions	35 561	42 763
Disposals	–35 063	–
Impairment	–131 954	–3 583
Carrying value at the end of the year	**118 465**	**249 921**

The table below specifies the subsidiaries of the Group as of December 31, 2013.

Equity	Corporate. Identification no	Domicile	Ownership, %	Carrying value in parent company
LLC Kopylovsky	1043800732337	Bodaibo, Russia	100	42 452
LLC Krasny	1103802000048	Bodaibo, Russia	100	75 963
LLC Vostochny	1103802000389	Bodaibo, Russia	100	0
LLC Patom Gold	1123802000519	Bodaibo, Russia	100	0
LLC Taiga	1123802000552	Bodaibo, Russia	100	0
Kopy Development AB	556858-1747	Stockholm, Sweden	100	50

NOTE 22 CHANGES IN SHARE CAPITAL

Year	Event 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
2013	Reduction share capital	–59 454 661	–	–	0.88	20 000 000	22 851 621
2013	Share issue	6 471 870	11 091 954	7 394 636	0.88	26 471 870	30 246 257
2013	Transfer of funds to share capital	53 028 130	–	–	2.63	79 500 000	30 246 257
2013	Reduction share capital	–59 500 000	–	–	0.66	20 000 000	30 246 257

December 30, 2013 was the last day for subscription of shares using the warrant TO3 and a total of 963 shares were subscribed. The transaction was registered at the Swedish Companies Office in January 2014 and is not included above.

NOTE 23 FINANCIAL LIABILITIES

The gross financial liability, including accrued interest, amounted to KSEK 3 007 at the end of 2013. The following table specifies the maturity of the financial liability. For interest rate risk see note 4.

KSEK	The Group 2013	2012
Current financial liabilities		
Matures within 1 year	3 000	1 071
Total current financial liabilities	**3 000**	**1 071**
Non-current financial liabilities		
Other non-current loans with maturity		
>1 year <5 year	–	–
Total non-current financial liabilities	**–**	**–**
Total financial liabilities	**3 000**	**1 071**

KSEK	Parent company 2013	2012
Current financial liabilities		
Matures within 1 year	3 000	651
Total current financial liabilities	**3 000**	**651**
Non-current financial liabilities		
Other non-current loans with maturity		
>1 year <5 year	–	–
Total non-current financial liabilities	**–**	**–**
Total financial liabilities	**3 000**	**651**

The short term loan of MSEK 3.0 was repaid in February 2014.

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 24 ACCRUED EXPENSES

KSEK	The Group 2013	2012	Parent company 2013	2012
Interest	7	625	7	625
Board fee	583	613	583	613
Social security fees	296	264	296	264
Transaction costs	2 148	–	2 148	–
Other	1 079	1 268	1 079	1 268
Total	**4 113**	**2 770**	**4 113**	**2 770**

NOTE 25 ADJUSTMENT FOR ITEMS NOT AFFECTING CASH FLOW

KSEK	The Group 2013	2012
Depreciation and impairment	61 962	60
Accrued interest	173	192
Long-term incentive program	–	673
Gains on sale of property plant and equipment	–2 008	–102
Gains on sale of subsidiaries	490	–102
Translation differences	–42	66
Other	155	201
Total	**60 730**	**1 090**

KSEK	Parent company 2013	2012
Depreciation and impairment	120 309	6 486
Accrued interest	–901	–708
Translation differences	–42	12
Gains on sale of subsidiaries	25 049	–
Other	–3 762	5
Total	**140 653**	**5 795**

NOTE 26 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets as per December 31, 2013 amount to MSEK 9.0 (0.1). The company pledged the receivable from the sale of two subsidiaries as a pledge for a short term loan of MSEK 3.0 that was raised in December 2013. The Company received the payment from the sale of the subsidiaries in February 2014 and repaid the loan and released the pledge.
There are no known on-going disputes as of December 31, 2013.

NOTE 27 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 2013 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 2013 the leasing costs amounted to KSEK 175 (539). There are no future leasing obligations at year end as shown in the table below:

KSEK	2012	2011
Within 1 year	–	420
After 1 year within 5 years	–	–
After 5 years	–	–
Total	**–**	**420**

NOTE 28 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 options issued at the beginning of the year	485 964
Exercised	–
Forfeited	–
At the end of the year	485 964
Of which fully vested at December 31, 2013[1)]	485 964
Theoretical value[2)]	835 858
Theoretical value per option at issue[2)], SEK	1.72
Theoretical value per option at December 31, 2013, SEK	0.20
Theoretical dilution	1.6 %

1) 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 December 2013, 485 965 warrants were issued. 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 321 338.27 at maximum.

2) 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 options issued at the beginning of the year	3 264 517
Exercised	963
Forfeited	–3 263 554
At the end of the year	–

KSEK	Incentive Program 2011/2013
Exercise price, SEK	7.10
First exercise date	2013-09-01
Last exercise date	2013-10-15
Number of options issued at the beginning of the year	200 187
Exercised	–
Forfeited	–200 187
At the end of the year	–

NOTE 29 FINANCIAL INSTRUMENTS

Financial assets include loans and accounts receivables as well as 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 30 SUBSEQUENT EVENTS

In August 2013, the Company announced the filing of an application for return of two prospecting licenses, Purpolskaya och Verkhnyaya Orlovka, to the Russian state. The application was confirmed in January 2014 and the licenses were returned. The return of the licenses did not have any negative impact on the cash flow.

In February 2014, the Company received the remaining part of the sales amount from the sale of the subsidiaries LLC Kavkaz Gold and LLC Prodolny and a short term loan of SEK 3 million was repaid and pledges were released.

On April 30, 2014, the Company raised a short term loan of SEK 3 million which is due for repayment on April 30, 2015. The interest rate is 10% and the loan may be converted into new share at a subscription rate of SEK 1.30 per share.

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

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

The income statement and statement of financial position of the Group and the income statement and balance sheet of the Parent Company are subject to adoption at the annual general meeting on May 27, 2014.

Stockholm on May 5, 2014

Kjell Carlsson
Chairman

Mikhail Damrin
CEO

Johan Österling

Markus Elsasser

Andreas Forssell

Sergei Petrov

Markku Mäkelä

Our audit report was issued on Stockholm on May 5, 2014 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 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 19-45.

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 2013 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 2013 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.

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 2013.

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

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

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

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

Opinions

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

Stockholm, May 5, 2014

Ernst & Young AB

Per Hedström
Authorized Public Accountant

THE BOARD OF DIRECTORS

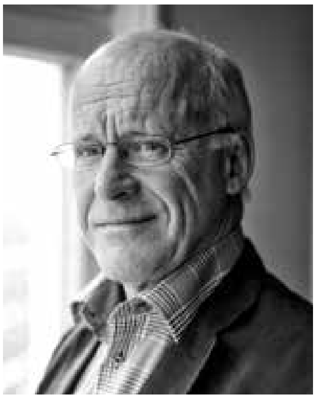
Organization
The parent company is responsible for the group strategy and manages the subsidiaries, while performing intra-group functions such as financing, external information, financial reporting and the management of certain agreements.

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 2013 financial year was 38, 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; Board member, AB Krasny Gold Fields; Board member, EuroMaint Rail 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 Ingenjörsfirma 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 (UNRFNRE) and regional exploration manager of Outokumpu Oy.
Relinquished assignments during the last five years: Board member, Dragon Mining Ltd; 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: 471,554

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, Andreas Forssell AB; Board member, AB Krasny Gold Fields
Relinquished assignments during the last five years: CEO, Tomsk Refining AB; Board member, Tomsk Konsult AB; Board member, Play on TV Europe AB; Board member, Stella Nova Filmproduktion AB; Deputy Board member, Elecard AB, Deputy Board member, Park Venue Stockholm AB
Shareholding in Kopy Goldfields: 70,000

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, Kilimanjaro Gold AB; Board member, LC-Tec AB; Board member, AB Surditet; Chairman of the Board, Göthes AB; Chairman of the Board, Fahlia AB; Chairman of the Board, Penclic AB; Chairman of the Board, ByggBag AB; Chairman of the Board, JE Österling Förvaltning AB; Board member, Bofors Bruk AB; Board member, AB Solut.
Relinquished assignments during the last five years: Nomor AB (publ).
Shareholding in Kopy Goldfields: 270,000

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

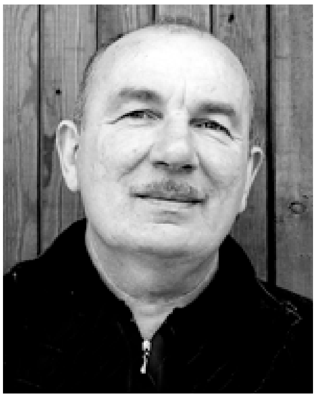
Auditor
Ernst & Young, responsible Per Hedström, Authorized Public Accountant

MANAGEMENT

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

Mikhail Damrin
CEO since 2009.
Born: 1970, Russian citizen.
Education: 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: 161,988

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: 63 500
Warrants: 80 994



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: 80 994

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 Voronej 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: 80 994

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 nor be the basis for economic evaluations.

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

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

Leaching
Chemical dissolution of metals for selective extraction from the leachate.

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

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

Mineralization
Natural concentration of minerals in the bedrock.

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

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

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

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

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

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

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

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

Troy ounce (oz)
1 oz = 31,304 gram. Measure for gold.