KOPY GOLDFIELDS
GOLD EXPLORATION

ANNUAL REPORT 2011

A SWEDISH COMPANY SET TO EXPLOIT THE RICHES OF THE LENA GOLDFIELDS

The Lena Goldfields in Russia, Irkutsk region, is regarded as one of the most interesting areas in the world for gold exploration and production. It is also one of the most underexplored areas. In order to exploit its riches, the Swedish company Kopy Goldfields was founded in 2007.

Our vision is to create a world-class gold exploration and production company. In 2011, we took several important steps towards reaching that vision. With the new, strong owner, Eldorado Gold, we are now focusing our exploration drilling to the Krasny mineralization. Meanwhile, we are continuously evaluating new, potential project areas within Lena Goldfield.

Our long-term target is to discover 5 million ounces of gold to support production of 200,000 ounces of gold per year.

Kopy Goldfields in brief

41,0

DURING 2011 41.0 MSEK (49.5) WAS INVESTED IN EXPLORATION AND EVALUATION WORK, LICENSES AND TANGIBLE ASSETS

- 117 kOz mineral resources Indicated and Inferred categories under JORC Code for the Kopylovskoye-license (1.5 km²)
- 2.9 mOz of C2-P3 Russian Resources for other licenses (485.5 km²)
- 29 % of the shares owned by Eldorado Gold
- 259 MSEK invested in exploration and license acquisitions, as well as tangible assets, since 2007, excluding exchange differences
- 16 000 inhabitants in Bodaibo where head quarter is located
- Strong support from local authorities
- Developed infrastructure with federal roads, water supply and electricity

11 742 prospecting meters drilled during 2011

9

BEDROCK EXPLORATION AND PRODUCTION LICENSES

VISION

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

487

487 KM² EXPLORATION AREA

KOPY GOLDFIELDS SERVICE PROVIDERS

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

LONG-TERM TARGETS

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

KOPY GOLDFIELDS OPERATES IN A HISTORICAL GOLD RICH AREA OUTSIDE THE CITY BODAIBO

Key events during the year

Eldorado Gold Corp became the new major owner with 28.9 % holding
Eldorado Gold invested 29 MSEK on 10 SEK and 12 SEK per share into the company in October. Eldorado Gold has together with the Kopy Goldfields members created a Technical Committee and they presented their first proposal of an exploration plan to the board in January 2012 which was approved.

Promising Krasny- license returned significant gold intersects and gold grades
Krasny- license (31 km^2) with approximately 600 kOz Oz of historical mineral resources was explored with 2 563 meter of core drilling and returned significant gold intersects and gold grades of 47,4 meter @ 2,51 g/t gold including 26 meters @ 4,05 g/t gold, 2 meters @5,94 g/t gold and 10 meters@2,30 g/t. The mineralization is open along strike and to depth. Further drilling of above 2 000 meter was commenced in February 2012 to evaluate the mineral resources.

Kopy Goldfields reported its first mineral resources within the international mineral standard JORC
The company announced an initial resource estimation, on the 1,5 km^2 license Kopylovskoye. The mineral resource within the JORC Code was estimated on 37 000 Oz of indicated resources with gold grade of 1.31 g/t and 80 000 Oz of inferred resources with gold grade of 1.07 g/t estimated by SRK Consulting. The mineralization is open along strike and to depth. The project is ready for Pre-feasibility and Joint Venture production.

The Technical Committee adds experience
The Technical Committee consist of two geologists, Sean McKinley and Keith Patterson from Eldorado Gold and prof. Markku Mäkelä and Alexander Mikhailov from Kopy Goldfields.

Tim Carlsson, authorized public accountant from KPMG, joined the company as new CFO and Evgeny Boschkoy, geologist with long experience from Africa, was appointed new chief geologist. Seven key employees subscribed for warrants in the Incentive program 2011/2013.

Event since the year end

- Krasny returned additional strong miniralization after 600 meters of drilling.
- 231 km^2 additional exploration area was acquired on a public tender.
- In March 2012, a rights issue of 26.6 MSEK with subscription period in May 2012 was announced.. The objective is further developing of the Krasny-license.

Key financial figures 2011

	2011	2010	2009	2008
Operating income, KSEK	−93,798	−10,998	−5,232	−13,820
Earnings per share, SEK	−12.65	−2.85	−16.24	−216.83
Equity / Asset ratio, %	86.3	88.8	84.5	83.8
Investments in exploration and evaluation work, KSEK	36,430	34,547	18,752	18,819
Investments in licenses, KSEK	123	8,463	–	14,156
Average number of employees	93	79	45	79

TURNING VISION INTO REALITY

In 2011, our systematic exploration work resulted in crucial, new information about our projects. Meanwhile, Kopy Goldfields got a new, strong owner in Eldorado Gold. These two events confirmed the quality of our operations. They also brought us several steps towards reaching our vision – to become a world-class gold exploration and production company

During the last year, we were exploring several targets. Our portfolio approach towards exploration finally yielded interesting results. Some projects revealed exiting potential some turned to be of second priority. The largest upside came from Krasny project which was not priority target through the year. However initial drilling indicates the mineralization is bigger compared to the historical mapping. Two phases of a core drilling programme was performed in the second part of 2011, ending in December. In January 2012, last results were analysed and in February the third leg of the drilling programme started, in which some 2,500 meters will be drilled until April. Our plan for 2012 is to focus our exploration efforts on Krasniy in order to estimate scope and potential of the mineral resources. The mineralisation is open in all directions and the geology resembles that of the well-known Russian gold deposit Sukhoylog.

Less exiting results came from Kopylovskoye project. Initial estimation of the mineral resources according to the international JORC code showed us that the deposit was not big enough for large-scale mining. The result was of crucial importance for the company and put a great pressure for the share price development though the year. On the positive side, the JORC exercise of resource estimation proved that the quality our operations - from getting the samples to analysing methods and handling of databases - are of top world quality. Our strategy was previously to focus on mining the Kopylovskoye gold deposit in 2013. The target of production is still there but priority for Kopylovskoye project will be to explore the possibilities of either finding a joint venture partner for exploiting the deposit, or to sell it.

In October 2011, we were pleased to announce that Canadian gold producer Eldo-

rado Gold had decided to acquire 29 per cent of Kopy Goldfields, thus becoming the biggest shareholder of the company. Apart from capital, Eldorado Gold also adds valuable competence to Kopy Goldfields, as the company has a track record of successful exploration and mining operations even under difficult circumstances in underdeveloped areas all over the world. Their decision proved that Eldorado Gold shares our belief that the Lena Goldfield near Irkutsk in Siberia where we operate is one of the most interesting gold exploration areas in the world. It also proved that they believe in the quality of our operations.

Our exploration experiences during the year - from both Kopylovskye and Krasny - also confirms the strength of our strategy to widen our project portfolio in order to reach our long-term target to discover 5 million ounces of mineral resources and produce 0.2 million ounces of gold per year. We are now striving to build a strong position in the Lena Goldfield, which is highly underexplored and has an enormous potential for gold mining, based on the decades of alluvial gold production performed in the area and historical data from previous exploration efforts. An important step was the acquisition at the beginning of 2012 of two exploration properties, increasing our current exploration area from 255 km^2 to 487 km^2. Both prospects have reasonable infrastructure, bordering known gold deposits owned by International listed companies and are located within Lena Goldfields.

These events have resulted in Kopy Goldfields turning into stronger company, even better equipped to reach our vision to become a world-class exploration and production company.

Welcome to join us on this exciting journey.

Mikhail Damrin
CEO Kopy Goldfields, April 2012

ELDORADO GOLD – MINING AND EXPLORATION OPERATIONS FROM CHINA TO BRAZIL

Kopy Goldfields' new, major owner Eldorado Gold Corporation is a Canadian international gold producer, operating in China, Turkey, Brazil, Greece - and has now holdings in Russia. The company's goal is to produce approximately 1.5 million ounces of gold per year in 2015. It is one of the lowest cost gold producers, with young mines, robust margins and a strong balance sheet.

With six operating mines, one mine under construction, two development projects and an extensive 2012 exploration program, Eldorado Gold creates growth through pursuing new opportunities in gold and other resources.

At the moment, Eldorado Gold operates the Kisladag and Efemçukuru gold mines in Turkey; the Jinfeng, Tanjianshan and White Mountain gold mines in China; and the Vila Nova iron ore mine in Brazil. In China, the company is constructing the Eastern Dragon gold mine, which is expected to start production in the third quarter 2012. Furthermore, it is developing the Perama Hill project in Greece, and the Tocantinzinho project in Brazil, as well as having ongoing exploration programs in China, Turkey, Brazil, and in Nevada in the United States.

TAKEOVER OF EUROPEAN GOLDFIELDS

In 2011, apart from the acquisition of shares in Kopy Goldfields, Eldorado Gold also initiated a $2.4 billon takeover of European Goldfields, a deal which was closed in February 2012. The acquisition boosts Eldorado's access to European gold reserves. European Goldfields owns about 10 million ounces of gold in Europe, with a mine in Greece and projects being developed in Greece and Romania. Eldorado Gold already owned mines in Greece and Turkey, but its new holdings in Europe will bolster the company's global production network.

LARGEST INTERNATIONAL GOLD COMPANY IN CHINA

Meanwhile, the 2009 $2 billion acquisition Eldorado Gold made of Chinese Sino Gold gave it a presence in a country with a rapidly growing gold industry - China leads all nations in both gold production and consumption. It also gave Eldorado Gold the distinction of the largest international gold company in China.

Eldorado Gold Corporation has its head office in Vancouver, Canada. Eldorado is listed on the Toronto Stock Exchange (TSX: ELD) and the New York Stock Exchange (NYSE: EGO). Eldorado Gold CHESS Depositary Interests (CDIs) trade on the Australian Securities Exchange (ASX) under the symbol EAU.

THE INVESTMENT IN SHORT:

In the first tranche of this deal, Eldorado Gold acquired 1,700,000 common shares of Kopy at a purchase price of 10 SEK and in a second tranche an additional 1,000,000 common shares at a purchase price of 12 SEK. Upon the closing of the second transaction, Eldorado controls 28.9 % of the share capital of Kopy Goldfields. As per the terms of the agreement, a technical committee composed of personnel from both Eldorado Gold and Kopy Goldfields has been formed to oversee the planning and implementation of Kopy Goldfield's exploration programs in the Lena Goldfields.

ONE OF THE MOST GOLD RICH - AND UNDEREXPLORED REGIONS OF THE WORLD

Kopy Goldfields' operations are located in the Lena Goldfields area in the Irkutsk region of Russia. Alluvial gold has been mined in the region for more than 150 years, so far resulting in more than 30 million ounces of mostly alluvial gold produced. First bedrock gold production was established in the area during last 10 years. But the area remains largely unexplored.

Kopy Goldfields's exploration licenses are concentrated in the vicinity of the city of Bodaibo, 880 kilometres northeast of Irkutsk. The city became the regional centre for alluvial gold production during the late 19th century and the gold industry is still the only important industry in the area.

The Bodaibo area is characterized by a great number of geochemical gold anomalies and rich alluvial gold deposits, indicating potential presence of gold mineralization in the bedrock. During 2011, total gold production in the area was 0.48 million ounces, of which some was alluvial gold.

The area includes a number of world-class bedrock gold deposits, such as Vysochaishiy, Verny, Pervenets, Chertovo Koryto and Sukhoy Log, the latter with over 60 million ounces in estimated gold resources.

WELL-DEVELOPED INFRASTRUCTURE

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

STRONG MINING TRADITION

"There is a strong mining tradition and expertise in the area. This, combined with the support we have received from the local authorities, has helped us to develop our operations", says Markku Mäkelä, board member of Kopy Goldfields and the Technical Committee and an authority in the mining industry, both in his native country Finland and internationally.

With more than 35 years' experience from geology and mining operations in Finland as well as internationally, Markku Mäkelä has gained a great deal of knowledge of conduction exploration and mining business around the globe. His list of assignments include being director of the Geologocal Survey of Finland (GTK), technical manager of United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE) and regional manager of Outokumpu. At the moment he is also a board member of Dragon Mining.

- Some of the main advantages of developing exploration and mining operations in Russia include the expertise of the Russian geologists, Markku Mäkelä says.

- In this area, we have the added bonus of a lot of competent seasonal summer workers from the Tomsk and Irkutsk universities, he continues.

The Russian mining tradition has favoured the development of scientific and technical expertise within the country that is still prevalent today. New technology has allowed Russian companies to increase mining and processing cost efficiencies and economically develop more complex ore bodies. After15 years of stagnation following the breakdown of the Soviet Union, gold production and exploration activities have increased significantly in recent years. Russia is currently second in the world in terms of estimated gold reserves.

Kopy Goldfields is, however, one of the first international listed companies in the Artomovskiy district within Lena Goldfields to apply for bedrock exploration. Russian gold production has previously been focused on alluvial production, with bedrock production overtaking alluvial as late as in 2003. Gold is not regarded as a strategic metal in Russia, and 30 per cent of the metal is currently produced by international companies.

- The major gold-bearing deposits are located in remote areas and are yet to be fully exploited. Those that have been mined, or are currently being mined, have a relatively high gold content and suitable for open-pit operations, Markku Mäkelä says.

From the start, the local authorities in Bodaibo have supported Kopy Goldfields' gold exploration activities.

There is also, generally, a favourable mining and tax legislation climate in Russia, providing a tightly regulated but fair environment for exploration and mining companies, Markku Mäkelä explains.

In average, it only takes between six and twelve months to get production permits in Russia. Production costs are also relatively low, with one important explanation being the good supply of local expertise, and another comparatively cheap electricity and fuel costs, he says.

MARKKU MÄKELÄ

The production cash cost for Kopy Goldfields' peers within the Lena Goldfields is estimated at 300-450 USD/oz.

NINE BEDROCK GOLD EXPLORATIONS LICENSES

Kopy Goldfields was exploring ten bedrock gold exploration projects within five licenses during 2011 - Kopylovskoye, Krasny, Kavkaz, Prodolny and Vostochnaya. These are all located in the Lena Goldfields area in the Irkutsk region of Russia.

The projects are in different development stages and the company focuses it's exploration activities on the projects with greatest potential. The drilling on the Krasny-project will be prioritized in 2012, after exciting exploration results from activities on this license in 2011.

Kopy Goldfields' total license area is 487 km². Seven of the company's licenses provide the right to both bedrock exploration and production. The newly acquired licences in 2012 provide the right for bedrock exploration. If these activities result in discovering gold deposits, the company will apply for production licenses. The company will have priority right for these potential production licenses.

PRODUCTION TARGETS

Kopy Goldfields intends to develop all its exploration projects into mining production. The strategy is, however, to focus its own efforts on projects that can be mined on an industrial scale. With regard to the present conditions in Siberia, the company believes this implies developing gold deposits with reserves of around 1 million ounces and production of about 50,000 ounces per year from one deposit. The company intends to develop all smaller projects in joint venture arrangements. These include the Kopylovskoye and Kavkaz projects, which have shown potentially interesting exploration results and may be developed into successful small-scale mining operations.

According to plans, most of the company's deposits will be mined as open-pits, with continued underground mining if grades and ore quantities are high enough. Processing potentially may be conducted in a centrally located concentration plant, with capacity to handle ore mined from a number of the company's deposits. This is made possible by the fact that most of the projects are located close to each other, with a distance ranging between 1 and 10 kilometres. The end product after processing will be doré bars, which will be sent to an independent smelter for production of gold banking bars.

Exploration activities	Total	2007	2008	2009	2010	2011
Reversed Circulation drilling, meter	8 260				1 774	6 486
Diamond/Core drilling, meter	11 278		4 081	800	1 713	4 684
RAB drilling	3 841		2 941	900		
Trenching, meter	17 236		6 300	3 096	3 570	4 270
Tomography, kilometer	14					14
Geophysics, sq km	15			5	10	
Soil sampling/geological map., sq km	8			2	3	3

Licence	Ac-quired	Acquisi-tion cost	Exploration work					
			2007	2008	2009	2010	2011	Total
Kopylovskoye	2007	66 077	2 718	18 461	5 449	14 300	8 392	115 397
Kavkaz	2008	14 156	0	358	7 146	12 789	8 346	42 795
Prodolny	2008	3 096	0	0	6 157	7 174	9 527	25 954
Krasnyy	2010	4 388	0	0	0	140	8 890	13 418
Pravovesnny	2010	139	0	0	0	144	21	304
Vostochnaya	2010	3 937	0	0	0	0	1 254	5 191
Takhtykan	2011	123	0	0	0	0	0	123
Totalt		91 916	2 718	18 819	18 752	34 547	36 430	203 182
Buildings			33 986	115	-1 392	628	3 313	36 650
Machinery			11 047	736	898	5 212	1 201	19 094
Total			45 033	851	-494	5 840	4 514	55 744
Total investments		91 916	47 751	19 670	18 258	40 387	40 944	258 926

The figures above shows the amount in KSEK based on the currency rate each year and does not take any exchange rate differences into account.

EXPLORATION ACTIVITIES IN 2011

Kopy Goldfields' exploration strategy is to spread risk by developing a few projects in the most advanced stage and to keep many early stage projects - to be able to choose among the ones with the highest potential ones.

In 2011, the company increased its focus on drilling and was also more cost-efficient per meter drilled. Furthermore, exploration targets were set for 2012 and some early stage projects evaluated, based on geological mapping and soil sampling. The company intends to use two drill rigs during 2012 to further increase efficiency.

License	Acquired	Mineral resources ('000)*	Exploration target	Valid until	Ownership Kopy Goldfields AB	License area
Kopylovskoye	2007	JORC: Indicated: 37 kOz@1.31 g/t Inferred: 80 kOz@1.07 g/t Signed by SRK Consulting	Bedrock	2020	100 %	1,5 sq km
Kavkaz	2008	Russian: C1+C2 33 kOz, P1 – 84 kOz	Bedrock	2015	100 %	3,4 sq km
Krasny	2010	Russian: C2 –32 kOz; P1 - 621 kOz	Bedrock	2035	100 %	31 sq km
Prodolny	2008	Russian: P2 - 579 kOz	Bedrock	2033	100 %	141 sq km
Pravovesenniy	2010	Russian: P3 64 kOz	Bedrock	2030	100 %	35 sq km
Vostochnaya	2010	Russian: P2 - 161 kOz	Bedrock	2035	100 %	13 sq km
Takhtykan	2011	Russian: P3 - 161 kOz	Bedrock	2035	100 %	31 sq km
Purpolskaya	Q1 2012	Russian: P3 804 kOz	Bedrock	2017 (exploration license)	100 %	150 sq km
Verkhnyaya orlovka	Q1 2012	Russian: P3 418 kOz	Bedrock	2017 (exploration license)	100 %	81 sq km

*Russian resource estimation differs from the international standards as JORC or NI-43 101 and when the Company estimates the mineral resources according to international standards it could deviate significantly from current figures

EXPLORATION – FROM LOCATING TO MODELLING

From first inspection of outcropping mineral structure to analysis of drill samples and modelling the ore bodies. Kopy Goldfields strategy for exploring its license areas in the gold rich Lena Goldfields entails efficiently locating and identifying gold deposits with the highest potential for future development into ore reserves and production.

In 2011, Kopy Goldfields decided to focus its exploration efforts on five of its license areas –Exploration is focused on identifying bedrock gold deposits. Many areas within the Lena Goldfields have a history of significant discoveries of alluvial gold, which is a strong indicator of bedrock gold.

Exploration starts with review of historical data. In the coming year the company planning to increase the efficiency by implementing airborne prospecting tools to cover large areas. The object is to locate geological anomalies and get a first indication of mineralizations.

Once these have been located the next step is soil sampling and trenching to evaluate the anomaly at 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.

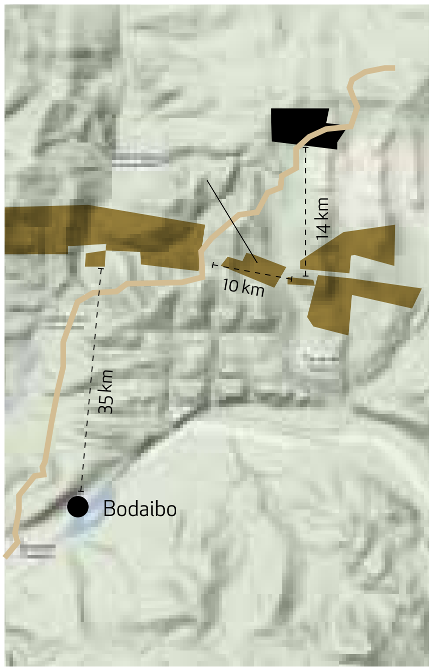
RC-DRILLING/CORE-DRILLING

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 get a core from the bore hole and can analyze geology and structure of mineralization.

At the moment, Kopy Goldfields is using two core drilling rigs, both operating at the Krasny project area.

Numerous project ideas and extended periods of time 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. A technical team consisting of geologists from both Eldorado Gold and Kopy Goldfields cooperate in this evaluation process of test results and future strategy for the exploration work.

KRASNY PREPARED FOR SCOPING DRILLING



Following strong indications of a gold deposit with a high potential, Kopy Goldfields is currently focusing its exploration activities on the Krasny license, where 2,500 meters of core drilling was initiated in February 2012 with two drilling rigs.

GEOLOGY

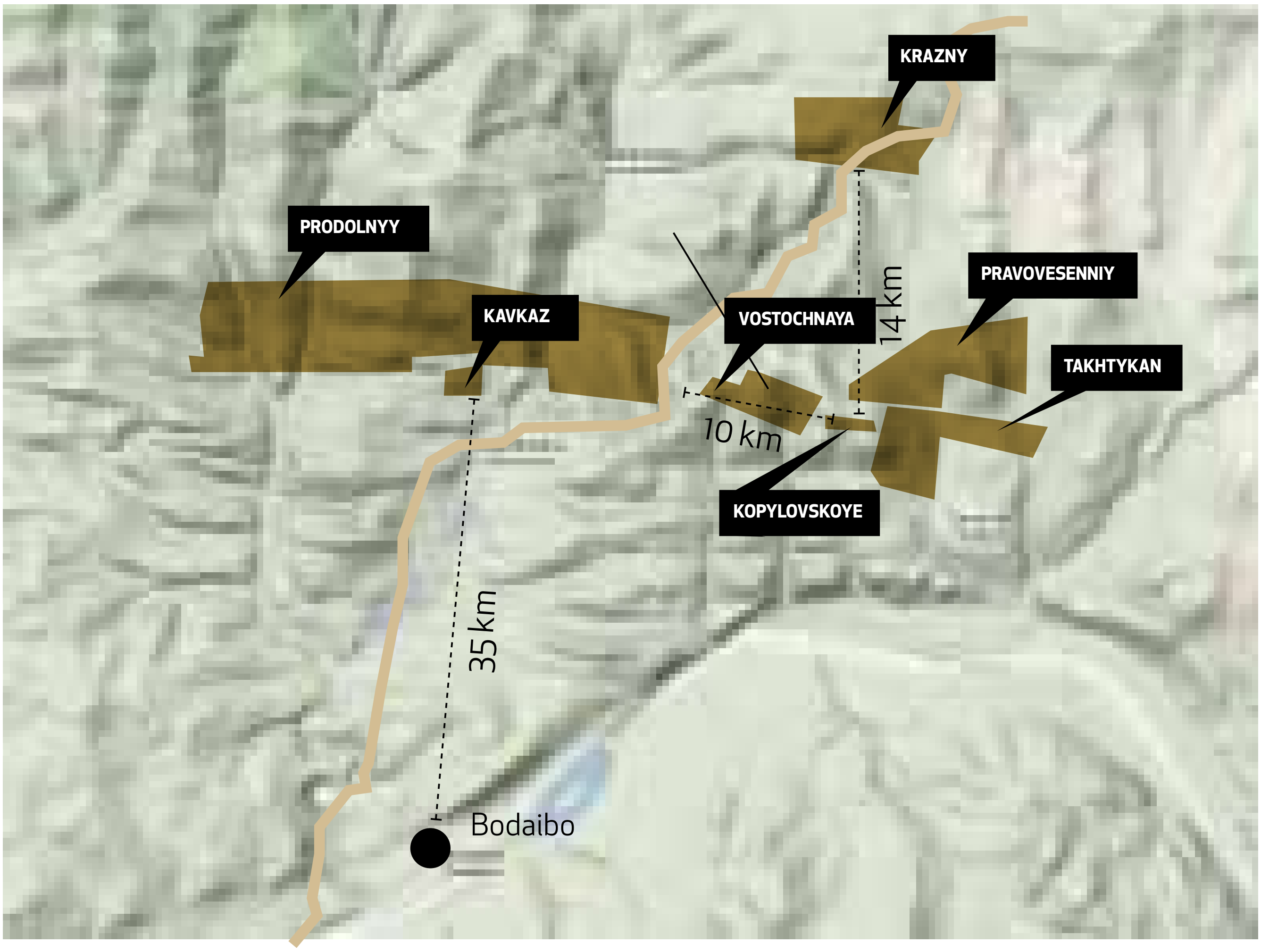
The Krasny license area is characterized by a high degree of geochemical gold anomalies and rich alluvial gold deposits in nearby streams. Limited exploration activities in the past has shown presence of a primary gold mineralization at the surface and at the depth in two, continuous mineralized zones.

EXPLORATION RESULTS 2011

- The results after some 2,600 meters of drilling showed larger intersects and similar gold grades compared to the historic mineral resources of 684 kOz@2.7g/t (C2 + P1)
- The best results showed 86 meters @ 1.5 g/t gold (incl. 39 m @2.45 g/t), 47.4 meters @2.51 g/t gold (incl. 26 m @4.05 g/t), 13 meters @1.79g/t gold (incl. 4 m >3g/t), 21 meters @1.3 g/t gold (incl. 10m @ 2.3 g/t). The mineralization is open in all directions.
- The mineralization is open in all directions.

TARGET FOR 2012

- The target for the exploration activities in Krasny during 2012 is to estimate the mineral resource potential and resources for part of the project through drilling in two stages. The first stage, which was commenced in February 2012, will cover around 2,500 meter. If the results are positive, Kopy Goldfields will proceed with 5 000 – 10 000 meter of scoping drilling.



A PIPELINE OF PROJECTS WITH HISTORICAL STRONG POTENTIAL

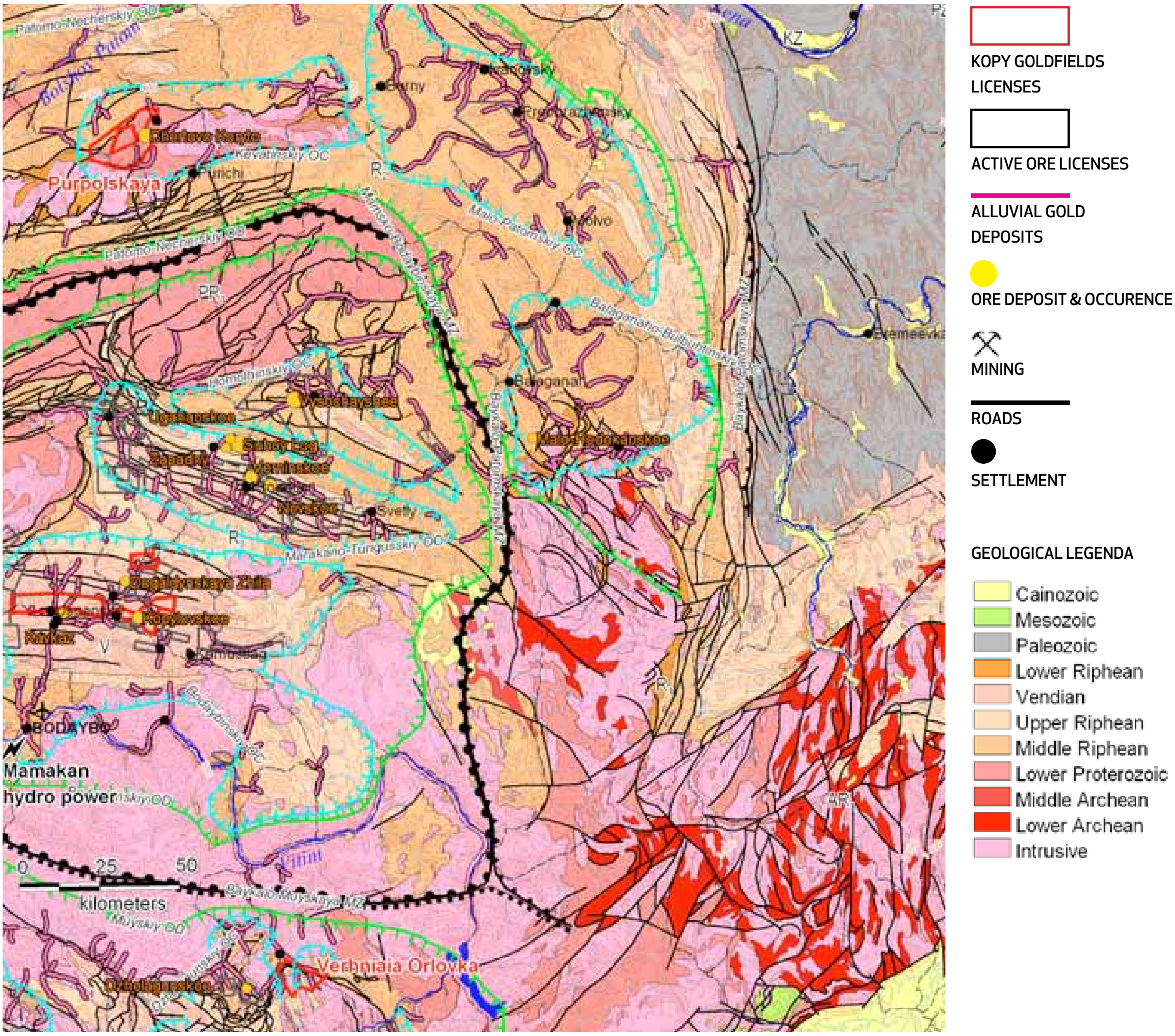
Apart from Krasny, Kopy Goldfields has exploration licenses for eight areas. These are all in different stages of exploration. Most of those licenses are located close to each other and share the similar geological structure.

KAVKAZ AND THE KOPYLOVSKOYE CLUSTER READY FOR PRE-FEASIBILITY STUDIES

- The Kopylovskoye-license announced a mineral resource estimation of 37,000 Oz@1.31 g/t gold Indicated resources and 80,000 Oz@1.07 g/t gold Inferred resources in accordance with the JORC Code in June 2011 signed by SRK Consulting. Kopylovskoye belongs to a cluster of similar geologically mineralizations located within five kilometres distance from each other within Kopylovskoye, Vostochnaya, Takhtykan and Pravovesenniy properties, all belonging to Kopy Goldfields.
- The Kavkaz-license returned guldmineralization with intercepts of 10.0 meters @ 2.79 g/t gold, 5.95 meters @ 2.05 g/t gold, 4.0 meters @ 2.22 g/t gold and 2.8 meters @ 2.94 g/t gold.
- The mineralizations are open in all directions.

TARGET FOR 2012

Next step is to find a joint venture partner for pre-feasibility studies and production on Kavkaz and Kopylovskoye license.



EXTENSIVE MINERALIZAT ION WITH LOW GRADES SUPPORT FURTHER EXPLORATION AT ZOLOTO Y

- The Zolotoy project within Prodolny license includes a continuous zone of disseminated gold mineralization with a surface length of two kilometers along strike and a width of up to 700 meters

- The best intersects are 35 meters@ 0.71 g/t gold, 17.5 meters @0.71 g/t gold and 11.5 meters @ 1.05 g/t gold. 3 meter @ 3.28 g/t, 1 meter @ 1.90 g/t and 5 meter @ 1.68 g/t.
- The mineralisation is open in all directions.

TARGET FOR 2012

- Based on the proposal from the Technical Committee and funds available, the company might target to drill to evaluate the potential of high grade areas within Zolotoy to understand if it is economicaly potentially minable.

EARLY EXPLORAT ION TO PREPARE DRILL TARGETS FOR 2013

- The Takhtykan license, the Bannoye East and Bannoye mineralisation at the Vostochnaya license and Gromovsky North at the Prodolny license will all be evaluated for further exploration during 2012/3013.

- The newly acquired Purpolskaya license borders the gold-ore deposit Chertovo Koryto with Measured and Indicated resources of 3 MOz @1.84 g/t (cut-off 0.8g/t) within the JORC Code. It is owned by the London listed company Polyus Gold.
- The newly acquired Verkhnyaya Orlovka license has a quartz-vein formation along a 3 km wide belt. The vein thickness is 0.1-1.6 meter, the length is 100-600 meter, the gold grades are 0.1-70 g/t and the silver grades are 1.0 – 419 g/t based on historical information.
- Historical maps and information will be evaluated during 2012 and an exploration plan will be developed to be approved by the state.

SOLID DEMAND FOR GOLD

Gold is rare - and demand for this precious metal has remained solid throughout the centuries. Today, we buy gold in many different shapes, from jewellery to investment instruments and inside high-tech objects like mobile phones. Many investors, especially in times of financial turbulence, regard gold as a safe haven – which has contributed to pushing up the gold prices in recent years.

Today there are 165,000 metric tonnes of stocks in existence above ground. If every single ounce of this gold were placed next to each other, the resulting cube of pure gold would only measure 20 metres in any direction. Gold differs from many other assets in the way that it is almost indestructible, which means that all gold that has ever been produced, still exists.

The demand for gold occurs in many geographies and sectors. Around 60 per cent of today's gold becomes jewellery, where India and China with their expanding economic power are at the forefront of consumption. But jewellery creates just one source of demand; investment, central bank reserves and the technology sector are all significant.

The gold price reached record levels in 2011, rising from around 1,400 USD per ounce at the start of the year, peaking in September at 1,900 USD and ending at around 1,530 USD per ounce at year-end.

PRODUCTION AROUND THE GLOBE

Gold mining companies operate on every continent of the globe. Beyond mine production, recycling accounts for around a third of all current supply. In addition, central banks can also contribute to supply should they sell part of their gold reserves. It is worth noting that after 18 years as net sellers, collectively central banks are now effectively net buyers, causing not only a significant decrease in supply but also a corresponding, simultaneous increase in demand.

South Africa was the dominant gold producer during the 20th century, accounting for 70 per cent of the total gold production in the world in the 1970's. This has changed – in 2011 China was the biggest gold producer with some 12.8 per cent of the world production, followed by Australia and USA and with South Africa in fourth place, with 9 per cent of the production.

Gold production experience comparatively long lead times and new mines take up to ten years to come on stream. That means mining output is relatively inelastic, unable to respond quickly to a change in price outlook. Even a sustained price rally, as experienced by gold over the last seven years, doesn't translate easily into increased production.

GOLD THE MOST TARGETED COMMODITY IN 2011

According to Ernst & Young, gold was the most targeted commodity in 2011. Gold deals were driven by consolidation to access new growth and increase market share, with over half of the gold deals targeting domestic reserves and market share. Russia attracted the top deal by value: KazakhGold Group acquired Polyus Zoloto for $8.4b. Meanwhile, Barrick Gold closed the second largest gold deal of the year with its acquisition of copper producer Equinox Minerals for $7.4b. Current market conditions provide both the strategic rationale for M&A and an attractive valuation environment in which to pursue them, according to Ernst & Young. Low valuations of smaller producers and development companies present an opportunity for second tier producers to add further scale and breadth to their portfolios through acquisitive growth.

Further, Ernst&Young sees majors acquiring or making strategic investments in junior exploration companies in order to manage their pipeline of resources. The main driver of all the gold deals was consolidation between mid-tier mining companies and junior explorers to boost production and resources. There were six mega deals targeting gold completed during 2011, which consolidated some of the world's major gold companies.

GOLD PRICE IN US DOLLAR

DEMAND FLOWS

5 YEAR AVERAGE

- INVESTMENT 31%
- INDUSTRIAL 11%
- JEWELLERY 57%

Source: World Gold Council

SUPPLY FLOWS

5 YEAR AVERAGE

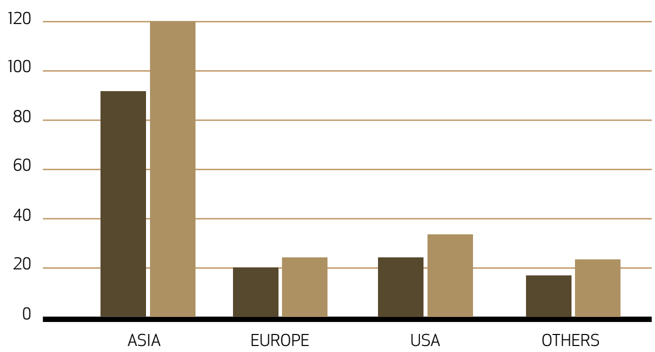
- MINE PRODUCTION 59%
- NET OFFICIAL SECTOR SALES 6%
- RECYCLED GOLD 35%

Source: World Gold Council

GOLD PRODUCERS

- LATIN AMERICA 20%
- CHINA 12%
- OTHERS 39%
- SOUTH AFRICA 9%
- AUSTRALIA 8%
- USA 12%

GOLD DEMAND



- 2009
- 2010

Land	Produced mil oz	Reserve mil oz
China	9,6	61
Australia	7,0	186
USA	6,7	96
South Africa	6,7	192
Russia	5,9	160
Peru	5,8	No record
Canada	3,2	No record
Indonesia	3,2	96
Ghana	2,7	No record
Others	24,2	714
Total	**75,0**	**1504**

RISING GOLD PRODUCTION IN RUSSIA

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

Russian gold production has for a long time been centered on alluvial production, with bedrock production overtaking alluvial production as late as 2003. For 2011, bedrock production accounted for an estimated 70 per cent of total mine output, with alluvial production at 30 per cent, according to the Russian Union of Gold Miners.

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

In 2011, the 15 largest gold producing companies accounted for 74 per cent of the total Russian gold production, with the seven largest producers displayed in the upper table to the right.. In the Irkutsk region, there are a number of gold mining companies operating, with the majority being national entities. A list of known companies operating in this region is displayed in the table below to the right.

MAIN FOREIGN GOLD PRODUCERS IN RUSSIA

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

1) Bema Gold was acquired by Kinross Gold 2007

Source: Russian Union of Gold Miners

PRODUCTION COMPANIES IN IRKUTSK REGION

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

*) Group total

Sources: Company website and presentations, www.Kopy Goldfields.com

"MANAGEMENT MORE IMPORTANT THAN DEPOSIT"

Many different type of factors decide whether a gold exploration company will be successful or not. Basic fundamentals include the development of the gold price – which, in turn, is affected by changes in the U.S. dollar and the world economy. But the single most important factor is the experience and knowledge of the management, says Marcus Neckmar, equity analyst with mining focus at AP 2, Andra AP-fonden.

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

COST ADVANTAGES

Key to the development of gold mining in Russia has been its relatively low cost compared to the global industry averages. Many of the leading Russian gold producers have production costs far below global averages. The low cost has been due to the availability of local skilled workers and highly qualified engineers thereby negating the need for comparatively higher expatriate labour expenses, cheaper electricity and fuel costs and also the wealth of available scientific and technical expertise in the country. In addition, many mining regions of Russia have well-developed energy and transport infrastructure with the obvious example being the longest railway in the world.

- There are great challenges linked to drilling, evaluating and transferring mineral resources to ore reserves. It requires management with experience, strength and courage to choose – and discard – projects in an unsentimental way. There is a great danger involved if you marry a project and hang onto for sentimental reasons, Marcus Neckmar says.

IMPORTANT TO CHOOSE THE RIGHT SIZE PROJECTS

Only a third of the mining projects that are initiated have the same owners from start until finish – and a third change owners ten times or more. To be able to evaluate a project correctly, systematic drilling is required combined with knowledge about the geological profile of the area – and finding the right places to drill, according to Marcus Neckmar, who has a background as a mining specialist at Evli Bank.

And once you've identified a project, even if it looks good on paper, it might be too big for the company to handle when it comes to financing. The gold might be hidden far below the ground requiring the high costs of deep mining, for instance.

- The company must choose a battle it can win. There is a saying that goes "better top management and a mediocre project", which I think says a lot, Marcus Neckmar continues.

GOOD SUPPLY 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.

Kopy Goldfields has in total 60 employees, with some variations between high and low season. The company is still a small employer in the area, but is focusing on creating interesting job opportunities in order to attract and retain the best possible employees. This strive includes offering wages aligned to regional market levels and personal development opportunities with training. During low season, the company supports education for employees.

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

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

HEALTH AND SAFETY PRIORITIZED

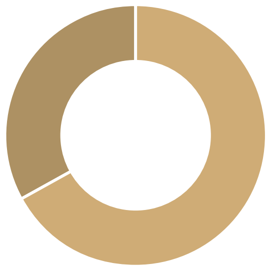
All staff receives health and safety training as part of the initial introduction process. Job-specific training is then provided within each workplace. Health and safety monitoring as well as internal inspections of working environments are regularly undertaken to ensure compliance with Russian regulatory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

AGE OF THE EMPLOYEES

<30, 16 %
31-40, 37 %
41-50, 21 %
>51, 26 %

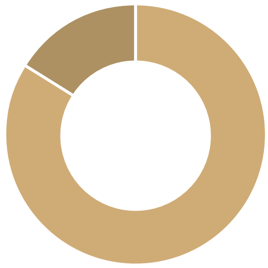
GENDER, PERMANENT EMPLOYEES

MEN 72%
WOMAN 28%



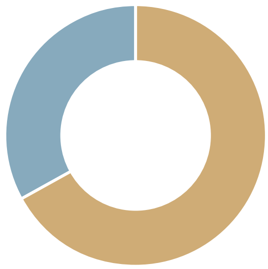
EDUCATION LEVEL, PERMANENT EMPLOYEES

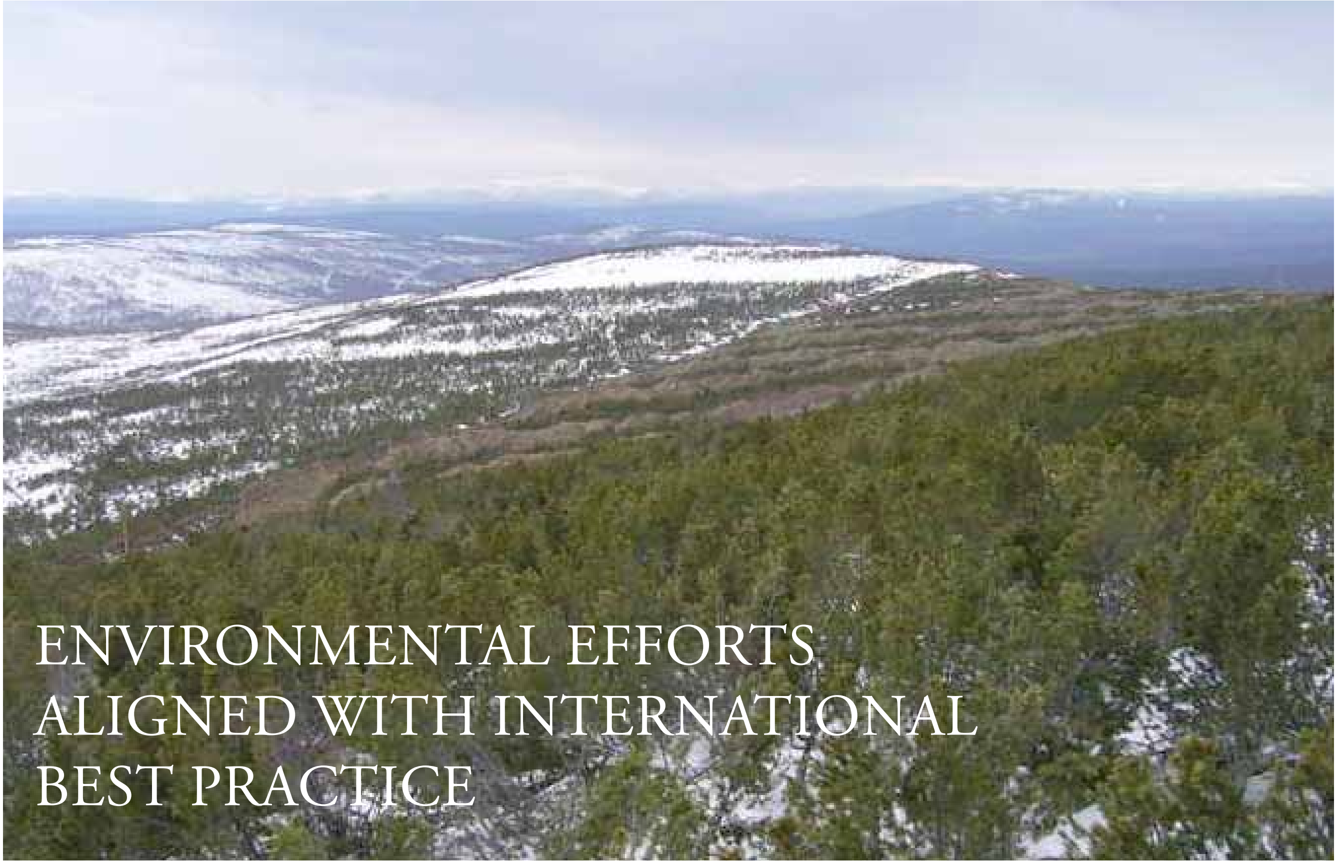
UNIVERITY 79%
SECONDARY 21%



AVERAGE NUMBER OF EMPLOYEES 2011

TEMPORARY 62 %
PERMANENT 38 %





ENVIRONMENTAL EFFORTS ALIGNED WITH INTERNATIONAL BEST PRACTICE

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

The operations of the company 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.

NO 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 impacts.

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 FULFILLMENTS

"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)

NEW FUNDAMENTALS – FOCUS ON FAST DRILLING RESULTS

The skill and competence of our Russian geologists, combined with a Swedish, efficient management model and a new, resourceful long-term owner will be a key factor of future success for Kopy Goldfields. But the main potential – and challenge – remains to identify, measure and exploit the rich gold deposits that have been indicated in the Lena Goldfields.

There are few big companies that excel in both exploration and mining. This is, however, the case of Eldorado Gold. That is why it was of such importance that the Canadian company decided to invest in Kopy Goldfields. Apart, of course, from the financial muscles of the company, Kopy Goldfields will be able to benefit from the experience and knowledge within both these areas that Eldorado Gold possess. A start of the collaboration is the new constellation of our technological advisory board, which now consists of two geologists from Kopy Goldfields and two from Eldorado Gold.

The fact that Eldorado Gold had been looking at the Lena Goldfields for a long time and decided to choose our company as a partner to explore it - after a comprehensive due diligence process - was also an important proof of the professionalism of our operations. As a result, we have noticed a marked increase of international interest for Kopy Goldfields. We also believe that it will facilitate future financing of our operations.

After two decades in the business, I know that there will be setbacks in exploration work. I also know that there is a time to hold on – and a time to let go. After the JORC report from the Kopylovskoye deposit had showed less gold than we expected, we decided to concentrate our exploration efforts to the Krasny deposit. We will now make great efforts to achieve quick results from our core drilling operations at Krasny – but also continue to evaluate the results after each segment of the drilling operations in order to be able to decide whether to continue.

Our main challenges for 2012 are to efficiently map out Krasny and to gather enough information to create a three-dimensional image of the deposit and to establish its gold content. Meanwhile, we will continue to look for new areas to add to our project portfolio at the Lena Goldfields. Our requirements include that the areas should be close to our present projects and that they have indicated interesting gold contents in previous, Russian exploration of these areas.

Exploration is always somewhat of a gamble. But the potential of the Lena Goldfields with its rich gold deposits, combined with the transparency of our operations, the competence and experience of our management and board are set to create the best possible conditions for future success for Kopy Goldfields.

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

Kjell Carlsson

Chairman of the Board, April 2012

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 27, 2010. During 2011, the total number of shares traded amounted to 3,821,033 shares, with a total value of MSEK 40.5. The corresponding number of shares traded for the period of August 27 – December 31, 2010, was 974,011 shares with a total value of MSEK 23.7. Share turnover in the Kopy Goldfields-share – a measure of the share's liquidity – amounted to 47 percent (64) during the period, compared with 56 percent (56) for First North over the same period. On average 15,103 shares (10,943) were traded daily with a value of SEK 159,898 (266,632) daily.

Share price trend
Kopy Goldfields' share price on the NASDAQ OMX First North in Stockholm decreased by 70.9 percent during 2011 and closed at SEK 5.85 at the end of the year. The highest price paid for the share during the year was SEK 21.50 on April 18, 2011 and the lowest was SEK 4 on August 5, 2011. The average price was SEK 12.05. During 2011, the First North index decreased by 28.3 percent. Kopy Goldfields' total market capitalization amounted to MSEK 54.6 as of 31 December 2011 (128.5 including the newly issued shares as per December 31, 2010).

Ownership structure
The Company had in total 4 380 shareholders on February 29, 2012. In October 2011, Eldorado Gold Corp acquired 2,700,000 shares in a directed share issue, which led to a significant change in the shareholder structure. The five largest shareholders on February 29, 2012 were Eldorado Gold Corp 28.9 %, Håkan Knutsson incl. company and pension insurance 10.8 %, Commodity Quest AB 8.0 %, Euroclear Bank (Sergei Petrov and Alexander Shimanov) 6.8 % and the Wahlqvist Family incl. pension insurance 6.7 %.

Share capital
Kopy Goldfields' share capital amounted to SEK 54,930,476 (21,682,178) on 31 December 2011, divided on a total of 9,327,193 (3,681,633) shares with a quota value of SEK 5.89. 100 percent of the shares were registered on the NASDAQ OMX First North in Stockholm. All the shares have equal voting rights and equal rights to a share in the company's capital and profits.

Dividend policy
The primary objective is to add value for the company's shareholders and employees by running a profitable business with growth. This is to be achieved through increased exploration activities in order to add gold mineral resources and reserves, through the development of discoveries and through the acquisition of gold assets thereby increasing the company's mineral resources and reserves and start production in the long run and thus in turn its cash flow and result. The total return to shareholders over time is expected to be attributable more to the increase in share price than to dividends received.
The Board of Directors recommends that no dividend be paid for the 2011 financial year.

Long-term incentive program
The Extraordinary General Meeting held on July 27, 2011, resolved upon an issue of not more than 276,120 warrants, within the frames of a long-term incentive program (incentive program 2011/2013) for eleven key employees. The warrants were issued to the subsidiary Kopy Development and purchased by the key employees to market value. At Year End, 165,672 warrants were purchased by employees since four out of eleven key positions in the Company were vacant. On the Extraordinary General Meeting held on October 17, 2011, the transfer period of the warrants for these four positions was extended until the Annual General Meeting 2012. Each warrant entitles the holder to subscribe for one (1) new share in the Company, at a price of SEK 7.10 per share. The subscription period runs from September 1, 2013 until October 15, 2013.

SHARE PRICE DEVELOPMENT DURING 2011

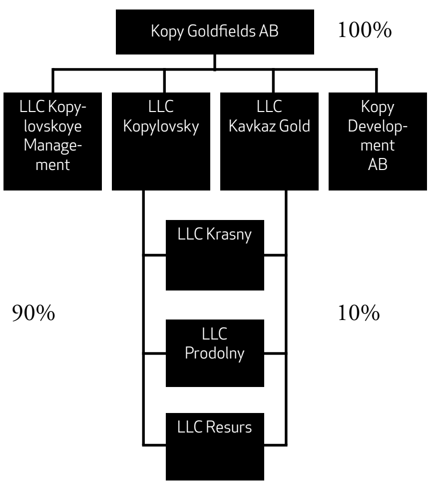
DIRECTORS REPORT

The Board of Directors and the Chief Executive Officer of Kopy Goldfields AB (publ), 556723-6335, hereby submit the annual report for the financial year January 1 – December 31, 2011.

Group structure and background

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

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



Operations

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

At the end of 2011, Kopy Goldfields AB had seven licenses which all are located around the Lena

Goldfields, in the Bodaibo district in the Russian region of Irkutsk. The licenses are:

- Kopylovskoye
- Kopylovskoye
- Kavkaz
- Prodolny
- Krasny
- Pravovesseniy
- Vostochnaya
- Takhtykan

The Takhtykan-license was acquired in January 2011 to an amount of MSEK 0.2. LLC Kopylovsky was on 31 December 2011 one hundred percent owner of all the licenses except for Kavkaz, which is owned by LLC Kavkaz Gold. During 2011 the ownership of the alluvial gold deposit located in Kopylovskoye was returned to the Russian State.

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

In March 2012, two exploration licenses were acquired; Purpolskaya, located 190 kilometres north of the city of Bodaibo, and Orlovka, located 110 kilometres southeast of the city of Bodaibo.

After the latest acquisitions announced in March 2012, the Company has 20 exploration projects in different development stages within 487 km2. The Kopylovskoye and Kavkaz projects are in pre-feasibility stages, Krasny in scoping drilling stage and the other projects in early exploration stages.

In 2011 the exploration activities were focused on the Kopylovskoye, Kavkaz, Prodolny and Krasny licenses. Some minor evaluation of the Vostochnaya-license has also been made. Below is a short description of the results on these five different licenses.

For detailed information regarding each license and exploration activities please refer to section "Nine bedrock gold exploration licenses" on page 12 and forward.

Kopylovskoye license

The Kopylovskoye-license announced a maiden mineral resource estimation of 37,000 Oz @1.31 g/t gold Indicated resources and 80,000 Oz @1.07 g/t gold Inferred resources in accordance with the JORC Code in June 2011, signed by SRK Consulting. The mineralization is open in all directions. The project is ready for pre-feasibility studies and the company evaluates potential Joint Venture production.

Kavkaz license

The Kavkaz- license returned gold mineralization with intercepts of 10.0 meters @ 2.79 g/t gold, 5.95 meters @ 2.05 g/t gold, 4.0 meters @ 2.22 g/t gold and 2.8 meters @ 2.94 g/t gold. The mineralization is open in all directions. The project is ready for pre-feasibility studies and the company evaluates potential Joint Venture production.

Krasny license

With historical Russian resources of around 600 kOz (C2+P1) the results after 2,563 meters of drilling returned intersects and similar gold grades compared to the historic mineral resources. There were gold intersects and gold grades of 47.4 meter @ 2.51 g/t gold including 26 meters @ 4.05 g/t gold, 2 meters @5.94 g/t gold and 10 meters @2.30 g/t gold. The mineralization is open in all directions. Around 2,500 meter of core drilling was commenced in February 2012 to evaluate the mineral resource potential.

Prodolny license

Within the Prodolny license area exploration activities were performed on the Zolotoy, Uspenskoye- and Obrucheva-projects.

On Zolotoy a discovery of a continuous zone of disseminated gold mineralization was confirmed with a surface length of two kilometres along strike and a width up to 700 meters. The structure is open in all directions. The longest intercept of gold mineralization is along 35 meters @ 0.71 g/t gold, 17.5 meters @0.71 g/t gold and 11.5 meters @ 1.05 g/t gold. The highest gold grade intercept is 3 meters @ 3.28 g/t, 1 meter @ 1.90 g/t and 5 meters @ 1.68 g/t.

On Obrucheva and Uspenskoye, two minor gold mineralization areas with intersect of 2 meters @ 1.5 g/t gold on the Obrucheva-project and with intersect of 2 meters @ 6 g/t within the Uspenskoye-project which is part of the extension from the Kavkaz-license were confirmed. The gold mineralization make a good option for cluster exploration together with Kavkaz in the future.

Vostochnaya license

The results of 2011 activities were positive and make it possible for test resource drilling in 2012. The volume and the quality of the previous estimated gold mineralization were confirmed.

Ownership structure

The five largest shareholders on February 29, 2012 were Eldorado Gold Corp 28.9 %, Håkan Knutsson incl. company and pension insurance 10.8 %, Commodity Quest AB 8.0 %, Euroclear Bank (Sergei Petrov and Alexander Shimanov) 6.8 % and the Wahlqvist Family incl. pension insurance 6.7 %.

The share

The Company's share is listed on NASDAQ OMX First North since August 27, 2010.
In October 2011, a directed rights issue of 2.7 million shares was completed in in two steps. The number of outstanding shares as of December 31, 2011 amounted to 9,327,193 and the share capital amounted to SEK 54,930,476.45.

Result

The operating result amounted to MSEK –93.8 (–11.0) which is MSEK –82.8 lower compared to the prior year. The change is primarily due to an impairment of the Kopylovskoye-project amounting to MSEK –74.7, as well as increased exploration activities. The result for the head office in Stockholm was also negatively affected by higher consultancy costs and legal costs in connection to a dispute that was finished and settled during 2011.
Result after financial items amounted to MSEK –94.2 (–13.2) and the result after tax amounted to MSEK –91.5 (–8.6). The financial net 2011 was MSEK –0.4 (–2.2), the difference compared with last year explained by lower interest cost in 2011.

Tax

At the end of the year the Company released deferred tax liabilities related to capitalised exploration and evaluation costs as a consequence of the impairment done. The Company thereby reports a tax income of MSEK 2.7 (4.6).
Management's assessment is that Group will not have any profits from the operations in the next few years. The Company does not recognise any deferred tax assets related to tax loss carry forwards..

Earnings per share

Earnings per share amounted to SEK –12.65 (–2.85) for 2011. Equity per share amounted to SEK 13.07 compared to SEK 28.14 for the prior year.

Cash flow, liquidity and financial position

Cash flow from operating activities, before changes in working capital, amounted to MSEK –18.2 (–11.3). The change in working capital was MSEK –7.1 (2.2). Cash flow from investing activities amounted to MSEK –38.0 (–48.0), primarily due to investments in the exploration activities and new licenses but also investments in new equipment. Cash flow from financing activities amounted to MSEK 82.8 (52.3), primarily related to completed rights issues and long term loans raised. During the year, long term loans of MSEK 10.2 (0) and short term loans of MSEK 0 (30) have been raised. Interest bearing loans at the beginning of the year, as well as loans raised during the year has been repaid by MSEK 4.8 (30.3).
Interest bearing loans amounted to MSEK 11.2 (6.4) at the end of the year. Cash and cash equivalents amounted to MSEK 20.4 (0.9) at the end of the year. External financing will be required during 2012 since exploration is very capital intensive. The Board has intensified the work to secure new financing during Q1 and currently evaluates how and on which conditions the Company shall be financed.
The equity asset ratio amounted to 86 per cent at the end of the year compared to 89 per cent in the prior year. No dividend has been paid to the shareholders during the year.

Equity

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

Investments

The Company's investments in exploration and evaluation work amounted to MSEK 36.4 (34.5) during the year. Investments in one new license amounted to MSEK 0.1 (8.5). Investments in buildings, machinery and equipment amounted to MSEK 4.6 (6.5) in 2011.
Depreciation for the year amounted to MSEK 1.4 (1.2).
An impairment test of the Company's assets was performed during the year, which resulted in an impairment of MSEK –74.7 (0).

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 –80.5 (–5.0) and equity amounted to MSEK 226.9 (278.8) on December 31, 2011. Following the impairment of the Kopylovskoye-project that was done on the Group level, a corresponding impairment of receivables from group companies and shares in group companies of MSEK –45.4 and MSEK –27.2 was done in the parent company.

Real property

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

Environmental policy

All exploration activity in the Kopy Goldfields group is in compliance with existing environmental regulations in the country where the activity takes place. There were no environmental accidents during 2011

Personnel

The average number of full time employees in the Kopy Goldfields group was 93 during 2011 (79), of which 21 (12) were women. At the beginning of the year the number of employees was 47 and at the end of the year 60, whereof 43 men and 17 women.

Work of the board

The Board consisted of five to seven members during 2011. During the year, the Board held 20 meetings where minutes were kept and in addition the Board stayed in continuous contact with each other. The Board also keep a continuous contact with management.
During the year special attention was given by the Board to financing issues 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.

Risks related to Russia

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

International capital flows can be hampered by global financial difficulties.

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

The planned entry of Russia into the World Trade Organisation ("WTO") may be delayed or rejected.

The relation between Russia and the EU may be worsened.

Conflicts in the Russian federal system, including illegal or profit making state events may develop uncertainty in the daily operations.

Crime and corruption and the use of illegal or unacceptable business methods.

The Company is dependent on the approval of state and local authorities which may be a complicated process.

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

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

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

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

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

Risks related to the 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 favourable 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 can not 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 organisation and their ability to recruit and retain experienced personnel for the future operations. The workforce, located in the Bodaibo area, may move to bigger cities which can make it difficult to recruit competent personnel.

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

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

On March 5, 2012, the acquisition of two new exploration licenses of an area of 231 km2 was announced, which almost doubles the total exploration area from 255 km2 to 487 km2. The licenses are Purpolskaya, located 190 kilometres north of the city of Bodaibo, and Verkhnaya Orlovka, located 110 kilometres southeast of the city of Bodaibo. Both licenses have reasonable infrastructure and borders well known gold deposits, owned by international listed companies.

In March 2012, Peter Geijerman resigned from the Board of Directors by voluntary resignation.

On March 29, 2012, a rights issue with preferential rights, amounting to MSEK 26.6 with subscription period in May 2012 was announced.The right issue is subject to the approval from the Annual General Meeting 2012. The objective is further developing of the Krasny-license.

OPERATIONAL OUTLOOK 2012

The Company will be focusing on three main targets in operations during 2012:

1. Increase resources
2. Increase exploration potential
3. Move closer towards production

In order to increase resources, the Company proceeds with exploration on the Krasny-project. Upon the completion of the current 2,500 meters drilling program, the company shall continue with scoping drilling on Krasny for the total of 7,000-10,000 meters in order to outline the scope of mineralization and estimate resources. The company intends to release a new resource report during the autumn.

To increase the potential of exploration, the Company will continue with acquisition of new ground within the Lena Goldfields. The priority will be the land located in the most geologically prospective area for significant bedrock gold discoveries with established alluvial operations. The Company will follow the scenario of the recent acquisitions – low initial entry cost, large land position, prospecting and an exploration type of license.

In order to get closer to production, the Company intends to start with Kopylovskoye and Kavkaz first. Both projects have Russian reserves and the company is finalising feasibility and pre-feasibility studies, based on that the company intends to proceed with production planning under joint venture agreements. The company believes there is an interest from local Russian partners.

The company continuously reviews the overhead costs and during 2012 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 2011 amounts to KSEK –91,545 (–8,610). The size of the working capital deficit the nearest 12-month period is roughly estimated to be between MSEK 15–60. The lower amount is for the case that the exploration activities are kept to a minimum so that the Company is only fulfilling the minimum requirements in the license agreements. The Board thus estimate that additional financing will be required to continue the operations for the next 12-month period. The opinion of the Board is that financing firstly should be done via new share issues. Given the estimated value of the Company's licenses and probable new raised capital during 2012 the Board's assessment is that the Company can continue as a going concern.

FOUR YEAR SUMMARY

	2011	2010	2009	2008
Earnings per share, SEK	–12.65	–2.85	–16.24	–216.83
Equity / asset ratio, %	86.3	88.8	84.5	83.8
Investments in intangible assets, MSEK	36.6	43.0	18.8	33.0

PROPOSED DISPOSITION OF EARNINGS

At the annual general meeting's disposal:

SEK	
Additional paid-in capital	256,230,727
Fund for real value	–6,227,835
Retained earnings	2,416,861
Net loss for the year	–80,454,126
Total	**171,965,627**

The Board of Directors proposes that the loss for the year be deducted from the additional paid in capital.

CONSOLIDATED INCOME STATEMENT

KSEK	Note	2011	2010
Other revenue		3,236	433
Total revenue		**3,236**	**433**
Work performed by the company for its own use and capitalized		15,049	12,582
Operating expenses			
Other external costs	8	–17,865	–8,046
Personnel costs	9	–19,504	–15,962
Depreciation and amortization of tangible and intangible assets	7	–74,714	–5
Operating result		**–93,798**	**–10,998**
Result from financial investments			
Financial income	11	264	27
Financial costs	11	–665	–2,244
Result after financial items		**–94,199**	**–13,215**
Tax	12	2,654	4,605
Net loss		**–91,545**	**–8,610**
Attributable to the shareholders of Kopy Goldfields AB		–91,545	–8,610
Earnings per share before and after dilution	13	–12.65	–2.85
Average number of shares before and after dilution		7,235,156	3,024,366

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	2011	2010
Net income	–91,545	–8,610
Other comprehensive income		
Exchange differences	–1,920	–11,683
Total comprehensive income	**–93,465**	**–20,293**
Attributable to the shareholders of Kopy Goldfields AB	*–93,465*	*–20,293*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

KSEK	Note	2011-12-31	2010-12-31
Assets			
Non-current assets			
Intangible fixed assets			
Explorations licenses and evaluation work	14	104,700	144,839
		104,700	**144,839**
Tangible fixed assets			
Buildings	15	5,129	2,408
Machinery and equipment	16	3,886	3,774
		9,015	**6,182**
Total non-current assets		**113,715**	**151,021**
Current assets			
Inventory	17	1,776	715
		1,776	**715**
Current receivables			
Other receivables	18	4,874	53,108
Prepaid expenses and accrued income	19	518	4,195
		5,392	**57,303**
Short term investments			
Cash and cash equivalents		20,386	916
		20,386	**916**
Total current assets		**27,554**	**58,934**
Total assets		**141,269**	**209,955**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, CNTD

KSEK	Note	2011-12-31	2010-12-31
Equity			
Capital and reserves attributable to the shareholders of the parent company			
Share capital	21	54,930	21,682
Not yet registered share issue		-	64,797
Other paid-in capital		255,925	195,454
Reserves		−23,724	−21,804
Retained earnings, incl current year net income		−165,205	−73,660
Total equity		**121,926**	**186,469**
Non-current liabilities			
Deferred tax	12	1,528	4,403
Non-current liabilities	22	10,568	990
		12,096	**5,393**
Current liabilities			
Current liabilities – interest bearing	22	617	5,419
Accounts payable		3,269	6,086
Current tax payable		402	307
Other current liablities		1,543	628
Accrued expenses and prepaid income	23	1,416	5,653
Total current liabilities		**7,247**	**18,093**
Total equity and liabilities		**141,269**	**209,955**
Pledged assets and contingent liabilities			
Pledged assets	25	50	50
Contingent liabilities	25	None	None

CONSOLIDATED CHANGES IN EQUITY

KSEK	Share capital	Not-registered share capital	Other paid in capital	Reserves	Retained earnings	Total equity
Opening balance 2010	**12,403**	**0**	**168,278**	**–10,121**	**–65,050**	**105,510**
Other comprehensive income				–11,683		–11,683
Net income					–8,610	–8,610
Share issue	9,279		38,610			47,889
Not yet registered share issue		64,797				64,797
Issue costs			–11,434			–11,434
Closing balance 2010	**21,682**	**64,797**	**195,454**	**–21,804**	**–73,660**	**186,469**
Other comprehensive income				–1,920		–1,920
Net income					–91,545	–91,545
Not yet registered share issue	17,346	–64,797	47,451			0
Share issue	15,902		13,104			29,006
Issue costs			–522			–522
Warrants			438			438
Closing balance 2011	**54,930**	**-**	**255,925**	**–23,724**	**–165,205**	**121,926**

The equity is fully attributable to the shareholders of Kopy Goldfields AB

CONSOLIDATED STATEMENT OF CASH FLOW

KSEK	Note	2011	2010
Operating activities			
Result after financial items 1)		−94,199	−13,215
Adjustment for items not affecting cash flow	24	75,999	1,944
Paid / received taxes		0	0
Cash flow from operating activities before changes in working capital		**−18,200**	**−11,271**
Cash flow from changes in working capital:			
Increase (−)/Decrease (+) in inventory		−1,259	−211
Increase (−)/Decrease (+) in current receivables		3,233	−2,868
Increase (+)/Decrease (−) in current liabilities		−9,137	5,286
Cash flow from operating activities		**−25,363**	**−9,064**
Investing actitivies			
Acquisition of intangible assets	14	−35,229	−41,853
Acquisition of tangible assets	15, 16	−2,781	−6,143
Cash flow from investing actitivies		**−38,010**	**−47,996**
Financing acitivities			
Proceeds from Share issues		77,462	64,225
Issue costs		−522	−11,434
Proceeds from warrants		438	–
Proceeds from loans received		10,230	29,831
Repayment of loans		−4,753	−30,329
Cash flow from financing acitivities		**82,855**	**52,293**
Cash flow for the year		19,482	−4,767
Cash and cash equivalents at the beginning of the year		916	5,702
Translation differences in cash		−12	−19
Cash and cash equivalents at the end of the year		20,386	916
Supplemental information to the cash flow			
Cash and cash equivalents			
The following is included in cash and cash equivalents:			
Cash and bank balances		20,386	916

1) The amount includes received interest of KSEK 265 (27) and paid interest of KSEK 3 (1,757)

INCOME STATEMENT, PARENT COMPANY

KSEK	Note	2011	2010
Revenue	6	3,183	3,043
Operating expenses			
Other external costs	8	−9,217	−6,904
Personnel costs	9	−3,433	−2,310
Total operating expenses		**−12,650**	**−9,214**
Operating result		**−9,467**	**−6,171**
Result from financial items			
Results from shares in group companies	10	−27,122	–
Financial income	6, 11	1,848	1,683
Financial costs	11	−45,713	−487
Result after financial items		**−80,454**	**−4,975**
Tax	12	–	–
Net income		**−80,454**	**−4,975**

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

KSEK	2011	2010
Net income	−80,454	−4,975
Other comprehensive income		
Exchange differences	−674	−2,983
Total comprehensive income	**−81,128**	**−7,958**
Attributable to the shareholders of Kopy Goldfields AB	*−81,128*	*−7,958*

BALANCE SHEET, PARENT COMPANY

KSEK	Note	2011-12-31	2010-12-31
Assets			
Non-current assets			
Financial fixed assets			
Shares in group companies	10, 20	210,733	195,707
Receivables, group companies	11	2,282	44,262
Total non-current assets		**213,015**	**239,969**
Current assets			
Current receivables			
Other receivables	18	389	49,474
Prepaid expenses	19	6,218	3,046
		6,607	**52,520**
Short term investments			
Cash and cash equivalents		19,626	646
Total current assets		**26,233**	**53,166**
Total assets		**239,248**	**293,135**
Equity and liabilities			
Equity			
Restricted equity			
Share capital	21	54,930	21,682
Not registered share issue		–	64,797
Total restricted equity		**54,930**	**86,479**
Non-restricted equity			
Additional paid-in capital		256,232	195,456
Fund for real value		−6,228	−5,554
Retained earnings, incl net income		−78,038	2,416
Total non-restricted equity		**171,966**	**192,318**
Total equity		**226,896**	**278,797**
Non-current liabilities			
Long-term interest bearing debt	22	10,230	–
Total non-current liabilities		**10,230**	**–**
Current liabilities			
Accounts payable		492	4,555
Interest bearing liabilities	22	–	4,005
Other current liabilities		214	125
Accrued expenses and prepaid income	23	1,416	5,653
Total current liabilities		**2,122**	**14,338**
Total equity and liabilities		239,248	293,135
Pledged assets and contingent liabilities			
Pledged assets	25	50	50
Contingent liabilities	25	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 2010	12,403	0	168,278	–2,571	7,391	185,501
Share issue	9,280		38,610			47,890
Not yet registered share issue		64,797				64,797
Issue costs			–11,433			–11,433
Other comprehensive income				–2,983		–2,983
Net income					–4,975	–4,975
Closing balance 2010	21,683	64,797	195,455	–5,554	2,416	278,797
Not yet registered share issue	17,346	–64,797	47,451			0
Share issue	15,902		13,104			29,006
Issue costs			–522			–522
Warrants			743			743
Other comprehensive income				–674		–674
Net income					–80,454	–80,454
Closing balance 2011	**54,930**	**–**	**256,232**	**–6,228**	**–78,038**	**226,896**

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

CASH FLOW STATEMENTS, PARENT COMPANY

KSEK	Note	2011	2010
Operating activities			
Result after financial items 1)		–80,454	–4,975
Adjustment for items not affecting cash flow	24	70,905	1,097
Cash flow from operating activities before changes in working capital		**–9,549**	**–3,878**
Cash flow from changes in working capital:			
Increase (–)/Decrease (+) in current receivables		–2,547	–2,672
Increase (+)/Decrease (–) in current liabilities		–8,206	7,458
Cash flow from operating activities		**–20,302**	**908**
Investing activities			
Shareholder contributions		–42,148	–60,385
Loans to group companies		–1,735	–2,098
Cash flow from investing activities		**–43,883**	**–62,483**
Financing activities			
Share issue		77,462	64,225
Issue costs		–522	–11,434
Proceeds from loans received		10,230	20,340
Repaid loans		–4,005	–16,335
Cash flow from financing activities		**83,165**	**56,796**
Cash flow for the year		–18,980	–4,779
Cash at the beginning of the year		646	5,425
Cash at the end of the year		19,626	646
Supplemental information to cash flow			
Cash and cash equivalents			
The following components are included in cash and cash equivalents:			
Cash and bank balances		19,626	646

1) The amount includes received interest of KSEK 260 (5) and paid interest of KSEK 0 (0).

NOTES

Company information
Kopy Goldfields AB (publ) is a Swedish limited liability company domiciled and with head office in Stockholm (corporate registration number 556723-6335). The Group's operation is to conduct gold exploration in the Bodaibo disctrict 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, 2011 was approved for publication by the Board of Directors on April 10, 2012 and will be presented to the Annual General Meeting for adoption on May 3, 2012.

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

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

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

Application of new or changed standards
a) New and changed standards which have been applied by the Group
None of the new IFRS standards or statements from IFRIC that have come into effect as of January 1, 2011 have 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.
IFRS 9 "Financial instruments" (published in November 2009). This standard is the first step in the process of replacing IAS 39 "Financial instruments: evaluation and classification". IFRS 9 introduces two new requirements for classification of financial assets and is likely to affect the Group's accounting for financial assets. The standard is not applicable until financial years beginning January 1, 2013 but is available for early adoption. The standard has not yet been adopted by the EU. The Group still has to evaluate the full effect of IFRS 9 on its financial statements.
IFRS 10, "Consolidated financial statements" replaces IAS 27 and SIC 12 and builds on existing principles by identifying the concept of control as the determining factor in whether an entity shall be included within the consolidated financial of the parent company. The standard is not applicable until financial years beginning January 1, 2013 and is expected to be adopted by EU during 2012. The Group still has to evaluate the full effect of IFRS 10 on its financial statements.
IFRS 11 "Joint Arrangements" replaces IAS 31 and is expected to be adopted by EU during 2012. The standard describes that joint arrangements are either joint operations or a joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Proportionate consolidation is not permitted for joint ventures. The standard is not applicable until financial years beginning January 1, 2013. The standard does not have any impact on the current financial statements since the Group does not have any joint arrangements.
IFRS 12, "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interest in other entities.
The Group still has to evaluate the full effect of IFRS 12 on its financial statements and intend to adopt IFRS 12 no later than 1 January 2013.
Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income". The amendment requires a change in the way other comprehensive income is presented, requiring separate subtotals for elements which may be 'recycled' and those elements that will not. The standard is applicable to annual periods beginning on or after July 1, 2012.

NOTE 1 BASIS OF CONSOLIDATION

Subsidiaries
Subsidiaries are all companies (including special purpose companies) where the Group has the power to govern the financial and operating policies of an entity in a way which normally is attached to a shareholding in excess of 50% of the shares voting power or where the Group, by agreement, alone exercise a controlling influence. Subsidiaries are included in the consolidated financial statements as of the day when the controlling influence is transferred to the Group. They are excluded from the consolidated financial statements as of the day when the controlling influence ceases.
When a business combination in effect is an acquisition of an exploration license that is not part of a business the purchase price is allocated to the separate identifiable assets and liabilities based on their relative values at the acquisition date. All business combinations in 2007 and 2008 were acquisition of assets. Deferred tax is not accounted for in asset acquisitions.
The Company applies the purchase method when accounting for business combinations. The cost of an acquisition is the fair value of assets given as consideration, issued equity instruments and liabilities assumed at the date of acquisition. Up until 2009 expenses directly attributable to the acquisition are included in the cost of the acquisition. Identifiable acquired assets and assumed liabilities and contingent liabilities in a business combination are valued at fair value on the date of acquisition, regardless of any minority interest. Any excess in the cost of the acquisition over the fair value of identifiable acquired assets, assumed liabilities and contingent liabilities is recognised as goodwill. If the cost of the acquisition is less than the fair value of identifiable acquired assets, assumed liabilities and contingent liabilities the difference is recognised immediately in the income statement.
Intra group transactions, balances and unrealised profits on transactions between group companies are eliminated. Also unrealised losses are eliminated, but any losses are treated as an indication that an impairment may be at hand. The accounting principles for subsidiaries have, when needed, been adjusted to guarantee a consistent application of the accounting principles of the Group.

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

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

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

The following exchange rates were used in the Group:

	2011		2010	
Currency	Balance sheet date rate	Average rate	Balance sheet date rate	Average rate
RUR	0.2154	0.2210	0.2231	0.2373

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

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

Exchange differences in the consolidation, which are the result of the translation of the net investment in the Russian operations, are recorded in equity. When a foreign operation is disposed of, partly or in full, exchange differences recorded in equity are transferred to the income statement and form a part of the capital gain / loss.
Adjustments of fair value arising at the acquisition of a foreign operation are treated as assets and liabilities in the foreign operation and are translated at the balance sheet date exchange rate.

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

Revenue
Revenue recognition
Kopy Goldfields does not have any gold sales as the Company has not yet reached the production phase. Existing revenue include sale of inventory and certain equipment. Revenue is recognised 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 capitalised as exploration licenses and are subject to depreciation according to generally accepted principles as described below.
Licenses which are auctioned have in several cases been subject to exploration work to a greater or lesser extent under Soviet times. Normally this means that a mineralisation already has been determined in the license area and that the additional exploration efforts are focused on to better evaluate the financial potential in the object. The issue of a Russian mineral license does not, however, guarantee existence of minerals that are economically worth mining in the license area. 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 capitalised exploration costs are subject to impairment tests if there are circumstances indicating that a write down may be required.
The production licenses are depreciated when production commences.

Tangible fixed assets
All tangible fixed assets are recognised at cost less accumulated depreciation, Cost includes expenses directly attributable to acquisition of the asset.
Additional expenses are added to the cost of the asset, or are recognised as a separate asset when more suitable, only when it is probable that the future economic benefits attached to the asset will flow to the Company and the cost of the asset can be measured in a reliable way. The carrying amount of a replaced asset is removed from the balance sheet. All other form of repair and maintenance are recognised as costs in the income statement in the period in which they arise.

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

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

The residual values and useful lives are tested each balance sheet date and adjusted as needed.
Gains and losses arising at the disposal of assets is determined by comparing the selling price to the carrying value and are recognised in the income statement as other income and other costs respectively.

Write down of non-financial assets
Assets that have indeterminable useful lives and capitalised exploration costs which have not yet been taken into use are not depreciated but are tested annually for impairment. Assets that are depreciated are tested for impairment whenever events or changes in circumstances indicates that the carrying value may not be recoverable. A write down is done with an amount that is the difference between the carrying value and its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling costs and its value in use. When assessing the need for write down assets are grouped on the lowest levels where there are separately identifiable cash flows (cash generating units). At each balance sheet date, assets, other than financial assets and goodwill, which previously have been written down are tested to determine if the write down should be reversed.

Leasing
Fixed assets which are leased are classified in accordance with the economical substance of the leasing agreement. Assets under financial leases are capitalised as fixed assets and future leasing payments as interest bearing liabilities. The leasing payments for assets under operational leases are recognised as an operational cost in the income statement. Leased fixed assets where a significant portion of the risks and rewards associated to ownership are transferred to the Group are classified as finance leases. Financial leases are recognised at the beginning of the leasing period at the lower of fair value and present value of the future minimum lease payments of the asset. Other leases are classified as operational leases. Payments under the lea-

sing period (less any discounts from the lessor) are expensed on a straight line basis over the leasing period.

Financial assets

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

General

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

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

Financial assets at fair value through the income statement

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

Loan receivables

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

Inventory

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

Cash and cash equivalents

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

Accounts payable

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

Borrowings

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

Income taxes

Income taxes include tax to be paid or received in the current year, adjusted for prior year current and deferred tax. All tax liabilities and receivables are valued at nominal amounts and in accordance with tax rules that are enacted, announced or that are probable.
Tax effects of items recognised in the income statement are also recognised in the income statement. Tax effects of items recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity. Deferred tax is determined using the balance sheet method on all temporary differences arising between carrying value and tax value on assets and liabilities. Deferred tax receivable related to loss carry forwards or future tax deductions are recognised to the extent that it is probable that the deduction can be offset against future profits. As management cannot estimate when a possible taxable profit will arise, Kopy Goldfields has chosen not to recognise any deferred tax receivables.

Remuneration to employees

Pension

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

Termination remuneration

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

Provisions

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

Earnings per share

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

NOTE 2 PARENT COMPANY ACCOUNTING PRINCIPLES

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

Differences in accounting principles between the Group and the parent company

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

Subsidiaries

Shares in subsidiaries are recognised in the parent company according to the cost method. The parent recognises received dividends as income if they have been earned after the acquisition. No dividend has been received, either in 2011 or 2010. Loans in foreign currency to the subsidiaries are treated as net investments in the foreign subsidiaries. Exchange differences that arise are recognised in Fund for real value in equity.

Group and shareholder contributions

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

In August 2011, the Company received an interest bearing long-term loan from major shareholders. The loans are amounting to KSEK 10,230 in total and have an interest rate of 7 % and repayment date in July 2013.

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

NOTE 4 FINANCIAL RISK FACTORS

During 2011, the financial risk management have 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 –1,149 (–2,858).
The Group's revenue / capitalised work and net income are divided in the following currencies, KSEK:

Currency	Capitalised amounts/revenue	Net income
SEK	12	–37,360
RUR	18,273	–54,185
Total	18,285	–91,545

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

Currency	Assets	Liabilities
SEK	20,531	12,358
RUR	120,737	6,991
Total	141,268	19,349

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

Interest rate risk
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 –9.2 (5.5) at the end of 2011, consisting of cash MSEK 20.3 (0.9) and interest bearing liabilities of MSEK –11.1 (–5.5).

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

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

Liquidity risk
The liquidity risk is that Kopy Goldfields cannot meet its short term payment obligations due to lack of cash funds or illiquid cash reserves.
As described previously the Company's activities are to its nature very capital intensive and the Company has a large need for capital in the future in order to be able to continue to develop the operations and to meet future obligations. Access to capital is required to secure this. The Board's opinion is that future financing should in the coming year primarily be done via equity.

Re-financing risk
The re-financing risk is the risk that Kopy Goldfields cannot finance its outstanding liabilities on acceptable terms, or at all, at a given point in time.
Despite the financial crisis the Board's judgement is that financing probably will be obtained for the next twelve month period, but maybe on different terms than previously.
Outstanding loans at the balance sheet date, mostly related to acquisitions, have the following structure, average interest and maturity.

2011

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

2010

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

NOTE 5 SIGNIFICANT ESTIMATES AND JUDGEMENTS FOR ACCOUNTING PURPOSES

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

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

Classification of acquisition of subsidiaries
In an acquisition the acquisition must be analysed whether it is a business combination or an acquisition of an asset. It is common that exploration licenses are acquired via the acquisition of a subsidiary. In such cases an analysis is done to determine whether the acquisition meets the criteria for a business combination or not.
The criteria that Kopy Golfields reviews is the purpose of the acquisition, if the purpose is to acquire a business or an asset. If the acquisition of a company does not meet the criteria for a business combination it is recognised as an acquisition of an asset. Companies which only have a license without the associated management / administration of the license are normally classified as an acquisition of an asset. All the acquisitions that Kopy Goldfields did in 2008 and 2007 were judged to be acquisition of assets.

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

Impairment test for Exploration licenses and evaluation work, Buildings, Machinery and equipment
Each year the Group reviews if any needs for write down exist for exploration licenses and evaluation work, buildings, and machinery and equipment in accordance with the accounting principle which is described in the section "Write down of non-financial assets". Recoverable values for cash generating units have been determined by calculating value in use. Certain estimates are made for these calculations related discount rate, price of gold, reserves etc.
In 2011, the Kopylovskoye-project was impaired by MSEK 75 after performed impairment test, see note 14.

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

Going concern
Exploration is a capital intensive activity and as disclosed elsewhere in these financial statements the Company does not yet report any revenue. Net income for 2011 amounts to –91,545 KSEK (–8,610). The size of the working capital deficit the nearest 12-month period is roughly estimated to be between 15–60 MSEK. The lower amount is for the case that the exploration activities are kept to a minimum so that the Company is only fulfilling the minimum requirements in the license agreements. The Board thus estimate that additional financing will be required to continue the operations for the next 12-month period. The opinion of the Board is that financing firstly should be done via new share issues. Given the estimated value of the Company's licenses and probable new raised capital during 2012 the Board's assessment is that the Company can continue as a going concern.

NOTE 6 INTRA GROUP PURCHASE AND SALES

100 per cent (99) of the parent company's net revenue or KSEK 3,171 (3,021) was related to sales to other companies within the Group. 86 percent (99) or KSEK 1,588 (1,678) of the interest income in the parent company is related to other companies within the Group.

NOTE 7 DEPRECIATION AND AMORTIZATION

	Group	
KSEK	2011	2010
Buildings	–436	–293
Machinery and equipment	–1,007	–870
Impairment	–74,706	–
Total	–76,149	–1,163

Of the amount above, KSEK 1,435 (1,158) has been capitalized as intangible assets.

NOTE 8 AUDIT FEES

	Group		Parent company	
KSEK	2011	2010	2011	2010
Audit fees				
Ernst & Young	237	250	237	250
PWC	–	170	–	170
Other audit firms	151	133	–	–
Tax advice				
Ernst & Young	40	–	40	–
PWC	–	–	–	–
Other audit firms	–	–	–	–
Other assignments				
Ernst & Young	142	226	142	226
PWC	–	53	–	53
Other audit firms	–	–	–	–
	570	832	419	699

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

NOTE 9 PERSONNEL

Average number of employees

	2011		2010	
	Total	Of which women	Total	Of which women
Parent company				
Sweden	2	1	2	1
Group companies				
Russia	91	20	77	12
Total for the Group	**93**	**21**	**79**	**13**

As of December 31, 2011 there were 60 full time employees (47) 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 subidiaries) for the Board of Directors and management

	2011		2010	
	As of December 31	Of which women	As of December 31	Of which women
Board of Directors	7	0	6	1
CEO and management	5	1	6	1
Total for the Group	**12**	**1**	**12**	**2**

Salaries, remuneration and social security costs

	2011	2010
The Group		
Board, CEO and management	4,647	3,034
(of which variable)	(146)	(117)
Other employees	10,641	9,998
Total	**15,288**	**13,032**
Social security costs	3,999	2,859
(of which pension costs)	(102)	(118)
Total	**19,287**	**15,891**
Parent Company		
Board, CEO and management	2,345	1,598
(of which variable)	(0)	(0)
Other employees	0	0
Total	**2,345**	**1,598**
Social security costs	871	641
(of which pension costs)	(102)	(118)
Total	**3,216**	**2,239**

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

	Salary/fee	Variable remuneration	Other benefits	Pension cost	Total
Chairman of the Board, Kjell Carlsson	264	0	0	0	264
Board member, Ulrika Hagdahl	48	0	0	0	48
Board member, Claes Levin	57	0	0	0	57
Board member, Björn Fernström	48	0	0	0	48
Board member, Sergey Petrov	90	0	0	0	90
Board member, Markku Mäkelä	104	0	0	0	104
Board member, Peter Geijerman	50	0	0	0	50
Board member, Johan Österling	33	0	0	0	33
Board member, Patric Perenius	33	0	0	0	33
Board member, Andreas Forssell	33	0	0	0	33
CEO, Mikhail Damrin	1,094	0	0	0	1,094
Deputy CEO, Anna Daun Wester	1,008	0	0	83	1,091
Other management (5)	1,637	146	0	20	1,803
Total Board and management	**4,501**	**146**	**0**	**102**	**4,749**

Ulrika Hagdahl and Björn Fernström resigned from the Board on June 22, 2011. At the Extraordinary General Meeting on July 27, 2011, Claes Levin resigned from the Board and Johan Österling, Patric Perenius and Andreas Forssell were elected new Board members. Other Management includes 2 persons not employed by the Company as of December 31, 2011. Subsequent the year end, Peter Geijerman has resigned from the Board and Anna Sandgren is no longer employed by the Company.

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 2011 amounted to KSEK 761 (580), of which KSEK 264 (140) 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 323 related to extra work done and expenses during 2011. 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 38 related to extra work done in connection with the directed share issue in 2011.

Remuneration and benefits to the CEO

Remuneration to the CEO amounted to KSEK 1,094 (1,115) KSEK for 2011. The CEO is employed to 1/12 in Kopy Goldfields AB and to 11/12 in LLC Kopylovskoye Management, and receives his salary in the same proportion from the respective companies. The CEO has a total contracted salary from both companies of 140 KUS$ per annum. The split of employment reflects, in all material respects, how his work is divided between Sweden and Russia. There are no pension commitments towards the CEO.

Pension plans

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

Termination period and severance pay

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

Long-term incentive program

The Extraordinary General Meeting held on July 27, 2011, resolved upon an issue of not more than 276,120 warrants, within the frames of a long-term incentive program (incentive program 2011/2013) for eleven key employees. The 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 to market value. At Year End, 165,672 warrants were purchased by employees since four out of eleven key positions in the Company were vacant. On the Extraordinary General Meeting held on October 17, 2011, the transfer period of the warrants for these four positions was extended until the Annual General Meeting 2012. Each warrant entitles the holder to subscribe for one (1) new share in the Company. See note 27 for more information.

As of December 31, 2011, the warrants were allocated as below:

Participant	Maximum number of warrants/position	Total number of warrants per category	Number of warrants transferred December 31, 2011
CEO (1 position)	55,224	55,224	55,224
Other management (6 positions)	27,612	165,672	55,224
Other key employees (4 positions)	13,806	55,224	55,224
Total		**276,120**	**165,672**

NOTE 10 RESULTS FROM SHARES IN GROUP COMPANIES

	Parent company	
KSEK	**2011**	**2010**
Impairment	−27,122	–
Total	**−27,122**	**–**

NOTE 11 FINANCIAL INCOME AND COST

	The Group		Parent company	
KSEK	**2011**	**2010**	**2011**	**2010**
Interest income and similar items				
Interest income	264	27	260	5
Exchange differences	–	–	–	–
Other financial income	–	–	–	–
Interest income from Group companies	–	–	1,588	1,678
Total financial income	**264**	**27**	**1,848**	**1,683**

	The Group		Parent company	
KSEK	**2011**	**2010**	**2011**	**2010**
Interest cost and similar items				
Impairment1)	–	–	−45,383	–
Interest cost	−624	−2,181	−290	−424
Exchange differences	−41	−63	−40	−63
Other	–	–	–	–
Total financial cost	**−665**	**−2,244**	**−45,713**	**−487**
Net financial income and cost	**−401**	**−2,217**	**−43,865**	**1,196**

1) An impairment test of the Kopylovskoye project stand alone was performed in 2011 based on the results of the resource report for the Kopylovskoye-project, This resulted in an impairment of capitalized exploration costs and license acquisition costs in the Group by MSEK 75. A corresponding impairment of shares in group companies and receivables from group companies was done in the parent company to an amount of MSEK 27 and MSEK 45 respectively. See note 7, 10 and 14.

NOTE 12 TAX

	The Group	
KSEK	**2011**	**2010**
Current tax	–	−145
Deferred tax	2,654	4,750
Total	**2,654**	**4,605**

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

Reconciliation of the weighted average tax and actual tax

	The Group		Parent company	
KSEK	**2011**	**2010**	**2011**	**2010**
Result after financial items	−94,199	−13,215	−80,454	−4,975
Tax at current tax rate	24,774	3,475	21,159	1,308
Difference in tax rate in foreign operations	625	−519	–	–
Tax effects from:				
Non deductible items	−196	−171	−19,093	−36
Adjustment deferred tax intangible assets	3,026	5,052	–	–
Loss carry forwards for which deferred tax is not recognised	−25,575	−3,232	−2,066	−1,272
Reported tax	**2,654**	**4,605**	**0**	**0**

Tax rates are 26,3% in Sweden and 20% in Russia.
As of December 31, 2011 the Group had tax loss carry forwards of approximately MSEK 75.6. Deferred tax receivables related to tax loss carry forwards are recognised only to the extent that it is probable that they will be used. Since the Company's future possibility to use the tax loss carry forwards are uncertain the Company has not recognised any deferred tax receivables. The value of the tax losses are approximately MSEK 17.3. 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 2011	December 31 2010
Deferred tax liabilities		
Intangible assets	891	4,119
Leasingliabilities	637	284
Total deferred tax liabilities	**1,528**	**4,403**

Change in the net of deferred tax liabilities

	Opening balance	Recognised in the income statement	Translation differences	Closing balance
Deferred taxes				
Intangible assets	4,119	−3,026	−202	891
Leasing liabilities	284	372	−19	637
Total	**4,403**	**−2,654**	**−221**	**1,528**

At the end of the year the Company released deferred tax liabilities related to capitalized exploration and evaluation costs as a consequence of the impairment done.

NOTE 13 EARNINGS PER SHARE

Change in number of shares

	2011	2010
Outstanding at the beginning of the period	6,626,937	210,594,450
Share issue April		84,407,580
Share issue June	256	
Share issue July		73,161,345
Reverse split August		–364,481,742
Share issue October	2,700,000	
Share issue December		2,945,304
Outstanding at the end of the period	**9,327,193**	**6,626,937**

Earnings per share before and after dilution

	2011	2010
Net income, KSEK, attributable to the shareholders of the parent company	–91,545	–8,610
Average number of shares before and after dilution	7,235,292	3,024,366
Earnings per share before and after dilution	**–12,65**	**–2,85**

Earnings per share before and after dilution is calculated by dividing the net income attributable to the shareholders of the parent company by the average number of outstanding ordinary shares during the period exclusive of repurchased treasury shares held by the parent company.
Since net income is negative potential dilution from outstanding options is not taken into account, as earnings per share would improve considering the dilution effect.

NOTE 14 EXPLORATION LICENSES AND EVALUATION WORK

	The Group	
KSEK	2011	2010
Opening acquisition cost	144,839	111,338
Investments	36,430	34,547
Acquired licenses	123	8,463
Translation differences	–5,633	–9,509
Closing acquisition cost	175,759	144,839
Opening accumulated write down	–	–
Write down	–74,706	–
Translation difference	3,646	–
Closing accumulated write down	–71,060	–
Carrying value	104,700	144,839

The balance for exploration licenses and evaluation work includes approximately MSEK 41 of acquired licenses and the remaining part relates to capitalised exploration and evaluation work, approximately MSEK 64.
In assessing the possible impairment on exploration licenses and evaluation work future cash flows are discounted and compared to the carrying values. The following significant assumptions have been used:
Discount rate, before tax – 15%
Price of gold – 1,500 USD per oz
Tax rate – 22%
Royalty – 6%
Forecast period – Cash flows from expected production 2013–2019

The Koplovskoye-project was impaired by MSEK 75 after the impairment test.

NOTE 15 BUILDINGS

	The Group	
KSEK	2011	2010
Opening acquisition cost	29,314	30,778
Investments	3,313	628
Disposals	–	–
Translation difference	–1,050	–2,092
Closing acquisition cost	31,577	29,314
Opening accumulated depreciation	–3,517	–3,486
Depreciation	–436	–293
Disposals	–	–
Translation difference	116	262
Closing accumulated depreciation	–3,837	–3,517
Opening accumulated write down	–23,389	–25,053
Translation difference	778	1,664
Closing accumulated write down	–22,611	–23,389
Carrying value	5,129	2,408

NOTE 16 MACHINERY AND EQUIPMENT

	The Group	
KSEK	2011	2010
Opening acquisition cost	13,419	9,469
Investments	1,283	5,906
Disposals	–82	–694
Translation difference	–761	–1,262
Closing acquisition cost	13,859	13,419
Opening accumulated depreciation	–1,693	–1,109
Depreciation	–1,007	–870
Disposals	35	195
Translation difference	10	91
Closing accumulated depreciation	–2,655	–1,693
Opening accumulated write down	–7,952	–8,352
Write down	–	–
Translation difference	634	400
Closing accumulated write down	–7,318	–7,952
Carrying value	3,886	3,774

NOTE 17 INVENTORY

	The Group	
KSEK	2011	2010
Raw material and consumables	1,776	715
Carrying value	1,776	715

NOTE 18 OTHER RECEIVABLES

	The Group		Parent company	
KSEK	2011	2010	2011	2010
Value added tax	3,510	3,646	339	898
Receivable share issue settlement	–	48,462	–	48,462
Other	1,364	1,000	50	114
Total	4,874	53,108	389	49,474

NOTE 19 PREPAID EXPENSES

	The Group		Parent company	
KSEK	2011	2010	2011	2010
Prepaid rent	26	25	26	25
Accrued revenue from subsidiaries	–	–	6,192	3,021
Prepaid exploration	492	4,135	–	–
Other	–	35	–	–
Total	518	4,195	6,218	3,046

NOTE 20 SHARES IN SUBSIDIARIES

	Parent company	
KSEK	2011	2010
At the beginning of the year	195,707	135,414
Acquisitions	50	–
Shareholder contributions	42,098	60,293
Impairment	–27,122	
Carrying value at the end of the year	210,733	195,707

Note 20 cont

The table below specifies the subsidiaries of the Group as of December 31, 2011.

	Corporate. Identification no	Domicile	Ownership, %	Carrying value in parent company	Net income	Equity
LLC Kopylovsky	1043800732337	Bodaibo, Russia	100	186,139	–8,196	74,268
LLC Kavkaz Gold	1073808020516	Bodaibo, Russia	100	21,278	–272	6,993
LLC Krasny	1103802000048	Bodaibo, Russia	100	0	–25	8
LLC Prodolny	1103802000037	Bodaibo, Russia	100	0	–26	8
LLC Resurs	1103802000389	Bodaibo, Russia	100	0	–6	2
LLC Kopylovskoye Management	1097746306063	Moscow, Russia	100	3,266	0	2
Kopy Development AB	556858-1747	Stockholm, Sweden	100	50	–11	39

NOTE 21 CHANGES IN SHARE CAPITAL

Year	Event	Change in share capital, SEK	Capitalisation excl issue costs	Change in number of shares	Nominal value, SEK	Total share capital	Total number of shares
2007	Company establishment	100,000	100,000	10,000	10.00	100,000	10,000
2007	Share issue	1,250,100	35,002,800	125,010	10.00	1,350,100	135,010
2007	Share issue	7,400,000	106,638,200	740,000	10.00	8,750,100	875,010
2007	Share issue	1,249,900	34,997,200	124,990	10.00	10,000,000	1,000,000
2008	Split 1:849	–	–	848,000,000	0.01	10,000,000	849,000,000
2009	Reverse split 1:100	–	–	–840,510,000	1.1779	10,000,000	8,490,000
2009	Reduction share capital	–9,500,000	–	–	0.0589	500,000	8,490,000
2009	Preferential issue	11,500,000	19,527,000	195,270,000	0.0589	12,000,000	203,760,000
2009	Directed share issue	402,500	683,445	6,834,450	0.0589	12,402,500	210,594,450
2010	Share issue	4,971,000	24,478,198	84,407,580	0.0589	17,373,500	295,002,030
2010	Share issue (subscription to warrants)	4,308,678	23,411,630	73,161,345	0.0589	21,682,178	368,163,375
2010	Reverse split 1:100	–	–	–364,481,742	5.89	21,682,178	3,681,633
2010	Share issue	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

NOTE 22 FINANCIAL LIABILITIES

The gross financial liability, including accrued interest, amounted to KSEK 11,455 at the end of 2011. The following table specify the maturity of the financial liability. For interest rate risk see note 4.

KSEK	The Group 2011	2010
Current financial liabilities		
Matures within 1 year	*617*	*5,419*
Total current financial liabilities	*617*	*5,419*
Non-current financial liabilities		
Other non-current loans with maturity		
>1 year <5 year	10 568	990
Total non-current financial liabilites	*10 568*	*990*
Total financial liabilities	*11 185*	*6,409*

KSEK	Parent company 2011	2010
Current financial liabilities		
Matures within 1 year	–	4,005
Total current financial liabilities	–	4,005
Non-current financial liabilities		
Other non-current loans with maturity		
>1 year <5 year	10,230	–
Total non-current financial liabilites	10,230	–
Total financial liabilities	10,230	4,005

In 2011, the Company received an interest bearing long-term loan from major shareholders. The loans are amounting to KSEK 10,230 in total and have an interest rate of 7 % and repayment date in July 2013.

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

NOTE 23 ACCRUED EXPENSES

KSEK	The Group 2011	2010	Parent company 2011	2010
Issue costs	–	4,406	–	4,406
Interest	269	399	269	399
Board fee	499	320	499	320
Social security fees	161	188	161	188
Other	487	340	487	340
Total	**1,416**	**5,653**	**1,416**	**5,653**

NOTE 24 ADJUSTMENT FOR ITEMS NOT AFFECTING CASH FLOW

KSEK	The Group 2011	2010
Depreciation and impairment	74,710	5
Accrued interest	258	–6
Provisions	0	437
Gains	1,853	633
Translation differences	–641	875
Other	–181	–
Total	**-75,999**	**1,944**

KSEK	Parent company 2010	2009
Depreciation and impairment	72,505	–
Translation differences	–1,588	1,097
Other	–12	–
Total	**70,905**	**1,097**

NOTE 25 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets of KSEK 50 (50) relate to blocked cash funds with Euroclear Sweden AB (previously VPC AB) as beneficiary and should cover receivables on Kopy Goldfields AB from time to time.
There are no known on-going disputes as of December 31, 2011. The dispute with a former consultant that provided financial services, which was disclosed in Annual Report 2010 was settled and finalized during the year.

NOTE 26 LEASING

The Company's leasing agreements, where the risks and rewards associated with the ownership falls on the Group, are classified as financial leases. The Group has during 2011 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 2011 the leasing costs amounted to KSEK 332 (729). Future leasing obligations related to leasing agreements within the Group are shown in the table below:

KSEK	2011	2010
Within 1 year	617	1,329
After 1 year within 5 years	339	2,324
After 5 years	–	–
Total	**956**	**3,653**

NOTE 27 OUTSTANDING OPTIONS

KSEK	Program 2011/2013
Excercise price, SEK	7.10
First excercise date	2013-09-01
Last excercise date	2013-10-15
Number of issued options during they year	276,120
Excercised	–
Forfeited	–
At the end of the year	276,120
Of which fully vested at December 31, 2011[1])	276,120
Theoretical value,[2])	742,762
Theoretical value per option at issue,[2]) SEK	2.69
Theoretical value per option at December 31, 2011, SEK	2.66
Theoretical dilution	3%

[1]) The Extraordinary General Meeting held on July 27, 2011, resolved upon an issue of not more than 276,120 warrants, within the frames of a long-term incentive program (incentive program 2011/2013) for eleven key employees. The warrants were issued to the subsidiary Kopy Development and purchased by the key employees to market value. At Year End, 165,672 warrants were purchased by employees since four out of eleven key positions in the Company were vacant. On the Extraordinary General Meeting held on October 17, 2011, the transfer period of the warrants for these four positions was extended until the Annual General Meeting 2012. 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 1,626,148.74 SEK at maximum.

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

KSEK	Program 2010/2011
Excercise price, SEK	25.00
First excercise date	2011-05-16
Last excercise date	2011-06-16
Number of issued options during the year	1,472,652
Excercised	–256
Forfeited	–1,472,396
At the end of the year	–

KSEK	Program 2008/11
Excercise price, SEK	0.14
Excercise price after reverse split 2009, 1:100, SEK	14.00
Excercise price after reverse split 2010, 1:100, SEK	1,400.00
First excercise date	2009-01-13
Last excercise date	2011-12-31
Number of issued options at the beginning	42,450,000
Number of issued options after reverse split 2009, 1:1002)	4,250,000
Number of issued options after reverse split 2010, 1:1003)	42,500
Excercised	–
Forfeited	–42,500
At the end of the year	–

NOTE 28 FINANCIAL INSTRUMENTS

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

NOTE 29 SUBSEQUENT EVENTS

On March 5, 2012, the acquisition of two new exploration licenses of an area of 231 km2 was announced, which almost doubles the total exploration area from 255 km2 to 487 km2. The licenses are Purpolskaya, located 190 kilometres north of the city of Bodaibo, and Verkhnaya Orlovka, located 110 kilometres southeast of the city of Bodaibo. Both licenses have reasonable infrastructure and borders well known gold deposits, owned by international listed companies.

In March 2012, Peter Geijerman resigned from the Board of Directors by voluntary resignation.

On March 29, 2012, a rights issue with preferential rights, amounting to MSEK 26.6 with subscription period in May 2012, was announced. The right issue is subject to the approval from the Annual General Meeting 2012. The objective is further developing of the Krasny-license.

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 3, 2012.

Stockholm April 10, 2012

Kjell Carlsson
Chairman

Mikhail Damrin
CEO

Johan Österling

Andreas Forssell

Patric Perenius

Sergei Petrov

Markku Mäkelä

Our audit report was issued on April 10, 2012 and deviates from the standard format

Ernst & Young AB

Per Hedström
Authorised 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 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 26-50.

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 the 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 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 opinion.

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 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and 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 2011 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 the statement of the 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 examined 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 2011.

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 the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess 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 opinion.

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 April 10, 2012

Ernst & Young AB

Per Hedström
Authorized Public Accountant

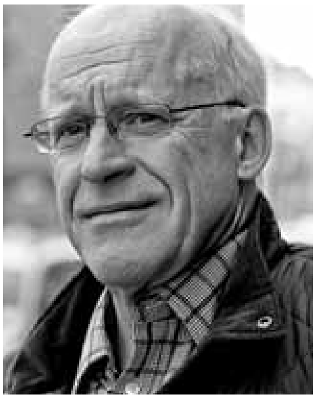
THE BOARD OF DIRECTORS

Organisation
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 2011 financial year was 93, 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 six members, of which Kjell Carlsson is the chairman. The members of the Board are presented in detail below. All board of directors are elected until next annual general meeting. All shareholdings are including family and privately-held companies.



Kjell Carlsson
Chairman of the Board and Board member since 2010.
Born: 1951, Swedish citizen.
Education: Master of science in mechanical engineering.
Work experience: Senior management positions with Sandvik, Atlas Copco and ABB.
Other assignments: Chairman of the Board of Sandvik Nora AB; Board member of Appalto AB.
Relinquished assignments during the last five years: CEO and Board member of Sandvik Mining and Construction Tools AB; Chairman of the Board of AB Sandvik KPS; Board member of Monitoring Control Center MCC AB and Sandvik Mining and Construction Sverige AB; Partner in Ingenjörsfirma C.J. Carlsson HB.
Shareholding in Kopy Goldfields: 23,000

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

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 of Siberian Mining and Metallurgical Alliance – SIGMA; Board member of Ilim Timber Industry; Board member and joint owner of Nettrader.ru
Relinquished assignments during the last five years: Board member of Pioglobal Real Estate Investment Fund.
Shareholding in Kopy Goldfields: 166,554

Patrik Perenius
Board member since 2011
Born: 1951, Swedish citizen.
Education: M.Sc in mining and mineral dressing, KTH in Stockholm
Work experience: Oil and mineral exploration the in Europe, Africa, Russia and South America as geophysican; Experience from project leading and from running public companies.
Other assignments: Chairman of the Board of Archelon Mineral; Board member of Commodity Quest AB; Board member of Resolution Energy
Relinquished assignments during the last five years: Board member of Central Asia Gold, Nordic Iron Ore, Drillcon, Mineral Invest International, Balkan Resources and Yield
Shareholding in Kopy Goldfields: -

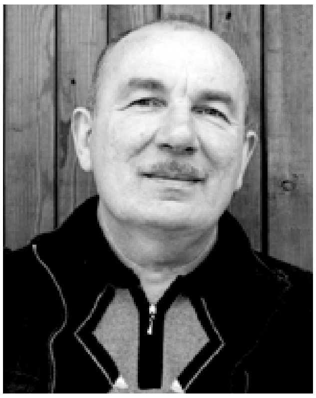
Andreas Forssell
Board member since 2011
Born: 1971, Swedish citizen.
Education: Master's Degree in Business Adminstration and MBA
Work experience: Managing Director, Tomsk Refining; CFO and deputy CEO, Crown Energy AB
Other assignments: Board member of Tomsk Refining II AB, Playontv Europe AB, Andreas Forssell AB
Relinquished assignments during the last five years: Board member of Allokera Kapitalförvaltning AB; Management Systems Sweden AB; Park Venue Stockholm AB; Vingåker Gärdet 2 Fastighets AB; Allokton AB (incl subsidiaries); Allokton Properties AB (incl subsidiaries); CEO Tomsk Refining; Elecard AB; Stella Nova Filmproduktion AB
Shareholding in Kopy Goldfields: -

Johan Österling
Board member since 2011
Born: 1946, Swedish citizen.
Education: Swedish LLM (Master in Law) and BA (business administration).
Work experience: Partner of Foyen law firm until 2011
Other assignments: Board member of Dragon Mining Sverige AB and Fahlia AB; Chairman of the Board of Göthes AB, LC-Tec AB and Penclic AB
Relinquished assignments during the last five years: Nomor AB
Shareholding in Kopy Goldfields: 50,000 through Lilla Kopparbergs Rådslags AB

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
Board member and CEO since 2009.
Born: 1970, Russian citizen.
Education: Master of science in optical engineering, Moscow Technical University; Bachelor's degree in mining technology, Tomsk Polytechnical University; Bachelor's degree in international finance, Russian Academy of Foreign Trade; MBA, Cranfield University.
Work experience: Business development and M&A manager of Central Asia Gold; senior management positions with West Siberian Resources.
Other assignments: Board member and joint owner of Amur Gold LLC. Board member of Tomsk Refining AB.
Relinquished assignments during the last five years: –
Shareholding in Kopy Goldfields: 62,813
Warrants: 55,224

Tim Carlsson
CFO since 2011, Vice president since 2012.
Born: 1979, Swedish citizen.
Education: Master's Degree in Business Adminstration, 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: 4,630
Warrants: 27,612

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 Khakasia; manager of MAVAX S.a.r.l. in Guinea, with responsibility for bedrock gold exploration planning and development; director of OOO Tardan Gold with responsibility for construction and management of an open pit gold mine and processing plant.
Other assignments: –
Relinquished assignments during the last five years: –
Shareholding in Kopy Goldfields: –
Warrants: 27,612

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: 10 years of Various Senior Geologist/Chief geologist positions within Africa exploration and mining companies.
Other assignments: -
Relinquished assignments during the last five years: –
Shareholding in Kopy Goldfields: –
Warrants: 27,612

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, SiO_2. 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.