Kopy Goldfields AB (publ)

Corp. Id
556723-6335

ANNUAL REPORT

FOR

THE FINANCIAL YEAR
Ended 31 December 2022

CONTENT

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 1 January – 31 December 2022.

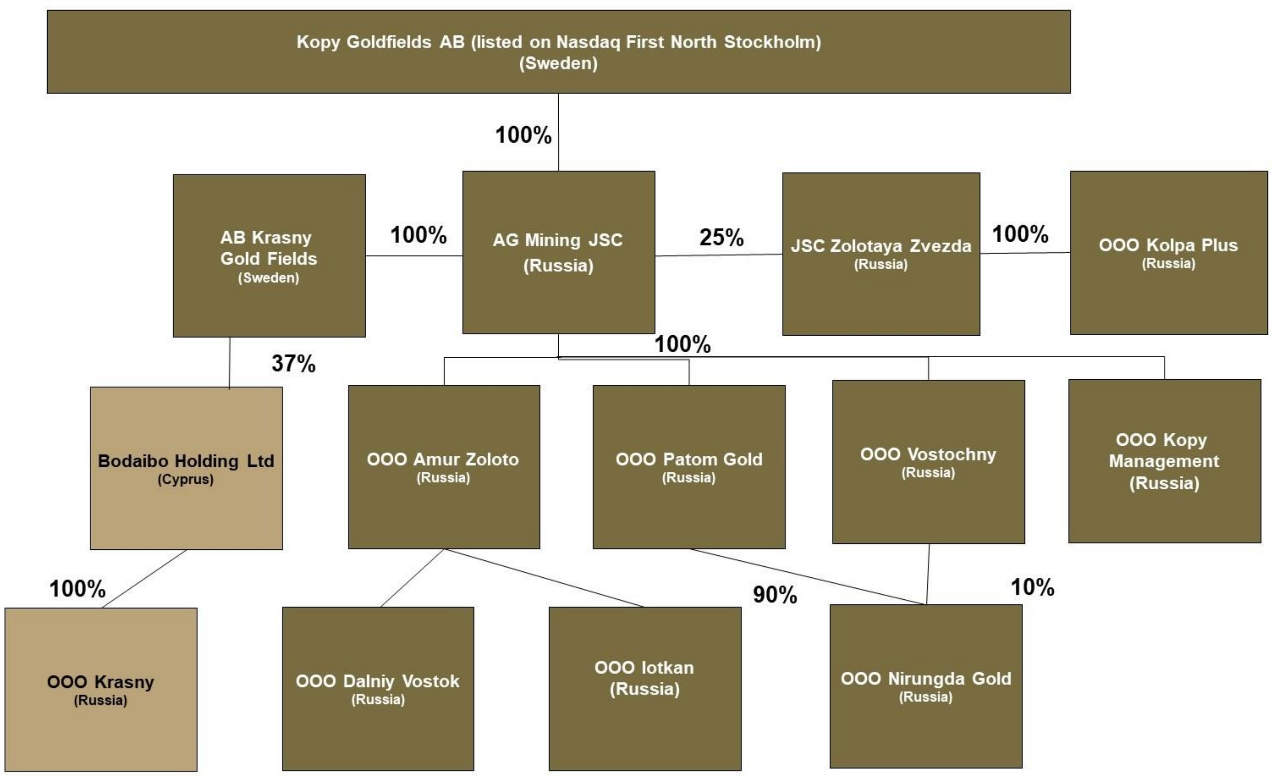
Group structure and background

Kopy Goldfields AB (publ) is a Swedish limited liability company domiciled and headquartered at Eriksbergsgatan 10 in Stockholm, Sweden, with legal address P.O. Box 7292, 103 90 Stockholm, Sweden. The operations of the Company and its subsidiaries are focused on gold and silver exploration, evaluation, and production in the Khabarovsk region, the Bodaibo district of the Irkutsk region and the Khakassia of the Russian Federation. Kopy Goldfields AB is a public company listed on Nasdaq First North Growth Market, Stockholm under the ticker code "KOPY".

Kopy Goldfields AB is the Swedish parent company and holds directly and indirectly 100% of the Russian subsidiary JSC AG Mining ("AGM"). AGM holds directly or indirectly 100% in the Swedish subsidiary AB Krasny Gold Fields and 100% of the Russian subsidiaries OOO Amur Zoloto, OOO Dalniy Vostok, OOO Vostochny, OOO Patom Gold, OOO Nirungda Gold, OOO Iotkan and OOO Kopy Management. The Company holds 37% of the Cyprus-based company Bodaibo Holding Ltd, which in turn is the 100%-owner of the Russian company OOO Krasny. In 2022, AGM acquired a 25% interest of the Russian gold company Zolotaya Zvezda CJSC, which in turn is the 100%-owner of the Russian company OOO Kolpa Plus. The operations of the Group are performed via the subsidiaries and each of the Russian subsidiaries is or may be the owner of different gold exploration and production licenses.

Payment for the Krasny 2021 exploration program was due by the end of Q2 2022 in accordance with the shareholders agreement between Kopy Goldfields and GV Gold. Following the introduction of international sanctions against Russia, payments in USD are difficult to execute and Kopy Goldfields did not meet the deadline, and as a result, the Company's interest in Bodaibo Holding Ltd was reduced from 49% to 37%. Kopy Goldfields is in discussions with GV Gold on how to settle the payment in order to secure the 49/51 interests in Krasny.

Below is an overview of the Group´s legal structure at 31 December 2022.



Vision and business concept

Kopy Goldfields' vision is to be a trusted world-class continuously growing gold exploration and production company, respected by all stakeholders for its strong economic, environmental and social performance. The Company's mission is to be a responsible gold miner that creates value and benefits for all its stakeholders and contributes to a sustainable future. Kopy Goldfields' strategy is to combine local geological knowledge and science with international management, industry best practices and modern, efficient technology to identify and develop mineral deposits in a cost-efficient, safe, and transparent way.

Significant events during the financial year
2022 was the start-up year for the expanded plant at Yubileyniy where gold production increased by 53% in 2022 compared to 2021. The modernisation and extension of the Yubileyniy plant was completed late in 2021, almost doubling the processing capacity from 130 to 250 kilo tonnes of ore per annum ("ktpa"). Commissioning and reaching the project capacity continued through 2022.

In Q2 2022, the new heap leach (HL) plant at Perevalnoe was commissioned. The solution was delivered to the heaps, sprinkler irrigation was initiated and the CIL plant was launched. The first gold from Perevalnoe HL was reported in Q3 2022.

In Q4 2022, Kopy Goldfields AB's (publ) wholly owned subsidiary JSC AG Mining, signed and completed an agreement to acquire a 25% interest of the Russian gold company Zolotaya Zvezda CJSC, an established gold producer located in the Khakassia region of Russia.

Operations
The Company operates bedrock and placer mines in the Khabarovsk region of Russia. The Company also holds a 25% interest in a gold producing company in the Khakassia region of Russia. In addition, the Company has several exploration projects ranging from greenfield exploration to the production development stage. The major projects are presented on the following pages.

Production
The total gold equivalent (GE) production for 2022 amounted to 42.94 koz (1,335.45 kg), which was 17% below the 2021 production level of 51.61 koz (1,605.16 kg). 2022 GE production included 43.21 koz (1,344.09 kg) of silver which was an equivalent of 0.55 koz (17.18 kg) of gold. Gold production for the full year 2022, compared with 2021, is presented in the following table:

Gold equivalent (GE) production	**2022**		**2021**		
	Kg	**Koz**	**Kg**	**Koz**	**%**
Yubileyniy project (CIP)	631.11	20.29	411.84	13.24	53%
Yubileyniy project (HL)	46.91	1.51	41.90	1.35	12%
Perevalnoe project (CIP)	304.58	9.79	752.65	24.20	-60%
Perevalnoe project (HL)	90.83	2.92	-	-	n/a
Placer mines	244.84	7.87	373.03	11.99	-34%
Silver production, in GE	17.18	0.55	25.74	0.83	-33%
Total GE production	1,335.45	42.94	1,605.16	51.61	-17%

Yubileyniy project
The Yubileyniy project includes the Krasivoe underground mine and the Yubileyniy processing plant. The Krasivoe mine commenced production in 2004, initially as an open pit and then switched to underground mining in 2010. Yubileyniy is a conventional CIP plant. The plant's processing flowsheet is as follows: gravity concentration, followed by intensive leaching of gravity concentrate and flotation concentration of gravity tailings, followed by CIP processing of flotation concentrate. The output product from the site is gold alloys (Doré bars) containing some 17-30% of gold. These are further refined to bankable gold bullions by an external refinery.

In December 2021, Kopy Goldfields completed the modernisation and extension of the Yubileyniy plant, which almost doubled the processing capacity from 130 to 250 ktpa. The increased capacity reached full utilization in May 2022, however it remained in a start-up phase with improvements of processes and equipment during the year. Due to the extended start-up phase in combination with issues related to understaffing, the production from Yubileyniy was lower than planned and amounted to 20.29 koz, an increase of 53% compared to 2021. In addition, 1.51 koz of gold were produced at the Yubileyniy heap leach facility.

The Yubileyniy upgrade is one of several development projects in Kopy Goldfields' long-term investment plan, targeting to organically increase gold production to over 100 koz by 2025. Since 2021 the Company has been advancing underground mining operations to the deeper horizons where the ore gold grade is increasing in general. This underpins the completed capacity extension of the Yubileyniy mine and mill and the planned further expansion of the Yubileyniy plant to 400 ktpa.

Gravity and flotation concentrates produced at the Perevalnoe plant are also leached to Doré bars at the Yubileyniy plant, which are reported under the Perevalnoe project further below.

Perevalnoe project
The Perevalnoe project includes the Perevalnoe processing plant and the Perevalnoe deposit. The plant produced gravity and flotation concentrates which were transported and leached at the Yubileyniy processing plant to produce Doré bars. In 2021, two zones at the Perevalnoe deposit were depleted and in the first half of 2022, the Perevalnoe CIP mill was stopped and mothballed.

No further gravity and flotation concentrates were produced during the year. In 2022, GE production from Perevalnoe concentrates at the Yubileyniy mill amounted to 9.79 koz, a decrease of 60% compared to 2021.

By the end of 2021, the construction works of the new heap leach plant at Perevalnoe were completed. The new plant was commissioned and started gold production in the second quarter of 2022. During 2022 the gold production from the new Perevalnoe HL-plant amounted to 2.92 koz. During 2022, the operations has been in a testing phase that has not yielded desired recovery results. Different further production options are being evaluated.

Placer mining
During May– October 2022, alluvial gold was produced at placer deposits Byor and Khayarilakh, located within 100 km to the west of the Yubileyniy site. These are shallow stream placers which are dozed and loaded into articulated haul trucks and hauled to semi-mobile washing plants or hauled by front loaders. The waste stripping is conducted largely in the autumn and early spring with washing of gravels during the warm season from May to October.

In 2022, full-year gold production from placer operations totalled 7.87 koz, a decrease of 34% compared to 2021, when production was significantly higher than planned.

Malyutka project
The Malyutka project is Kopy Goldfields' next major project to be launched. Production at Malyutka is planned to commence in 2023 with full capacity to be reached in 2024. In Q4 2022, mining commenced at the site with 71.62 thousand cubic meter of waste stripping and a total of 10.26 thousand tonnes of ore mined.

Zolotaya Zvezda
In Q4 2022, Kopy Goldfield's wholly owned subsidiary AG Mining acquired a 25% interest in the gold production company Zolotaya Zvezda located in the Khakassia region of Russia. In 2022, the total GE production from Zolotaya Zvezda's Mayskiy and Chazy-Gol HL projects amounted to 5.32 koz. Zolotaya Zvezda is included in the Group's financial reporting as an associated company from the date of the acquisition.

Exploration
The Company has a robust asset portfolio with high organic growth potential for creating value and generating substantial future cash flow.

The Company was running several exploration programs during 2022:

- The Yubileyniy project, Khabarovsk region: 12,593 meters drilling program at the Krasivoe deposit targeting gold mineralization down dip.
- The alluvial deposits, Khabarovsk region: 4,491 meters drilling program at Buor-Sala placer deposit, 1,369 meters at Onne placer deposit and 491 meters at Maly Safron deposit, targeting to increase alluvial reserves to support the 2023 – 2024 and beyond for placer mining.
- The Krasny project, Irkutsk region: drilling of 20,820 meters of core holes under the 2021-2022 exploration program.

Krasny project
The Krasny gold project includes three bedrock licenses and one alluvial gold license with 1.8 Moz of Inferred and Indicated resources, including 0.3 Moz of Probable reserves (JORC) for part of the mineralization, still open along the strike and to the depth. The Company owns the Krasny gold project together with the Russian gold producer GV Gold.

The Krasny 2022 exploration program was agreed during Q2 and commenced in July 2022. Based on the exploration results and assay tests from 2021 - 2022 programs, the Company proceeds with updating the geological model and the mineral resource report.

Reserves and Resources
Following the updated resource statement issued in October 2020, Kopy Goldfields' total estimated M, I&I Mineral Resources amount to 2,537 koz of gold, and total Probable Ore Reserves amount to 1,282 koz of gold, including the attributable reserves and resources of the Krasny project.

Seasonal variations
Kopy Goldfields' gold production is traditionally affected by seasonal variations, mainly as alluvial mining operations are restricted to the warm season.

Financial overview

	2022	**2021**	**%**
Gold sales, koz	70.02	49.82	41%
Average realized gold price, USD/oz	1,639	1,783	-8%
Revenue, TUSD	115,775	89,578	29%
Gross loss/profit, TUSD	-2,609	24,421	-111%
EBITDA, TUSD	11,235	36,899	-70%
EBITDA margin, %	10%	41%	
Loss/profit for the period, TUSD	-29,480	7,716	-482%
Earnings per share before dilution, USD	-0.03	0.01	
Equity per share, USD	0.093	0.115	
Cash & cash equivalents at the end of the period, TUSD	6,293	6,145	2%
Net debt, TUSD	118,383	60,637	95%
Net debt/ EBITDA, x	10.54	1.64	543%

Currency
The Group has chosen to present its consolidated financial statements in USD, as management believes it is a convenient presentation currency for international users of the consolidated financial statements of the Group, including market investors, banks, and rating agencies, and as it is a common presentation currency for the mining industry.

In accordance with the Swedish Accounting Act, the Parent Company's financial information is reported in Swedish krona and not the Group's presentation currency of US dollars.

Comments on financial performance
(Numbers in parentheses refer to full year 2021.)

Gold sales (GE) for the full year 2022 amounted to 70.02 koz (49.82), an increase of 41% following a settlement of a gold loan in Q3 2022. Sales volume for the full year included 24.02 koz, acquired in the gold market in Q3 2022, that was delivered to settle the commodity loan. Total revenues for the full year 2022 amounted to TUSD 115,775 (89,578), including revenue of TUSD 32,619 from settlement of the gold loan. Excluding the effects of the gold loan settlement, revenues decreased by 7% during the full year 2022 compared to 2021 driven by lower volumes of gold sold.

The average realized gold price decreased by 8% in the full year 2022 compared to 2021, and amounted to USD 1,639/oz (USD 1,783/oz), and was affected by the settlement of the commodity loan which was recorded at 1,358 USD/oz.

Kopy Goldfields sells refined gold and silver bullions mainly to Russian commercial banks at prices competitive to international US dollar prices. During 2022, the Company has widened the sales channels both within Russia and by starting to export gold.

Cost of sales for the full year 2022 amounted to TUSD 118,384 (65,157), an increase of 82% compared to the full year 2021 mainly as an effect of the settlement of the gold loan in Q3 2022 of TUSD 42,115. Cost of sales was also affected by the stronger Russian Ruble, by higher production costs per ounce produced at both Yubileyniy and Perevalnoye, by higher prices in general and by an impairment of low-grade ore in stock of TUSD 5,992 (11,174). To settle the gold loan, Kopy Goldfields bought 24.02 koz in the gold market at an average price of USD 1,737/oz. Excluding the cost of settlement of the gold loan, Cost of sales increased by 18% compared to 2021 and amounted to TUSD 76,659.

Total Cash Costs ("TCC") for the full year 2022 increased by 140% compared to 2021 and amounted to TUSD 100,141 (41,731), mainly explained by the gold loan settlement in Q3 2022 described above. TCC per gold equivalent ounce sold (TCC/oz) therefore increased by 71% in the full year 2022 and amounted to USD 1,430 per GE oz compared to USD 838 per GE oz in the full year 2021. TCC/oz for the full year 2022 net of the gold loan settlement amounted to USD 1,306 per GE oz.

All-in sustaining costs ("AISC") per gold equivalent ounce sold increased by 44% in the full year 2022 compared to 2021, from USD 1,190 per GE oz in 2021 to USD 1,714 per GE oz, mainly due to higher TCC. Higher corporate, general and administrative expenses due to maintenance of mothballed/depleted fields and the strengthening of the Ruble against the USD affected AISC as well.

TCC and AISC are both non-IFRS measures and are reconciled as follows:

Total Cash Costs (TCC) (TUSD)	**2022**	**2021**	**%**
Cost of gold and silver sales	118,384	64,719	83%
Property, plant, and equipment depreciation and amortization	-12,126	-11,491	6%
Provision for mine closure, rehabilitation, and decommissioning costs	-125	-323	-61%
Change in allowance for slow-moving and obsolete inventory	-5,992	-11,174	-46%
Total cash costs	**100,141**	**41,731**	**140%**
Ounces sold (GE koz)	70.02	49.82	41%
TCC per GE ounce sold (USD/oz)	**1,430**	**838**	**71%**

All-in Sustaining Costs (AISC) (TUSD)	**2022**	**2021**	**%**
Total cash costs	**100,141**	**41,731**	**140%**
Corporate, general, and administrative expenses	14,284	9,586	49%
Amortization and depreciation related to corporate, general, and administrative expenses	-192	-229	-16%
Provision for mine closure, rehabilitation, and decommissioning costs	125	323	-61%
Sustaining exploration expenses	514	555	-7%
Sustaining capital expenses	2,714	4,245	-36%
Sustaining lease payments	2,442	3,049	-20%
Total all-in sustaining costs	**120,027**	**59,262**	**103%**
Ounces sold (GE koz)	70.02	49.82	41%
AISC per GE ounce sold (USD/oz)	**1,714**	**1,190**	**44%**

The gross loss for the full year 2022 amounted to TUSD -2,609 (profit of 24,421) and included the net effect from the settlement of the gold loan of TUSD -9,106. The Gross margin decreased to -2% in the full year 2022, compared to 27% in the full year 2021.

General and Administrative expenses for the full year 2022 increased by 9% compared to the full year 2021 and amounted to TUSD 10,076 (9,202). Other operating expenses for the full year 2022 were affected by maintenance cost relating to the mothballed/depleted fields.

Operating profit for the full year 2021 of TUSD 13,816 decreased to an operating loss of TUSD -24,599 in 2022. Operating loss for the full year 2022 included impairment of property, plant and equipment and exploration and evaluation assets in the amount of TUSD 8,774. The impairment costs related to an impairment of the Perevalnoe project property, plant and equipment of TUSD 7,498 due to depletion of open pit mines. The Perevalnoe CIP mill was stopped and mothballed in 2022. Exploration and evaluation assets were also impaired in the amount of TUSD 1,276 related to expiration of four exploration permits in the Bodaibo district of the Irkutsk region.

EBITDA for the full year 2022 decreased by 70% compared to 2021 and amounted to TUSD 11,235 (36,899), with an EBITDA margin of 10% compared to 41% in 2021.

EBITDA is a non-IFRS financial measure and is reconciled as follows:

EBITDA reconciliation to Profit before tax (TUSD)	2022	2021
Loss/Profit before tax	**-33,778**	**10,640**
Share of net loss of associates accounted for using the equity method	-124	-144
Financial income	-1,142	-2,762
Financial costs	10,445	6,082
Depreciation and depletion	12,126	11,964
Net realizable value allowance for stockpiles, work in progress, and finished goods	5,992	11,174
Loss from settlement of gold loan liability	9,105	-
Change in allowance for slow-moving and obsolete inventory	14	-91
Impairment of property, plant and equipment and exploration and evaluation assets	8,774	-
Other one-off adjustments	-177	34
EBITDA	**11,235**	**36,899**

The net financial result for the full year 2022 amounted to a loss of TUSD -9,179 (-3,176) and was negatively affected by increased Interest expense on loans and borrowings amounting to TUSD -9,575 (-2,960). Non-cash unrealized gains from derivatives revaluation relating to gold price hedge positions positively affected the net financial result by TUSD 32 (TUSD 2,099).

As part of debt financing requirements, hedging instruments are used to form a corridor between floor and ceiling gold prices. The instruments provide a secured floor gold price of USD 1,400/oz for approximately 40% of the projected gold production for 2022–2025 with ceiling prices exceeding USD 2,500/oz. The Company shows Derivative financial liabilities in the balance sheet of TUSD 664 as of December 31, 2022, relating to the fair value of derivatives on gold commodities (asset of TUSD 1,089 as of December 31, 2021).

The net result for the full year 2022, attributable to shareholders of the parent company, amounted to a loss of TUSD -29,480 (profit of 7,716), corresponding to USD -0.03 (USD 0.01) per share before and after dilution.

Comments on the financial position

Total loans and borrowings amounted to TUSD 119,745 at period end, compared to TUSD 36,620 as of December 31, 2021. On 24 June 2022 the Group entered into a new finance facility with a local bank in Russia for operating needs and funding of the investment program with a maximum credit facility of TRUB 3,000,000 (equivalent of TUSD 42,652 as at December 31, 2022) bearing floating interest rate as key rate of Central Bank of Russian Federation plus margin in the range of 2.95% - 3,25%. The loan facility matures starting from September 2024 to September 2027. On 15 August 2022 the amount of credit facility was increased to TRUB 5,000,000 (equivalent of TUSD 71,086 as at December 31, 2022), which was partially utilized to settle a commodity loan. During the full year of 2022, the Group obtained TUSD 88,067 from the loan facilities. For more information, see note 26.

As at December 31, 2022, the Company was in breach of certain loan covenants connected to a loan from a local Russian bank. As a result, the loans with maturity dates September 2024 - September 2027 were reflected as short-term in the statement of financial position as at December 31, 2022. On March 9, 2023, the Company received a waiver from bank on the breached covenants.

In Q3 2022, the Group fully settled its contractual obligations under the commodity loan using the finance facility with a local bank in Russia.

Total net debt as of December 31, 2022 amounted to TUSD 118,383 compared to TUSD 60,637 as of December 31, 2021. The net debt calculation does not include gold in stock, see Liquidity. Total net Debt is a non-IFRS financial measure and is reconciled as follows:

Total Net Debt (TUSD)	31 Dec 2022	31 Dec 2021
Borrowings	119,745	36,620
Contract liability	-	26,094
Leasing	4,931	4,068
Total Debt	**124,676**	**66,782**
Cash and Cash equivalents	-6,293	-6,145
Total Net Debt	**118,383**	**60,637**

Total Net Debt/LTM EBITDA amounted to 10.54x at Year End 2022, compared to 1.64x at Year End 2021.

Investments
Net cash flows used in investing activities during the full year 2022 amounted to TUSD 35,100 (28,376), whereof investments in assets, including capitalized exploration costs and capitalized borrowing costs, amounted to TUSD 27,444 (27,880). The investments in assets included:

- Yubileyniy project of TUSD 3,620 with the majority relating to mill equipment scheduled upgrade and underground mine capital development;
- Perevalnoe project of TUSD 1,402, where the majority refers to construction of a hydrometallurgy workshop building and sprinkler system for heap leaching;
- Malyutka project of TUSD 18,804 referring to infrastructure construction and equipment, including a hydrometallurgy workshop building with a technological control laboratory, dormitory, canteen, laundry and bathing facilities, fresh water pump station, open pit mine preparations and fuel storage
- Other projects of TUSD 160;
- Exploration of TUSD 2,036, referring to drilling at Krasivoe underground deposit and alluvial projects, and equipment
- Capitalized borrowing costs of TUSD 1,422.
- Loans provided to associates accounted for using the equity method of TUSD 199

In November 2022, Kopy Goldfields AB’s wholly owned subsidiary JSC AG Mining, signed and completed an agreement to acquire a 25% interest of the Russian gold company Zolotaya Zvezda CJSC (“Zolotaya Zvezda”), for a total cash consideration of MRUB 550 (corresponding to MUSD 7.5) including transaction costs.

Financing of the 2021 exploration program on Krasny was agreed with GV Gold on a pro-rata basis 49%/51%. Kopy Goldfields’ part amounted to TUSD 3,346 that was payable by the end of Q2 2022 in accordance with the shareholders agreement between Kopy Goldfields and GV Gold. Following the introduction of international sanctions against Russia, payments in USD were restricted and Kopy Goldfields AB did not meet the deadline for the payment. Currently Kopy Goldfields interest in the Krasny project is diluted to 37%. Kopy Goldfields is in discussions with GV Gold on how to settle the payment in order to restore the 49/51 interests in Krasny.

A new exploration program for Krasny for 2022 was agreed with GV Gold in Q2 2022 with total budget of approximately 180 MRUB (corresponding to MUSD 2.54 as per December 31, 2022) and financing of the 2022 exploration program on Krasny shall be done on a pro-rata basis 37%/63% if 49%/51% interests is not restored in the near-term. Drilling operations under the new program were commenced in July 2022. The Company provides exploration support services to the drilling program.

Liquidity
The Company’s cash and cash equivalent position on December 31, 2022 amounted to TUSD 6,293, compared to TUSD 6,145 on December 31, 2021. At December 31, 2022, unused credit facilities amounted to TUSD 2,833 (at December 31, 2021: TUSD 6,729). The bank credit facilities may be drawn by the bank notice in RUB and have an average maturity of 5 years.

Gold in stock ready for sale (not included in cash and cash equivalents) amounted to 3.41 koz at period end, corresponding to a market value of TUSD 6,173. Gold in stock ready for sale as at December 31, 2021 amounted to 8.21 koz.

Personnel
As of December 31, 2022, the Group had 705 (702) employees, of which 602 (621) were men and 103 (81) women. The average number of employees during the full year 2022 was 769 (743), of which 658 (662) were men and 111 (81) women.

Parent company
The Swedish Parent Company is a holding company with no significant operational activity. The Parent Company supports the subsidiaries.

The Parent Company's revenue for the full year 2022 amounted to TSEK 1,091 (1,765). The revenue was related to invoicing to subsidiaries. Net loss for the full year 2022 amounted to TSEK -29,459 (-30,584). The main driver for the loss during the full year 2022 was non-cash revaluation of intra-group debt following the appreciation of the Russian Ruble.

Total assets at period end amounted to TSEK 1,987,156 and remained relatively unchanged compared to TSEK 1,984,557 on December 31, 2021. Cash and cash equivalents amounted to TSEK 5,157 as of December 31, 2022 compared to TSEK 4,091 on December 31, 2021. Equity on December 31, 2022, amounted to TSEK 1,854,248 (December 31, 2021: TSEK 1,874,856).

There was 1 person (1) employed by the Parent Company at the end of the period.

Events after the end of the financial year

Events after the end of the financial year are presented in the notes. See Note 36 Events after the reporting period.

Shares

The Company's shares have been listed on Nasdaq First North Growth Market since August 2011.

On December 31, 2022, the total number of issued shares in Kopy Goldfields AB was 903,204,375, with a quota value of SEK 0.38 (SEK 0.38). All shares represent one vote each.

Kopy Goldfields has a warrant program as part of the remuneration package to management and key personnel. Kopy Goldfields has also a warrant program for the board of directors. The warrants were transferred without consideration to the management and key personnel participants at terms adapted to local conditions, while Board members acquired the warrants at market prices. Warrants currently outstanding have been issued following the AGMs in 2021 and 2022. For more information, see Note 13.

On December 31, 2021, the 2018/2021 incentive program expired. The shares that were subscribed were paid and registered on January 31, 2022. Following registration of new shares issued under the incentive program with the Swedish Companies Registration Office in 2022, the number of shares in the Company increased by 1,640,200 shares, from 889,064,175 to 890,704,375 shares and the share capital increased by SEK 623,639 (equivalent of TUSD 66 translated at the exchange rate on the date of issue), from SEK 338,041,120 to SEK 338,664,759. Consideration received in the share issue amounted to TUSD 301 (SEK 2,739,134) and is recorded as increase of other contributed capital as per December 31, 2021.

On 31 December 2022, the 2019/2022 incentive programs for management and the board expired, without any warrants being exercised.

In April 2022, Kopy Goldfields completed a directed new share issue raising proceeds of MSEK 8.1 (equivalent of TUSD 860 at the date of the transaction) to secure the parent company's liquidity. Through the share issue, the number of shares and votes in Kopy Goldfields increased from 890,704,375 to 903,204,375 shares and votes.

Certified Adviser

Nordic Certified Adviser is the appointed certified adviser for the Company and monitors the Company's compliance with the regulations of Nasdaq First North Growth Market.

Shareholders

Two shareholders had a holding in excess of 10 percent of the shares and votes as at December 31, 2022. HC Alliance Mining Group Ltd was the single largest shareholder with a holding representing approximately 65.0% of the share capital. Lexor Group was the second largest shareholder with a holding representing 17.7%.

Significant risks and uncertainties

Kopy Goldfields is exposed to a variety of risks by virtue of its activities.

Risks related to Russia

Operating in Russia subjects the Company to several political, legal and economic factors that may affect its operations and financial position. The Company sees the following risks as the biggest challenges to operating in Russia:

- International capital flows can be hampered by global financial difficulties.
- Relations between Russia and EU, US and other countries may worsen, and current sanctions may be extended further. The Company monitors the developments.
- Changes in inflation may affect the Company's financial position.
- Conflicts in the Russian federal system, including illegal or lucrative state incidents, may lead to uncertainty in 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 time-consuming process.
- Changes in laws, which currently prevent the nationalization of international assets, may have a negative effect on the Company's operations.
- The risk that Russia does not accept the decisions of a foreign court of law and pursues issues in 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 taxation and legal systems in Russia are subject to frequent changes and are thereby difficult to anticipate. The Russian tax system is also subject to different interpretations on the federal, regional and local levels.

Increased sanctions in 2022
In 2022, new sanctions have been imposed on Russia by the US, the EU and other countries. Russia has responded with countersanctions. In December 2022, a new sanction package was adopted by EU, which focuses on limiting financing of Russian mining projects by EU residents. The Group is financed through its subsidiaries mining operations, the group’s available cash sources and finance facilities with local Russian banks. Sanctions regarding gold sales have been imposed by G7-countries and by EU. Kopy Goldfields is not, and has never been, exporting to any country falling under the gold sales sanctions.

Kopy Goldfields’ Russian subsidiaries are also influenced and exposed in general to the international sanctions. The Russian financial system and industries with trans-border activities are under strong pressure and subject to international restrictions. In addition, Russian companies are facing increased monetary limitations and regulations, which affect intragroup transactions and may affect the Parent Company’s cash situation and access to cash balances.

Kopy Goldfields continuously monitors and evaluates the development in order to secure that business operations are compliant with relevant legislation and that relevant actions are taken to efficiently and timely mitigate the effects of the financial volatility. Contingency measures have been initiated to ensure advance equipment and spare parts procurement, liquidity and gold sales channels. For more information, see note 2.

Risks related to macroeconomic factors
Negative developments in the world economy and a challenging environment for the global capital markets may affect the Company’s operations, financial position and earnings, and hinder the Company’s ability to obtain financing in the future.

Covid-19 or similar type of pandemics
A global pandemic such as the novel coronavirus (Covid-19) can have a severe negative impact on the Group and its ability to conduct operations. The outbreak of the Covid-19 virus escalated in March 2020. Since then, the virus has triggered severe social and economic disruption around the world. Most Covid-19 limitations were lifted early in 2022, and Covid-19 did not have any significant influence on the operations during the year. The Company continuously reviews the epidemic environment ready to resume sanitary measures and protocol activities as a precaution measure. A further escalation of the Covid-19 pandemic may have a continuous direct effect on the Company´s operations. The Covid-19 pandemic may also have an indirect impact through macroeconomic effects such as the price of gold and exchange rates.

Gold price volatility
The gold price may change due to reduced demand, changes in the US dollar or other macroeconomic factors, which may negatively impact the Company´s business, financial position and results of operations in a number of ways. Kopy Goldfields’ revenue is derived from the sale of gold. Therefore, fluctuations in the prices of this commodity may affect the Company´s future operations and potential profitability. Such decreased revenues may also increase the requirements for capital. Variations in the gold price may impact the availability and the terms of additional financing required to develop the projects. The estimation of economically viable identified mineral resources and ore reserves requires certain assumptions, including assumptions related to the gold price. A revised estimate of identified mineral resources and ore reserves due to a substantial decline in the gold price could result in the decrease in the estimates of the Company's mineral resources and ore reserves, subsequent write downs and negative impact on mine life.

Currency
Kopy Goldfields’ currency risk comprises transaction risk and translation risk. Transaction risk is the risk of an impact on the Company's earnings and cash flow due to the value of flows in foreign currencies changing in the event of changes in exchange rates. Translation risk consists of assets in foreign subsidiaries less liabilities, which constitutes a net investment in foreign currency that on consolidation gives rise to a translation difference. The major portion of the Company's expenditure is conducted in RUB while the price of gold sales is tied to the USD. The Company is thereby affected by changes in exchange rates with regard to the operational transaction exposure. This risk is not hedged as of the date of the Annual Report. An adverse effect on the operational transaction exposure may have a material adverse impact on the Company's operations, financial position and earnings.

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

Kopy Goldfields has signed insurances that covers its Swedish operations against losses. Russian subsidiaries of Kopy Goldfields insure industrial safety, real estate and vehicles. If a loss is not covered by an insurance policy, exceeds the amount limitations or causes consequential losses, this may have a material adverse impact on the Company's reputation, operations, financial position and earnings.

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 are based on extensive test drilling, statistical analyses and model studies and remain theoretical in nature until verified by industrial mining. There is no methodology for determining with certainty the exact amount of gold available or 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 viewed against this background and may therefore deviate from this data. Mineral resources that are not mineral reserves do not have demonstrated economic viability, and there is a risk that they will never be mined or processed profitably. Any material reductions in estimates of mineral reserves could have a material adverse effect on Kopy Goldfields' results of operations and financial position.

Environmental risk
The Company's operations are subject to the extensive environmental risks inherent in the mining and processing industry. Russia has adopted environmental regulations requiring industrial companies to undertake programs to reduce, control or eliminate various types of pollution and to protect natural resources. Environmental legislation and permitting requirements and the manner in which these are enforced are likely to evolve towards higher and more demanding standards and stricter enforcement, as well as increased fines and penalties for non-compliance.

If incorrect technical or chemical equipment is used in exploration and production, environmental risks may arise that may delay the Company's operations and increase the cost of operations, which may have a negative effect on the financial position of the Company. Environmental requirements and counter-party costs may be placed on the Company, which may delay other work or increase the Company's costs.

Pursuant to environmental laws and regulations, upon the cessation of mining operations gold mining companies are also obligated to close their operations and rehabilitate the lands that they mine in accordance with these laws and regulations. Estimates of the total ultimate closure and rehabilitation costs for gold mining operations are significant and based principally on current legal and regulatory requirements that may change materially.

Environmental laws and regulations are continually changing and are generally becoming more restrictive. If the Company's environmental compliance obligations were to change as a result of changes in the laws and regulations, or in certain assumptions it makes to estimate liabilities, or if unanticipated conditions were to arise in its operations, the Company's expenses and provisions would increase to reflect these changes. If material, these expenses and provisions could adversely affect its business, operating results and financial position.

License management
There is a risk that title to the mining concessions, the surface rights and access rights comprising the Company's projects may be deficient or subject to dispute. The procurement or enforcement of such rights can be costly and time consuming. In areas where there are local populations or landowners, it may be necessary, as a practical matter, to negotiate surface access. Despite having the legal right to access the surface and carry out mining activities, the Company may not be able to negotiate satisfactory agreements with existing landowners/occupiers for such access, and therefore may be unable to carry out mining activities as planned. In addition, in circumstances where such access is denied, or no agreement can be reached, Kopy Goldfields may need to rely on the assistance of local officials or the courts in such jurisdictions, which may delay or impact mining activities as planned. There is also a risk that the Company's exploration, development and mining authorizations (subsoil licenses) and surface rights may be challenged or impugned by third parties. In addition, there is a risk that the Company´s licenses may be prematurely terminated, suspended or restricted by the licensing authorities if the Company breaches any of their material terms (such as work program obligations or other license commitments) without referring the matter to court. Further, there is a risk that the Company will not be able to renew some or all of its licenses in the future. Inability to renew a license could result in the loss of any project located within that license. Future laws and actions could have a material adverse effect on Kopy Goldfields' operations or on its financial position, cash flow and results of operations.

Information Security
Kopy Goldfields' operations are dependent on the group's IT systems. Significant disruptions or another type of major breakdown of network servers, a hacker attack, IT virus or other interruption of the IT system could thus impact Kopy Goldfields' ability to conduct operations. Disruptions in the Company's IT systems may also give rise to transaction errors, customer losses, the loss of business opportunities and reputational damage. In the event that any of these risks should materialise, this could thus have a material adverse impact on the Company's operations, financial position and earnings.

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

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

Dependence on qualified personnel
The Company's development is highly dependent on the existing management and organization and their ability to recruit and retain experienced personnel for future operations. Should these risks materialize, this could adversely impact Kopy Goldfields' operations, financial position and results.

Accidents
Mining and exploration are more accident prone than many other industries. As such, the Company's employees are exposed to occupational risks. Mining and exploration work is also exposed to potential natural disasters. A serious accident or natural disaster could have a significantly negative effect on the Company's earnings and financial position.

Long-term financing risks
The development of the Company´s projects require substantial additional capital. When such additional capital is required, Kopy Goldfields may need to pursue various financing transactions or arrangements, including equity financing, debt financing, joint venturing of projects or other means. The Company may from time to time enter into other arrangements to borrow money to fund its development plans, and such arrangements may include covenants that have similar obligations or that restrict its business in some way. The Company is subject to restrictive covenants under the current debt agreement. Events may occur in the future, including events out of Kopy Goldfields' control, that could cause the Company to fail to satisfy its obligations under the current debt agreements or other debt instruments that may arise. In such circumstances, the amounts drawn under Kopy Goldfields' debt agreements may become due and payable before the agreed maturity date, and the Company may not have the financial resources to repay such amounts when due. If Kopy Goldfields were to default on its obligations under its current debt agreements or other secured debt instruments in the future, the lender(s) under such debt instruments could enforce their security and seize the Company's assets. If Kopy Goldfields raises additional funding by issuing equity, such financing may substantially dilute the interests of shareholders and reduce the value of their investment. Moreover, Kopy Goldfields may not be successful in locating suitable financing when required or at all. A failure to raise capital when needed would have a material adverse effect on the Company´s business, financial position and results of operations. See also Note 36, Events after the end of the reporting period.

Sustainability Report
Kopy Goldfields has no legal requirement to issue a sustainability report, but issues the sustainability report as a document separate from the annual report on a voluntary basis. The report is available on the corporate website, www.kopygoldfields.com. The report has not been subject to the auditor´s review.

Proposed appropriation of profits
The Board of Directors proposes that no dividend be paid for the 2022 financial year. The Board proposes that SEK 1,510,829,534 be carried forward.

Amount at the disposal of the Annual General Meeting:

(SEK)	
Share premium reserve	1,748,228,531
Fair value reserve	-7,017,043
Retained earnings	-200,923,691
Loss for the year	-29,458,263
Total	**1,510,829,534**

CONSOLIDATED STATEMENT OF PROFIT/(LOSS) AND OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ENDED 31 DECEMBER 2022

Amounts in thousands of US Dollars (TUSD)

	Note	2022	2021
Revenue from contracts with customers	7	115 775	89 578
Cost of sales	9,12	-118 384	-65 157
Gross profit/(loss)		**-2 609**	**24 421**
General and administrative expenses	8,10,12	-10 076	-9 202
Impairment of property, plant and equipment and exploration and evaluation assets	17,18	-8 774	-
Other operating expenses, net	11	-3 140	-1 403
Operating (loss)/ profit		**-24 599**	**13 816**
Share of net profit of associates		124	144
Financial income	14	1 142	2 762
Financial costs	14	-10 445	-6 082
Financial expenses, net		**-9 179**	**-3 176**
(Loss) / profit before tax		**-33 778**	**10 640**
Income tax	15	4 298	-2 925
(Loss) /profit for the year		**-29 480**	**7 715**
Of which attributable to:			
Parent company shareholders		**-29 480**	**7 716**
Non-controlling interest		-	-1
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss			
Exchange differences on translation to presentation currency		10 195	-23
Total comprehensive (loss) /income for the year		**-19 285**	**7 692**
Of which attributable to:			
Parent company shareholders		-19 285	7 693
Non-controlling interest		-	**-1**
Earnings per share for profit attributable to the ordinary equity holders of the company:	34		
Basic earnings per share (USD)		-0,03	0,01
Diluted earnings per share (USD)		-0,03	0,01

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022
Amounts in thousands of US Dollars (TUSD)

	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Exploration and evaluation assets	17	1 848	2 273
Property, plant and equipment	18	85 467	62 104
Right-of-use assets	19	9 238	8 141
Investments in associates	20	35 745	29 023
Financial assets at amortised cost	21	4 007	4 014
Derivative financial assets		-	1 089
Deferred tax assets	15	6 402	3 238
Inventories	22	3 611	5 951
Total non-current assets		**146 318**	**115 833**
Current assets			
Inventories	22	59 499	53 922
Other current assets		2 673	2 130
Other receivables	23	1 087	960
Advances paid		2 306	1 000
Taxes receivable		4 771	4 246
Income tax receivable		253	-
Short-term loans receivable from associate	33	172	-
Cash and cash equivalents	24	6 293	6 145
Total current assets		**77 054**	**68 403**
TOTAL ASSETS		**223 372**	**184 236**
EQUITY			
Equity attributable to shareholders of the Parent Company			
Share capital	25	39 663	39 115
Other contributed capital		48 981	48 635
Foreign currency translation reserve		-34 486	-44 681
Retained earnings, including profit/(loss) for the period		29 869	59 349
Total equity attributable to shareholders of the Parent Company		**84 027**	**102 418**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	26	-	35 197
Contract liability	27	-	26 094
Mine rehabilitation provision	29	4 771	3 598
Lease liabilities	19	2 815	1 219
Derivative financial liabilities		664	-
Total non-current liabilities		**8 250**	**66 108**
Current liabilities			
Loans and borrowings	26	119 745	1 423
Mine rehabilitation provision	29	562	1 275
Lease liabilities	19	2 116	2 849
Accounts payable and accrued liabilities	30	6 956	8 610
Income tax payable		-	210
Taxes payable	31	1 716	1 343
Total current liabilities		**131 095**	**15 710**
Total liabilities		**139 345**	**81 818**
TOTAL EQUITY AND LIABILITIES		**223 372**	**184 236**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
Amounts in thousands of US Dollars (TUSD)

	Share capital	Other contributed capital	Foreign currency translation reserve	Retained earnings, including profit for the period	Total	Non-controlling interest	Total equity
Opening balance at 1 January 2021	**38 977**	**48 265**	**-44 658**	**51 633**	**94 217**	**3**	**94 220**
Profit for the year	-	-	-	7 716	**7 716**	-1	**7 715**
Other comprehensive income for the year	-	-	-23	-	**-23**	-	**-23**
Total comprehensive income for the year	**-**	**-**	**-23**	**7 716**	**7 693**	**-1**	**7 692**
Disposal of non-controlling interest	-	-	-	-	-	-2	**-2**
Transactions with owners in their capacity as owners							
Incentive programs 2017	138	-138	-	-	-	-	-
Incentive programs 2021/2024	-	207	-	-	**207**	-	**207**
Incentive programs 2028/2021	-	301	-	-	**301**	-	**301**
Closing balance at 31 December 2021	**39 115**	**48 635**	**-44 681**	**59 349**	**102 418**	**-**	**102 418**
Opening balance at 1 January 2022	**39 115**	**48 635**	**-44 681**	**59 349**	**102 418**	**-**	**102 418**
Profit for the year	**-**	-	-	-29 480	**-29 480**	-	**-29 480**
Other comprehensive income for the year	-	-	10 195	-	**10 195**	-	**10 195**
Total comprehensive income for the year	**-**	**-**	**10 195**	**-29 480**	**-19 285**	-	**-19 285**
Disposal of non-controlling interest							
Transactions with owners in their capacity as owners							
Incentive programs 2028/2021	66	-71	-	-	**-5**	-	**-5**
Incentive programs 2022/2026 and 2022/2025	-	81	-	-	**81**	-	**81**
Share issue	482	336	-	-	**818**	-	**818**
Closing balance at 31 December 2022	**39 663**	**48 981**	**-34 486**	**29 869**	**84 027**	**-**	**84 027**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
Amounts in thousands of US Dollars (TUSD)

	2022	2021
Cash flow from operating activities		
Profit before tax	**-33 778**	**10 640**
Adjustments for non-cash items		
Depreciation and depletion of property, plant and equipment and right of-use assets	12 126	11 964
Impairment of property, plant and equipment and exploration and evaluation assets	8 774	-
Finance costs	10 445	6 082
Finance income	-1 142	-2 762
Gain on disposal of subsidiary	1	-103
Movements in allowance for obsolete inventory and net realisable value	6 006	11 083
Foreign exchange loss	-267	85
Share of net profit of associates	-124	-144
Revenue from settlement of gold loan liability	-32 619	-
Other non-cash adjustments	-208	-209
Cash flow from operating activities before changes in working capital	**-30 786**	**36 636**
Changes in working capital		
Change in inventories	-3 285	-21 324
Change in other receivables and advances paid	-1 867	12 999
Change in trade and other payables and advances received	-8 979	-372
Change in other assets	6 068	-9 708
Cash flow from operating activities	**-38 849**	**18 231**
Interest received	426	145
Interest paid	-7 771	-1 674
Income tax paid	-205	-5 985
Net cash flow from operating activities	**-46 399**	**10 717**
Cash flow from investing activities		
Purchase of investments in associates	-7 457	-
Payment for additional share issue of equity investees	-	-496
Purchase of property, plant and equipment	-23 987	-25 858
Purchase of exploration and evaluation assets	-2 035	-985
Interest paid capitalised	-1 422	-1 037
Loans provided to associate	-199	-
Net cash flows used in investing activities	**-35 100**	**-28 376**
Cash flow from financing activities		
Proceeds from issue of shares and warrants under incentive programs	-	698
Proceeds from issue of shares	817	-
Proceeds from borrowings, net of debt issue costs	88 067	20 298
Proceeds from borrowings from shareholder	-	1 250
Repayment of derivative financial liabilities	-134	-
Repayment of borrowings	-2 589	-6 063
Repayment of finance lease liabilities net of cash received per buy back leasing agreements	-4 514	-2 767
Net cash flow from financing activities	**81 647**	**13 416**
Net (decrease)/increase of cash and cash equivalents	**148**	-4 243
Cash and cash equivalents at 1 January	**6 145**	**10 388**
Cash and cash equivalents at 31 December	**6 293**	**6 145**

NOTES TO THE FINANCIAL STATEMENTS

1. General

Kopy Goldfields AB (publ) (the "Company") is a Swedish limited liability company domiciled and headquartered at Eriksbergsgatan 10 in Stockholm, Sweden (Corp. ID 556723-6335), with legal address P.O. Box 7292, 103 90 Stockholm, Sweden. The Company and its subsidiaries (together the "Group") operations are focused on gold and silver exploration, evaluation and production in the Khabarovsk region and Bodaibo district of the Irkutsk region of the Russian Federation.

These consolidated financial statements were approved for publication by the Board of Directors on May 11, 2023, and will be presented to the Annual General Meeting for adoption on May 25, 2023.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Unless otherwise stated, all amounts are in thousands of US Dollars.

The ultimate controlling party of the Group at December 31, 2022 and 2021, was Mr. Arsen Idrisov.

2. Basis of Preparation

These consolidated financial statements of the Group contain Kopy Goldfields AB's financial statements, and the accounting principles chosen for the preparation are IFRS (International Financial Reporting Standards). The consolidated financial statements of the Group have been prepared in accordance with the Swedish Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 1 *Supplementary rules for groups*, and International Financial Reporting Standards (IFRS) and interpretations from IFRS Interpretations Committee (IFRS IC), as endorsed by the EU.

The preparation of annual accounts in accordance with IFRS requires that qualified estimates and assessments be used for accounting purposes. Furthermore, company management exercises its judgement in the application of the Group's accounting policies. Those areas that include a high level of assessment, that are complex or such areas where assumptions and estimations are of material importance for the consolidated financial statements are stated in note 4.

The financial statements have been prepared on a historical cost basis, except for the certain financial assets and liabilities measured at fair value.

Going concern

In assessing the Group's ability to continue operating in the foreseeable future, management analysed the financial position of the Group, the expected future results of its business activities, existing loan agreements, the Group's ability to attract additional financing from banks, compliance with the terms of credit facilities, current and projected market conditions, including gold prices, exchange rates and interest rates, and also analysis of plans and commitments for capital investments.

At December 31, 2022, current liabilities exceeded the Group's current assets by TUSD 54,041, mainly due to the technical reclassification of long-term loan obligations into short-term liabilities. As at 31 December 2022, the Group breached certain financial and non-financial conditions (covenants) on bank credit facilities (note 26). As a result of violation of the covenant, the bank had the right to demand early repayment of these credit facilities, as a result, as of the reporting date, the Group's obligations under long-term bank credit lines in the amount of TUSD 108,332 were reclassified to current liabilities.

In March 2023, the Group received a waiver from the bank of its right to demand early repayment of debt due to violation of the covenants.

In 2022, the Group received a loss from operating activities in the amount of TUSD 24,599 and negative cash flow from operating activities in the amount of TUSD 46,399. The Group's operating loss was mainly due to a significant decrease in the price of gold in rubles from the 2nd quarter of 2022, as well as one-time losses from repayment of a loan in gold (note 27) and recognition of impairment of fixed assets and assets related to exploration and evaluation (notes 17 and 18).

Effect of the Covid-19
Most Covid-19 limitations were lifted earlier during the year, and Covid-19 did not have any significant influence on the operations throughout 2022. The Group continuously reviews the epidemic environment ready to resume sanitary measures and protocol activities as a precaution measure.

Increased sanctions in 2022
Kopy Goldfields is the Swedish parent company in a group that conducts gold production and exploration in Russia through its fully owned subsidiaries. As from the end of February 2022, the EU and other countries have imposed far-reaching sanctions against Russia and Russia has responded with counter sanctions. In December 2022, a new sanction package was adopted by EU, which focuses on limiting financing of Russian mining projects by EU residents. The Group is financed through its subsidiaries mining operations, the group's available cash sources and finance facilities with local Russian banks. Sanctions regarding gold sales have been imposed by G7-countries and by EU. Kopy Goldfields is not, and has never been, exporting to any country falling under the gold sales sanctions. The Company continuously works to adapt the organization to the new business environment and restrictions.

The aggravation of the geopolitical situation led to significant fluctuations in exchange rates (a sharp increase in exchange rates compared to the rates in effect at the end of 2021, followed by a fall), an increase in the key rate of the Bank of Russia, which was subsequently lowered, an increase in oil and gas prices and a fall in the Russian stock market. There is increased volatility in the financial and commodity markets. Sanctions and restrictions have been imposed and continue to be imposed on many Russian organisations, including the termination of access to the euro and US dollar markets, the SWIFT international system and many others. A number of transnational groups of companies have suspended or stopped their business activities in the Russian Federation. Further sanctions and restrictions on the business activity of organizations operating in the Russian Federation are expected, as well as further negative consequences for the Russian economy as a whole, but it is not possible to fully assess the extent and scale of possible consequences. It is impossible to determine how long this increased volatility will last or at what level the above financial indicators will eventually stabilise.

The current geopolitical situation has not had a significant impact on the Group's operating activities. Mining operations, processing and gold sales activities continue together with the implementation of the Company's development plans. Increased monetary restrictions and regulations affect and complicates cross-border transactions and transfers and may affect the Parent Company´s cash situation and access to cash balances.

The future consequences of the current economic situation and the above measures are difficult to predict, and management's current expectations and estimates may differ from actual results.

To estimate expected credit losses in respect of loans, receivables and similar assets, the Group uses verifiable forward-looking information, including forecasts of macroeconomic indicators. However, as with any economic forecasts, assumptions and the likelihood of their implementation are inevitably associated with a high level of uncertainty, and, consequently, actual results may differ significantly from those predicted.

3. Significant Accounting Policies

3.1 Principles of consolidation and equity accounting
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has a power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

All intragroup assets and liabilities, equity, income, expenses, unrealised gains on transactions and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

When the Group loses control over a subsidiary, a gain or loss is recognised in the consolidated statement of comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary's assets or liabilities are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to the consolidated statement of profit or loss or transferred directly to retained earnings).

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment.

Investments in associates

Associates are all entities over which the Group has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting as described above, after initially being recognised at cost.

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

3.2 Reverse acquisition

Reverse acquisitions are accounted for using model prescribed by IFRS 3 "Business combination". This accounting model requires the assets and liabilities of acquiree, being the legal parent, are recorded at fair value initially in the consolidated financial statements. The assets and liabilities of the acquirer, being legal subsidiary, are recognised and measured in the consolidated financial statements at their pre-transaction carrying amounts.

3.3 Segment reporting

For management purposes, the Group is not organised in separate reporting segments and performance is assessed on a consolidated basis. Accordingly, the segment reporting disclosure is not presented in these consolidated financial statements.

3.4 Foreign currency translation

Functional currency and presentation currency

The entities in the Group have the local currency as their functional currency, as the local currency has been defined as the primary economic environment in which each entity operates.

The Group has chosen to present its consolidated financial statements in USD, as management believes it is a convenient presentation currency for international users and as it is a common presentation currency for mining industry.

Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within operating income/other operating expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

Translation of foreign Group companies

The translation of balances and transactions of the Group's entities from their functional currencies to the presentation currency is performed as follows:

- All assets and liabilities, both monetary and non-monetary, are translated at closing exchange rates at each reporting period end date;
- All income and expenses are translated average exchange rates for the period, except for significant transactions that are translated at rates on the date of such transactions and in instances where exchange rates fluctuate significantly during the period;
- Resulting exchange differences are recognised in other comprehensive income as "Effect of translation to presentation currency" and accumulated in equity (attributed to non-controlling interests as appropriate);
- All cash flows are translated at annual average exchange rates for the period, except for significant transactions that are translated at rates on the date of such transactions.
- Exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.
- Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate

Exchange rates used in the preparation of the consolidated financial statements were as follows:

	2022 Russian Ruble/US Dollar	2022 Swedish krona/US Dollar	2022 Swedish krona/ Russian Ruble	2021 Russian Ruble/US Dollar	2021 Swedish krona/US Dollar	2021 Swedish krona/ Russian Ruble
Year-end rate	70.3375	10.4371	0.1484	74.2926	9.0437	0.1217
Average rate for the 1st quarter ended 31 March	86.0693	9.3374	0.1085	74.3414	8.3902	0.1128
Average rate for the 2nd quarter ended 30 June	66.6244	9.8203	0.1474	74.2155	8.4208	0.1135
Average rate for the 3rd quarter ended 30 September	59.4308	10.5312	0.1772	73.4746	8.6468	0.1177
Average rate for the 4th quarter ended 31 December	62.4246	10.7306	0.1719	72.6059	8.7676	0.1219

3.5 Revenue recognition

The Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group applies a 5-step approach to revenue recognition:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognises revenue when or as a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.6 Leasing

The Group as lessee

The Group´s leases are primarily comprised of equipment related to Yubileyniy and Perevalnoe factories, Buor placer and Ulakhan placer.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and

- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The useful lifes of the right-of-use assets is between 2 and 11 years.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Other expenses” in profit or loss (see note 20).

3.7 Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits and annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet. If employee benefit costs are directly attributable to bringing an asset into the condition and location necessary for it to be capable of operating then these costs are capitalised.

Payroll taxes and pension contributions
Under provisions of the Russian legislation, the Group entities contributed to state pension, social insurance, medical insurance and unemployment funds at the statutory rate of 30% based on gross salary payments to each employee not exceeding certain amount, for remuneration exceeding the set amount the rate drops to 15.1%. The Group’s contributions to the State Pension Funds of the Russian Federation are charged to the consolidated statement of profit or loss in the period to which they relate.

Post-employment obligations
The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the unified social tax the payments to the statutory defined contribution schemes in the Russian Federation. In Sweden, the Group pays defined contribution pension costs for one employee.

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of profit or loss.

Other post-employment obligations
Termination benefits are paid when an employee is terminated by the Group and the employee accepts a voluntary termination in exchange for such benefits. The Group recognizes termination benefits when the Group is demonstrably committed to either terminating the employment of the employees according to a detailed formal plan, without the possibility of revocation or providing termination benefits as a result of an offer made to encourage voluntary termination. Benefits due more than 12 months after the end of the reporting period are discounted to present value.

3.8 Income tax

Current income tax
The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction. Taxable income differs from 'profit before tax' as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax
Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3.9 Mineral extraction tax

Mineral extraction tax is set by the Russian Tax legislation. Mineral extraction tax is imposed to the net gold and silver chemical component of the extracted gold and silver deposits with the reference to actual selling prices for gold and silver less cost to refine and deliver refined gold and silver to the ultimate customer. The amount of mineral extraction tax incurred for the period is recognised within the cost of inventory produced and sold.

Application of a special tax rate

The Group receives state assistance in the form of the possibility of applying a reduced rate for the mineral extraction tax. The benefit provided by the government is treated as deferred income and is recognized in the consolidated statement of comprehensive income for the year as a reduction in mineral extraction tax expenses during the period corresponding to the time of occurrence of the costs that it should compensate.

3.10 Exploration and evaluation assets

Exploration and evaluation assets represent capitalised expenditures incurred by the Group in connection with exploration for and evaluation of gold and silver resources, such as:

- Acquisition of rights to explore potentially mineralised areas;
- Topographical, geological, geochemical and geophysical studies;
- Exploratory drilling;
- Trenching;
- Sampling; and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting gold resource.

Exploration and evaluation expenditures are capitalised when exploration and evaluation activities have not reached a stage that permits a reasonable assessment of the existence of commercially recoverable gold and silver resources. When the technical feasibility and commercial viability of extracting a gold and silver resource are demonstrable and a decision has been made to develop the mine, capitalised exploration and evaluation assets are reclassified to mine development costs.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The following facts and circumstances, among others, indicate that exploration and evaluation assets must be tested for impairment:

- The term of exploration license in the specific area has expired during the reporting period or will expire in the near future and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of gold resources in the specific area is neither budgeted nor planned;
- Exploration and evaluation for gold resources in the specific area have not led to the discovery of commercially viable quantities of gold resources and the decision was made to discontinue such activities in the specific area; and
- Sufficient data exists to indicate that, although a development in the specific area is likely to occur, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For the purpose of assessing exploration and evaluation assets for impairment, such assets are allocated to cash-generating units, being exploration license area.

Any impairment loss is recognised as an expense in accordance with the policy on impairment of tangible assets.

3.11 Property, plant and equipment

Mine development costs

Mine development costs comprise amounts related to new mine development and includes the costs directly related to mine development projects such as acquiring and developing mining properties, pre-production expenditure, construction of processing plant and mine infrastructure, amortisation of equipment used in the development, mining and exploration licenses and the present value of future mine closure, rehabilitation and decommissioning costs. Mine development costs are reclassified as 'Mining assets' at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management. Mine development costs are not depreciated before the related mining assets are commissioned.

Mining assets
Mining assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Mining assets include the cost of acquiring and developing mining properties, pre-production expenditure and mine infrastructure, processing plant, mining and exploration licenses and the present value of future mine closure, rehabilitation and decommissioning costs.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Group through an extended life, the expenditure is capitalised.

Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off. All other day to day maintenance costs are expensed as incurred.

Mining assets, except for those related to alluvial gold operations, where economic benefits are consumed in a pattern which is linked to the production level are depleted using a unit of production method based on the volume of ore reserves.

Certain property, plant and equipment within mining assets are depreciated based on estimated useful lives, if shorter than the remaining life of the mine or if such property, plant and equipment can be moved to another site subsequent to the mine closure.

Mining assets related to alluvial gold operations are depreciated on a straight-line basis based on estimated useful lives.

Non-mining assets
Non-mining assets are measured at cost less accumulated depreciation and impairment losses. Non-mining assets are depreciated on a straight-line basis based on estimated useful lives.

Depreciation
Property, plant and equipment are depreciated using a unit of production method based on the volume of ore reserves as set out above or on a straight-line basis based on estimated useful lives.

The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting period and adjusted prospectively if appropriate. Changes to estimated residual values or useful lives are accounted for prospectively.

The principal periods over which the assets are depreciated are as follows:

Office building in Khabarovsk	31 years
Machinery and equipment	1 to 16 years
Other	2 to 11 years

Impairment of property, plant and equipment
Property, plant and equipment and finite life intangible assets are reviewed by management for impairment if there is any indication that the carrying amount may not be recoverable. If any of such indication exists, the carrying amount of the asset is compared to the estimated recoverable amount of the asset in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell or value-in-use. If recoverable amount of an asset (or cash-generating unit) is estimated to be less than it carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The impairment loss is recognised in the consolidated statement of comprehensive income immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the original carrying amount that would have been determined had no impairment been recognised in prior periods.

3.12 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets
Financial assets are classified into financial assets measured at fair value through profit or loss, fair value through other comprehensive income and amortised cost. The Group determines the classification at initial recognition.

Financial assets are classified as financial assets measured at amortised cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Otherwise, they are classified as financial assets measured at fair value.

The Group does not have any financial assets measured at fair value through other comprehensive income (hereinafter referred to as FVTOCI) that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets are measured based on the classification as follows:

- Financial assets measured at amortised cost are measured at amortised cost using the effective interest method;
- Financial assets other than those measured at amortised cost are measured at fair value through profit and loss.

The Group's financial assets include cash and cash equivalents, trade and other receivables, loans issued and derivative financial instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment and de-recognition of financial assets
In accordance with IFRS 9, the Group assesses at each reporting date whether there is any objective evidence that financial assets measured at amortised cost are impaired under an expected credit loss model.

The Group always recognises lifetime expected credit losses ("ECL") for its trade and other receivables (the "simplified approach" under IFRS 9) and updates this expectation at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. Expected credit losses are recognised in the consolidated statement of profit and loss within the financial costs.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities
All financial liabilities are measured at fair value at initial recognition. However, financial liabilities measured at amortised cost are measured at cost after deducting transaction costs that are directly attributable to the financial liabilities.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, except for derivatives measured at fair value through profit or loss. The Group determines the classification at initial recognition.

After initial recognition, financial liabilities are measured based on the classification as follows:

- Financial liabilities measured at amortised cost are measured at amortised cost using the effective interest method. Amortisation under the effective interest method and gains or losses on de-recognition are recognised as profit or loss in the consolidated statement of income.
- Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as measured at fair value through profit or loss at initial recognition. The net gain or loss recognised in the consolidated statement of profit or loss incorporates any interest paid on the financial liability and is included in the gain/(loss) on derivative financial instruments and investments, net.

The Group's financial liabilities include loans and borrowings and trade and other payables. Financial liabilities are recognised initially at fair value plus in the case of loans and borrowings, directly attributable transaction costs.

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Loans and borrowing are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Loans and borrowings and trade and other payables are subsequently measured at amortised cost using the effective interest rate method.

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Accounts and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid, including any noncash assets transferred or liabilities assumed, and payable is recognised in profit or loss as other income or finance costs.

Derivatives and hedging activities
Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedges that qualify for hedge accounting
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Where option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Hedge effectiveness
Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

There was no recognised ineffectiveness during 2022.

Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

The Group enters into commodity forward and option contracts to manage its exposure to market risk. Commodity forward contracts are remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss.

3.13 Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with maturities less than three months.

3.14 Inventories
Inventories are recorded at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Gold on hand is valued on an average total production cost method. Gold in process is valued at the average total production cost at the relevant stage of production.

Materials and supplies consist of consumable stores and are valued at the weighted average basis less an allowance for obsolete items, and include expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. A regular review is undertaken to determine the extent of any allowance for obsolescence. Allowance for obsolescence of fuel as highly liquid supply was not formed.

3.15 Deferred stripping costs

Deferred stripping costs at open-pits

As part of its mining operations, the Company incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using a units of production method. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a stripping activity asset, if the following criteria are met:

(a) Future economic benefits (being improved access to the ore body) are probable;

(b) The component of the ore body for which access will be improved can be accurately identified;

(c) The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to the consolidated statement of profit or loss as operating costs as they are incurred.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. The stripping activity asset is subsequently depreciated using the units of production method over the life of the identified component of the ore body. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the ore body.

If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the ore body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Company uses the expected volume of waste extracted compared with the actual volume for a given volume of ore production of each component.

The stripping activity asset is accounted for as an enhancement of an existing asset, being the mine asset. This forms part of the total investment in the relevant cash generating units, which are reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

Deferred stripping costs at placers

Stripping costs at placers incurred after the production ceases generally between September-October and April-May (due to low temperatures) are fully deferred since they relate to production that will take place in future periods (generally between May and September).

Deferred stripping costs that give access to reserves from which production is expected to commence within 12 months after the reporting date are classified as current assets. Deferred stripping costs that relate to reserves from which production will not commence within 12 months from the reporting date are classified as non-current assets.

3.16 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

3.17 Provisions

General
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Mine rehabilitation provisions
The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognised immediately in the statement of comprehensive income. Rehabilitation costs resulting from production activities are included in the cost of inventories.

3.18 Share based payments

Warrant program
At the reporting date, Kopy Goldfields AB had several outstanding warrant programs. All warrants have been issued at a market value determined by an independent external adviser and, depending on the employee's domicile and prevailing tax situation, the warrants have been issued either free of charge or at a market price through cash payment.

In cases where a cash payment has been made, a corresponding amount is recognised as an increase in equity. For warrants without vesting conditions issued without consideration, the fair value on the grant date is recognised in the consolidated statement of comprehensive income/loss and included in personnel costs with a corresponding increase in equity.

The social security contributions that arise from the award of employee options are considered an integral part of the award and the cost is treated as a cash-settled share-based payment, i.e., a liability and a personnel expense.

3.19 Equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.20 Earnings per share
Earnings per share is calculated based on consolidated earnings for the year (total net earnings from continuing and discontinued operations) attributable to the Parent Company shareholders and based on the weighted average number of outstanding shares during the year and excluding treasury shares.

When calculating earnings per share after dilution, net earnings and average number of shares are adjusted to reflect effects of potential dilutive ordinary shares, which constitute shares and options issued during the period. Dilution from options occurs only when the exercise price is lower than the fair value of the shares and is greater the larger the difference is between the exercise price and the fair value. Convertible loans and options are not considered dilutive if the earnings per share from continuing operations would be better (higher profit or lower loss) after dilution than before dilution.

4. Significant accounting judgements, estimates and assessments
In the application of the Group's accounting policies management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. They are reviewed on an ongoing basis. Actual results could differ from those estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within next financial year.

Mineral reserves
Mineral reserves are used in the calculation of depreciation and depletion of mining assets under the unit of production method and in calculation of future cash flows for assets' impairment testing.

The Group uses estimates of ore reserves assessed in accordance with the last available Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC) and internal estimates.

Estimation of mineral reserves involves some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data, which also requires use of subjective judgment and development of assumptions. By their nature, these estimates of reserves and the related future cash flows are subject to uncertainty, and the impact on the consolidated financial statements for future periods could be material.

The management updated ore reserve estimates in accordance with JORC on 1 July 2020.

Useful economic lives of property, plant and equipment
Property, plant and equipment are depreciated using a unit of production method based on the volume of ore reserves or on a straight-line basis based on estimated useful lives.

Management periodically reviews the appropriateness of assets' useful economic lives. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to Group.

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation recognised in the statement of comprehensive income.

Impairment of tangible assets
The Group considers both external and internal sources of information in assessing whether there are any indications that its tangible assets are impaired.

External sources of information considered by the Group include products' demand the competitive environment, economic and legal environment and other factors.

Internal sources of information considered by the Group include the manner in which assets are being used or expected to be used and actual and forecasted expectations of economic performance of such assets.

During the year ended 31 December 2022, the Group's management decided to stop and mothball the Perevalnoe CIP mill due to depletion of open pit mines. This event caused an internal indicator of the impairment of tangible assets. As a result of impairment testing, the Group recognised an impairment charge for property, plant and equipment related to Perevalnoe CIP mill in the amount of TUSD 7,498 (note 18). The Group estimated that there were no indicators of impairment at the end of 2021 year.

Impairment of exploration and evaluation assets
The application of the Group's accounting policy for exploration and evaluation expenditures requires judgement in determining whether it is likely that the asset will bring economic benefits in the future, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is impaired in the profit and loss as the new information becomes available.

During the year ended 31 December 2022 an impairment of exploration and evaluation assets in the amount of TUSD 1,276 was recognised by the Group (see Note 17). The impairment charge related to capitalised cost for exploration and evaluation licenses located in the Bodaibo district of the Irkutsk region of Russian Federation, which were decided to be early terminated.

Impairment of investments in associates
Management of the Group assesses the carrying value of its investments in associates when events or changes in circumstances suggest that indicators of impairment exist. When necessary, the entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with it carrying amount.

At 31 December 2022, regarding investment in Bodaibo Holding Ltd and LLC Krasny, consideration was given to a range of indicators, including most recent gold reserves estimation, average gold head grade, gold prices forecast, mine life, future capital expenditure.

The Group estimated that there were no indicators of impairment at the end of 2022 year.

Taxation

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Russian tax, currency and customs legislation is subject to varying interpretations.

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in Note 15.

Mine rehabilitation provisions

The Group reviews its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, changes in discount rates and assumptions regarding the timing of decommissioning activities. Actual rehabilitation costs will ultimately depend upon future market prices for the necessary mine rehabilitation works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future gold prices, which are inherently uncertain. Those uncertainties may result in future actual expenditure differing from the amounts currently provided.
The provision at balance date represents management's best estimate of the present value of the future rehabilitation costs required.

The principal assumptions used for the estimation of provision for decommissioning were as follows:

	31 December 2022	**31 December 2021**
Discount rates	7.50%-10.82%	8.55%-8.66%
Expected inflation rates	4.0%-6.0%	4.6%-5.0%
Expected closure dates	2023-2032	2022-2032

Valuation of inventories

Work-in-process, finished goods and ore stockpiles are carried at the lower of cost or net realisable value. Estimates of net realisable value of inventories are based on the most reliable evidence available at the time of the estimates are made. These estimates take into consideration spot metals prices at the reporting date, cost to complete production and bring the product to sale.

The Group also estimates an allowance for obsolete and slow-moving materials and spare parts and net realisable value provision. At 31 December 2022, the allowance for obsolete inventory and net realisable value provision amounted TUSD 27,643 (31 December 2021: TUSD 23,619) as disclosed in the note 22. In the year ended 31 December 2022, the Group recognised a charge of TUSD 5,992 (2021: TUSD 11,174) mostly related to net realisable value provision of low grade ore stockpiles (note 9).

If the gold price had been 10% higher/lower as of December 31, 2022, the amount of net realisable value provision would have decreased/increased by TUSD 3,385 (2021: TUSD 3,237).

Accounting for a contract liability

In September 2018, LLC Amur Gold entered into a long-term commodity loan agreement with the bank with an obligation to deliver a certain amount of gold to the lender within the time period established by the agreement (note 27). Repayment of the loan, according to the agreement, is carried out physically in gold, repayment in cash is provided only in case of violation by the borrower of certain financial and non-financial conditions (covenants). Since the repayment of this loan should be carried out through the physical supply of gold, which is the main product of the borrower's production, and not in cash or other financial instrument (during the period of the loan agreement, LLC Amur Gold did not violate the covenants on this loan and management had no reasonable expectations that the covenants could be violated), management of the Group believes that this loan is not a financial instrument, and should be considered as an advance payment for the supply of gold and accounted for in accordance with IFRS 15 Revenue from contracts with customers.

Agency factoring

The Group has entered into an agreement with a factoring company, under which the Group receives short-term financing to manage its working capital. The obligation under such an agreement was classified as bank financing and included in loans and borrowings in the consolidated statement of financial position.

5. Financial risk management

5.1 Financial risk factors
Through its operations, the Group is exposed to various financial risks consisting of market risk, mainly interest risk and currency risk, credit risk and liquidity risk. The Group strives to minimise potential unfavourable effects from these risks on the Group's financial results. Management reviews and agrees policies for managing each of these risks which are summarised below.

The aim of the Group's financial operations is to ensure that the Group can meet its payments, manage financial risks, ensure a supply of necessary financing, and optimise the Group's net financial income.

Market risk - Currency risk
Foreign exchange risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates that is not the functional currency of the relevant group entity. The Group undertakes certain transactions denominated in foreign currencies. Transactions in the Group's Russian subsidiaries are predominantly in RUB, their functional currency.
Transaction exposure arises when the Parent Company receives loans from subsidiaries denominated in a currency other than its functional currency. Accounts receivable and payable on intra-group loans in foreign currency are included in the sensitivity analysis to currency risks. The currency risk is monitored on a regular basis. The Group has chosen not to hedge any of the translation exposures at present.

Exposure
The Group's exposure to foreign currency risk (including intra-group transactions) as at 31 December 2022 and as at 31 December 2021 was as follows.

			31 December 2022		
	USD	**RUB**	**EUR**	**SEK**	**Total**
Financial assets					
Financial assets at amortised cost	3,959	-	-	-	3,959
Loans receivable from Group companies	2,130	-	-	-	2,130
Other receivables	416	-	-	-	416
Cash and cash equivalents	36	-	4	-	40
Total assets	**6,541**	**-**	**4**	**-**	**6,545**
Financial Liabilities					
Lease liabilities	-	-	20	-	20
Loans and borrowings, including loans and borrowings from Group companies	3,629	9,011	-	-	12,640
Accounts payable and accrued liabilities	74	-	19	-	93
Total Liabilities	**3,703**	**9,011**	**39**	**-**	**12,753**
Total net position	**2,838**	**-9,011**	**-35**	**-**	**-6,208**

	31 December 2021				
	USD	**RUB**	**EUR**	**SEK**	**Total**
Financial assets					
Financial assets at amortised cost	3,961	53	-	-	4,014
Loans receivable from Group companies	9,666				9,666
Other receivables	421	-	-	-	421
Cash and cash equivalents	178	-	-	-	178
Total assets	**14,226**	**53**	**-**	**-**	**14,279**
Financial Liabilities					
Lease liabilities	-	-	251	-	251
Loans and borrowings	3,565	7,966	-	-	11,531
Accounts payable and accrued liabilities	-	-	1,144	451	1,595
Total Liabilities	**3,565**	**7,966**	**1,395**	**451**	**13,377**
Total net position	**10,661**	**-7,913**	**-1,395**	**-451**	**902**

The aggregate net foreign exchange gains/losses recognised in profit or loss were:

	2022	**2021**
Net foreign exchange gain/(loss) included in other operating expenses, net	267	(85)
Net foreign exchange gain/(loss) on foreign currency borrowing included in finance costs	463	(358)
Total	**730**	**(443)**

Sensitivity

The Group is primarily exposed to changes in USD/RUB exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD -denominated financial instruments. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive/negative number below indicates an increase/decrease in profit or equity where the functional currency of a subsidiary strengthens/ weakening for 10% against the relevant foreign currency. If the USD/RUB exchange rates would have been 10% higher/lower during the year ended 31 December 2022, profit or equity for the year would have decreased/increased by TUSD 284 (2021: TUSD 1,066)). Additionally, the Company is exposed to changes in SEK/RUB exchange rates affecting intragroup financing. If the SEK/RUB exchange rates would have been 10% higher/lower during the year ended 31 December 2022, profit or equity for the year would have decreased/increased by TUSD 901 (2021: TUSD 791).

Market risk - Interest-rate risk

The interest rate risk arises from long-term borrowings with variable rates, which expose to cash flow interest rate risk. The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The Group does not currently hedge its exposure to interest rate risk. The Group manages its interest rate risk through maintaining an appropriate mix between fixed and floating rate borrowings.

Sensitivity

For floating rate loans, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. The Group's sensitivity profit or loss to interest rates is prepared assuming a 100 basis point change as it is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates would have been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2022 would have decreased/increased by TUSD 573 (2021: TUSD 157).

Market risk – Price risk
The group's exposure to the price risk arises from gold price fluctuation quoted on the London metal stock exchange (LME). The Group prepares detailed budgets and forecasts and reviews the global and domestic gold price environment on a monthly basis in order to optimise gold sales. For more information about hedges see below.

Credit risk
Credit risk is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group. The Group's credit risk arises from cash and cash equivalents, trade and other accounts receivables and other financial assets.

Trade accounts receivable are represented by provisional gold sales transactions. All sales of gold and silver in 2022 were performed to well-established Russian banks. The Group does not have any significant amount of other receivables. Credit limits for the Group as a whole are not set up.

The credit risk on cash and cash equivalents has been limited because the counterparties have been well-established Russian banks. Following the new and increased sanctions in 2022, the Group has initiated contingency measures to mitigate the credit risk and to ensure alternative gold sales channels going forward.

The maximum exposure to credit risk equals to the carrying value of these instruments in the amount of TUSD 11,387 as at 31 December 2022 (2021: TUSD 11,119).

Receivables balances are monitored on an ongoing basis with the result that the exposer of the Group to bad debts is not significant. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to settle its liabilities as they fall due. The objective of the Group is to maintain a balance between continuity of funding and flexibility through the use of credit with the suppliers, finance leases and bank loans and committed credit lines, if necessary.

The Group's primary sources of cash are its operations, as well as bank loans. The liquidity position of the Group is monitored and managed on a regular basis by with cash movements, cash balances and gold stock balances being reported to the Group's management. The Group prepares detailed budgets and forecasts and reviews the gold prices to optimise sales and match the maturity profiles of financial assets and liabilities. Accordingly, management considers that it is taking all necessary actions to allow the Group to meet its current obligations as they fall due.

At the end of the reporting period the Group held deposits at call of TUSD 5,701 (2021: TUSD 5,586) that are expected to readily generate cash inflows for managing liquidity risk.

At 31 December 2022 the Group had access to unused credit facilities of TUSD 2,833 (2021: TUSD 6,729).
The bank credit facilities may be drawn by the bank notice in RUB and have an average maturity of 5 years (2021 –5 years).

The following table shows the undiscounted contractual maturities of the financial liabilities as at 31 December 2022 and 2021.

At 31 December 2022	**Less than 12 months**	**1-5 years**	**More than 5 years**	**Total**
Loans and borrowings	145,314	-	-	145,314
Agency factoring	5,722	-	-	5,722
Accounts payable and other current liabilities	6,956	-	-	**6,956**
Lease liabilities	3,208	2,827	-	**6,035**
Total	**161,200**	**2,827**	**-**	**164,027**

At 31 December 2021	Less than 12 months	1-5 years	More than 5 years	Total
Loans and borrowings	5,472	43,924	-	**49,396**
Accounts payable and other current liabilities	8,610	-	-	**8,610**
Lease liabilities	3,193	1,086	29	**4,308**
Total	**17,275**	**45,010**	**29**	**62,314**

Refinancing risk
Refinancing risk is defined as the risk for difficulties in refinancing the Group, that financing cannot be achieved, or can only be achieved at a higher cost. Borrowings within the Group has an average maturity from 1 to 5 years (2021: from 1 to 5 years). As at December 31, 2022, the Company was in breach of certain financial and production loan covenants. As a result, the bank loans with maturity dates September 2024 - September 2027 were classified in the consolidated statement of financial position as a short-term. On March 9, 2023, the Group received a waiver from the bank on the breached covenants, and, accordingly, the Group still has the opportunity for additional financing.

5.2 Derivatives
The Group uses commodity options being the cash flow hedges derivatives presented in the following line items in the consolidated statement of financial position:

	31 December 2022	31 December 2021
Non-current assets		
Commodity options – cash flow hedges	-	1 089
Total non-current derivative financial instrument assets	**-**	**1 089**
Current assets		
Commodity options – cash flow hedges		159
Total current derivative financial instrument assets	**-**	**159**
Non-current liabilities		
Commodity options – cash flow hedges	664	-
Total non-current derivative financial instrument liabilities	**664**	-

For the year ended 31 December 2022, the Group recognised income from the revaluation of the fair value of derivative financial instruments in the amount of TUSD 32 (2021: TUSD 2 099).

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as ‘held for trading’ for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

For information about the methods and assumptions used in determining the fair value of derivatives refer to note 32.

5.3 Fair value hierarchy
This section explains the judgements and estimates made by the Group in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. Management has used all available market information in estimating the fair value of financial instruments.

The different levels of fair value have been defined as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

Derivative instruments and embedded derivatives are included in Level 2 of the fair value hierarchy as they are valued using pricing models or discounted cash flow models. These models require a variety of inputs, including, but not limited to, market prices, forward price curves, yield curves and credit spreads. These inputs are obtained from or corroborated with the market. The resulting fair value estimates are included in level 2.

The fair value of the remaining financial assets and financial liabilities approximate their carrying value.

At 31 December 2022 and 2021 the Group had the following financial instruments measured at fair value on a recurring basis

	At 31 December 2022		
	Level 2	**Level 3**	**Total**
Financial assets			
Accounts receivable for sale of shares	-	4 375	4 375
Financial liabilities			
Derivative instruments	664	-	664

	At 31 December 2021		
	Level 2	**Level 3**	**Total**
Financial assets			
Derivative instruments	1 248	-	1 248
Accounts receivable for sale of shares	-	4 382	4 382

5.4 Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2021.

The capital structure of the Group consists of net debt comprising loans and borrowings and lease liabilities after deducting cash and bank balances and equity of the Group. Equity of the Group comprises issued capital, share premium, reserve on translation to presentation currency, retained earnings and non-controlling interests.

Under the terms of the major borrowing facilities, the Group is required to comply with certain financial covenants, including positive net assets, as described in the Note 26.

The Group monitors capital structure on the basis of the net debt to equity ratio. In addition, the management of the Group reviews the following ratios on a quarterly basis: total debt, total debt to EBITDA, net debt to EBITDA, EBITDA to interest expense.

Gearing ratio

The gearing ratio at the year-end is as follows:

	31 December 2022	**31 December 2021**
Loans and borrowings	119,745	36,620
Contract liability	-	26,094
Lease liabilities	4,931	4,068
Cash and cash equivalents	6,293	6,145
Net debt	118,383	60,637
Equity	84,027	102,418
Net debt to equity ratio	141%	59%

Debt is defined by the Management of the Group as loans and borrowings, contract liability and lease liabilities (excluding derivatives) as detailed in notes 19, 26 and 27. Equity includes all capital and reserves of the Group that are managed as capital.

6. Application of new and revised International Financial Reporting Standards

6.1 New and revised standards affecting the financial statements
The following is a list of new or amended IFRS standards and interpretations that have been applied by the Group for the first time in these consolidated financial statements.

Title	Subject	Effective for annual periods beginning on or after	Expected effect on the consolidated financial statements
Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract	The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract.	1 January 2022	No effect
Amendments to IAS 16 Property, Plant and Equipment— Proceeds before Intended Use	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	1 January 2022	No effect
Amendments to IFRS 3 Reference to the Conceptual Framework	The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events.	1 January 2022	No effect
Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle			
IFRS 9 Financial Instruments	The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.	1 January 2022	No effect
IFRS 16 Leases	The amendment removes the illustration of the reimbursement of leasehold improvements.	1 January 2022	No effect

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

6.2 New standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Title	**Subject**	**Effective for annual periods beginning on or after**	**Expected effect on the consolidated financial statements**
IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance contracts	1 January 2023	No effect
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2023	No effect
Amendments to IFRS 1	Classification of Liabilities as Current or Non-current	1 January 2023	No effect
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023	No effect
Amendments to IFRS 8	Definition of Accounting Estimates	1 January 2023	No effect
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	No effect

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

6. Revenue from contracts with customers

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following major product lines:

	2022	**2021**
Sales of gold	80,007	86,194
Sales of gold- gold loan settlement	32,619	-
Sales of silver	2,081	2,621
Other revenue	1,068	763
Total sales revenue	**115,775**	**89,578**

Revenue is principally derived from sale of gold and silver within the Russian Federation (97% in 2022). Export sales are carried out to the Middle East and account for approximately 3% of revenue. In 2021, the total amount of gold and silver sales was attributable to sales within the Russian Federation only.

Included in revenues for the year ended 31 December 2022 are revenues which arose from the sales to the Group's largest customers, whose contribution to the Group's revenue exceeded 10% of the total revenue. In 2022 revenues from such customers amounted to TUSD 24,713 (29.7%) and TUSD 22,626 (27.2%), respectively (2021: TUSD 49,404 (55.2%) and TUSD 39,411 thousand (44.0%), respectively).

7. Auditors' fees

Audit fees include fees for the annual audit services and other audit services, i.e. services that only the external auditors reasonably can provide, and include the Company audit and statutory audits. Other statutory engagements include fees for assurance and related services that are reasonably related to the performance of the audit of the Company's financial statements or that are traditionally performed by the external auditors. Tax advisory services include tax-compliance services, transfer pricing, tax consultations and advice related to acquisitions, etc. All other fees are presented by fees for other services.

	2022	2021
Öhrlings PricewaterhouseCoopers AB		
- Audit engagement	52	152
- Other statutory engagements	4	12
- Other services	-	5
Johan Kaijser		
- Audit engagement	28	-
Joint-Stock Company "Tekhnologii Doveriya - Audit"		
- Audit engagement	216	-
Total	**300**	**169**
Other		
- Audit engagement	52	56
- Other services	-	8
Total	**52**	**64**
Total Auditors' fees	**352**	**233**

8. Costs of sales

	2022	2021
Settlement of gold loan liability	42,116	-
Consumables and spares	22,874	20,042
Mining, maintenance and transportation services	14,523	13,655
Employee benefits	17,925	17,120
Depreciation and depletion	11,885	11,715
Mineral extraction tax and other taxes	1,560	6,388
Refining costs	195	229
Other	204	1,478
Total direct cost and production overheads	**111,282**	**70,627**
Movement in stockpiles, work in progress and finished goods	1,110	-16, 644
Net realisable value allowance	5,992	11,174
Total cost of sales	**118,384**	**65,157**

The total amount of depreciation and depletion for property, plant and equipment and right-of-use assts amounted to TUSD 12,126 (2021: TUSD 11,964).

Since 2022, the Group has been participating in a regional investment project, and has the right to apply a special coefficient for mineral extraction tax. The Group has fulfilled all the conditions of the project, allowing the application of a special coefficient for the tax on mining. The benefit received was accounted for as a reduction in the cost of the mineral extraction tax as part of the cost of products sold.

9. General and administrative expenses

	2022	2021
Employee benefits	6,625	5,901
Professional fees (legal, audit, consulting, etc.)	1,405	1,663
Taxes other than income tax	590	480
Depreciation	241	249
Other	1,215	909
Total general and administrative expenses	**10,076**	**9,202**

10. Other operating expenses, net

	2022	2021
Cost to maintain mothballed operations	2,778	1,145
Loss on disposal of assets	306	220
Charity	91	51
Bank charge	47	79
Change in allowance for slow-moving and obsolete inventory	14	-91
Foreign exchange (gain)/loss	-267	85
Other	171	-86
Total other operating expenses, net	**3,140**	**1,403**

11. Employee benefits

	2022	2021
Salaries and other remuneration	19 529	18 296
Social security contributions	4 993	4 696
Pension costs – defined contribution plans	28	29
Total	**24 550**	**23 021**

The Group's personnel costs for the financial years ended December 31, 2022, and 2021 are included in the consolidated statement of profit/(loss) and other comprehensive income/(loss) in the lines cost of sales and general and administrative expenses.

Salaries and other remuneration and social security expenses to the Board of Directors and senior management

	2022				**2021**			
	Salaries and other remuneration	of which bonuses	**Social security expenses**	of which pension cost	**Salaries and other remuneration**	of which bonuses	**Social security expenses**	of which pension cost
Board members	176	-	9	-	224	-	36	-
CEO	223	-	37	-	294	42	44	25
Other senior executives	1 078	-	266	-	877	32	197	108
Total	**1 477**	**-**	**312**	**-**	**1 395**	**74**	**277**	**133**

The CEO of the Group in 2022 and 2021 year was Mr. Mikhail Damrin.

Other senior executives include 11 persons of which one person joined the Company during 2022 and one person left the Company during 2022.

Average number of employees geographically broken down by country

	2022		**2021**	
	Average number of employees	**Of which men**	**Average number of employees**	**Of which men**
Sweden	1	1	1	1
Russian	768	657	742	661
Total	**769**	**658**	**743**	**662**

Gender distribution in the Group (incl. subsidiaries) for Board members and other senior executives

	2022		2021	
	Number on the balance sheet date	**Of which men**	**Number on the balance sheet date**	**Of which men**
Board members	3	3	5	4
CEOs	1	1	1	1
Other senior executives	10	8	10	8
Total	**14**	**12**	**16**	**13**

Remuneration and other benefits of the Board and senior management 2022 and description of salaries and other remuneration is presented in note P6 in the disclosures for Parent Company.

Pension plans
The retirement age for the CEO, as well as for other senior executives, is 65 years, except for 60 years for women in the Russian Federation. The Company has no pension commitments to the CEO. The Parent Company pays defined contribution pension premiums to the deputy CEO, CFO. Expect for defined contribution pension obligation for one employee in Sweden, the Group has no pension commitments beyond the state pension contributions that are mandatory for employees in Russian Federation.

Notice period and termination benefits
The CEO and the Company have a mutual notice period of six months, and for other senior management positions the period is two - three months. There are no termination benefit agreements in place.

12. Outstanding warrants

Incentive programs 2022/2025 and 2022/2026
The Annual General Meeting 2022 approved two long-term incentive programs: 2022/2025 for management and key personnel for a maximum of 6 500 000 warrants for issue and 2022/2026 for the Board of Directors for a maximum of 1,280,000 warrants for issue. The warrants were transferred without consideration to the management participants at terms adapted to local conditions, while Board members acquired the warrants at market prices. The warrants do not carry entitlement to a dividend or voting rights. Each warrant entitles the holder to subscribe for one (1) share in the Company, which means that the share capital can be increased by SEK 2,378,800 (rounded off to the nearest whole number) at maximum. The exercise date is 31 August 2025 for the warrants of series 2022/2025 and 31 August 2026 for the warrants of series 2022/2026 and strike price is SEK 0.88. As per December 31, 2022, a total of 6,260,000 warrants from both programs were subscribed.

Incentive programs 2021/2024 and 2021/2025
The Annual General Meeting 2021 approved two long-term incentive programs: 2021/2024 for management and key personnel for a maximum of 8,000,000 warrants for issue and 2021/2025 for the Board of Directors for a maximum of 2, 000,000 warrants for issue. The warrants were transferred without consideration to the management participants at terms adapted to local conditions, while Board members acquired the warrants at market prices. The warrants do not carry entitlement to a dividend or voting rights. Each warrant entitles the holder to subscribe for one (1) share in the Company, which means that the share capital can be increased by SEK 3,802,213 (rounded off to the nearest whole number) at maximum. The exercise date is 31 August 2024 for the warrants of series 2021/2024 and 31 August 2025 for the warrants of series 2021/2025 and strike price is SEK 2.75. As per December 31, 2022, a total of 6,480,000 warrants from both programs were subscribed.

Incentive programs 2019/2022
The 2019 AGM adopted two incentive programs 2019/2022: one for management and one for the Board of Directors. A total of 2,835,000 warrants were issued under the programs. The warrants were transferred without consideration to the management participants at terms adapted to local conditions, while Board members acquired the warrants at market prices. The warrants do not carry entitlement to a dividend or voting rights. Each warrant entitles the holder to subscribe for one (1) share in the Company and the warrants may be used for share subscription during the period June 1, 2020, to December 31, 2022 (inclusive), at an exercise price of SEK 1.30 per share. On 31 December 2022, the 2019/2022 incentive programs for management and board expired, without any warrants being exercised.

Incentive programs 2018/2021
The 2018 AGM adopted two incentive programs 2018/2021: one for management and one for the for the Board of Directors. A total of 1,700,000 warrants were issued under the programs. The warrants were transferred without consideration to the management participants at terms adapted to local conditions, while Board members acquired the warrants at market prices. The warrants do not carry entitlement to a dividend or voting rights. After recalculation in accordance with the warrants' terms following the preferential rights issue in 2018, each warrant entitles the holder to subscribe for 1.02 shares in the Company and

the warrants may be used for share subscription during the period June 1, 2019, to December 31, 2021, at an exercise price of SEK 1.67 per share. The program expired on December 31, 2021, and the total number of new shares subscribed for under the program amounts to 1,640,200 shares, at a total amount of SEK 2,739,134 (TUSD 301), which is recorded as increase of Other contributed capital. The new shares were registered with the Swedish Companies Registration Office on January 31, 2022 and following the registration of the new shares issued, the number of shares in the Company increased from 889,064,175 to 890,704,375 shares and the share capital increased by SEK 623,639 (equivalent to TUSD 66 translated at the exchange rate on the date of issue), from SEK 338,041,120 to SEK 338,664,759.

The table below presented the summary of information for Incentive programs of the Group:

	Incentive programs 2022/2026	**Incentive programs 2022/2025**	**Incentive programs 2021/2025**	**Incentive programs 2021/2024**	**Incentive programs 2019/2022**
Exercise price, USD (SEK)	0.084 (0.88)	0.084 (0.88)	0.263 (2.75)	0.263 (2.75)	0.125 (1.30)
Vesting date	01.07.2022	01.07.2022	01.07.2021	01.07.2021	01.06.2020
Last exercise date	31.08.2026	31.08.2025	31.08.2025	31.08.2024	31.12.2022
Redemption of shares from last exercise date	-	-	-	-	-
Number of warrants issued during the year	560,000	5,700,000	-	-	-
Exercised	-	-	-	-	-
Forfeited	-	-	-	-	2,835,000
At end of year	**560,000**	**5,700,000**	**1,280,000**	**5,200,000**	**-**
Of which fully vested December 31, 2022	**560,000**	**5,700,000**	**1,280,000**	**5,200,000**	**-**
Theoretical value					
Theoretical value per warrant on allotment, USD (SEK)	0.015 (0.16)	0.012 (0.13)	0.032 (0.33)	0.025 (0.26)	0.018 (0.192)
Theoretical value per warrant at December 31, 2022, USD (SEK)	0.003 (0.03)	0.002 (0.02)	0.00 (0.00)	0.00 (0.00)	-
Theoretical dilution	No dilution	No dilution	No dilution	No dilution	-

13. Finance income and costs

	2022	2021
Exchange differences	463	-
Interest income	439	663
Other financial income	208	-
Revaluations of the derivatives to fair value	32	2,099
Total finance income	**1,142**	**2,762**
Interest expense on loans and borrowings	-9,575	-2,960
Interest expenses on contract liability in gold	-1,509	-2,679
Interest expenses on lease liabilities	-512	-416
Unwinding of discount of mine rehabilitation provision	-271	-152
Unwinding of discount of long-term receivable	-	-712
Net exchange losses on foreign currency borrowings	-	-358
Less interest expense on loans and borrowings capitalised	1,422	1,195
Total finance costs	**-10,445**	**-6,082**
Net finance costs	**-9,303**	**-3,320**

14. Income tax

Income tax recognised in the consolidated statement of comprehensive income and loss:

	2022	2021
Current income tax:		
Current tax on profit for the year	-	4,832
Total current income tax expense	**-**	**4,832**
Deferred income tax:		
Decrease/(increase) in deferred tax assets	-4,298	-1,907
Total deferred tax expense/(benefit)	**-4,298**	**-1,907**
Total income tax expense	**-4,298**	**2,925**

The income tax expense recorded in the consolidated statement of comprehensive income and loss differs from the theoretical amount that would have arisen applying the tax rate to the profit before income tax and is reconciled as follows:

	2022	2021
(Loss)/profit before tax	**-33,778**	**10,640**
Tax at statutory income tax rate	-6,756	2,128
Effect of different tax rates of Group companies operating in other jurisdictions	-19	-21
Tax effects from:		
Tax losses from settlement of gold loan	1,579	-
Tax losses impairment of exploration and evaluation assets	237	-
Other tax losses	661	818
Total income tax (benefit)/expense	**-4,298**	**2,925**
Effective tax rate	13%	27%

Tax rates are 20.6% in Sweden and 20% in the Russian Federation. The effective income tax rate for the Group was 13% (2021: 27%).

The movement of the Group's deferred tax assets and liabilities for the years, ended 31 December 2022 and 2021, was as follows:

	1 January 2021	Recognised in profit or loss	Effect of translation to presentation currency	31 December 2021	Recognised in profit or loss	Effect of translation to presentation currency	31 December 2022
Property, plant and equipment and Exploration and evaluation assets	-1,645	5,944	-124	4,175	-320	-5,228	-1,373
Inventories	1,600	-1,343	22	279	435	3,293	4,007
Mine rehabilitation provision	547	-1,857	38	-1,272	-30	1,541	239
Finance lease liabilities	899	-1,209	22	-288	-800	2,032	944
Tax losses carried forward	-	-	-	-	2,940	-900	2,040
Other payables and accruals	-20	372	-8	344	2,073	-1,872	545
Net deferred tax asset/(liability)	**1,381**	**1,907**	**-50**	**3,238**	**4,298**	**-1,134**	**6,402**

Certain deferred tax assets and liabilities have been offset to the extent they relate to taxes levied in the same jurisdiction and on the Group’s entities which can pay taxes on a consolidated basis. Deferred tax balances presented in the consolidated statement of financial position were as follows:

	31 December 2022	31 December 2021
Deferred tax assets	6,402	3,238
Deferred tax liabilities	-	-
Net deferred tax liability	**6,402**	3,238

At 31 December 2022, taxable temporary differences in relation to investments in subsidiaries for which deferred tax liabilities have not been recognised amount to TUSD 114,549 (31 December 2021: TUSD 125,142). Deferred tax liability for taxable temporary differences in relation to investments in subsidiaries was not recognised because the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

At 31 December 2022, The Group’s accumulated loss carry-forwards amounted to TUSD 7,193 (31 December 2021: TUSD 4,906), with TUSD 6,841 (31 December 2021: TUSD 4,589) related to the Parent Company and subsidiaries in Sweden and TUSD 352 (31 December 2021: TUSD 317) to Russian subsidiaries. They can be carried forward indefinitely. Deferred income tax assets are recognised for tax loss carry-forwards or other incentives to the extent that the realisation of the related tax benefit through future taxable profits is probable. No deferred tax asset was recognised since, according to the Group, the criteria for reporting deferred tax assets in IAS 12 were not met. Unrecognised deferred tax asset amounted to TUSD 1,482 (2021: TUSD 1,009).

15. Investments in subsidiaries

The Group had the following subsidiaries at the 31 December 2022:

Name	Country of registration and operations	Operations	Share of ordinary shares owned directly by the Parent Company (%)	Share of common shares owned by the Group (%)
Direct ownership				
Joint Stock Company "AG Mining"	Russian Federation	Investment Holding	100	100
Kopy Development AB	Sweden	Investment Holding	100	100
Indirect ownership				
LLC Amur Gold	Russian Federation	Exploration, evaluation and production	100	100
LLC Patom Gold	Russian Federation	Exploration and evaluation	100	100
LLC Vostochny	Russian Federation	Exploration and evaluation	100	100
LLC Kopy management	Russian Federation	Management company	100	100
LLC Iotkan	Russian Federation	Exploration, evaluation and production	100	100
AB Krasny Gold Fields	Sweden	Investment Holding	100	100
LLC Nirunga Gold	Russian Federation	Exploration and evaluation	100	100
LLC Dalniy Vostok	Russian Federation	Rendering of services	100	100

On July 14, 2022, the Company established Joint Stock Company "AG Mining" and paid for the capital by contributing 100% of shares in its controlled subsidiaries - LLC Amur Gold, LLC Patom Gold, LLC Vostochny and LLC Kopy management. On September 27, 2022 the Company transferred 100% shares of AB Krasny Gold Fields to other contributed capital of AG Mining JSC.

On August 2, 2022, LLC Amur Gold established 100% owned subsidiary LLC Iotkan.

On December 27, 2022 the Company sold its 100% owned subsidiary Kopy Development AB for a cash consideration of TUSD 4 (TSEK 40).

SUMMARISED FINANCIAL INFORMATION FOR SIGNIFICANT SUBSIDIARIES PRESENTED BY LLC AMUR GOLD AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT/(LOSS) AND OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ENDED 31 DECEMBER 2022

in thousands of US Dollars (TUSD)

	2022	**2021**
Revenue from contracts with customers	118,065	89,343
Cost of sales	- 117,927	-65,049
Gross profit	**138**	**24,294**
General and administrative expenses	-8,676	-7,448
Impairment of property, plant and equipment	-7,497	-
Other operating expenses, net	-3,662	-1,370
Operating profit/(loss)	**-19,697**	**15,476**
Finance costs	-14,231	-6,084
Finance income	5,002	4,279
Profit/(loss) before tax	**-28,926**	**13,671**
Income tax	3,706	-2,818
Profit/(loss) for the year	**-25,220**	**10,853**
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to profit or loss:		
Effect of translation to presentation currency	9,018	-386
Total comprehensive income for the year	**-16,202**	**10,467**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022
LLC AMUR GOLD AND ITS SUBSIDIARIES
in thousands of US Dollars (TUSD)

	31 December 2022	31 December 2021
Assets		
Non-current assets		
Exploration and evaluation assets	1,799	1,160
Property, plant and equipment	85,289	61,961
Right-of-use assets	9,238	8,141
Deferred tax asset	6,377	3,238
Inventories	3,611	5,951
Derivative financial assets	-	1,089
Loans issued to related parties	10,860	-
Total non-current assets	**117,174**	**81,540**
Current assets		
Inventories	59,494	53,921
Other current assets	2,624	11,152
Loans issued to related parties	6,398	-
Other receivables	555	786
Advances paid	2,246	798
Taxes receivable	4,764	4,121
Income taxes receivable	243	-
Cash and cash equivalents	5,751	5,600
Total current assets	**82,075**	**76,378**
Total assets	**199,249**	**157,918**
Equity and liabilities		
Capital and reserves		
Share capital	53,977	53,977
Retained earnings, including profit for the period	39,056	64,276
Foreign currency translation reserve	-31,128	-40,146
Total net assets attributable to participants	**61,905**	**78,107**
Non-current liabilities		
Loans and borrowings	-	35,197
Mine rehabilitation provision	4,771	3,598
Lease liabilities	2,815	1,219
Contract liability	-	26,094
Derivative financial liabilities	664	-
Total non-current liabilities	**8,250**	**66,108**
Current liabilities		
Loans and borrowings	118,495	168
Accounts payable and accrued liabilities	6 485	8,038
Income tax payable	-	210
Taxes payable	1,436	1,163
Mine rehabilitation provision	562	1,275
Lease liabilities	2,116	2,849
Total current liabilities	**129,094**	**13,703**
Total equity and liabilities	**199,249**	**157,918**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022
LLC AMUR GOLD AND ITS SUBSIDIARIES
in thousands of US Dollars (TUSD)

	2022	2021
Cash flow from operating activities		
Profit before tax	**-28,926**	**13,671**
Adjustments for non-cash items		
Depreciation and depletion of property, plant and equipment, intangible assets and right of-use assets	11,853	11,900
Impairment of property, plant and equipment	7,497	-
(Gain)/Loss on disposal of assets	142	-46
Finance costs	14,231	6,084
Finance income	-5,002	-4,279
Movements in allowance for obsolete inventory and net realisable value	2,760	11,083
Revenue from settlement of gold loan liability	-32,619	-
Foreign exchange loss	246	-48
Other non-cash adjustments	-78	-69
Cash flow from operating activities before changes in working capital	**-29,896**	**38,296**
Changes in working capital		
Change in inventories	-3,086	-21,324
Change in other receivables and advances paid	-2,192	740
Change in trade and other payables and advances received	-8,974	2,451
Change in other assets	5,892	49
Cash flow from operating activities	**-38,256**	**20,212**
Interest received	426	148
Interest paid	-7,771	-1,373
Income tax paid	-200	-5,866
Net cash flows from operating activities	**-45,801**	**13,121**
Cash flow from investing activities		
Purchase of property, plant and equipment	-23,987	-25,842
Purchase of exploration and evaluation assets	-2,035	-985
Interest paid capitalised	-1,422	-1,037
Loans provided to Group companies	-7,451	-6,895
Net cash flows used in investing activities	**-34,895**	**-34,759**
Cash flow from financing activities		
Proceeds from borrowings, net of debt issue costs	88,067	20,298
Repayments of borrowings	-2,572	-
Payment of lease liabilities	-4,514	-2,768
Repayment of derivative financial liabilities	-134	-
Net cash flows from financing activities	**80,847**	**17,530**
Net (decrease)/increase in cash and cash equivalents	151	-4,108
Cash and cash equivalents at 1 January	**5,600**	**9,708**
Cash and cash equivalents at 31 December	**5,751**	**5,600**

Commitments and contingent liabilities in respect of LLC Amur Zoloto

Commitments and contingent liabilities as at 31 December 2022 in respect of LLC Amur Zoloto were presented by contractual capital commitments and amounted TUSD 8,928 mostly relating to development of Malyutka license (31 December 2021: TUSD 3,695 mostly relating to technical modernisation of Yubileyniy processing plant and development of Malyutka license).

16. Exploration and evaluation assets

Balance at 1 January 2021	**5,860**
Additions	987
Additions through reverse acquisitions	-
Transfer	-4,541
Impairment	-
Effect of translation to presentation currency	-33
Balance at 31 December 2021	**2,273**
Additions	929
Transfer	-329
Impairment	-1,276
Effect of translation to presentation currency	251
Balance at 31 December 2022	**1,848**

As of December 31, 2022, exploration and evaluation assets mainly consist of expenses related to the Onnyo, Khayunda and Chokhcho license areas located in the Irkutsk region of the Russian Federation.

During the year ended 31 December 2022 an impairment of exploration and evaluation assets in the amount of TUSD 1,276 was recognised by the Group. The impairment related to the exploration and evaluation licenses of LLC Patom Gold for Malopatomskiy, Gorbylakh and Tyrynakh areas located the Bodaibo district of the Irkutsk region of Russian Federation. Due to the expiration of license terms, the management of the Group approved early termination of the licenses.

In 2021, exploration and evaluation assets relating to Malyutka license were reclassified to mine development assets within the property, plant and equipment, since the technical feasibility and commercial viability of extracting the mineral resources became evident. Prior to reclassification capitalised expenditures relating to Malyutka license were assessed for impairment, and no impairment loss was identified.

17. Property, plant and equipment

	Mine development costs and construction -in- progress	Mining assets	Non-mining assets	Total
Cost				
At 1 January 2021	**7,782**	**62 717**	**3 876**	**74 375**
Additions	24,983	790	809	26 582
Transfers	(12,008)	11 172	836	-
Transfers from exploration and evaluation assets	4,541	-	-	4 541
Change in mine rehabilitation provision	331	-	-	331
Disposals	-	(477)	(39)	(516)
Effect of translation to presentation currency	-138	(463)	(35)	(636)
At 31 December 2021	**25,491**	**73,739**	**5,447**	**104,677**
Additions	33,634	1,802	22	35,458
Transfers	-	-	-	-
Transfers from exploration and evaluation assets	329	-	-	329
Change in mine rehabilitation provision	-	1,209	-	1,209
Disposals	-96	-758	-148	-1,002
Impairment	-613	-23,856	-691	-25,160
Effect of translation to presentation currency	1,926	6,667	387	8,980
At 31 December 2022	**60,671**	**58,803**	**5,017**	**124,491**
Accumulated depreciation and impairment				
At 1 January 2021	**-**	**-33,100**	**-1,341**	**-34,441**
Charge for the year	-	-8,668	-259	-8,927
Disposals	-	465	38	503
Effect of translation to presentation currency	-	284	8	292
At 31 December 2021	**-**	**-41,019**	**-1,554**	**-42,573**
Charge for the year	-	-10,537	-322	-10,859
Disposals	-	442	82	524
Impairment	-	17,326	336	17,662
Effect of translation to presentation currency	-	-3,662	-116	-3,778
At 31 December 2022	**-**	**-37,450**	**-1,574**	**-39,024**
Net book value:				
At 31 December 2021	**25,491**	**32,720**	**3,893**	**62,104**
At 31 December 2022	**60,671**	**21,353**	**3,443**	**85,467**

Assets pledged as security
At December 31, 2022, and 2021, none of the properties and equipment were pledged.

Impairment of property, plant and equipment

As of December 31, 2022, the Group recognised an impairment charge for property, plant and equipment related to Perevalnoe CIP mill in the amount of TUSD 7,498. Due to depletion of open pit mines and negative sales margins the Group's management decided to stop and mothball the Perevalnoe CIP mill. There are no indicators of impairment in respect of property, plant and equipment related to other deposits of the Group as at 31 December 2022. According to management's estimates, as of December 31, 2021, there were no indicators of impairment..

18. Right-of-use assets and lease liabilities

This note provides information for leases where the Group is a lessee. At December 31, 2022, mining right-of-use assets comprised mostly of the lease agreements for production equipment.

Lease terms for production equipment are generally between 3 and 5 years. The Group also has leases with a shorter lease term than 12 months and leases pertaining to assets of low value, such as transport vehicles. For these assets, the Group has chosen to apply the exemption rules in IFRS 16 Leases, meaning the value of these contracts is not part of the right-of-use asset or lease liability.

Extension and termination options

The Group has no extension or termination options in the contracts. The Group has options to purchase certain mining assets for a nominal amount at the end of the lease term.

19.1 Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	31 December 2022	**31 December 2021**
Right-of-use assets		
Mining assets	9,196	8,094
Non-mining assets	42	47
Total	**9,238**	**8,141**
Lease liabilities		
Current	2,116	2,849
Non-current	2,815	1,219
Total	**4,931**	**4,068**

Additions to the right-of-use assets during the 2022 financial year amounted to TUSD 4,994 (2021: TUSD 2,243).

19.2 Amounts recognised in the consolidated statement of comprehensive income/loss

	2022	**2021**
Depreciation charge of right-of-use assets		
Mining assets	3,752	3,123
Non-mining assets	7	5
Total depreciation charge	**3,759**	**3,128**
Interest expense (included in finance cost)	-512	-416
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	35	83

The weighted average rate on leasing contracts is 12.19% (2021: 8,16%).

The total cash outflow for leases in 2022 was TUSD 4,514 (2021: TUSD 2,767).

The Group had no leasing agreements that have not yet begun but which the Group was committed to (31 December 2021: TUSD 646).

No significant variable lease payments that are not included in the lease liability have been identified.

For information on the maturity of the lease liability, see note 5.

	Mining assets	Non-mining assets	Total
Cost			
At 1 January 2021	**23,807**	**72**	**23,879**
Additions	2,243	-	2,243
Disposals	-	-	-
Translation difference	-170	-	-170
At 31 December 2021	**25,880**	**72**	**25,952**
Additions	4,994	-	4,994
Disposals	-1,281	-	-1,281
Translation difference	1,221	4	1,225
At 31 December 2022	**30,814**	**76**	**30,890**
Accumulated depreciation and impairment			
At 1 January 2021	**-14,776**	**-19**	**-14,795**
Charge for the year	-3,123	-6	-,3,129
Disposals	-	-	-
Translation difference	113	-	113
At 31 December 2021	**-17,786**	**-25**	**-17,811**
Charge for the year	-3,750	-8	-3,758
Disposals	872	-	872
Translation difference	-954	-1	-955
At 31 December 2022	**-21,618**	**-34**	**-21,652**
Net book value:			
At 31 December 2021	**8,094**	**47**	**8,141**
At 31 December 2022	**9,196**	**42**	**9,238**

19. Investments in associates

Set out below are the associates of the Group as at December 31, 2022.

Name	% of voting rights 2022	% of voting rights 2021	Measurement method	Carrying amount 2022	Carrying amount 2021
Bodaibo Holding Ltd and subsidiary (LLC Krasny)	36.73%	49%	Equity method	29,314	29,023
CJSC Zolotaya Zvezda and subsidiary (LLC Kolpa Plus)	25%	-	Equity method	6,431	-
Total equity-accounted investments				**35,745**	**29,023**

Total equity-accounted investments

	2022	2021
At 1 January	29,023	28,721
Acquisitions	7,409	-
Additional share issue	1,312	1,670
Change of ownership %	-1,264	-1,162
Net income	124	144
Effect of translation to presentation currency	-859	-350
At 31 December	**35,745**	**29,023**

The Company is a party of the Shareholder's agreement with OJSC GV Gold regarding the license located in the Bodaibo region of the Russian Federation (belongs to LLC Krasny). The Company has significant influence over the above-mentioned entities through the guaranteed 2 seats on the Board of Bodaibo Holding Ltd and participation in all significant financial and operating decisions. Investments are recognized as investments in associate and are accounted for using the equity method. In August 2022, Bodaibo Holding Ltd issued additional 540 shares, which were subscribed by OJSC GV Gold and paid by offsetting the liability under loan agreement. As a result, the voting rights of AB Krasny Gold Fields in associate decreased from 49% to 36.73%.

In November 2022, the Group entered into a contract for the purchase and sale of shares of the Closed Joint Stock Company "Gold Mining Company "Zolotaya Zvezda" (CJSC "Zolotaya Zvezda") in the amount of 25 shares for a total amount of TUSD 7,457 (equivalent of RUR 450,000 thousand), which is 25% of all issued and voting shares of the company. CJSC "Zolotaya Zvezda" operates mining project in the Khakassia region of the Russian Federation.

Summarised financial information for associates

The information disclosed reflects the amounts presented in the financial statements of the relevant associates and the Group´s share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Summarised statement of comprehensive income/(loss) for the year ended 31 December 2022

	Bodaibo Holding Ltd and subsidiary (LLC Krasny) 2022	2021
Revenue	-	-
Profit / (loss) for the year	199	343
Other comprehensive income/ (loss)	665	-832
Total comprehensive income / (loss)	864	-489

	CJSC Zolotaya Zvezda 2022
Revenue	328
Profit / (loss) for the year	203
Other comprehensive income/ (loss)	-
Total comprehensive income / (loss)	203

20. Financial assets at amortised cost

Financial assets at amortised cost are presented by receivables from the sale of investments in shares of a subsidiary LLC Taiga and accounted for using the effective interest method.

Balance at 31 December 2021	**4,382**
Unwinding of discounting	-7
Forex gain on financial instruments	463
Effect of translation to presentation currency	-415
Balance at 31 December 2022	**4,423**
Current part	416
Non-current part	4,007

21. Inventories

	31 December 2022	31 December 2021
Inventories expected to be recovered after 12 months		
Stockpiles	24,801	20,316
Less net realisable value provision	-21,190	-14,365
Sub-total	**3,611**	**5,951**
Inventories expected to be recovered in the next 12 months		
Materials and supplies	26,283	19,993
Work in process	18,244	4,829
Stockpiles	10,870	18,228
Finished goods	7,203	10,823
Flotoconcentrate	2,211	9,222
Other inventories	1,141	81
Less allowance for obsolete inventory and net realisable value provision	-6,453	-9,254
Sub-total	**59,499**	**53,922**
Total	**63,110**	**59,873**

Inventories recognised as an expense and included in cost of goods sold for the year ended December 31, 2022, amounted to TUSD 22,874 (2021: TUSD 20,042).

Write-downs of inventories to net realisable value and allowance for obsolete inventory amounted to TUSD 27,643 (2021: TUSD 23,619). Movement in allowance for obsolete inventory and net realisable value was recognised as an expense during the year ended 31 December 2022.

22. Other receivables

	31 December 2022	31 December 2021
Receivables from disposal of investments in shares	416	421
Receivables from employees for option program	-	303
Other receivables	810	286
Less allowance for doubtful debts	-139	-50
Total	**1,087**	**960**

Carrying amounts, by currency, for the Group's other receivables are as follows:

	31 December 2022	31 December 2021
RUB	665	228
SEK	6	311
USD	416	421
Total	**1,087**	**960**

Other receivables are non-interest bearing and are normally settled within 30-day terms.

The maximal exposure to credit risk on the balance sheet date is the carrying amounts according to the above.

23. Cash and cash equivalents

	31 December 2022	31 December 2021
Current bank accounts		
in RUB	337	334
in SEK	129	41
in USD	36	178
in EURO	4	-
Bank deposits		
in RUB	5,701	5,586
Other cash and cash equivalents	86	6
Total	**6,293**	**6,145**

Bank deposits presented within cash and cash equivalents have a maturity of less than three months, denominated in Russian roubles and bear the interest rate of 7.20% (2021: 6.85%-7.90%).

24. Equity

	Number of Shares	Par value SEK	Share capital, TUSD
Balance 1 January 2021	886,005,575	0.38	**38,977**
Registration of Incentive programs 2017/2020	3,058,600	0.38	**138**
Balance 31 December 2021	889,064,175	0.38	**39,115**
Balance 1 January 2022	889,064,175	0.38	**39,115**
Registration of incentive programs 2028/2021	1,640,200	0.38	66
Share issue	12,500,000	0.38	482
Balance 31 December 2022	**903,204,375**	**0.38**	**39,663**

As of December 31, 2022, the Company has a maximum number of shares authorised for issue of 3,332,000,000 shares and has issued 903,204,375 ordinary shares with a par value of SEK 0.38. All shares issued by the Parent Company are fully paid and represent one vote each.

On December 31, 2021, the 2018/2021 incentive program expired. The shares that were subscribed were paid and registered on January 31, 2022. The total amount of TUSD 301 (SEK 2,739,134) was recorded as increase of other contributed capital. In January 2022 new shares issued under the incentive program were registered with the Swedish Companies Registration Office, the number of shares in the Company increased by 1,640,200 shares, from 889,064,175 to 890,704,375 shares and the share capital increased by TUSD 66 (equivalent of SEK 623,639 translated at the exchange rate on the date of issue), from SEK 338,041,120 to SEK 338,664,759.

In April 2022, the Company completed a directed new share issue raising proceeds of TUSD 818 net of issue costs (SEK 8,064,775) to secure the Company's liquidity. Through the share issue, the number of shares and votes in the Company increased from 890,704,375 to 903,204,375 shares and votes.

The Annual General Meeting 2022 approved two long-term incentive programs for the issue of warrants: 2022/2025 for management and key personnel and 2022/2026 for the Board of Directors. For the detailed description of the programs please refer to the note 13 Outstanding warrants.

25. Loans and borrowings

	Interest rate	Maturity	31 December 2022	31 December 2021
Long-term borrowings				
RUB denominated Bank loans	key rate of Russian Central Bank plus a margin of 2.95%	September 2023 - June 2026	-	35,197
Total long-term borrowings			**-**	**35,197**
Short-term borrowings				
RUB denominated Bank loans	key rate of Russian Central Bank plus a margin of 2.95% - 3.25%	On demand	112,608	-
Agency factoring	10,04%	December 2023	5,722	-
USD denominated borrowings from Shareholder	0%	1 May 2023	1,250	1,250
Other RUB denominated borrowings	0%	On demand	165	173
Total short-term borrowings			**119,745**	**1,423**
Total			**119,745**	**36,620**

At 24 June 2022, the Group entered into a new finance facility with a local Russian bank for operating needs and funding of the investment program with a maximum credit facility of TUSD 42 652 (equivalent of TRUB 3,000,000 at the reporting date) bearing floating interest rate as key rate of Central Bank of the Russian Federation plus margin in the range of 2.95% - 3.25%. The loan facility matures starting from September 2024 year to September 2027. At 15 August 2022 the amount of credit facility was increased to TUSD 71,086 (equivalent of TRUB 5,000,000 at the reporting date).

During 2022, the Group fully utilised the credit facility with a local Russian bank concluded in 2020. The maximum amount of the credit facility under the agreement was TUSD 44,429 (equivalent of TRUB 3,125,000 thousand at the reporting date) with a floating interest rate as the key rate of the Central Bank of the Russian Federation plus a margin of 2.95%. The credit facility is repayable from September 2023 to June 2026.

During 2022, the Group capitalised borrowing costs in the amount of TUSD 1,422 (2021: TUSD 1,195). The weighted average capitalisation rate for 2022 year was 13.57% per annum (2021: 8.68%).

On March 24, 2021, the Company fully repaid its SEK denominated borrowings from credit institutions of TUSD 6,354 (TSEK 54,757 at the exchange rate on the date of payment).

Secured liabilities and assets pledged as security

The Group has no assets pledged as at December 31, 2022 and 2021.

Loan covenants

Under the terms of the major borrowing facilities, the Group is required to comply with certain financial and non-financial covenants that, if breached by the Company, permit the bank to demand repayment before the loans' normal maturity date.

As of December 31, 2022, the Group breached certain financial and non-financial conditions of the terms of loan facilities with a local Russian bank, therefore, liabilities with maturities from September 2024 to September 2027 were classified as short-term in the consolidated statement of financial position. As of March 9, 2023, the Group received the Bank's waiver of claims due to violation of the restrictive conditions of the Covenant.

Available credit facilities
At December 31, 2022, unused credit facilities were TUSD 2,833 (2021: TUSD 6,729).

Fair values
For information see note 32.

26. Contract liability

In September 2018, LLC Amur Zoloto entered into long-term commodity loan with a bank with the obligation to deliver a certain amount of gold to the bank at the scheduled contract term. The commodity loan bears interest of 6.45% per annum and had initial maturity date on July 31, 2022. During the year ended December 31, 2020, LLC Amur Zoloto signed an addendum to the agreement with the Bank to postpone the maturity of principal amount payments to the period from September 2023 until June 2025.

Commodity loan is subject to certain financial and non-financial covenants that, if breached by LLC Amur Zoloto, permit the bank to demand repayment before the loans' normal maturity date. As of December 31, 2021, LLC Amur Zoloto complied with all covenants.

The contract liability is treated as a prepayment for gold supply and accounted for according to IFRS 15 "Revenue from contracts with customers".

On August 22, 2022, the Group fully settled its contractual obligations under the commodity loan using the finance facility with PJSC VTB bank. Following the commodity loan settlement, the Group recognised revenue from sale of gold of TUSD 32,619 and respective cost of gold purchased for settlement of TUSD 41,725. The loss from settlement of the commodity loan comprised TUSD 9,106.

27. Liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes					
	1 January 2022	**Financing cash flows**	**Effect of translation to presentation currency**	**New finance leases**	**Finance costs**	**Agency factoring**	**Other changes**	**31 December 2022**
RUB denominated bank loans	35,197	78,874	-10,814	-	9,540	-	-189	112,608
Agency factoring	-	-2,572	307		35	7,952		5,722
RUB denominated borrowings	1,250	-	-	-	-	-	-	1,250
Other borrowings from related parties	173	-17	9		-	-	-	165
Lease liabilities	4,068	-4,514	166	4,699	512	-	-	4,931
Derivative financial assets	-	-134	2,144		-32	-	-1,314	664
Total	**40,688**	**71,637**	**-8,188**	**4,699**	**10,055**	**7,952**	**-1,503**	**125,340**

			Non-cash changes					
	1 January 2021	**Financing cash flows**	**Effect of translation to presentation currency**	**New finance leases**	**Finance costs**	**Payment of agency factoring**	**Other changes**	**31 December 2021**
RUB denominated bank loans	15,038	18,925	-1,228	-	2,889	-	-427	35,197
SEK denominated borrowings from credit institutions	6,379	-6,364	1	-	-	-	-16	-
RUB denominated borrowings	-	1,250	-	-	-	-	-	1,250
Other borrowings from related parties	173	-	4	-	71	-	-75	173
Lease liabilities	4,495	-2,767	-273	2,225	416	-	-28	4,068
Total	**26,085**	**11,044**	**-1,496**	**2,225**	**3,376**	**-**	**-546**	**40,688**

The cash flows from loans and borrowings and lease liabilities make up the net amount of proceeds from loans and borrowings and repayments of loans and borrowings in the consolidated statement of cash flows. Other changes include interest accruals and foreign exchange translation differences.

28. Mine rehabilitation provision

At 1 January 2021	**2 734**
Unwinding of discount	152
Additional provision charged to property, plant and equipment	2,426
Change in estimate	-366
Effect of translation to presentation currency	-73
At 31 December 2021	**4,873**
Current part	1,275
Non-current part	3,598
Unwinding of discount	271
Additional provision charged to property, plant and equipment	1,209
Payments made and utilization	-900
Change in estimates	-102
Effect of translation to presentation currency	-18
At 31 December 2022	**5,333**
Current part	562
Non-current part	4,771

29. Accounts payable and accrued liabilities

	31 December 2022	31 December 2021
Trade payables	3,717	5,452
Unused vacation provision	1,593	1,546
Salaries and wages	790	768
Other payables	856	844
Total	**6,956**	**8,610**

Trade payables are non-interest bearing and are normally settled on 45-60 day terms.

30. Taxes payable

	31 December 2022	31 December 2021
Unified social tax	547	400
Mineral extraction tax	81	332
Property tax	112	111
Other taxes	976	500
Total	**1,716**	**1,343**

31. Fair value of financial instruments

	31 December 2022	31 December 2021
Financial assets		
Measured at amortised cost		
Trade and other accounts receivables	671	539
Cash and cash equivalents	6,293	6,145
Total measured at amortised cost	**6,964**	**6,684**
Measured at fair value		
Commodity options	-	1,248
Consideration receivable for sale of investments	4,375	4,382
Total measured at fair value	**4,375**	**5,630**
Total financial assets	**11,339**	**12,314**
Financial liabilities		
Measured at amortised cost		
Loans and borrowings	119,745	36,620
Lease liabilities	4,931	4,068
Trade and other accounts payable	5,363	7,064
Total measured at amortised cost	**130,039**	**47,752**
Measured at fair value		
Commodity options	664	-
Total measured at fair value	**664**	**-**
Total Financial liabilities	**130,703**	**47,752**

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Assets carried at amortised cost

Due to the short-term nature the carrying amounts of trade and other receivables approximate their fair values. An exception is the consideration receivable by the Company for sale of wholly owned subsidiary LLC Taiga (note 21), which has a fair value of TUSD 4,375 as at 31 December 2022 (2021: TUSD 4,382). The fair values were calculated based on cash flows discounted using a current lending rate. The fair values are within level 3 of the fair value hierarchy.

Cash and cash equivalents are carried at amortised cost which approximates their current fair value.

Liabilities carried at amortised cost

The fair values of non-current borrowings and finance lease liabilities are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

The fair values of the borrowings and finance lease liabilities are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

The fair values of trade and other payables are the same as their carrying amounts since short-term nature.

Derivative financial instruments

The fair values of commodity options are based on option pricing model (eg Black-Scholes model).

The Group's exposure to various risks associated with the financial instruments is discussed in note 5. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

32. Related-party transactions

The Group is controlled by HC Alliance Mining Group Ltd.

Related parties include shareholders and other related parties representing entities that have significant influence on the Group, associates and members of key management personnel.

Information of the Board of Directors and senior executives as well as remuneration for these are disclosed in Note 12, Employee benefits.

For disclosures of the Parent Company's transactions with related parties, please refer to Note P13, Related-party transactions under the Parent Company.

Subsidiaries

Interests in subsidiaries are set out in note 16

Outstanding balances arising from sales/purchases of goods and services

The following table provides the total amount of transactions that have been entered into with related parties for the relevant periods of the respective financial year and amounts owed by/to related parties:

	31 December 2022	31 December 2021
Shareholders		
Loans and borrowings	1,250	1,250
Receivable from employees under Incentive programs 2018/2021	-	301
Other related parties via shareholder		
Short-term loans receivable	172	-
Accounts payable and accrued liabilities	261	273
Loans and borrowings	164	168

Lease liabilities	-	14
Other receivables	109	46

No allowance for doubtful debts in respect of the amounts owed by related parties was recognised.

All related party balances were unsecured and will be settled in cash under normal commercial credit terms and conditions. No guarantees have been given or received in relation to any related party balance.

Significant transactions with related parties:

	Year ended 31 December 2022	Year ended 31 December 2021
Associate		
Revenue from sale of services and other assets	367	276
Other related parties via shareholder		
Purchase of services and materials	22	33
Payment of shares under incentive programs 2017/2020 from employees	-	698
Services from companies related to Board members	102	91

Loans from related parties

	Loans from Shareholder	Loans from related parties
At 1 January 2021	-	168
Loans received	1,250	-
At 31 December 2021	**1,250**	**168**
At 1 January 2022	**1,250**	**168**
Loans repaid	-	17
Effect of translation to presentation currency	-	-22
At 31 December 2022	**1,250**	**163**

33. Earnings per share

	Year ended 31 December 2022	Year ended 31 December 2021
Basic earnings per share		
Basic earnings per share attributable to the ordinary equity holders of the company	-0.03	0.01
Diluted earnings per share		
Diluted earnings per share attributable to the ordinary equity holders of the company	-0.03	0.01
Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	-29,480	7,716
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company		
Used in calculating basic earnings per share	-29,480	7,716
Warrants under incentive program charge	-	-
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	-29,480	7,716
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	899,096,961	888,775,468
Adjustments for calculation of diluted earnings per share:		
Bonus element under incentive program	-	1,029,596
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	899,096,961	889,805,064

34. Commitments and contingencies

Operating environment

Emerging markets such as the Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in the Russian Federation continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because the Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. In 2022, new sanctions have been introduced by the US, the EU and other countries. In response, the Russian Federation has imposed countersanctions. This led to reduced access of the Russian businesses to international capital markets.

The impact of further economic and political developments on future operations and financial position of the Group might be significant.

In addition to that, starting from early 2020 a new coronavirus disease (Covid-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of Covid-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. Most Covid-19 limitations were lifted earlier during the 2022, and Covid-19 did not have any significant influence on the operations during the quarter. The Group continuously reviews the epidemic environment ready to resume sanitary measures and protocol activities as a precaution measure.

Taxation contingencies

The existing Russian tax, currency and customs legislation allows for various interpretations and is subject to frequent changes. Interpretation by the Company's management of the legislation in place when applicable to the Company's transactions and activities may be challenged by the appropriate regional or federal authorities. Recent events in the Russian Federation indicate that the tax authorities may take a tougher stance with regard to the interpretation of legislation and review of tax returns. Consequently, tax authorities may challenge transactions and accounting methods that they had never challenged before. As a result, significant additional taxes, penalties and fines may be accrued. It is not possible to determine the amounts of constructive claims or evaluate probability of their negative outcome. Tax audits may cover a period of three calendar years immediately preceding the audited year. Under certain circumstances, the tax authorities may review earlier accounting periods.

While management believes that it has adequately provided for tax liabilities based on its interpretation of current and previous legislation, the risk remains that tax authorities in the Russian Federation could take differing positions with regard to interpretive issues.

Environmental matters

The Group is subject to extensive federal and local environmental controls and regulations in the Russian Federation. Operations of the Group involve the discharge of materials and contaminants into the environment, disturbance of land and that could potentially to impact flora and fauna, and give rise to other environmental concerns.

Management believes that it is in compliance with all current existing environmental laws and regulations in the Russian Federation. However, environmental laws and regulations continue to evolve. The Group is unable to predict the timing or extent to which those environmental laws and regulations may change. Such change, if it occurs, may require that the Group modernises technology to meet more stringent standards.

The Group is obliged in terms of various laws and mining licenses agreements to mine rehabilitation facilities on cessation of its mining operations and to restore and rehabilitate the environment. The extent and future expected costs related to environmental obligations are inherently difficult to estimate. They depend on the scale of operations, timing and further development of Russian legislation. The Group estimates its environmental obligations using the current level of mines' expansion, existing technology, current prices and projected inflation levels.

Capital commitments

The Group's contractual capital commitments at December 31, 2022, amounted to TUSD 8 928 mostly relating to development of Malutka license (31 December 2021: TUSD 3 695 mostly relating to technical modernisation of Yubileyniy processing plant and development of Malutka license).

License compliance and commitments

The Group is subject to periodic reviews of its activities by local regulatory authorities regarding the requirements of its licenses. Management of the Group entities agrees with local regulatory authorities remedial actions necessary to resolve any findings resulting from these reviews. Non-compliance with the terms of a particular license could result in penalties, fines or license limitations, suspension or revocation. The Group's management believes that any non-compliance with license terms that the Group may have in the future will be resolved through negotiations or proposed amendments without material effect on the consolidated financial positions or the operating results of the Group.

35. Events after the end of the reporting period

On March 9, 2023, the Group received the Bank's waiver of claims due to violation of the restrictive conditions of the covenant.

PARENT COMPANY FINANCIAL STATEMENTS

STATEMENT OF PROFIT/(LOSS) FOR THE YEAR ENDED 31 DECEMBER 2022, PARENT COMPANY

Amounts in thousands of Swedish krona (TSEK)

	Note	2022	2021
Revenue		1,091	1,765
Total operating income		**1,091**	**1,765**
General and administrative expenses	P4,P5,P6	-9,613	-16,847
Operating loss		**-8,522**	**-15,082**
Impairment of investments in Group companies	P10	-1,852	-1,056
Earnings from other financial assets	P7	6,483	2,019
Interest and similar expenses	P7	-25,568	-16,465
Loss from financial items		**-20,937**	**-15,502**
Loss after financial items		**-29,459**	**-30,584**
Appropriations		-	-
Loss before tax		**-29,459**	**-30,584**
Income tax	P8	**-**	**-**
Net Loss		**-29,459**	**-30,584**

STATEMENT OF OTHER COMPREHENSIVE INCOME/(LOSS) PARENT COMPANY

Amounts in thousands of Swedish krona (TSEK)

	Note	2022	2021
Loss for the year		**-29,459**	**-30,584**
Other comprehensive income			
Effect of translation to presentation currency		-	-
Total comprehensive income		**-29,459**	**-30,584**

The above financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022, PARENT COMPANY

Amounts in thousands of Swedish krona (*TSEK*)

	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Machinery and equipment		26	67
Investments in Group companies	P10	1,928,483	1,927,882
Other financial assets	P11	41,820	35,818
Total non-current assets		**1,970,329**	**1,963,767**
Current assets			
Receivables from Group companies	P13	6,932	7,265
Other receivables		4,656	7,630
Prepaid expenses and accrued income		82	1,804
Cash and bank balances		5,157	4,091
Total current assets		**16,827**	**20,790**
TOTAL ASSETS		**1,987,156**	**1,984,557**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		343,418	338,041
Total restricted equity		**343,418**	**338,041**
Non-restricted equity			
Share premium reserve		1,748,229	1,744,132
Not yet registered share capital		-	624
Fair value reserve		-7,017	-7,017
Retained earnings including financial result for the year		-230,382	-200,924
Total non-restricted equity		**1,510,830**	**1,536,815**
TOTAL EQUITY		**1,854,248**	**1,874,856**
LIABILITIES			
Current liabilities			
Liabilities from other related parties	P13	13,046	11,349
Trade payables		770	691
Payable to Group companies	P13	117,230	91,510
Other current liabilities		99	133
Accrued expenses and deferred income	P12	1,763	6,018
Total current liabilities		**132,908**	**109,701**
TOTAL EQUITY AND LIABILITIES		**1,987,156**	**1,984,557**

The above financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY, PARENT COMPANY

Amounts in thousands of Swedish krona (*TSEK*)

	Restricted equity	Non-restricted equity				
	Share capital	**Share premium reserve**	**Not yet registered share capital**	**Fair value reserve**	**Retained earnings including profit -loss for the year**	**Total equity**
Opening balance at 1 January 2021	**336,878**	**1,740,290**	**1,163**	**-7,017**	**- 170,339**	**1,900,975**
Profit for the year	-	-	-	-	-30,584	-30,584
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	**-30,584**	**-30,584**
Transactions with shareholders in their role as owners						
Subscription of shares in Incentive programs 2021/2024	-	1,774		-	-	1,774
Registration of shares in Incentive program 2017/2020 net of issue costs	1,163	-47	-1,163	-	-	-47
Subscription of shares in Incentive program 2018/2021	-	2,115	624	-	-	**2,739**
Closing balance at 31 December 2021	**338,041**	**1,744,132**	**624**	**-7,017**	**- 200,923**	**1,874,857**
Opening balance at 1 January 2022	**338,041**	**1,744,132**	**624**	**-7,017**	**- 200,923**	**1,874,857**
Profit for the year					-29,459	**-29,459**
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	**-29,459**	**-29,459**
Transactions with shareholders in their role as owners						
Share issue	4,753	3,372	-624	-	-	**7,501**
Subscription of warrants	-	830	-	-	-	**830**
Registration of shares in warrant program 2017/2020	-	-105	-	-	-	**-105**
Registration of shares in warrant program 2018/2021	624	-	-	-	-	**624**
Closing balance at 31 December 2022	**343,418**	**1,748,229**	**-**	**-7,017**	**- 230,382**	**1, 854,248**

The above financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS, PARENT COMPANY

Amounts in thousands of Swedish krona (*TSEK*)

	2022	2021
Cash flows from operating activities		
Loss before tax	**-29,459**	**-30,584**
Adjustments for non-cash items		
Depreciation and impairment	1,862	1,078
Finance costs	25,568	7,751
Finance income	-6,483	-2,039
Foreign exchange loss	235	7,466
Cash flows from operating activities before changes in working capital	**-8,277**	**-16,328**
Changes in working capital		
-Increase/Decrease in operating receivables	6,178	-7,243
Increase/-Decrease in operating liabilities	-4,599	1,682
Net cash flows from operating activities	**-6,698**	**-21,889**
Cash flows from investing activities		
Shareholder contributions	-	-1,056
Disposal of subsidiaries net liquidity effect	-494	
Purchase of machinery and equipment	-	-70
Cash flows from investing activities	**-494**	**-1,126**
Cash flows from financing activities		
Proceeds from subscription of shares in incentive program	8,018	5,414
Transaction costs	-	-47
Proceeds from warrants	-	630
Loans raised	240	73,522
Repayment of borrowings	-	-54,757
Cash flows from financing activities	**8,258**	**24,762**
Cash flow for the year	1,066	1,747
Cash and cash equivalents at 1 January	**4,091**	**2,344**
Net cash flow during the financial year	1,066	1,747
Cash and cash equivalents at 31 December	**5,157**	**4,091**

The above financial statements should be read in conjunction with the accompanying notes.

P1. Parent Company accounting policies

The principal accounting policies applied in the preparation of this Annual Report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Annual Report for the Parent Company is prepared in accordance with RFR 2 Financial reports for legal entities and the Swedish Annual Accounts Act. Any accounting principles other than the Group's (as described in the Notes to the consolidated financial statements) applied by the Parent Company are given below.

The Annual Report was prepared on a historical cost basis.

The preparation of financial statements in conformity with RFR 2 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Parent Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The Parent Company applies different accounting policies than the Group, which differ as follows.

Presentation format

The statement of profit/(loss) and other comprehensive income/(loss) and statement of financial position follow the presentation format in the Swedish Annual Accounts Act. The statement of change in equity also follows the Group's layout but includes columns given in the Annual Accounts Act. This entails differences in terminology compared with the consolidated financial statements, primarily regarding financial income and expenses as well as equity.

Subsidiaries and associates

The Parent Company's investments in subsidiaries and associates are recognised using the cost method.

Shareholders' contributions and Group contributions

Group contributions paid by the Parent Company to subsidiaries and Group contributions received by the Parent Company from subsidiaries were recognised as appropriations. Shareholder contributions paid are recognised in the Parent Company as an increase in the holding's carrying amount in accordance with RFR 2.

Leases

The parent company has chosen not to apply IFRS 16 Leases but has instead chosen to apply RFR 2 IFRS 16 Leases p. 2-12. This policy choice means that no right-of-use assets or lease liabilities are recognised in the balance sheet. Instead, leasing fees are expensed on a straight-line basis over the lease period. The Parent Company did not have any outstanding lease liabilities on December 31, 2022, and on December 31, 2021.

P2. Financial risk factors

Through its operations, the Parent Company is exposed to a variety of financial risks such as market risk (currency risk and interest rate risk), credit risk and liquidity risk. The Parent Company's overall risk management policy focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on the Group's financial results.
For more information about financial risks, refer to Note 5 of the consolidated financial statements.

P3. Intra-Group revenue and purchases

Total amount of the Parent Company´s net revenue for 2022 and 2021 year is related to sales to subsidiaries of the Group. Of the Parent Company´s interest income for 2022 year, TSEK 26 (2021: TSEK 19) is related to Group's companies.

P4. Auditors' fees

Audit fees include fees for the annual audit services and other audit services, i.e. services that only the external auditors reasonably can provide, and include the Company audit and statutory audits. Other statutory engagements include fees for assurance and related services that are reasonably related to the performance of the audit of the Company's financial statements or that are traditionally performed by the external auditors. All other fees are presented by fees for other services.

	2022	2021
Auditors' fees		
Johan Kaijser		
- Audit engagement	810	-
Öhrlings PricewaterhouseCoopers AB		
- Audit engagement	-	1,301
- Other statutory engagement	-	103
- Other services	44	33
Total	**854**	**1,437**

P5. General and Administrative Expenses

	2022	2021
Employee benefits	3,406	5,539
Professional fees (audit consulting etc)	3,908	9,748
Insurance	523	12
Depreciation of tangible assets	10	4
Other	1,766	1,544
Total general and administrative expenses	**9,613**	**16,847**

P6. Employee benefits, etc.

	2022	2021
Salaries and other remuneration	2,194	4,300
Social security contributions	927	993
Pension costs – defined contribution plans	285	246
Total	**3,406**	**5,539**

Salaries and other remuneration and social security expenses

	2022			2021		
	Salaries and other remuneration	of which bonuses and warrants	**Pension cost**	**Salaries and other remuneration**	of which bonuses and warrants	**Pension cost**
Board members	1,775	-	-	1,918	-	-
CEO	-	-	-	2,524	623	-
Other senior executives (2 persons)	2,504	-	285	1,854	546	246
Total	**4,279**	**-**	**285**	**6,295**	**1,169**	**246**

Salaries and other remuneration and social security expenses to CEO include total remuneration paid from the Parent company and subsidiaries of the Group.

Remuneration and other benefits of the Board and senior management 2022

	Board fee/ Basic salary	Committees/ Variable remuneration	Warrants/ Other benefits	Pension costs	Total
Chairman of the Board, Kjell Carlsson	365	94	150	-	608
Board member, Andreas Forssell	37	9	-	-	47
Board member, Eric Forss	215	79	761	-	1,055
Board member, Britta Dalunde	43	22	-	-	65
Total	**660**	**204**	**911**	**-**	**1,775**

The total remuneration to the Board for the 2022 financial year amounted to TSEK 660, of which TSEK 219 was remuneration to the Chairman of the Board. Fees for members of the Board are set by the shareholders at the annual general meeting of shareholders and are valid until next annual general meeting. At the Annual General Meeting on 31 may 2022, Board fees were set at TSEK 375 for the Chairman of the Board and TSEK 225 for each of the other Board members. The Chairman has via own company, in addition to the board remuneration, invoiced TSEK 150 related to consultancy and advisory work. The Board member Eric Forss has via own company, in addition to the board remuneration, invoiced TSEK 761 related to consultancy and advisory work. For more information on the remuneration, see the table above.

Remuneration and other benefits of the Board and senior management 2021

	Board fee/ Basic salary	Committees/ Variable remuneration	Warrants/ Other benefits	Pension costs	Total
Chairman of the Board Kjell Carlsson	304	29	300	-	633
Board member Johan Österling[1)]	50	-	-	-	50
Board member Andreas Forssell	167	-	-	-	167
Board member Tord Cederlund[1)]	50	-	-	-	50
Board member Arsen Idrisov	167	15	-	-	181
Board member Eric Forss	167	29	480	-	676
Board member Britta Dalunde[2)]	117	44	-	-	160
CEO Mikhail Damrin	1,901	363	260	-	2,524
Total	**2,922**	**480**	**1,040**	**-**	**4,442**

1) Resigned at the AGM 2021
2) Elected at the AGM 2021

Gender distribution in the Group (incl. subsidiaries) for Board members and other senior executives

	2022		2021	
	Number on the balance sheet date	**Of which men**	**Number on the balance sheet date**	**Of which men**
Board members	3	3	5	4
CEO	1	1	1	1
Other senior executives	10	8	10	8
Total	14	12	16	13

P.7 Finance income and costs

	2022	2021
Earnings from other financial assets		
Reversal of impairment/(impairment) of receivables from Group companies	419	-19
Remeasurement of financial assets	6,038	2,019
Interest income Group companies	26	19
Total earnings from other financial assets	**6,483**	**2,019**
Interest and similar expenses		
Interest expenses external	-39	-2,526
Interest expenses Group companies	-8,372	-5,232
Exchange differences	-17,157	-8,707
Total interest and similar expenses	**-25,568**	**-16,465**
Total finance income and costs	**-19,085**	**-14,446**

P8. Income tax

The differences between recognised tax expense and an estimated tax expense based on the current tax rate are as follows:

	2022	2021
Recognised tax in the income statement		
Current tax	-	-
Deferred tax	-	-
Tax on profit for the year	-	-
Profit before tax	-29,459	-30,584
Theoretical tax rate 20.6%	6,069	6,300
Tax effects from:		
Non-deductible items	-288	-224
Non-taxable items	369	10
Revaluation financial assets	-1	-1,285
Loss carry forwards for which deferred tax is not recognised	-6,149	-4,801
Income tax	-	-

Deferred Tax

Deferred tax assets are reported for tax loss carry forwards or other deductions to the extent that it is probable that they can be utilized through future taxable profits. No deferred tax assets are reported as the Parent company has not assessed that the criteria for reporting deferred tax in IAS 12 are met.

As of December 31, 2022, unutilized loss carry forwards for which no deferred tax asset has been recognised amounted approximately TSEK 14,708 (31 December 2021: TSEK 8,559). The loss carry forwards are without a time limit.

P9. Outstanding warrants

For information about the parent company`s outstanding warrants, see note 13 for the Group.

P10. Investments in Group companies

For detail information about the Parent Company`s participation in subsidiaries, see note 16 for the Group.

Balance at 1 January 2021	**1 926 713**
Shareholder contributions	1,081
Warrant program	1,144
Impairment	-1,056
Balance at 31 December 2021	**1,927,882**
Shareholder contributions	1,852
Warrant program	676
Impairment	-1,852
Disposal of subsidiaries	-75
Balance at 31 December 2022	**1,928,483**

Impairment of investments in Group companies amounted 1,852 TSEK for 2022 year (2021: TSEK 1,056) related to the Russian subsidiaroes LLC Patom Gold and LLC Vostochny.

P11. Other financial assets

	31 December 2022	**31 December 2021**
Other receivables	41,820	35,818
Total	**41,820**	**35,818**

Other receivables refer to the sale of wholly owned subsidiary LLC Taiga in 2018, and a receivable which refer to the sale of 67 % in OOO Stanovoy in 2021.

LLC Taiga receivable
The total sales price was MUSD 6, of which MRUB 8 (corresponding to MSEK 1.1) was paid in December 2018. The remainder will be paid in several instalments until December 31, 2024. The total expected payments of MUSD 6 are discounted at the end of each reporting period. The undiscounted receivable at December 31, 2022 amounted to TSEK 45,910 (2021: TSEK 39,629).

OOO Stanovoy receivable
The total sale price was MRUB 5, and will be paid 22 July 2024.

P12. Accrued expenses and deferred income

	31 December 2022	31 December 2021
Board fees	215	970
Social security contributions	73	850
Other personnel-related items	785	1 394
Auditors' fees	590	960
Consultancy services	100	1 314
Other	-	530
Total	**1,763**	**6,018**

P13. Related-party transactions

Kopy Goldfields AB is majority owned by HC Alliance Mining Group Ltd, headquartered on Cyprus. Related parties are all subsidiaries within the Group or entities that are associates or joint ventures where Company is a party. Related parties are also all entities (including all subsidiaries in these Groups) or persons (including close family members) that directly or indirectly exercise control or significant influence in the Company.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant periods of the respective financial year and amounts owed by/to related parties:

Significant balances by/to related parties:

	31 December 2022	31 December 2021
Balances with related parties at the end of the year		
Liabilities from Shareholder	-13,046	-11,349
Liabilities from Group companies	-117,230	-91,510
Receivables from Group companies	6,932	7,265

Significant transactions with related parties:

	Year ended 31 December 2022	Year ended 31 December 2021
Purchases from relates parties other than Kopy Goldfields Group		
Consulting services from companies related to Board members	-911	-780
Group companies		
Revenue from sale of services	1,092	1,765
Interest expenses	-8,372	-5,232
Interest income	26	19
Total	**-8,165**	**-4,228**

For Board and Senior Executives remuneration, please refer to Note P6.

P14. Changes in liabilities related to financing activities

	1 January 2022	Financing cash flows	Non-cash changes: Effect of translation to presentation currency	Non-cash changes: Other changes	31 December 2022
Liabilities to shareholders	11,349	-	1,697	-	13,046
Borrowings from Group companies	91,510	-	16,883	8,837	117,230
	102,859	**-**	**18,580**	**8,837**	**130,276**

	1 January 2021	Financing cash flows	Non-cash changes: Effect of translation to presentation currency	Non-cash changes: Other changes	31 December 2021
Liabilities to credit institutions	52,239	-54,757	-	2,518	-
Liabilities to shareholders	-	10,761	588	-	11,349
Borrowings from Group companies	17,720	61,651	6,917	5,222	91,510
	69,959	**17,655**	**7,505**	**7,740**	**102,859**

P15. Contingent liabilities

As at December 31, 2022, the Company had no contingent liabilities.

P16. Events after the end of the reporting period

For information about events after the end of the reporting period, refer to note 36 for the Group.

P17. Proposed appropriation of profits

The Board of Directors proposes that no dividend be paid for the 2022 financial year. The Board of Directors proposes that SEK 1,510,829,534 to be carried forward.

The following profits are at the disposal of the Annual General Meeting:

SEK	**2022**
Share premium reserve	1,748,228,531
Fair value reserve	-7,017,043
Retained earnings	-200,923,691
Loss for the year	-29,458,263
Total	1,510,829,534

The Board of Directors and CEO confirm that the consolidated accounts were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and that they provide a fair presentation of the Group's financial position and earnings. The annual report was prepared in accordance with generally accepted accounting principles and provides a fair presentation of the Parent Company's financial position and earnings.

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

The consolidated statement of profit and loss and consolidated statement of financial position, and the Parent Company's income statement and balance sheet will be presented for adoption at the Annual General Meeting on 25 May 2023.

Stockholm, May 11, 2023

Mikhail Damrin CEO	Kjell Carlsson Chairman
Eric Forss Director	Arsen Idrisov Director

My auditor's report was submitted on May 11, 2023

Johan Kaijser

Revisionsberättelse

Till bolagsstämman i Kopy Goldfields AB (publ), org.nr 556723–6335

Rapport om årsredovisningen och koncernredovisningen

Uttalanden
Jag har utfört en revision av årsredovisningen och koncernredovisningen för Kopy Goldfields AB (publ) för år 2022.
Enligt min uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av moderbolagets finansiella ställning per den 31 december 2022 och av dess finansiella resultat och kassaflöde för året enligt årsredovisningslagen. Koncernredovisningen har upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av koncernens finansiella ställning per den 31 december 2022 och av dess finansiella resultat och kassaflöde för året enligt International Financial Reporting Standards (IFRS), såsom de antagits av EU, och årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens och koncernredovisningens övriga delar.

Jag tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen för moderbolaget och koncernen.

Grund för uttalanden
Jag har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Mitt ansvar enligt dessa standarder beskrivs närmare i avsnittet Revisorns ansvar. Jag är oberoende i förhållande till moderbolaget och koncernen enligt god revisorssed i Sverige och har i övrigt fullgjort mitt yrkesetiska ansvar enligt dessa krav.

Jag anser att de revisionsbevis jag har inhämtat är tillräckliga och ändamålsenliga som grund för mina uttalanden.

Upplysning av särskild betydelse
Som framgår av förvaltningsberättelsen vid sidan 10 under rubrikerna om risker och sanktioner finns det redovisat legala och ekonomiska faktorer som kan påverka verksamheten. Styrelsens bedömning är att trots omständigheterna så är värdena och bedömningarna av tillgångar och skulder relevanta för tidpunkten för årsredovisningens avlämnande.

Övriga upplysningar
Revisionen av årsredovisningen och koncernredovisningen för räkenskapsåret 2021-01-01 - 2021-12-31 har utförts av en annan revisor som lämnat en revisionsberättelse daterad 2022-05-06 med omodifierade uttalanden i Rapport om årsredovisningen och koncernredovisningen.

Styrelsens och verkställande direktörens ansvar
Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen och koncernredovisningen upprättas och att de ger en rättvisande bild enligt årsredovisningslagen och, vad gäller koncernredovisningen, enligt IFRS, såsom de antagits av EU. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning och koncernredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen och koncernredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets och koncernens förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar
Mina mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen och koncernredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller mina uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen och koncernredovisningen.

Som del av en revision enligt ISA använder jag professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer jag riskerna för väsentliga felaktigheter i årsredovisningen och koncernredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för mina uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.

- skaffar jag mig en förståelse av den del av bolagets interna kontroll som har betydelse för min revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala mig om effektiviteten i den interna kontrollen.
- utvärderar jag lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens och verkställande direktörens uppskattningar i redovisningen och tillhörande upplysningar.
- drar jag en slutsats om lämpligheten i att styrelsen och verkställande direktören använder antagandet om fortsatt drift vid upprättandet av årsredovisningen och koncernredovisningen. Jag drar också en slutsats, med grund i de inhämtade revisionsbevisen, om huruvida det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets och koncernens förmåga att fortsätta verksamheten. Om jag drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste jag i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen och koncernredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen och koncernredovisningen. Mina slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag och en koncern inte längre kan fortsätta verksamheten.
- utvärderar jag den övergripande presentationen, strukturen och innehållet i årsredovisningen och koncernredovisningen, däribland upplysningarna, och om årsredovisningen och koncernredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.
- inhämtar jag tillräckliga och ändamålsenliga revisionsbevis avseende den finansiella informationen för enheterna eller affärsaktiviteterna inom koncernen för att göra ett uttalande avseende koncernredovisningen. Jag ansvarar för styrning, övervakning och utförande av koncernrevisionen. Jag är ensamt ansvarig för mina uttalanden.

Jag måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Jag måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som jag identifierat.

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver min revision av årsredovisningen och koncernredovisningen har jag även utfört en revision av styrelsens och verkställande direktörens förvaltning för Kopy Goldfields AB (publ) för år 2022 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Jag tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Jag har utfört revisionen enligt god revisionssed i Sverige. Mitt ansvar enligt denna beskrivs närmare i avsnittet Revisorns ansvar. Jag är oberoende i förhållande till moderbolaget och koncernen enligt god revisorssed i Sverige och har i övrigt fullgjort mitt yrkesetiska ansvar enligt dessa krav.

Jag anser att de revisionsbevis jag har inhämtat är tillräckliga och ändamålsenliga som grund för mina uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets och koncernens verksamhetsart, omfattning och risker ställer på storleken av moderbolagets och koncernens egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets och koncernens ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

Mitt mål beträffande revisionen av förvaltningen, och därmed mitt vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Mitt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed mitt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder jag professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på min professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att jag fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Jag går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för mitt uttalande om ansvarsfrihet. Som underlag för mitt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har jag granskat om förslaget är förenligt med aktiebolagslagen.

Stockholm 2023-05-11

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