



Annual Report 2011



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Annual General Meeting

The Annual General Meeting of Lapland Goldminers AB (publ.) will be held at 5.30 p.m. on Thursday, 24 May 2012, in the Per-rongen room, Spårvagnshallarna, Birger Jarlsgatan 57A, Stockholm.

Shareholders wishing to participate must:

- be registered in the shareholder register maintained by Euroclear Sweden AB as of Friday, 18 May 2012;
- notify Lapland Goldminers AB of their intention to participate by no later than 4.00 p.m. on Monday, 21 May 2012, by post (Storgatan 36, SE-921 31 Lycksele, Sweden), by fax (+46)-950-275 29), by telephone (+46)-950-275 00) or by e-mail (erica.from@lgold.se).

The notification must include the shareholder's name, personal identity number or corporate registration number, address and telephone number. Shareholders who will be represented by an authorised representative must issue a proxy for their representative. If this proxy is issued by a legal person, certified copies of the registration certificate for the legal person must be attached. The proxy, registration certificate and other authorisation papers should be in the Company's hands in good time before the day of the meeting.

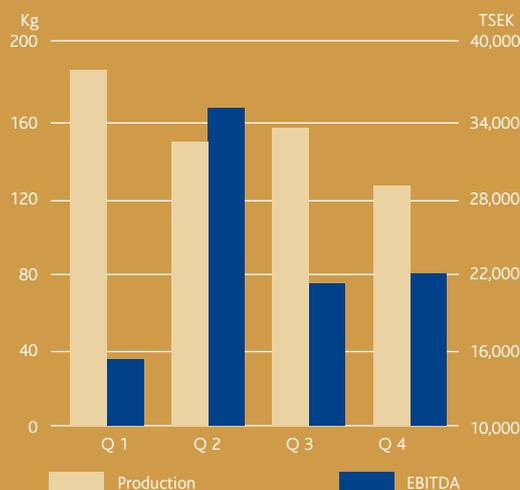
Shareholders whose shares are registered in the name of a trustee must have their shares reregistered temporarily in their own names in good time before 18 May 2012 in order to be eligible to participate in the meeting.

2011 in brief

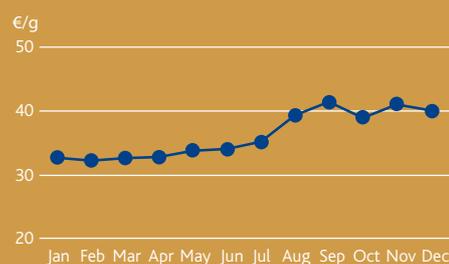
Sales and EBITDA Pahtavaara, per quarter



Gold production and EBITDA Pahtavaara, per quarter



Price of gold 2011



Quarter 1

- With a view to improving selling terms, the Company adjusted its production process at Pahtavaara. As a result of the adjustment, gold sales over the quarter were lower than production and a major stock of gold was built up.

Quarter 2

- Sales from the Pahtavaara mine touched record heights.
- The Company signed a sales agreement with a European smelter, enabling the gold concentrate to be sold on better terms.
- A new geological model for the Länsi area adjacent to the Pahtavaara mine indicates that the conditions are favourable for extending the mineral resources. The Company applied for an enlarged exploitation concession to allow mining in open pit and underground.
- The Company completed a guaranteed new share issue, with preferential rights to the Company's existing shareholders, totalling SEK 68.9 million after issue costs. The main motivations for the offering were to finance the start of mining at Ersmarksberget, to part-fund a programme of investment at the Pahtavaara mine, to finance the final feasibility study for the Fäboliden Project and to assure the Company's long-term capital requirements.
- Increases in operating credit facilities totalling SEK 42 million were granted at an interest rate of around seven percent.
- At the Company's AGM in May, Stefan Månsson was elected to the Board of Directors for the first time.

Quarter 3

- A new ventilation system and an improved electrical system were installed in the Pahtavaara mine. This caused temporary production disruptions but will, long term, boost gold production.
- On 1 October 2011, Henrik Grind was appointed as Acting CEO.
- The outstanding instalment of the SEK 10 million price to acquire Ersmarksberget was paid.

Quarter 4

- Ore production proceeded satisfactorily and the investments made during the year created better access in the mine. However, the gold grades in the ore entering the dressing plant were lower than expected. The reason was a higher-than-anticipated level of waste rock owing to the geometry of the mined ore bodies and their irregular contact with the wall rock.
- A decision was taken to discontinue work on investigating the conditions for a start on production at Ersmarksberget as the project was considered to be unprofitable.
- The application for an enlarged exploitation concession at Pahtavaara was granted in November 2011. This means that both open cut mining of the surface near parts of the Länsi mineralisation can go ahead and that underground mining at depth in the Länsi area is assured.
- Finance agreement with Auramet Trading LLC. Under the agreement, the accounts receivable at the Pahtavaara mine can be transferred to Auramet, which will provide financing for the accounts receivable, on terms that are advantageous to the Company.
- The Nominations Committee for the 2012 AGM was appointed, comprising Lars Olof Nilsson, Peter Edwall, Ragnhild Wiborg and Sven Rasmusson.

2012

- Operations at Ersmarksberget are being wound up on the basis that the Group's subsidiary Lappland Goldminers Sorsele AB is filing for bankruptcy.
- Henrik Grind was appointed as permanent CEO and Jonatan Forsberg as the new CFO.
- Updated mineral reserves, corresponding to at least two years of production at current levels, are presented for Pahtavaara.

CEO's Comments

At Lapland Goldminers, 2011 was an eventful year. We took the decision to carry out a feasibility study on the Fäboliden Project, we were awarded an enlarged exploitation concession at Pahtavaara and we also decided to close down operations at Ersmarksberget.

With the latter decision behind us, we will now, in 2012, be able to focus fully on completing the feasibility study on Fäboliden and continuing to develop the mine at Pahtavaara.

I see considerable values in both the deposits at the current price of gold and I look forward with great confidence to the Company's opportunities for creating shareholder value in the future.

The price of gold continued to rise during the year, from USD 1,400 per troy ounce in early 2011 to around USD 1,600 per troy ounce at year-end. At times in 2011, gold was priced at more than USD 1,800 per troy ounce. The price of gold continued to show a strong trend in early 2012. The current historically high price of gold not only creates favourable conditions for highly profitable gold production at Pahtavaara, but also enhances and underpins the conditions for a start on mining our deposit at Fäboliden.

The price of gold is partly being driven by buoyant demand for gold in Asia, combined with uncertainty in the financial markets. Observers take the view that the price of gold will remain at a historically high level for the next few years and that savers and investors will continue to use gold as a haven from economic uncertainty.

Lapland Goldminers have gold deposits in Sweden and Finland,

two politically stable countries with predictable taxes and regulations. Both countries have a long history of mining, a highly developed infrastructure and wide-ranging experience of the mining industry.

With a productive gold mine and a processing plant in Pahtavaara, northern Finland, as well as a planned mining operation with its own processing plant in the Fäboliden deposit on the Gold Line in Sweden, Lapland Goldminers will be able to create optimal conditions for effective growth in value. This will be done by placing new deposits in production in the catchment areas for both plants following successful exploration.

Lapland Goldminers' expert personnel have long experience of the mining industry and are supported by a robust, professional network in the area around us. We are especially proud of the mining expertise that we have linked to the company, given the shortage of experienced and highly trained personnel in the mining industry today as a result of the buoyancy of the industry, not least in northern Scandinavia.

Gold production from the Pahtavaara mine today delivers a surplus on our operations. In 2011, gold deliveries from the mine totalled 739 kgs (23,755 troy ounces), generating a profit of SEK 84 million before depreciation and amortisation. In February 2012, we presented the results of the drilling campaign carried out in 2011. An estimate of the mineral reserves indicates that at the end of 2011 these amount to 1,078,000 tonnes, containing an average 1.60 grams of gold per tonne. This represents at least two years of production at current levels. The long-term objective of current exploration is by 2014 to achieve a mineral reserve at Pahtavaara corresponding to 5 years of production. For more information, see the section on the Pahtavaara mine on page 11.

In the second quarter of 2011, Lapland Goldminers signed a new sales agreement with a European smelter. The agreement enables the gold concentrates produced to be sold on better terms than previously.

In June, Lapland Goldminers completed a guaranteed new share issue, with preferential rights to the Company's existing shareholders. The issue proceeds totalled around SEK 68.9 million after issue costs.

On my appointment as successor to Kjell Larsson as President and CEO, we took the decision to postpone the listing change from First North Premier to NASDAQ OMX Stockholm Small Cap, but at the same time to continue the work of preparation for the move.

Pahtavaara

Lapland Goldminers' income is today generated through gold production at Pahtavaara. The Company's income is based on the world market price of gold, less the fee for smelting charged by smelters. Gold production over the full year of 2011 totalled 621 kgs (19,952 troy ounces), 119 kgs (3,826 troy ounces) less than in the preceding year.

Several steps were taken in 2011 to secure and expand operations at Pahtavaara:

- At the beginning of the first quarter, the Company adjusted its production process at the Pahtavaara mine, and started producing a new gravimetric concentrate. The new concentrate, a blend of the former high- and low-grade gravimetric concentrates, was sold on better terms than obtained for the former sales of the two concentrates.



- The application for an enlarged exploitation concession at Pahtavaara was granted in November 2011. This means that both open pit mining of the surface near parts of the Länsi mineralisation can go ahead and that underground mining at depth in the Länsi area is assured.
- With the aid of external experts, a grade control programme began in January 2012, with the aim of increasing the gold content in mining production.
- A new sub-contractor agreement on mining has been entered into with Tolarock Oy for the next two years, with an option to extend for 2014. Costs are on a par with those of earlier agreements. The new agreement assures continuity in ore production from the mine.
- A drilling programme totalling 13,000 metres was completed in November. The drilling was performed inside the exploitation concession and within adjacent exploration permits. The aim of the drilling was to locate mineralisations in the vicinity of the mine which can contribute to increase the mineral resources and mineral reserves in the area.
- Surveying, analysis, and interpretation of the results are in progress and are expected to be completed in spring 2012. A new drilling programme totalling 10,000 metres began in December. The main objective is to follow up promising targets that have emerged from the drilling programme completed in November.

The measures have enabled us to improve our chances of securing and increasing gold production at Pahtavaara.

Fäboliden

The company has been awarded the necessary environmental permits for starting production in the Fäboliden deposit. Assuming a favourable outcome from the feasibility study - and once the necessary funding is secured - the permits will enable construction and engineering work for the project to begin. The gold mineralisation in Fäboliden is a central element of Lapland Goldminers' strategic plan to develop in the long term into an important gold producer in Europe.

The price of gold today is considerably higher than at the time we took the decision to halt completion of the Fäboliden feasibility study. Against that background, we have now instructed Golder Associates, an internationally renowned consulting firm, to start work on completing the feasibility study for the project. On the basis of the mineral resources established by Golder Associates, along with the optimisation analysis performed, the project will be focused on selective open pit and underground mining, plus a processing plant with an annual capacity of 1.5 million tonnes.

Lapland Goldminers has an exploitation concession for Fäboliden, and in autumn 2008 the Swedish Environmental Court of Appeal granted an environmental permit allowing the establishment of a mine with an annual production of 5 million tonnes, together with a processing plant and tailings dam.

In May 2011, Golder Associates completed an update of the mineral resources at Fäboliden. This indicated 65.6 million tonnes of known and indicated mineral resources at 1.06 grams of gold per tonne and 2.81 grams of silver per tonne at a cut-off of 0.4 gram of gold per

tonne. We have high hopes of being able to start mining operations at Fäboliden and in so doing to create new jobs in the County of Västerbotten.

Ersmarksberget

Since Lapland Goldminers acquired Ersmarksberget in 2008, it has been investigating the conditions for starting production there. During preparations, it emerged that the gold content was lower and the rock mechanics more complex than had initially been assumed.

The overall conclusion was that production would have been unprofitable. Against that background, we took the decision in November

” I see considerable values in both the deposits at the current price of gold and and I look forward with great confidence to the Company's opportunities for creating shareholder value in the future.

2011 to call a halt to the work of planning for a production start-up at Ersmarksberget. Having weighed up and examined a number of strategic options regarding the future of Ersmarksberget, the Company has now decided to discontinue operations by allowing the subsidiary to file for bankruptcy.

In addition to acquisition costs of SEK 40 million, Lapland Goldminers Sorsele AB has invested a further approximately SEK 110 million in preparations and environmental conservation measures at Ersmarksberget.

We are of course disappointed that the conditions at Ersmarksberget do not allow profitable gold production and so will not contribute to creating new jobs in the area.

The Company's other gold deposits

Ongoing studies of the Company's other gold deposits along the Gold Line will be conducted on a limited scale during 2012. As far as the Haveri deposit in Finland is concerned, we are still seeking alternative solutions, but at the same time are taking the view that in the current situation adding further resources is not justified.

Lycksele, 26 April 2012

*Henrik Grind
President and CEO*

Business concept, Objectives and Strategy

Lapland Goldminers AB is a producing mining company with extensive exploration activities.

Business concept

Lapland Goldminers' mission is to create shareholder value by developing mineral deposits in the Nordic region into profitable producing mines.

Business model

Fäboliden, on Sweden's Gold Line, and Pahtavaara, in northern Finland, offer good prospects for value growth. Lapland Goldminers' income is today generated through gold production at Pahtavaara. The Company enters into agreements with various smelters, which acquire and process gold concentrate. The Company's income is based on the world market price of gold, less the fee for smelting charged by smelters.

Objective

Lapland Goldminers' objective is gradually to build the Company into an important gold producer, with production at mines in Sweden and Finland. The Company already has a successful production facility in Pahtavaara, and in our view the conditions are favourable for significantly increasing the mineral reserves in and adjacent to the mine.

To achieve the long-term objective, however, the deposits and the exploration potential in the proximity of the Gold Line in Västerbotten County are vital.

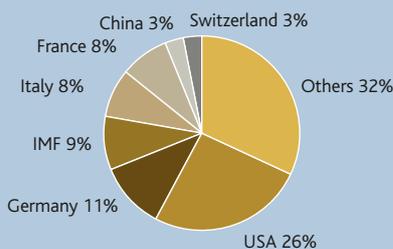
Strategy

Lapland Goldminers' short-term strategy is to continue to increase value from the profitable mine at Pahtavaara by raising productivity and expanding the mineral reserves. The cash flow from Pahtavaara, in combination with external funding, will then be used to finance the project at Fäboliden, which has reached an advanced stage.

Competitive advantages and strengths

- **Operations in politically stable countries with a long history in the mining industry**
Sweden and Finland have a long history, with stable regulations, long experience of the mining industry and a highly developed infrastructure.
- **Environmental permits at Fäboliden**
The Company has been awarded the environmental permits necessary for starting production at Fäboliden. These allow the necessary construction and engineering works to go ahead, assuming a positive outcome from the feasibility study, and once the necessary funding has been assured.
- **Major opportunities for growth**
Given a positive outcome from the various activities in progress and continuing improvements in access to financing, the opportunities for growth are, in view of the Company's various deposits, extremely good.
- **Experienced and competent management**
The Group's management has long experience of successful development and management of mine operations from their former work at several different major mining companies.
- **Excellent supply of specialist personnel**
As a result of Sweden's and Finland's long traditions as mining nations, skilled and experienced personnel can be recruited.

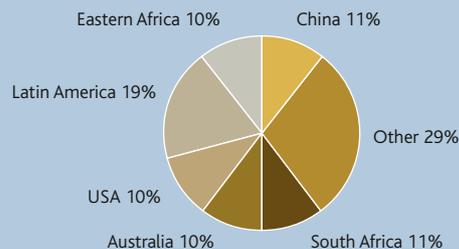
The largest gold reserves*



Source: WGC (World Gold Council 2012)

*Combined reserves of the central banks and the IMF.

Leading gold producers worldwide



Source: WGC (World Gold Council 2012)



The Gold Market

Gold - a beautiful and valuable metal

The chemical symbol for gold, Au, comes from the Latin "aurum", which translates roughly as "shining dawn". For several thousand years, people have been attracted by gold, a somewhat enchanting metal that is beautiful, valuable and - above all - pure. Its malleability is perhaps the best among all metals. 1 gram of gold can be drawn into a thread 100 metres long or rolled into gold leaf with a thickness of just 0.0001 mm. Gold also has other interesting characteristics; it is highly conductive of electricity and heat, reflects certain wavelengths of light and is not corroded by air or water. In addition, gold does not oxidise and is resistant to common acids.

Gold is a basic element that in nature nearly always exists in the metallic state, either in the bedrock or as an alluvial deposit next to flowing watercourses or on seashores. Today, around 170,000 tonnes of gold are in circulation worldwide. That is the volume that has been mined and panned to date.

Gold can only be dissolved by aqua regia and cyanide. As gold is soft, it tends to be alloyed (smelted) with other metals in order to be used for the manufacture of various utility articles. The amount of gold in an alloy is normally measured in carats. Pure gold is 24 carats. When an item is made of 18 carat gold, this means that the amount of gold is 18/24 (75 percent) of its total weight.

” Over the past ten years, the demand for gold has increased six-fold in terms of value, to a new record of USD 206 billion in 2011, compared to USD 34 billion a decade earlier.

The international gold market

In 2011, 2,810 tonnes of gold were produced. The top producers of gold were China, Australia, the USA and South Africa, in that order.

Gold is expensive and therefore only in demand for particular purposes. Overall, gold consumption is divided into three categories: jewellery, investment and industry.

Gold is considered to hold its value better than other investments. As a result, demand and price rise in times of anxiety. Over the past five years, the world market price of gold has risen dramatically. In early 2006, one troy ounce of gold cost just over USD 500, whereas in early 2012 it was trading at more than USD 1,700 per troy ounce – an increase of more than 200 percent. In 2011, the price of gold rose by 12 percent.

Demand for gold

In the past decade, demand for gold has grown in terms of both volume and value. Over the past ten years, demand has increased six-fold in terms of value, to a new record of USD 206 billion in 2011, compared to USD 34 billion a decade earlier. This major rise in value follows from the sharp rise in the price of gold, which in turn is a consequence of growing interest in gold as an investment. Demand for gold as an investment totalled 1,641 tonnes in 2011, compared to 352 tonnes in 2002, representing a five-fold increase in demand in volume terms.

The growth in demand is attributable to several factors. The global economy in the 21st Century has been dominated by a low interest rate environment in which the central banks of the world have kept repo rates at historically low levels. The low interest rate environment has stimulated an expansion of credit in, above all, the USA and Europe, which until 2007/2008 was supporting the growth in value of real assets, including gold. The reaction of the central banks to the financial crisis which began around 2008 was in many ways to maintain economic stimulus via an even more expansive monetary policy, for example by maintaining low interest rates, and also what was termed "quantitative easing". The financial crisis has favoured the price of gold, not only as a safe asset relative to other real assets, but also as a stable currency relative to national currencies. The latter reflects a more structural change in how gold is viewed, since more and more investors have started seeing gold as an obvious diversification option in investment portfolios, especially those of central banks. For example, central banks in growth countries have increasingly started to invest in gold.

Central banks may continue to intervene in the world's currency markets in order to promote growth. In that situation, gold may remain one of the few currencies that cannot be influenced by intervention, and as a result gold may continue to enjoy support as a means of financial diversification.

Jewellery

Gold has been used to make jewellery since prehistoric times, and in Sweden for at least 1,600 years. The biggest use of gold by far is in the goldsmith industry. China accounts for 30 percent of total world jewellery consumption, and still represents a growing market. India, with 22% of total jewellery consumption, is still largely governed by cultural and social traditions that are not affected by global economic trends. Other countries that in recent years have experienced high demand for gold for jewellery manufacture are Turkey and Italy. The gold market in the West is largely controlled by macroeconomic factors.

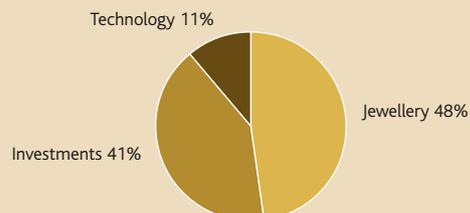
Demand for gold - volume and value



Source: WGC (World Gold Council 2012)

Demand for gold, 2011

app. 4,067 tonnes



Source: WGC (World Gold Council 2012)

Investment

Approximately 2/5 of all demand for gold is from investors, and it is there that demand has risen most sharply since 2003. In 2011, the value of investments in gold was roughly 20 times as high as in 2003. The background is a strong belief in a higher price for gold, as supply is not expected to keep pace with future demand. In view of the present uncertainty in the global economy and gold's potential to protect against instability, gold also offers investors a way of insuring against financial risk. In addition, investing in gold is relatively simple, as investors can elect to trade gold on the international exchanges without needing physically to buy or deliver gold.

Industry

Gold's property of conducting electricity and its resistance to chemicals and oxidation make the metal an excellent input material for electrical components. Industry accounts for roughly 10 percent of the global demand for gold. Gold also has a long history of use in pharmaceuticals and dentistry. Today, high-technology research uses gold as a component in many areas and gold is needed, for example, in cancer research and environmental research, as well as for use as a catalyst in the fuel cells of the future.

Supply of gold

The supply of gold may be divided into three categories – mining production, recycling and sale from central banks. Mining production is limited by the small number of new deposits and the ever-increasing lead times from discovery to production. To satisfy the demand for gold, recycling and net sales from the central banks of the world are needed on a major scale.

Mining production

Mining production represents around 64 percent of the total supply of gold. Gold is produced on every continent, apart from Antarctica, where the production of gold is prohibited. The volume of gold from mining production is relatively stable, amounting to 2,810 tonnes in 2011. New mines are largely replacing old mines that are taken out of service. As a result, overall mining production is not increasing. Because of the long lead times from the start of exploration until the point at which a mine becomes operational, overall mining production has not increased despite dramatic increases in prices in recent years. It is not unusual for lead times to be upward of ten years.

Global mineral reserves

The price of gold affects the size of overall mineral reserves. A high gold price allows poorer ore to be mined, as a result of which mineral reserves increase.

The biggest gold mineral reserves are found in Australia, followed by South Africa, the USA and Russia. 40 percent of the reported gold reserves in Russia are attributed to one planned gold mine, Natalka in the Magadan area of eastern Siberia, which is expected to become operational in December 2013.

Recycling

Recycled gold is the second biggest factor in supply, after mining production. The volume of recycled gold fell slightly, from 1,641 tonnes in 2010 to 1,612 tonnes in 2011.

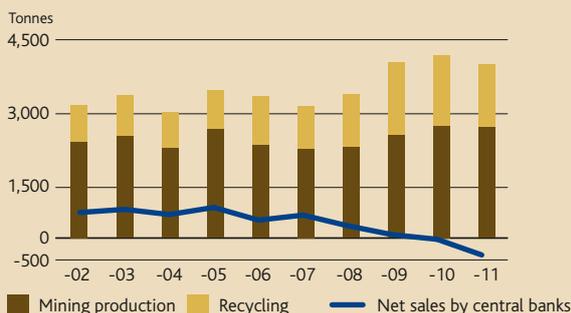
Gold is recycled from both new and old "scrap gold". New scrap gold is obtained during all gold processing, and is usually recirculated internally within the processing company. Consequently, no quantities are supplied to the market. Old scrap gold covers products that are returned to the market, either because they are worn out and/or because high gold prices justify a sale.

During the 1990s, the proportion of scrap gold represented just over 15 percent of the total supply, but in 2011 it had increased to approximately 36 per cent. High gold prices make it economically profitable to recycle gold, and this recycling is a factor in establishing price stability. Traditionally, the Middle East, the Indian subcontinent and Italy have generated substantial volumes of scrap gold. The reason for this is that these countries have domestic production on a major scale and a strong tradition of using gold jewellery.

Central banks

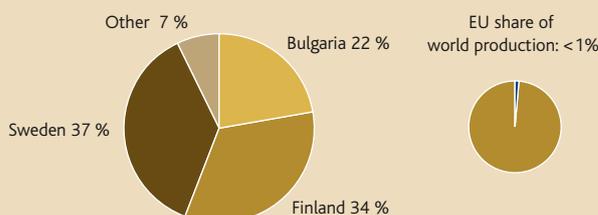
At year-end 2011, world stocks totalled approximately 30,992 tonnes. Central banks and other organisations, for example the International Monetary Fund, hold around 9 percent of the world's total stocks of gold. Since the end of the 1980s, central banks have been net sellers of gold. Sales have fallen sharply in recent years, and in 2011, the central banks were net buyers of around 440 tonnes of gold, corresponding to around 10 percent of supply for the year. It is likely that the central banks of the world will continue to maintain substantial gold reserves. This is mainly because holdings of gold represent diversification of assets, economic security and a hedge against inflation.

Supply of gold from mining production och recycling



Source: WGC (World Gold Council 2012)

Gold ore production in EU, 2012



Source: SGU (Geological Survey of Sweden)



From Exploration to Mine

Regional exploration

The process from exploration to mining can be divided into a number of stages. If the results are favourable in one stage, the operation moves on to the next. However, the stages of the process should not be viewed as entirely autonomous; indeed, to some extent they overlap. Normally exploration begins with the definition of an area that is deemed to offer optimal potential for including a mineable deposit. This is done using existing geological maps, earlier exploration documentation and knowledge of the type of geological environment that may include the relevant type of mineralisation. Once an exploration permit has been obtained, the actual fieldwork is carried out. As the project progresses, various different geophysical, geochemical and geological methods are combined. The results from all the investigations are compiled and interpreted. A number of core holes are then drilled in order to locate any mineralisations.

Detailed exploration

Once a mineralisation has been located, the investigations continue with extensive core drilling to determine the width of the mineralised zone and its extent in the direction of the strike and at depth. Different types of mineralisation require different numbers of drill holes in order to make an adequate assessment of the mineral resources possible. A gold ore of a distinctly nugget-like type has to be drilled much more densely than an iron ore, for example. The core samples obtained from the drilling are surveyed and the mineralised sections split along their length, after which one half is analysed and the other archived.

The results from the core drilling are compiled to produce a three-dimensional model, which is used as supporting data for calculating and classifying the mineral resources. If these calculations indicate that the deposit may have an economic value, preliminary studies are performed with the aim of roughly assessing the technical properties of the mineralisation and the environmental effects of starting production.

Mining and process technology surveys

The aim of the next phase is to present a comprehensive plan for

exploitation, as well as increasingly detailed profitability studies on which negotiations for financing etc. will be based. The calculation work is often divided into three increasingly detailed studies: scoping study, pre-feasibility study and feasibility study.

The mineral resources, mineral reserves, the yield from the plant, operating and investment costs and the net present value at various discount rates are calculated and classified at each stage. The certainty of the calculations increases with each stage. Between the stages, infill drilling is performed, along with extended metallurgical and mineralogical investigations. In this way, the quality of the investigative data is gradually improved, enabling increasingly certain judgements to be made. The choice of mining method, which crucially affects the costs of mining, the ore loss and the proportion of waste rock, is determined by the geometry and depth extension of the mineralisation and if it is outcropping.

Other important factors include the strength of the wall rock and the ore, as well as the value per tonne.

The concentration properties of the ore are decisive in respect of how it will be processed in the plant and in respect of how costs and processing losses will be minimised. In conjunction with the scoping study and the pre-feasibility

study, applications are submitted for exploitation concession and environmental permit in order to conduct mining and to refine the ore on site.

The environmental impact of the planned operation is analysed early on during this stage so as to minimise the consequences to the surrounding area.

Establishment/production

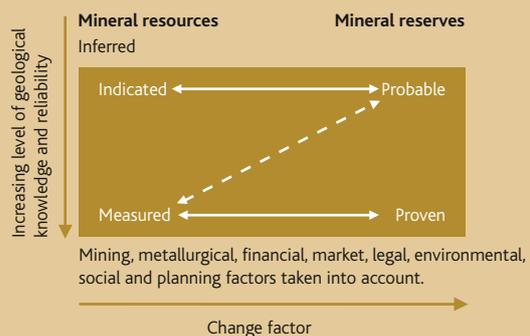
Provided that all necessary permits have been granted and that the costings show a satisfactory yield, the financing process can be launched and decisions taken on building up the production facilities. The period from when an investment decision is made until the mine and ore processing facility are fully developed varies according to the size and complexity of the planned production process. Between 12 and 15 months is generally a realistic assumption.

The exploration process extends over many years. It is complex and comprises many stages and extensive core drilling.

"Reserves" and "resources"

The tonnage of a deposit may be classified as "mineral resources" (inferred, indicated or measured) or as "mineral reserves" (probable or proven). Only indicated and measured mineral resources that may be extracted on an economically profitable basis may be transferred to mineral reserves. Any legal requirements for extraction must also be satisfied. "Mineral resources" also include tonnage that is not mineable or that has been calculated using information from less detailed surveys and estimates.

Classification



Source: Australasian Joint Ore Reserves Committee (JORC)

Exploration and Gold Production

Lapland Goldminers is a mining company that produces gold concentrate from its wholly owned Pahtavaara mine in northern Finland. The Company also conducts exploration on a major scale in the area around the Finnish mine, as well as along what is known as the "Gold Line" in Sweden. The Company's strategy is on an ongoing basis to expand its mine operations and its mineral resources through exploration and by developing already known mineral deposits into profitable producing mines.

Exploration

An important part of Lapland Goldminers operations is exploration for new ore bodies and surveying of the deposits in the Company's extensive project portfolio. The operations established by the Company along the Gold Line in Västerbotten County are strategically important to the continued development of the business. Many of the significant gold deposits around the world are linked to zones similar to the Gold Line. Lapland Goldminers has a substantial project portfolio along the Gold Line, offering excellent potential for locating several mineable deposits. These include among others Fäboliden, Knaften, Stortjärnhobben, Gubbträsk and Tjälträsk.

Planned production at Fäboliden

The gold mineralisation in Fäboliden is a central element of Lapland Goldminers' strategic plan to develop long term into an important gold producer in Europe. Lapland Goldminers has an exploitation concession for Fäboliden, and in autumn 2008 the Swedish Environmental Court of Appeal granted an environmental permit allowing annual mining production of five million tonnes. The permit also allowed construction of a processing plant and tailings dams adjacent to the mining area.

Based on studies performed by Golder Associates, further work on the project focused on analysing the conditions for selectively mining

1.5 million tonnes of ore per year in an open pit and underground as well as on processing the ore in a plant adapted to the type of production.

The project work following the report on the optimisation study in December 2010 has substantiated the Company's view that the project is feasible in terms of production and technological solutions. A start of production at Fäboliden will be extremely important to Lapland Goldminers' future development and will improve its prospects for achieving the Company's long-term goals. The focus of the Company is to conclude work on a feasibility study for Fäboliden in 2012.

Gold production at Pahtavaara

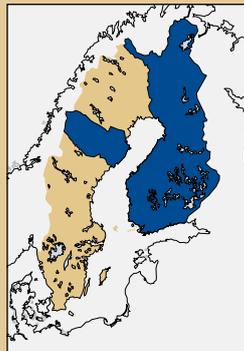
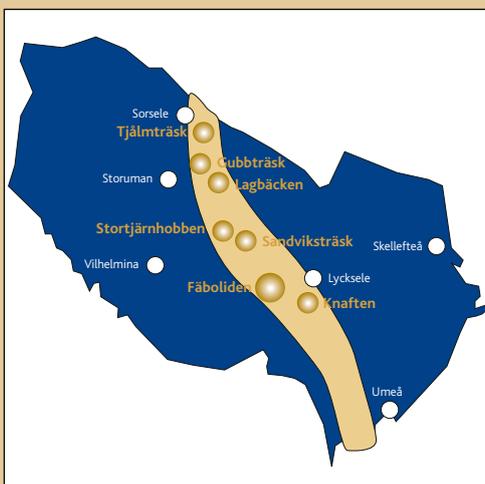
Gold production at the Company's Finnish mine, Pahtavaara, represents an important part of the business. Since mining was resumed in 2008, significant efforts have been made to stabilise production, as well as to bring about greater certainty in forecasting and controlling the grades in the mined ore.

During 2011, a core drilling programme totalling 36,000 metres was carried out, and on that basis updated mineral resource and mineral reserve figures per 1 January 2012 were presented in early 2012.

Responsibility and trust

Many people are affected in one way or another by the Company's activities, and dialogue with public authorities, organisations and the local community is extremely important. Mining production and exploration requires responsibility to be exercised at a high level and operations have to be conducted with the necessary permits in place, and by skilled, environmentally minded personnel.

Lapland Goldminers' objective is in all cases to minimise its impact on the countryside and, as far as possible, to reduce the environmental impact of its activities. Emissions from operations must also fall well within the limit values established by the authorities. The Company considers that conservation of the environment and continuous education of the staff are important success factors.



Lapland Goldminers' most important deposits in the Fenoscandian Belt.

Lapland Goldminers' Deposits in Finland

PAHTAVAARA GOLD MINE

In spring 2008, Lapland Goldminers acquired Pahtavaara Gold Mine from the bankrupt estate of Scan Mining Oy. The mine is located in Sodankylä Municipality in northern Finland, some 150 km north of Rovaniemi. Previous owners had mined the ore during the years 1996-2007, initially in open pit mines and subsequently underground.

Lapland Goldminers took over all ScanMining's assets in Finland, including mine, processing plant, permits and exploration permits. Production at the processing plant began in 2008, and mining operations at the end of December in the same year.

To expand the mineral reserves and the mineral resources in the Pahtavaara mine, core drilling below ground has been in progress since April 2008. Since Lapland Goldminers took over the deposit, the Company has succeeded in replacing some of the mined mineral reserve, thereby extending the life of the mine.

In the second quarter of 2011, a new sales agreement was signed with a European smelter. Under the agreement, the gravimetric gold concentrate produced can be sold on better terms than previously, leading to higher income and improved profits.

Expansion of mineral resources

In 2011, core drilling was carried out from both the mine and the surface. The total length drilled was approximately 36,000 metres. Updated figures for mineral resources and mineral reserves were presented at the beginning of 2012. Measured and indicated mineral resources totalled 962 thousand tonnes, with an average gold grade of 1.95 grams per tonne. The proven and probable mineral reserves totalled 1,078 thousand tonnes, with an average grade of 1.60 grams per tonne. The updated mineral reserve corresponds to at least two years of production at current levels. A new drilling programme totalling 10,000 metres started in December. The objective of all exploration in progress is in the long term to develop the Company's mineral reserves with a view to achieving the Company's goal of establishing a mineral reserve corresponding to five years of production by 2014.

Mineral resource at Pahtavaara, 1 January 2012.

Category	Th. tonnes*	Grade (g/t)	Kgs gold	Troy ounce gold
Measured	752	1.99	1,494	48,039
Indicated	210	1.83	385	12,379
Total	962	1.95	1,879	60,418
Inferred	61	2.94	180	5,788

*Cut-off 0.50 grams of gold per tonne.

Of which, mineral reserve at Pahtavaara, 1 January 2012

Category	Th. tonnes**	Grade (g/t)	Kgs gold	Troy ounce gold
Proven	849	1.62	1,378	44,309
Probable	229	1.52	347	11,158
Total	1,078	1.60	1,725	55,466

** Cut-off 0.80 grams of gold per tonne.

Investments in 2011

A programme of investment at the Pahtavaara mine was carried out in July and August. The programme, consisting of a new ventilation system and an improved electrical system, is expected to lead to increased gold production in the long term.

In addition, maintenance work was carried out in the processing plant at Pahtavaara in early September, resulting in a five-day halt in production. Because of the improvement measures and the maintenance stoppage, gold production fell temporarily.

Production in 2011

In the first quarter, gold production at Pahtavaara totalled 187 kgs (6,020 troy ounces), compared to 180 kgs (5,787 troy ounces) in the corresponding quarter in 2010.

At the beginning of the first quarter, the Company adjusted its production process at the Pahtavaara mine, and started producing a new gravimetric concentrate. The new concentrate is a blend of the former high- and low-grade gravimetric concentrates.

Production was stable in the second quarter and the gold content of the ore and the gold recovery in the processing plant were in line with the production plan. Gold production in the second quarter 2011 totalled 149 kgs (4,800 troy ounces), 4 percent lower than in the corresponding quarter in 2010.

Gold production in the third quarter 2011 totalled 166 kgs (5,341 troy ounces), compared to 224 kgs (7,198 troy ounces) in the corresponding quarter in 2010. The lower level of production in the quarter was attributable to the investment programme and the maintenance operations.

Gold production in the fourth quarter 2011 totalled 118 kgs (3,791 troy ounces), compared to 180 kgs (5,795 troy ounces) in the corresponding quarter in 2010.

Ore production operated satisfactorily in the fourth quarter of 2011 and the investments made during the year improved access in the mine. However, the gold grades in the ore entering the dressing plant were lower than expected. The reason was a higher-than-anti-

Gold production, Pahtavaara



Source: Lapland Goldminers

Incoming gold grade (g/t) to dressing plant



Source: Lapland Goldminers

culated level of waste rock owing to the geometry of the mined ore bodies and their irregular contact with the wall rock.

All-in-all, gold production over the full year of 2011 totalled 621 kgs (19,952 troy ounces).

The Company has undertaken measures to improve the gold grade in the mine production. A grade control programme involving external experts began in January 2012.

A new sub-contractor agreement on mining has been entered into with Tolarock Oy for the next two years, with an option to extend for 2014. Costs are on a par with those of earlier agreements. The new agreement means that continuity in ore production from the mine is assured.

Finland as a mining nation

Mining has played a significant role in Finnish industry and more than 270 mines have operated since the 16th Century. A total of more than EUR 40 million is being invested in exploration in Finland, the highest figure in Europe. Rising metal prices and stronger international interest in Finland have resulted in a favourable trend for exploration and mining.

There are many factors at play in driving up interest in mineral projects. Because the bedrock and the geological conditions in Finland are very similar to the conditions in Australia, Canada and Sweden, and because relatively little exploration has taken place so far, there is major potential for finding new deposits. The political and economic situation is stable, mining and environmental legislation works well and society is positively disposed towards the mining industry. In addition, the country has a good infrastructure, wide open and thinly populated areas, and high-quality geological data.

HAVERI GOLD DEPOSIT

In 2007, Lapland Goldminers acquired the Haveri gold deposit from Northern Lion Gold Corporation. The deposit, which is situated in Finland approximately 40 km northwest of Tampere, has been known about ever since 1737, when it was mined on a small scale for iron ore. The fact that it also contained gold was first discovered in 1935. Between 1942 and 1960, the mine was operated by Vuoksenniska Oy, which mined 1.5 million tonnes of ore during that period. After processing in the plant, this ore produced 4.2 tonnes of gold (approx. 135,000 troy ounces) and 6,000 tonnes of copper. Since mining operations ceased, extensive surveys have been carried out by companies such as Outokumpu Oy, Glenmore Highland Ltd. and Northern Lion Gold Corp. This work has included drilling 126 core drill holes (totalling around 30,000 metres).

The mineralisations comprise several parallel bodies within a zone 300 metres long and 100 metres wide, running from northeast to southwest. The ore bodies are open below the 360 metre level. Some of the drill holes striking the gold-bearing zones indicate that the latter may be of a considerable width.

The Board of Directors of Lapland Goldminers judges that the Company currently lacks the resources required to continue exploration work and further develop the Haveri deposit. Against that background, the Company has sought alternative options for developing the Haveri Project, for example, a joint venture or a divestment of the whole project. However, these attempts have not led to the desired result, and the Company has therefore decided to adjust the book value of the Haveri deposit. The impairment loss recorded in the accounts for the Haveri deposit was around SEK 69 million.



Name: Peter Törnkvist
Position in company: Project Manager, Fäboliden Gold Project
Home: Strömbäck, Umeå
Family: Married to Inga-Lill, 2+2 children
Leisure interests: Spending time with family, whenever possible walking in the woods or sailing. Keen interest in cooking.

Spatial planner heads Fäboliden Project

Peter Törnkvist, spatial planner, was project manager of the multi-million investment in the Botniabanan rail route. He had his own consulting firm and served for many years as project manager at a Swedish consulting firm in Libya. Since 2007, he has been in charge of Lapland Goldminers' Ersmarksberget and Fäboliden Projects.

When Peter was contacted with an enquiry about a project manager appointment at Lapland Goldminers, he had no experience of the actual industry. However, it was not the glitter of the gold that attracted him in the first place.

"No, you can't have some romantic notion of gold prospecting if you work in this industry, if you do you won't get far", says Peter with a smile. Operations are no different from any other metal extraction process. This is strictly, almost scientific, geological work according

to established rules involving highly qualified individuals who analyse and assess the results."

Peter takes the same approach to his role as project manager, whether it involves building a rail line for Banverket (Sweden's rail authority), spatial planning in Libya or extracting gold in Lapland.

"All project management is about creating a path through to a predefined objective. Every project needs a path designed according to its needs, and gold mining operations have their own challenges and crossroads - from environmental permits, technical designs and timetables to financial criteria."

For his part, Peter's work during late 2011 concentrated on the Fäboliden Project.

"My role is to structure and drive the project forward, to ensure that we approach our task thoroughly and in an appropriate way, using the whole range of standard processes and not taking shortcuts. So it's "by the book" - the way we work on all our projects, that is."

Lapland Goldminers is a small company compared to the major Swedish mining corporations. There is no horde of engineers that Peter can engage in his projects.

"No, we have to procure consultants and contractors, but on the other hand that means that we ourselves get to choose our experts. This not only delivers the right skills at any given moment, but is also a much more interesting and enjoyable way of working. However, we have tight unit of our own made up of hand-picked mining and process specialists, with solid experience of the industry, who I can lean on."

Exploration along the Gold Line

Lapland Goldminers was one of the companies to realise early on the potential of the Gold Line and the possibility of locating new gold deposits there. Through extensive exploration and by acquiring attractive deposits from other companies, the Company now includes several of the most promising gold deposits in its project portfolio.

The Gold Line is made up of a series of gold mineralisations and targets in various geological environments in a zone stretching from the northwest of Västerbotten County, through the Municipalities of Sorsele, Storuman and Lycksele, and on to the Gulf of Bothnia in the southeast. Gold mineralisations have been identified in, for example, Svartliden, Fäboliden, Klippen, Knaften, Stortjärnhobben, Sandviksträsk, Barsele and Tjälträsk.

In addition to these known gold mineralisations, a number of targets have been located that, through continued exploration, may reveal at-



In 2011, the internationally renowned consulting firm Golder Associates completed a new calculation of the mineral resources at Fäboliden. This indicated 65.6 million tonnes of measured and indicated mineral resources at 1.06 grams of gold per tonne and 2.81 grams of silver per tonne at a cut-off of 0.4 gram of gold per tonne.

tractive new deposits. There is evidence to show that a major new gold field has been located in Västerbotten County, alongside the traditional Skellefteå field.

FÄBOLIDEN

The gold mineralisation in Fäboliden, 40 km west of Lycksele, represents a central element of Lapland Goldminers' strategic plan to develop long term into an important gold producing mining company. Once a decision to start production at Fäboliden is taken, processing plant, industrial facilities, offices and other facilities will be built adjacent to the mine. The intention is that the processing plant, which will be designed for an annual capacity of 1.5 million tonnes, will also be able to process ore from any deposits that may be discovered nearby.

The gold deposit was located through core drilling in 1998. Between 1993 and 2008, more than 300 holes were drilled in order to locate and investigate the deposit. In 2004, Lapland Goldminers obtained an exploitation concession, and four years later the Company received a permit from the Environmental Court of Appeal to mine the deposit and process the ore on site. This meant that all necessary permits from the authorities were in place. The approximately 50 metres wide gold-bearing zone is 1,300 metres long and has been confirmed to a depth of approximately 500 metres by core drilling.

In 2011, the internationally renowned consulting firm Golder Associates completed a new calculation of the mineral resources at Fäboliden. This showed 65.6 million tonnes of measured and indicated mineral resources at 1.06 grams of gold per tonne and 2.81 grams of silver per tonne at a cut-off of 0.4 grams of gold per tonne.

The Company's focus is now to complete work on a feasibility study for Fäboliden in 2012.

The study is centred on selective open-pit and underground mining and a processing plant with an annual capacity of 1.5 million tonnes of ore. On the basis of tests, the average gold yield in the processing plant has provisionally been calculated at 86 per cent.

STORTJÄRNHOBBEN

The Stortjärnhobben gold project is located 2.5 km south of Umeälven (the Ume river) in the Municipality of Storuman. Gold-bearing boulders containing up to 99 grams of gold per tonne have been found, while the best mineralised core section is four metres grading 7.3 grams of gold per tonne. If mining takes place in the future, the intention is for the ore to be transported 65 km on existing roads to the planned processing plant at Fäboliden. Any mining is expected to take place in a minor open pit or underground.

During a boulder tracing campaign, a gold-bearing mineralisation was discovered in an outcrop. To investigate the extent of the mineralised zone in the direction of the strike and at depth, the Company has conducted several core drilling campaigns.

In 2007, the subsidiary Lapland Guldprospektering AB was awarded a 22-hectare exploitation concession for Stortjärnhobben. The deposit is considered to be extremely promising, although further investigations will be needed before a decision can be taken regarding possible mining.

KNAFTEN

The Knaften gold mineralisation is 15 km south of Lycksele. If the deposit is to be mined in the future, the ore will be transported 50 km on existing roads to the planned processing plant at Fäboliden, where the gold will be extracted. The ore is expected to be mined underground on a smaller scale than at Fäboliden.

Lapland Goldminers bought the exploration permit back in 2003, but finally took it over two years later once the Company had completed certain exploration commitments. There was considerable interest in the Knaften area, as bottom till sampling had revealed one of the largest measured gold anomalies in Sweden.

The best gold mineralisations found to date occur in three zones approximately 300 metres apart. Further core drilling and concentration tests are required in order to assess whether the mineralisations are of economic interest.

GUBBTRÄSK

Gubbträsk is situated on the Gold Line, approximately 25 km east of Storuman and approximately 100 km northwest of Lycksele. It is located 65 km from the Fäboliden gold deposit.

Lapland Goldminers has been conducting extensive exploration in the Gubbträsk area since 2004. Within the most northerly exploration permit, hundreds of bottom till samples and bedrock chip samples have been taken. Analyses of these show that many contain anomalous levels of gold, silver, zinc and lead. Extensive core drilling has resulted in the pinpointing of several of the mineralisations that

have given rise to the anomalies.

Up until 2008, Lapland Goldminers had drilled 68 core holes. Several of these have intersected parallel zinc-lead-silver mineralisations. During 2011, no exploration took place in the Gubbräsk area.

TJÅLMTRÄSK

In early 2004, Lapland Goldminers acquired the exploration permit Tjålmträsk no. 1. At the same time, the Company applied for additional exploration permits for neighbouring areas. Tjålmträsk is located on the Gold Line, approximately five km south of Sorsele.

Hopes of being able to identify a rich gold mineralisation were high, as it was already known that a large number of arsenopyrite-mineralised boulders with significant gold contents had been found in the Tjålmträsk area.

The richest, which was awarded first prize in the 2000 Mineral Hunt Competition, contains 350 grams of gold per tonne, although many boulders with gold contents ranging from 1 to 31 grams of gold per tonne had also been found. The extensive exploration initiatives carried out have identified a number of promising gold-mineralised zones. The mother lode for the very rich boulders has not been found, however, which is why the Tjålmträsk area still has a high priority.

SANDVIKSTRÄSK

Sandviksträsk is located on the Gold Line, approximately 30 km north of Fäboliden in Lycksele Municipality. Once boulder tracing, geochemical sampling and geophysical surveying had been completed, Lapland Goldminers decided in 2004 initially to drill two core holes south of

Sandviksträsket. Both holes struck mineralised zones containing visible gold.

A further 11 core holes were drilled during 2007. Investigations indicated mineralisations, some with high gold grades, along a zone measuring approximately 400 metres in length that continues under Sandträsket. Further exploration is planned to investigate the size of the deposit.

ERSMARKSBERGET

In the course of a quality control test during current planning activities at Ersmarksberget, it was observed that the gold content was lower than had been indicated by a previous external calculation. The volume of gold is in total 65 kgs lower in the measured and indicated mineral resources and 535 kgs lower in the inferred mineral resources. This is because an incorrect parameter had been used in the calculation model during reporting. The calculation of the mineral resources had been carried out by a qualified impartial individual from outside the company, and was published in January 2011. It has now been corrected and examined by a further qualified impartial individual from outside the company.

Because of the lower gold content and the fact that the rock mechanics proved to be more complex than had initially been assumed, Lapland Goldminers took the decision to halt the work of examining the conditions for starting production at Ersmarksberget. In view of the changes in conditions, the judgement has been made that starting production at Ersmarksberget is not economically justifiable.



Name: Bengt-Arne Bergström
Position in company: Technical Director, Lapland Goldminers
Home: Motala
Family: Wife and two grown-up sons.
Leisure interests: Family, also including four grandchildren. He is also an avid traveller.

Processing specialist

We catch up with Bengt-Arne Bergström by phone while he is visiting Lapland Goldminers' Pahtavaara mine in northern Finland. As Technical Director of the Company, he is responsible for developing and constantly fine-tuning the processing system to enable high-grade gold to be extracted at the lowest possible cost.

Bengt-Arne has worked in mineral extraction and mining all his professional life, which began in the mid-1970s. He chose to go the long way round after leaving upper secondary school and has regularly undergone in-service training via a series of courses and programmes in the field.

His first job in the mining and minerals sector was with the Swedish consulting firm, Minpro. At the firm, he worked for just over 30 years as a process engineer and project manager until 2004, developing mineral processes for different types of ore and for extraction of metals and other high-value materials.

Before joining Lapland Goldminers, Bengt-Arne was employed as Head of Processing at Zinkgruvan Mining, in the Lundin Group, with responsibility for above-ground operations, including mainly production maintenance and environmental issues. He served in that role from 2004 to 2010.

He joined Lapland Goldminers in 2010, attracted by a job as a specialist rather than working in day-to-day operations.

"It's also interesting to work in gold after my time in zinc and lead production, and it's especially interesting because I believe strongly in Lapland Goldminers' prospects for extracting large quantities of gold at Fäboliden. The level of expertise in the Company is very high, where people with long experience of the industry are brought together by a common driving forces".

Bengt-Arne splits his working hours between head office in Lycksele, the Fäboliden deposit and the Pahtavaara mine. The result is a good deal of travelling, since his wife and home are in Motala, in the south of Sweden.

"When you choose the mining industry, you have to work where the mines are, but I'm very happy in my job as head of process and metallurgy in the Group. In a small business, you also have to work in other areas, and I'm particularly interested in the big environmental issues."



Environmental Conservation and Social Responsibility

Lapland Goldminers - environmental and social responsibilities

1. Our social responsibility: we operate in relatively small communities and may become a major player.
2. We are serious in exercising the environmental responsibility that always accompanies mining activities.
3. We are striving to achieve sound finances: this offers security to owners and employees alike and makes the business strong.

Our objective is as far as possible to reduce the environmental impact of our operations

Lapland Goldminers shall conduct its business such that our impact on the external environment is the minimum possible. However, the Company must take technical feasibility, ecological justification and economic reasonableness into account. The long-term objective is to strive constantly for more efficient operations and economically sustainable extraction of gold. This in turn creates the economic means necessary for our environmental work.

The management and Board have overall responsibility for ensuring that environmental activities are conducted in accordance with legislation. The Company's objective is in all cases to minimise its impact on the countryside and, as far as possible, to reduce the environmental impact of its activities. Emissions from operations must also fall well within the limit values established by the authorities. Everyone in a management role is responsible for ensuring that the Company's environmental policy is comprehensible, that it is implemented by all employees of the Company and that the Company's core values are bedded down in the organisation in a reliable way.

We shall operate in accordance with highly developed environmental management routines with active self-verification. Lapland Goldminers shall actively monitor developments in the environmental sector and work towards the ambition of maintaining a highly trained and environmentally aware staff. Our environmental information to employees, contractors, the community and public authorities shall be open, factual and accessible to all.

Lapland Goldminers will restore and reclaim the areas in which the Company has conducted operations. Restoration shall be performed using the best available technology, to the extent that is technologically feasible, ecologically justified and economically reasonable.

During our procurement, we shall strive to ensure environmentally appropriate design for all projects and we shall prioritise environmentally suitable options within the bounds of technological and economic reasonableness. Energy, materials and other resources shall be used efficiently and the Company shall be responsible for ensuring that waste materials produced are disposed of in an environmentally appropriate way.

Attractive employer who takes on board social responsibility

Lapland Goldminers has many interest groups to take into account. Because we are closely linked with the communities in which we are present, we maintain continuous dialogue with public authorities, organisations, nearby residents and others affected by our operations.

In that way, where we operate next to small communities, we may become an important local player. This is a considerable responsibility that we try to discharge via our communications, but also by becoming involved in training programmes and the industry councils that operate. We take a positive attitude towards students who contact us with a desire to learn about our operations, and we try to assist them to the best of our ability. To us, this is also a way of establishing links with future resources for the company.

Our responsibility also includes ensuring, as an employer, the health and safety of our employees, but also minimising the disruptions that our operations can cause to those affected by the mining. We do this by following up statistics on accidents and sick leave – outcomes and goals.

By maintaining a corporate culture characterised by a willingness to change, as well as learning and protecting the work environment, health and development of employees, plays a part in making us an attractive employer. By acting responsibly vis-à-vis our interest groups, we gain competitive advantages, reduce the cost of our operations and make Lapland Goldminers an attractive investment.



Five-Year Overview

Group (TSEK)	IFRS 2011	IFRS 2010	IFRS 2009	IFRS 2008	IFRS 2007
Net sales	245,226	192,145	121,381	6,507	0
Profit/loss after financial items	-196,972	-43,664	-88,168	-35,625	-10,861
Return on equity	neg.	neg.	neg.	neg.	neg.
Total assets	418,392	531,479	506,276	414,149	265,516
Equity/assets ratio, %	38.42	53.89	66.68	62.62	96.50
Cash cost, USD/oz	1,015	824	972		
Average number of employees	78	77	62	41	13
Parent Company (TSEK)					
Net sales	472	1,991	6,002	1,768	0
Profit/loss after financial items	-170,614	-58,905	-26,922	-11,484	-15,412
Return on equity	neg.	neg.	neg.	neg.	neg.
Total assets	408,179	504,727	445,889	323,047	257,494
Equity/assets ratio, %	64.02	71.43	91.01	81.90	97.27
Average number of employees	13	16	15	17	13
Parent Company — appropriation of unappropriated profit (TSEK)					
Unrestricted funds and unappropriated profit available for distribution by the Annual General Meeting:					
Share premium reserve	489,044				
Retained profit/loss	-141,408				
Net profit/loss for the year	-170,614				
	177,022				
The Board recommends that the following amount be carried forward:	177,022				

Corporate Governance Report

Governance at Lapland Goldminers is exercised via the Annual General Meeting (AGM), the Board of Directors and the Chief Executive Officer in accordance with the Swedish Companies Act, the Articles of Association, applicable listing rules and the Swedish Code of Corporate Governance, as well as other applicable rules and regulations.

The Swedish Code for Corporate Governance (the Code) must be applied by all companies that have shares listed for trading in a regulated marketplace in Sweden. Lapland Goldminers shares are quoted on the NASDAQ's First North Premier List. Within the context of Lapland Goldminers' planned listing change to the NASDAQ OMX Stockholm Exchange, Lapland Goldminers has decided to apply the Code to the fullest possible extent and, following the listing change, will apply it in all respects.

This Corporate Governance Report has been drawn up as part of application of the Code by Lapland Goldminers. Lapland Goldminers has no deviations from the Code in 2011 to report.

Annual General Meeting

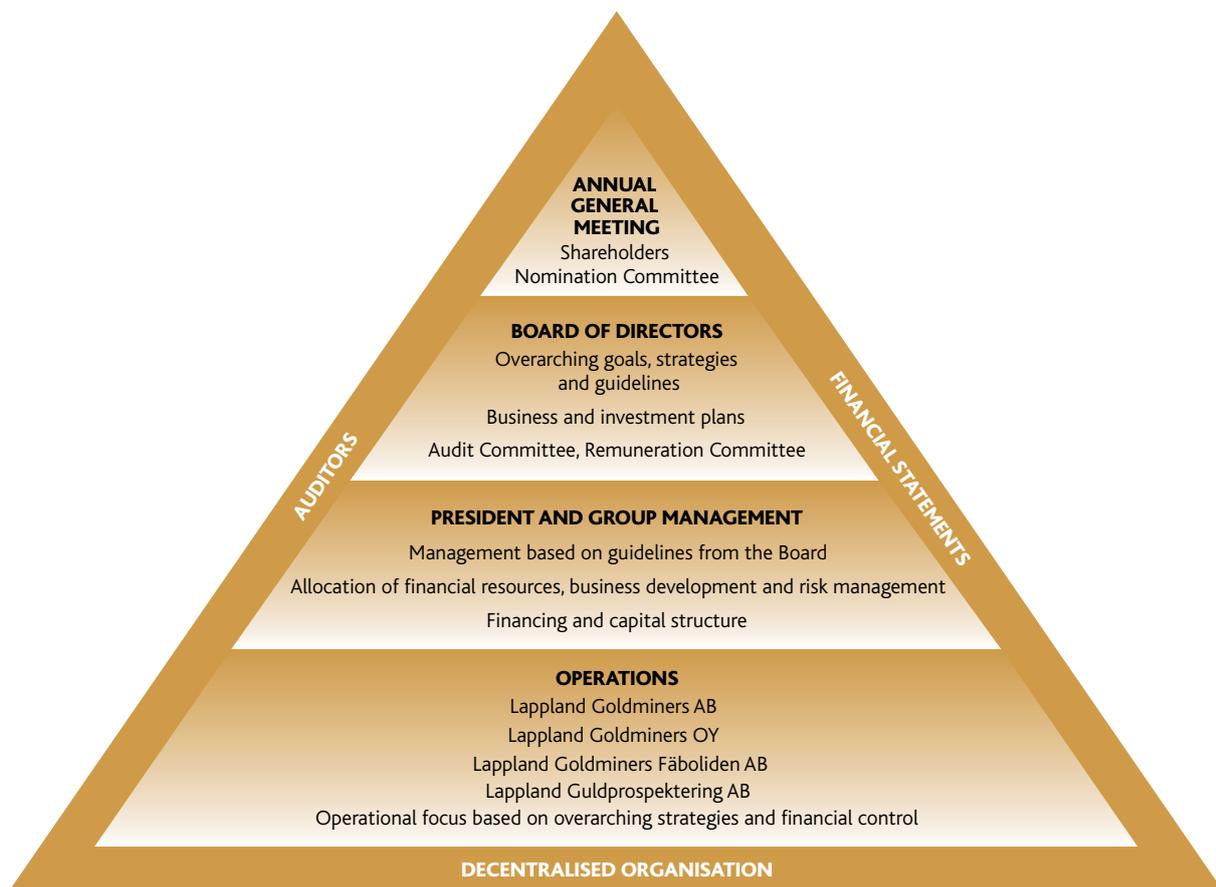
Lapland Goldminers' ultimate decision-making body is the Annual General Meeting (AGM), in which all shareholders are entitled to

participate, to have an item of business discussed and to vote for the full entitlement represented by their shares. One task of the AGM is to elect the Company's Board of Directors. The AGM also endorses the Company's and the Group's results and appoints the Company's external auditor. The AGM also take decisions as to Board fees and approval of guidelines on remuneration to senior executives.

2011 Annual General Meeting

At the AGM held on 18 May 2011, 18 shareholders were in attendance, in turn representing 28 percent of the total number of shares issued. The AGM resolved:

- to adopt the balance sheets and income statements of the Company and the Group for 2010 and to discharge the Board of Directors and Chief Executive Officer from liability;
- not to pay any dividend to the shareholders;
- to re-elect Directors Lars Olof Nilsson, Peter Edwall, Pia Gideon and Lars-Göran Olsson and to elect Stefan Månsson as Director for the first time;
- to appoint Lars Olof Nilsson as Chairman;
- to determine the Board of Directors' remuneration at a fixed amount of SEK 950,000, to be distributed as SEK 250,000 to the Chairman and SEK 175,000 to each of the other Directors;



How Lapland Goldminers is governed

- to determine the auditors' fees in accordance with a reasonable account of expenses approved by the Company;
- to appoint a Nomination Committee to serve until the next AGM by having the Company's three largest shareholders each appoint one representative, who, with the Chairman of the Board of Directors, will constitute the Nomination Committee;
- to adopt guidelines for remuneration to senior executives.

In addition to the AGM, an extraordinary general meeting was held on 20 May 2011, at which a resolution was passed concerning a preferential share issue.

Major shareholders (>10 percent)

The Company's largest shareholders on 31 December 2010 were Ponderus Invest AB, with 18,933,176 shares in the Company (13.63 percent), and the investment bank PICTET & CIE, with 15,163,554 shares in the Company (10.92 percent).

Nomination Committee

The Nomination Committee, representing the Company's shareholders, is tasked with preparing the basis for the AGM's decisions on nomination and fee issues, and in certain circumstances recommending procedural issues to the next Nomination Committee. Lapland Goldminers' Nomination Committee is appointed every year by application of the "Q3 Model" in accordance with the decision of the AGM, and comprises the Board Chairman and representatives of the three largest shareholders in the Company at the end of the third quarter who had elected to be represented on the Nomination Committee.

Nomination Committee for 2012 AGM

The Nomination Committee for the 2012 AGM consisted of the following members:

Representative	Owner	Number of shares	Holding, %*
Sven Rasmusson, Chairman	Ing Marie Fraim Sefastsson	6,858,843	4.9
Peter Edwall	Ponderus Invest AB	18,933,176	13.6
Ragnhild Wiborg	Fonden Consopio	8,739,378	6.3
Lars Olof Nilsson	Board Chairman	241,666	0.2

*Holding on 31 December 2011.

The mandate period for the Nomination Committee is until a new Nomination Committee is appointed for the 2013 AGM. The Nomination Committee held two minutes meetings. It concluded that the current Board of Directors satisfies the requirements that will be placed on the Board as a result of the situation and future direction of the business, for example, by acquainting itself with the assessment made of the activities of the Board. The Nomination Committee's proposals for Directors, Board fees, Chairman, auditor etc. will be published in time before the 2012 AGM and will simultaneously be posted on www.laplandgoldminers.com. The 2012 AGM will be held on 24 May (for more details, see inside front cover).

Board of Directors

According to the Swedish Companies Act, and the Board of Directors' rules of procedure, the Board is responsible for drawing up overarching, long-term strategies and objectives, setting budgets and establishing

business plans, auditing and approving accounts and taking decisions on issues concerning investments and significant changes in Lapland Goldminers' organisation and activities. The Board also appoints the Company's CEO and determines salary and other remuneration to the Company's CEO.

According to the Articles of Association, the Board shall consist of no fewer than three and no more than eight members and no more than three deputy members. The Board currently consists of the following four regular members, appointed by the AGM held on 18 May 2011: Lars Olof Nilsson (Chairman), Peter Edwall, Pia Gideon and Lars-Göran Olsson. The former Director Stefan Månsson resigned from the Board during the year in accordance with a press release from the Company dated 21 September 2011.

The work of the Board is supervised by Chairman Lars Olof Nilsson. Ulrika Magnusson, solicitor, has acted as Secretary to the Board since October 2010. The activities of the Board are in compliance with the rules of procedure adopted by the Board. The work of the CEO is governed by instructions to the CEO. Both rules of procedure and instructions are adopted annually by the Company's Board of Directors. Issues relating to auditing and remuneration are resolved by the direct decision of the Company's Board of Directors (for more details, see below).

Activities of the Board of Directors in 2011

During the 2011 financial year, Lapland Goldminers' Board of Directors held 20 meetings, including one statutory meeting. Several meetings were held by telephone. According to the current rules of procedure, the Board is required to hold, in addition to its statutory meeting, no less than seven regular Board meetings per calendar year. The regular Board meetings follow the fixed agenda, with agenda items including CEO's report on operations, including production and sales, update on exploration, financial report, investment and financing issues etc. The CEO and CFO function in a reporting capacity at Board meetings.

Important issues discussed during the 2011 financial year included, for example, the work on preparation for a start on mining at Ersmarksberget, the Fäboliden Project, production and exploration issues at Pahtavaara, capitalisation and financing issues, strategic issues, price hedging issues and the future organisation and structure for the Group.

Composition of the Board, number of meetings and attendance during 2011 financial year

Name	Independent*	Attendance/total
		number of meetings
		Board meetings**
Lars Olof Nilsson	No ¹	20/20
Peter Edwall	No ²	20/20
Pia Gideon	Yes	20/20
Lars-Göran Ohlsson	Yes	20/20

* Under the Code, the Director is to be regarded as independent of the Company, its management and major shareholders in the Company. Major shareholders are those with holdings of 10 percent or more.

**Also include telephone meetings and *per capsulum* meetings.

(1 and 2 cont in page 20)

(Cont - Composition of the Board, number of meetings and attendance during 2011 financial year)

¹ Lars Olof Nilsson supplied consulting services to Lapland Goldminers to the extent that, according to the provisions of the Code, he is considered to be dependent on the Company and the Company management.

² Peter Edwall is CEO and Director of the Company's largest shareholder, Ponderus Invest, which holds 13.6 percent of all shares outstanding in Lapland Goldminers, and is considered to be dependent on the Company's largest shareholder.

Board of Directors - calendar

January:

- Approval of year-end report
- Proposed appropriation of profits
- Assessment of Board's activities
- Assessment of CEO's performance

March/April/May:

- Annual Report
- Documents for Annual General Meeting
- First quarter report

May/June:

- Annual General Meeting
- Statutory Board meeting

June:

- Strategic issues

July:

- Second quarter report

October/November

- Third quarter report

December:

- Budget review

The annual assessment of Board activities included for example the Board's work methods, composition, areas of expertise and communication.

Audit and Remuneration Committee

In view of the scope of the work and the size of the Company's Board of Directors, the Board has decided that the entire Board of Directors (Lars Olof Nilsson, Peter Edwall, Pia Gideon and Lars-Göran Olsson) shall constitute the Remuneration Committee and that Lars Olof Nilsson shall be Chairman. The task of the Remuneration Committee is to prepare material for the Board's decisions on matters relating to guidelines on remuneration, remuneration setting and other conditions of employment for the Company's management.

Furthermore, in view of the scope of the work and the size of the Company's Board of Directors, the Board has decided that the entire Board of Directors shall constitute the Audit Committee and that Lars Olof Nilsson shall be Chairman. The task of the Audit Committee shall be, within the framework of its regular Board duties, to supervise the Company's financial reporting, to monitor the effectiveness of the Company's internal controls, internal audit and risk management, and to keep itself informed as to the auditing of the annual accounts and consolidated accounts. Furthermore, the Audit Committee shall examine and monitor the impartiality and independence of the auditor, paying particular attention to whether the auditor provides the Company with services other than auditing services and assisting the Nomination Com-

mittee in producing proposals for the auditor and auditor's fee

CEO and Group Management

Lapland Goldminers' Group Management consists of the Company's CEO, Henrik Grind¹, CFO Jonatan Forsberg¹, Head Geologist and CEO of the Finnish subsidiary, Risto Virkkunen, Fäboliden Project Manager Peter Törnkvist, Technical Director Bengt-Arne Bergström, Head of Mining Technology Stefan Månsson and Head of Administration Erika From. Group Management is presented in more detail on page 62.

¹The Company's former CEO Kjell Larsson resigned as CEO on 30 September 2011, and was succeeded by Henrik Grind. The Company's CFO Anders Haker resigned as CFO on 31 January 2012, and was succeeded by Jonatan Forsberg.

External auditors

The Company's auditor, who was appointed at the 2011 AGM for a mandate period of one year, is Fredrik Lundgren, Authorised Public Accountant, of accountants Ernst & Young AB. The auditor is responsible for auditing all companies in the Group. The auditor audits Lapland Goldminers in connection with the annual accounts, the Company's annual report, consolidated accounts and accounting. He is also tasked with verifying that the CEO's management has been conducted in accordance with generally accepted auditing practices in Sweden. On behalf of the Board, the auditor reviews the Company's mid-year report. The auditor operates on the basis of an agreed audit plan and reports observations to the Board of Directors/Audit Committee on an ongoing basis during the year. The auditor also submits an Audit Report and participates in the AGM.

Remuneration during 2011

In accordance with a resolution passed at the 2011 AGM, the Board is to be paid fees amounting to a total of SEK 950,000. Of this sum, the Chairman is to receive SEK 250,000 and the other Directors SEK 175,000 each. The Directors have been appointed for the period until the end of the 2012 AGM, and the fee arrangement applies until that point. For more information on remuneration paid to the Board of Directors, senior executives and auditors, see Note 4 Remuneration and other benefits, Board of Directors, CEO and senior executives, and Note 2 Fees to auditors.

Guidelines on remuneration to senior executives

The guidelines on remuneration to senior executives at Lapland Goldminers, adopted by the AGM, currently apply to the CEO, the CFO and other executives included in the Company's Group Management. Lapland Goldminers is to offer an overall compensation package in line with the market that enables the Company to recruit and retain appropriately qualified senior executives. Fixed salary and remuneration is to be related to the responsibilities and powers of the executive. Total remuneration is made up of:

- fixed salary
- variable salary linked to clearly defined and measurable targets, not exceeding 50 percent of the fixed salary
- defined-contribution pension allocations
- other benefits, such as company car, computer and mobile phone

- termination salary and severance payment, for a period not exceeding 12 months.

The Board's proposed guidelines on remuneration for the 2012 AGM are fundamentally in agreement with the principles applied to date. The Board's full proposals for guidelines and other material for consideration at the 2012 AGM will be available at www.laplandgoldminers.com.

Internal control

Under the Swedish Companies Act and the Code, the Board of Directors is responsible for internal control. The following description of internal control has been drawn up in accordance with the Code and is limited to internal control and risk management in connection with financial reporting. Internal control at Lapland Goldminers is based on an established framework, Internal Control – Integrated Framework (the COSO Framework), which consists of five elements, control environment, risk assessment, control activities, information and communication and follow-up.

Control environment

The basis of internal control for financial reporting is the control environment, consisting of organisation, decision-making paths, powers and responsibilities that have been recorded in and are communicated via governing documents. Fundamental to internal control at Lapland Goldminers is its decentralised organisation, with headquarters at Lycksele, an office at the Pahtavaara mine in Finland, and a total of 78 employees on average in the Group during 2011. Operational decisions are taken at company level, while decisions on strategy, direction, acquisitions and overarching financial issues are taken by the Board and Group Management.

The Group comprises the Parent Company and three wholly-owned subsidiaries, Lapland Goldminers Oy, Lapland Goldminers Fäboliden AB and Lapland Guldprospektering AB. Regular "management meetings" are held, attended by the management group. These are the Group's forum for implementing overall control down to subsidiary level.

The managers of the subsidiaries assume overall responsibility for their particular business, working towards clearly defined objectives.

Within Lapland Goldminers, the most important elements of the control environment have been documented in the Board's rules of procedure, instructions to the CEO, authorisation instructions, accounting and reporting instructions, HR and other internal policies, guidelines and manuals.

Current documents are assessed and updated regularly in the event of changes to, for example, accounting standards and listing rules.

Risk assessment

At Lapland Goldminers, risk management is built into the processes concerned and the various procedures used to assess and limit risks, and to ensure that the risks to which Lapland Goldminers are exposed are managed in accordance with set policies and guidelines. Risk analyses are performed regularly by Group Management in order to identify areas for improvement and any new areas of risk. Measures to manage risks identified are developed centrally in the Group. For more information on the financial risks to which Lapland Goldminers is exposed, see Note 32.

Control activities

The risks identified with regard to financial reporting are managed via the Company's control activities. Control activities are intended to prevent, reveal and correct errors and deviations. They are conducted throughout the organisation, at all levels and in all functions. These activities include, for example, analytical monitoring at all levels and comparison of income and balance sheet items against outcomes and budgets from earlier periods, liquidity monitoring against forecasts, follow-up and checking of Board decisions and policies adopted, approval and accounting for business transactions, power of attorney and authorisation structures, authorised signatories, Group-wide definitions, templates and reporting tools and accounting and reporting policies. In addition, the Finnish subsidiary Lapland Goldminers Oy has an independent financial management organisation in order to ensure that control routines and procedures are observed, that the Group's guidelines, manuals and policies are adhered to, and that the financial statements are accurate, comprehensive and delivered on time.

Information and communication

Fit-for-purpose information and communication are vital in ensuring that internal control systems can function properly. Lapland Goldminers' routines and systems for information and communication are intended to provide the market with relevant, reliable, accurate and up-to-date information about production conditions, how the business is developing and its financial position. Policies, guidelines and instructions are well-established and accessible to the personnel concerned. Group Management and Board of Directors alike receive regular financial information from operations and the subsidiaries. To ensure that external information is accurate and comprehensive, Lapland Goldminers has an approved communication policy.

Follow-up

Continuous follow-up takes place at several levels in the Group, including at subsidiary and Group level. The Audit Committee/Board of Directors regularly evaluates information provided by company management and auditors. Every month, the Board receives the CEO's report on operations and at every regular Board meeting the Board discusses the Company's financial situation. Furthermore, the Company's auditors report to the Audit Committee/Board of Directors any observations arising from their audit and their assessment of internal control.

Financial reporting in connection with interim reports and year-end accounts, together with internal control, are quality assured by the auditor's audit. The auditor undertakes a full audit of the annual accounts and a review of the mid-year accounts.

Need for internal auditing

Lapland Goldminers operates via a decentralised organisation with a total of 78 employees on average in the Group, including 13 persons on average in the Parent Company during 2011. Clear allocation of responsibilities and in-built controls operate within the Group. Internal control and follow-up on results are performed at several levels in the Group, including at subsidiary and Group level. Overall, this indicates that a special internal audit unit is not regarded as being justified.

The Lapland Goldminers' Share

Share trading

The Company's shares are traded on First North Premier. The abbreviated name for the share is GOLD. In all, around 80 million shares were traded to a value of approximately SEK 186 million on First North in 2011. The average daily volume of trading over the period was about 271,000 shares to a value of approximately SEK 749 thousand.

Marketplace

First North is an alternative marketplace that is operated by NASDAQ OMX. Companies whose shares are traded on First North are not under a duty to comply with the same legal requirements that apply to trading in a regulated market. They are subject to a less comprehensive system of regulation designed mainly for smaller and growth companies. An investment in a company whose shares are traded on First North may therefore be higher risk than an investment in a stock exchange quoted company. All companies whose shares are traded on First North have a certified advisor, who monitors the company for compliance with First North's rules. The Company's certified advisor on First North is Mangold Fondkommission.

Lapland Goldminers has embarked on a process intended to result in a listing change to NASDAQ OMX Stockholm Stock Exchange (Small Cap).

Share price performance

The highest closing price for the Company during the financial year of 2011 was SEK 4.38, which was recorded on 15 February 2011. The lowest closing price was SEK 1.03, which was recorded on 12 December 2011. The average price was SEK 2.45. The Group's total market capitalisation on 31 December 2011 was approximately SEK 178 million. There is a risk that the share price will undergo major negative variations. Share price variations may occur for example as a result of major changes in purchasing and selling volumes, fluctuations in the price of gold and operational factors that influence the Company's gold production.

Ownership

On 31 December 2011, the Company had 7,255 shareholders, compared with 7,261 in the preceding year. For more information, see page 23 for a summary of the largest shareholders.

Preferential share issue

As part of an effort to strengthen Lapland Goldminers' capital structure, the Company carried out a preferential share issue in June. The issue was fully subscribed, with around 90 percent being taken up in the form of warrants. Through the issue, Lapland Goldminers acquired around SEK 78 million before issue costs. In all, the preferential share issue resulted in an increase in the Company's share capital of SEK 1,111,033.44, and an increase of 55,551,672 in the number of shares outstanding.

Share capital

Lapland Goldminers' share capital totals SEK 2,777,583.62, represented by 138,879,181 shares, each with a quotient value of SEK 0.02. There is one class of shares. Each share entitles the holder to one vote at the AGM and all shares carry entitle the holder to an equal share of the Company's profit and equity.

Lapland Goldminers convertible

In spring 2010, Lapland Goldminers issued convertibles corresponding to a nominal total amount of approximately SEK 122 million. The convertible loan carries annual interest of STIBOR 90 days plus 6 percentage points. The interest falls due for payment quarterly in arrears. The convertible loan matures in its nominal amount on 30 December 2013, unless previously converted into shares. Conversion may take place on three occasions every year: 1–15 January, 1–15 May and 1–15 September, starting on 1 January 2011 and ending on 15 September 2013. On the occasion of the preferential share issue, the former conversion rate of eleven Swedish kronor (SEK 11) per share was adjusted to SEK 9.47 per share.

Price of gold over 5 years



Price of Lapland Goldminers' shares relative to NASDAQ OMX Index 2011



Outstanding warrant programme

700,000 warrants outstanding under the terms of the 2009 programme, held by former CEO Kjell Larsson. The warrants may be used to subscribe to new shares during the period 1 January–31 December 2013 at subscription price of SEK 15.70 per share.

Ownership

Largest shareholders on 31 December 2011.

Owner	Number of shares	Votes, %
Ponderus Invest	18,933,176	13.63
Pictet & CIE, W8IMY without P.R.	15,163,554	10.92
Consepio	8,739,378	6.29
Fraim Sefastsson, Ing-Marie	6,858,843	4.94
FörsäkringsBolaget, Avanza Pension	6,363,481	4.58
Sjölund, Eric	3,899,250	2.81
Unée, Jan-Åke	3,410,800	2.46
Grahn, Kent	3,284,875	2.37
Länsförsäkringar Kronoberg	3,130,967	2.25
Skandinaviska Enskilda Banken S.A., NQI	3,039,166	2.19
Kamprad, Ingvar	3,000,000	2.16
Nordnet Pensionsförsäkring AB	2,048,481	1.47
Länsförsäkringar Kronoberg	1,645,000	1.18
Mellon AAM OMNIBUS 30 %, AGENT F		
ABN AMRO G C	1,519,045	1.09
Robur Försäkring	1,506,845	1.08
SIX SIS AG, W8IMY	1,350,065	0.97
Länsförsäkringar Bergslagen	1,073,000	0.77
Connys Alltransporter AB	1,022,800	0.74
Swedbank Robur Norrmix	915,566	0.66
Evli Bank PLC, Stockholm branch	681,124	0.49
Swedbank Luxembourg S.A.	650,000	0.47
Omentum Consulting AB, B	630,000	0.45
Swiss Life Liechtenstein AG	600,000	0.43
Andersson, Kirsi	577,500	0.42
AB Domptören	545,957	0.39
Others	48,291,628	34.77
Total	138,880,501	100.00

The list of shareholders above is taken from the register of shareholders maintained by Euroclear AB (formerly VPC).



Administration Report

Operations

Lapland Goldminers is a mining company that produces gold concentrate from its wholly owned Pahtavaara mine in northern Finland. The Company also conducts exploration on a major scale in the area around the Finnish mine, as well as in Västerbotten County, Sweden. The Company's strategy is to expand on an ongoing basis its mining operations and its mineral resources through exploration and by developing known mineral deposits into profitable producing mines. A significant part of the operation therefore comprises exploration for new ore bodies and investigations of deposits in the Company's own project portfolio. The Company's focused, wide-ranging operations along the Gold Line in Västerbotten County represent a strategic and important basis for further development of the business.

Many of the more substantial gold deposits around the world are linked to similar regional tectonic zones, and Lapland Goldminers' project portfolio along the Gold Line provide excellent conditions for locating several mineable deposits. The Fäboliden deposit represents important potential for developing, and exploiting over an extended period, both existing gold deposits in the area as well as any additional deposits identified through continued exploration.

Gold production in the Company's Finnish mine, Pahtavaara, constitutes an important part of the business. Since mining was resumed in 2008, major efforts have been made to prepare and build the mine for stable production, as well as to enable the Company to forecast and control the grades in the mined ore with greater certainty.

Mining production and exploration require the exercise of responsibility at a high level, and operations have to be conducted with the necessary permits in place and by skilled, environmentally-minded personnel. Many people are affected in one way or another by the Company's activities, and dialogue with public authorities, organisations and the local community is extremely important. Lapland Goldminers' objective is always to minimise its intrusion in the landscape and, as far as possible, to reduce the environmental impact of the operation. The Company considers that taking care of the environment and continually training our personnel are important factors for success. The Company's objective is, as far as possible, to minimise the impact of operations on the environment and always to be well within the official limits for emissions and discharges. The Company's environmental focus is to be maintained by continual work on improvement involving all members of personnel.

Short-term objectives

Work on completion of the feasibility study on the Fäboliden deposit was resumed in early 2012. The Company's judgement is that it should be possible for the study to be concluded before year-end. In parallel with its work on concluding the study, the Company will investigate the conditions for financing production facilities and starting up mining operations.

The short-term objectives for the Pahtavaara mine are firstly to improve the forecasting and checking of gold grades in the mined ore ("ROM") and secondly to further streamline production in the mine and processing plant. Another important objective is to increase the mine's mineral reserves in order thereby to achieve more mine faces or working faces and better control of the mining process and, not least, to facilitate long-term future mining.

Long-term objectives

Lapland Goldminers' goal is gradually to build the Company into an important gold producer, with production at several mines in Sweden and Finland. The Company already has a successful production facility in Pahtavaara, and we consider that the conditions are good for significantly increasing the mineral reserves in and adjacent to the mine. In order to achieve the long-term objective, however, the known deposits and the significant exploration potential along the Gold Line in Västerbotten County are vital.

A start of production at Fäboliden will be extremely important to Lapland Goldminers' future development and will improve the Company's prospects for achieving its long-term goals. The planned plant can be adapted, relatively simply and at a low cost, to handle potential ore from the Company's other deposits along the Gold Line. An existing processing plant within transport distance of these deposits means that, even if they prove to be relatively small, they may be mineable and exploitable with good financial results.

In earlier operating periods, the Pahtavaara mine in northern Finland was undercapitalised, and as a result exploration in and immediately around the mine was neglected. Since Lapland Goldminers resumed operations, exploration work has focused on maintaining the mineral reserves in parallel with the ongoing mining. The conditions for further increasing the mineral reserves in the mine and for identifying new, mineable deposits in the processing plant's catchment area are deemed to be good.

Significant events in 2011

During the year, gold production at Pahtavaara totalled 621 kgs (19,952 troy ounces), compared to 740 kgs (23,778 troy ounces) in 2010.

In the first quarter of 2011, the Company adjusted its production process at the Pahtavaara mine and started producing a new gravimetric concentrate. During the process of adjustment, the mine temporarily built up a higher stock of gold, which were later sold off.

In the second quarter of 2011, Lapland Goldminers signed a new sales agreement with a European smelter. Under the agreement, the gravimetric gold concentrate produced can be sold on better terms than the two former gravimetric concentrates.

A new geological model for the Länsi mineralisation at Pahtavaara indicates that the conditions are favourable for extending the mineral resources here. The Company applied for an enlarged exploitation concession at Pahtavaara in the second quarter of 2011. The application was then granted in November 2011. As a result open pit mining of the surface near parts of the Länsi mineralisation can now go ahead and underground mining at depth in the Länsi area is assured.

In 2011, the internationally renowned consulting firm Golders Associates completed a new calculation of the mineral resources at Fäboliden. This indicated 65.6 million tonnes of measured and indicated mineral resources at 1.06 grams of gold per tonne and 2.81 grams of silver per tonne at a cut-off of 0.4 grams of gold per tonne.

Lapland Goldminers' AGM was held on 18 May 2011. Lars Olof Nilsson (Chairman), Peter Edwall, Pia Gideon and Lars-Göran Olsson were re-elected to the Board of Directors, and Stefan Månsson was elected to the Board for the first time. Lars Olof Nilsson was re-elected as Chairman. Stefan Månsson later resigned from the Board

in September 2011, having instead taken up an active role in Group Management.

In June, Lappland Goldminers completed a guaranteed new share issue, with preferential rights to the Company's existing shareholders. The issue proceeds totalled around SEK 77.8 million before, and around SEK 68.9 million after, issue costs. Shareholders in the Company were offered the opportunity to subscribe to two new shares for every three already held, at an issue price set at SEK 1.40 per new share. The purpose of the issue was to use the proceeds to prepare for and start mining operations at Ersmarksberget, to fund exploration to increase the mineral reserves, to complete the Fäboliden feasibility study and to assure the Company's long-term working capital requirements. Lappland Goldminers was also granted increases in operating credit facilities totalling SEK 42 million by one of the major Swedish commercial banks. The Company's total credit facilities from this bank thereafter totalled SEK 53 million.

Effective 1 October 2011, Henrik Grind was appointed Acting CEO. He succeeded Kjell Larsson, who resigned from his position on 30 September 2011.

In the third quarter, a programme of investments was carried out at Pahtavaara, comprising a new ventilation system and an improved electrical system. It is anticipated that in the long term, the programme will enable gold production to increase. As a result of the investment programme, gold production fell temporarily during the third quarter.

In November, Lappland Goldminers decided to discontinue work on investigating the conditions for a start on production at Ersmarksberget as the project was considered to be unprofitable. As a result of the decision to discontinue work at Ersmarksberget, substantial impairment losses were recorded in the fourth quarter regarding non-current assets and nearby exploration areas. In all, the impairment losses recorded in Sweden amounted to around SEK 83 million. The Company also decided to adjust the book value for the Haveri deposit in Finland. The impairment loss recorded in the accounts for the Haveri deposit was around SEK 69 million.

In November, Lappland Goldminers concluded a financing agreement with Auramet Trading LLC. Under the agreement, the accounts receivable at the Pahtavaara mine were transferred to Auramet, which will provide financing for the accounts receivable on terms that are advantageous to the Company. The annualised interest rate for the financing was LIBOR plus around five percent.

On 10 November 2011, the Company reported that the Nomination Committee for the 2012 AGM had been appointed. The members of the Committee are Lars Olof Nilsson, Chairman, Peter Edwall, representing shareholder Ponderus Invest AB, Ragnhild Wiborg, representing shareholder Consepio and Sven Rasmusson, representing shareholder Ing-Marie Fraim Sefastsson.

Significant events after the end of 2011

Effective 1 February 2012, Henrik Grind was appointed as permanent President and Chief Executive Officer, and Jonatan Forsberg as the Group's new CFO.

On 2 February 2012, the Company reported that the operations at Ersmarksberget were being wound up on the basis that the Group's subsidiary Lappland Goldminers Sorsele AB was filing for bankruptcy.

On 24 February 2012, updated mineral reserves were presented for Pahtavaara as per 1 January 2012, corresponding to at least two years of production at current levels.

Marketing and customers

The Company's marketing is conducted mainly through established direct contacts with various smelters in the global market. The Company's customers consist primarily of smelters in Europe and Asia.

Important agreements

Lappland Goldminers has no important agreements over and above those entered into in the normal course of business.

Comments on the financial results

Financial management and control – Group

Sales increased sharply to SEK 245.2 million (192.1). This is a substantial increase from 2010 and is attributable to higher gold deliveries from the mine as well as higher gold prices, which resulted in higher sales. In all, 739 (699) kgs of gold were sold. Depreciation/amortisation of SEK 56.1 million for the full year relates primarily to amortisation of capitalised ore preparation costs at Pahtavaara. The amounts are based on the number of tonnes mined, relative to the existing ore reserves. In view of the changes in conditions at Ersmarksberget, major impairment losses were recorded regarding non-current assets at Ersmarksberget and nearby exploration areas. In all, impairment losses in Sweden totalled around SEK 83 million, including impairment losses on non-current assets in connection with operations at Ersmarksberget of around SEK 55 million. In addition, the book value for the Haveri deposit in Finland was adjusted. The impairment loss recorded for the Haveri deposit was around SEK 69 million. Impairment of assets in the Group totalled SEK 153 million. The environmental costs at Ersmarksberget arose in connection with maintenance of the processing plant pending the start-up of production, and the fact that the plant served during the year as a treatment plant for the water from the tailing dams at the old open pit. The profit/loss amounted to SEK -197.0 million, as against SEK -43.7 million in 2010. The increased loss - SEK 197.0 million compared to SEK 43.7 million for the full year 2010 - is mainly attributable to the impairment losses for the year at Ersmarksberget and the Haveri deposit.

Cash flows – Group

Over the full year, cash and cash equivalents increased by SEK 26.7 million. The mine at Pahtavaara contributed a positive cash flow of SEK 82.3 million, before changes in working capital. The Company financed its investments at Pahtavaara, environmental costs and investments at Ersmarksberget, as well as administrative costs, with funds from the business itself, a cash new share issue and bank financing. Investments relate mainly to the investment programme at Pahtavaara, comprising a new ventilation system and an improved electrical system, further exploration in the Länsi area and preparations for the subsequently discontinued production start-up at Ersmarksberget. Investments for the full year amounted to SEK 69.2 million. In total, working capital increased by SEK 5.0 million.

Financial management and control – Parent Company

Sales, i.e. internal sales, amounted to SEK 0.5 million (2.0). Costs consist primarily of Group overheads for the head office. The profit/loss amounted to SEK -170.6 million, as against SEK -58.9 million in 2010. The increased loss compared to 2010 is mainly attributable to the impairment losses for the year on shares in subsidiaries and intra-Group receivables, as well as impairment losses on exploration assets.

Cash flows – Parent Company

Over the full year, cash and cash equivalents increased by SEK 2.4 million. The cash flow in the Parent Company reflects the fact that the investments at Pahtavaara and the environmental costs and the investments at Ersmarksberget have mostly been financed via the new share issues carried out by the Parent Company. The new issues amounted to SEK 68.9 million, after issue costs. In total, working capital increased by SEK 24.0 million during the year. Investments for the full year amounted to SEK 9.9 million.

Employees

The Company and its subsidiaries have 78 employees (77). It also engages consultants and contractors on a regular basis for various projects.

Guidelines on remuneration in 2012

Members of the Board of Directors appointed by the Annual General Meeting are to be paid a fixed director's fee. The CEO and other senior executives employed at the Company are to be paid an agreed, fixed annual salary. Variable salary linked to clearly defined and measurable targets, not exceeding 50 percent of the fixed salary, may be paid (see also page 20). The Board's full proposals for guidelines and other material for consideration at the 2012 AGM will be available at www.laplandgoldminers.com.

Significant risks and uncertainties

All enterprise and ownership of shares is associated with risk-taking, and an ownership stake in Lapland Goldminers is no exception. Both exploration and mining are generally characterised by significant risks, but also by good opportunities to make a profit. A number of risk factors, several of which are beyond the Company's control and/or are of such a nature that they cannot be insured against, may have an adverse effect on the Company's operations. A shareholding in Lapland Goldminers should therefore be viewed as a risk investment. Some of the risk factors that the Company considers to be most significant are described in brief below, in no particular order.

Operational risks

Production

Mining and ore processing represent a number of risks that cannot be eliminated, not even through experience, knowledge and meticulous assessments. These risks include, for example, landslides, floods, environmental damage, fire and explosions. Such events may result in work stoppages, production delays, increased costs and damage to or

destruction of the mine and/or production facilities. There are also a number of risks that involve higher production costs, resulting in lower profit levels or, in the worst case scenario, no profitability at all. Many such risks may be attributed to the nature of the ore and the wall rock. A bad wall rock requires costly rock reinforcement work and, in some cases, the need to employ a more expensive mining method. If the grades in the ore entering the plant are lower than anticipated, the mining and processing costs, calculated per unit produced, increase, which reduces the profit margin. A lower-than-estimated yield in the plant has the same effect. Energy costs account for a high proportion of the operating costs for a mine facility. Fluctuations in energy prices will therefore have a direct impact on the profitability of the business. Unforeseen fees, taxes and other duties can also have a negative impact on the profitability of the business. The Group is not fully insured against all these risks. Although the Group maintains property and third-party liability insurance, which the Group considers adequate and in line with international standards applying to mining companies, the nature of such risks is that the losses incurred may exceed the limits of the insurance cover. In addition, certain risks cannot be insured against.

Exploration

In recent years, Lapland Goldminers has conducted extensive exploration work, above all along the Gold Line, but also in the area around the Company's Pahtavaara mine in Finland. Exploration is a high-risk operation, with only a few projects leading to the development of a producing mine. The basic preconditions enabling exploration to result in an economically viable deposit are that such a deposit must actually be present in the exploration area and that the Company must have the technology, expertise and financial resources to find and investigate it. The classification of a deposit as mineable is determined by a number of factors, such as tonnage, the ore value (commercial elements or minerals present, their grades and the metal or mineral prices), the costs of extracting the saleable products and the investment costs, which in turn are determined by the process technology, environmental requirements and infrastructure. Although some of these factors can be influenced to some extent, several are beyond the Company's control.

Varying production levels

Problems may also arise as a result of environmental impact, accidents, occupational and health risks, industrial disputes, quality or functional shortcomings in equipment, disruptions in the supply of services and products including electrical energy, water, fuel, transport, process capacity and technical support. This may result in failures to meet set production deadlines and/or lead to higher costs. At present, the Group only has production at the Pahtavaara mine, which means that production problems at this mine may adversely affect the Group's results and financial position.

Mineral reserves and resources

Mineral resources are divided into three categories: inferred, indicated and measured. A proven and/or probable mineral reserve is the economically extractable part of a measured and/or indicated mineral re-

source, confirmed by at least one preliminary feasibility study. The mineral reserve also includes the volume of waste rock and the ore loss that is unavoidable when mining. As the level of knowledge increases, the mineral reserves are classified as probable or proven. Even though the level of certainty in the higher categories is greater than in the lower ones, there is always some uncertainty in the calculations, since these are based on a limited number of core drill holes that necessarily do not reflect the actual physical conditions. The classification is based on the information that is available at the time when the classification is made, and, once more accurate knowledge of a deposit and actual experiences is obtained from production, calculations of tonnage and grades may therefore be revised. The Company assesses the volume of existing mineral reserves and mineral resources annually. Falling metal prices, increased production costs and lower yields may also mean that mining some tonnage becomes unprofitable and the extent of the ore reserve is therefore reduced. As a result, the actual production and cash flow will differ from the figures calculated, and these variations may in some cases be substantial.

Availability of personnel and equipment

Lapland Goldminers is highly dependent on its personnel. The key personnel in the Company possess extensive expertise and long experience in the mining industry, which makes them difficult to replace. The ability to retain these individuals and also to recruit new, skilled employees is crucial to the Company's future development. Even though the management considers that the Company will be able both to attract and retain key individuals, it cannot be guaranteed that this will be possible on satisfactory terms relative to the competition that exists from other companies in the sector or related sectors. The loss of one or more key individuals may, at least in the short term, have negative consequences to the business. Furthermore, the Group's operations are dependent on the availability of equipment, machinery and related materials. Any shortage of such equipment may lead to delays in the Group's exploration activities and loss of production.

Permits and environmental impact

Considerable environmental demands apply to exploration and mining activities, and these can significantly delay production, render it more expensive or even make it impossible. However, the Swedish mining sector has considerable environmental expertise, and these requirements do not normally represent any hindrance to operations. According to the Swedish Minerals Act and the Swedish Environmental Code, permits have to be obtained before exploration, test mining, mining and ore processing commence. Environmental risks may also be present in the areas in which the Company is interested, caused by the actions of previous owners. Companies engaged in mining and/or exploration may have to compensate people affected by losses or damage caused by their operations. In addition, the Company may be subject to civil or criminal fines or sanctions for infringements of applicable laws and ordinances. Amendments to current laws, ordinances and permit requirements, or the stricter application of these, may have serious consequences for the Company in the form of increased investments and/or higher production costs, as well as lower production levels, which can make operations impossible or delay the development of the business.

The Group has not as yet incurred any major costs in connection with environmental impact and/or decontamination costs. There are, however, no guarantees that the Group will not be charged with such costs in the future.

Concessions and permits may be revoked

The Group's exploration and future production are dependent on concessions and/or permits granted by public authorities. Applications for future concessions/permits may be rejected and current concessions/permits may have restrictions imposed or may be revoked by the competent authority. Even if concessions and/or permits may be renewed after expiring, no guarantees can be made that this will occur and, if so, what conditions may be attached. If the Group does not meet the obligations and satisfy the conditions concerning activities and costs stipulated for concessions and/or permits received, this may result in the loss of such permits, as well as claims for damage/loss, which may adversely affect Group's operations, results and financial position.

Conflicts of interest

Disputes between the holder of an exploration permit/exploitation concession and property owner or other rightholders may occur, which may delay the implementation of a mining project, render it more expensive or even make it impossible.

Customers

The Company has a small number of customers, which represents certain risks in the event that the customers concerned terminate their agreement with the Company.

Accidents, damage, injuries and delays

The Company may be affected by accidents and damage in mines, at facilities and to the environment, as well as accidents and injuries to people. Every major accident may impact negatively on the Group's ability to mine ore and produce gold concentrate.

Financial risks

Currency risk

The Group's costs are, and will remain for the foreseeable future, accounted for in Swedish kronor (SEK), euros (EUR) and to a certain extent in US dollars (USD). Meanwhile, the income flow will probably be entirely in US dollars (USD), as gold is quoted and traded on the world market in this currency. Any major decline of the dollar rate in relation to the Swedish krona (SEK) and/or the euro (EUR) will therefore have negative impact on the Company's operations. Normally, the Group does not hedge its currency flows.

Risk in price of gold

The global market price for gold is of central importance to Lapland Goldminers and its subsidiaries. The current price of gold affects, on a day-to-day basis, earnings and cash flows for production at Pahtavaara, but the price of gold also affects profitability calculations for future projects such as Fäboliden. Fluctuations in the price of gold are bey-

and Lapland Goldminers' control, since the price is established on a day-to-day basis on the world's commodity exchanges. The Company has the option in future to secure its price for gold via hedging.

Interest rate risks

Fluctuations in market interest rates directly impact on the Group. High market interest rates can affect the Company negatively in the form of higher interest costs.

Future capital requirements

Lapland Goldminers' operations are capital-intensive. To be able to conduct exploration and expand mining operations, access to finance is required to complement the internally generated cash flow. Any failure to generate profits on a satisfactory scale, and any failure to meet requirements for financing that arise may have substantial adverse impact on the Company.

Lapland Goldminers' exposure to the following risks are currently judged to be relatively low, both as regards the probability that they will occur in 2012 and their effect on the Group:

- Political risk
- Competition
- Natural disasters
- Credit risk

For more information on these risks, go to www.laplandgoldminers.se

Financial calendar

Interim report, January-March 2012	27 April 2012
Annual General Meeting 2012	24 May 2012
Information Meeting, Lycksele	25 May 2012
Interim report, January-June 2012	26 July 2012
Interim report, January-September 2012	25 October 2012

Consolidated Income Statement

Amounts are in TSEK	Notes	2011	2010
Sales income	31	245,226	192,145
Cost of goods sold	5	-215,148	-175,827
Gross profit	31	30,078	16,318
Exploration costs	6	-5,007	-5,271
Administration costs	6	-16,110	-19,610
Other operating costs	3, 6	-17,676	-23,494
Impairment losses	5	-152,234	0
Operating profit/loss	31	-160,949	-32,057
Forward contracts	9	-16,738	0
Result from financial investments	16	-1,006	948
Financial income	8	465	2,514
Financial costs	9	-18,744	-15,069
Profit/loss after financial items		-196,972	-43,664
Tax on profit for the year	10	0	0
Profit/loss for the year		-196,972	-43,664
Profit/loss for the year attributable to:			
Shareholders in Parent Company		-196,972	-43,664
Minority shareholders		0	0
Average number of shares during period, basic	25	111,789	83,328
Average number of shares during period, diluted		125,448	92,538
Basic earnings per share	11	-1.76	-0.52
Diluted earnings per share	11	-1.76	-0.52
Consolidated Statement of Comprehensive Income			
Net profit/loss for the year		-196,972	-43,664
Other comprehensive income			
Translation differences		2,061	-21,714
Tax attributable to other comprehensive income		0	0
Total other comprehensive income		2,061	-21,714
Total comprehensive income for the year		-194,911	-65,378
Total comprehensive income attributable to:			
Shareholders in Parent Company		-194,911	-65,378
Minority shareholders		0	0

Consolidated Balance Sheet

Amounts are in TSEK	Notes	2011	2010
ASSETS			
Non-current assets			
Intangible non-current assets			
Mining rights and exploration costs	12	218,777	274,785
Property, plant and equipment			
Buildings and land	13	7,250	9,351
Biological assets	13	18,700	18,700
Dams and mines	13	16,931	63,117
Equipment, tools and installations	13	39,073	58,028
Construction in progress and advance payments on property, plant and equipment	13	5,469	17,995
Financial assets			
Other holdings of securities	14, 16	997	2,003
Pledged cash and cash equivalents	14, 17	9,546	9,722
		316,743	453,700
Current assets			
Inventories	20	8,636	25,179
Income taxes recoverable	21	199	
Other receivables	14, 21	8,128	5,436
Prepaid expenses and accrued income	14, 22	3,470	3,681
Accounts receivable	14, 23	44,089	33,025
Cash in hand and on deposit	14, 24, 29	37,127	10,458
Total current assets		101,649	77,779
TOTAL ASSETS		418,392	531,479

(Cont.) Consolidated Balance Sheet

Amounts are in TSEK	Notes	2011	2010
EQUITY AND LIABILITIES			
Equity	25		
Share capital		2,778	1,667
Additional paid-in capital		570,367	500,414
Reserves		-7,198	-9,259
Retained profit/loss		-208,249	-162,758
Net profit/loss for the year		-196,972	-43,664
Total equity		160,726	286,401
Liabilities			
Provisions			
Provisions for reclamation measures	26	44,958	41,615
Non-current liabilities			
Convertible loan	28	114,244	110,469
Liabilities to credit institutions	14, 27	39,799	27,912
		199,001	179,996
Current liabilities			
Bank overdraft facilities	14, 29	0	3,195
Other current financial liabilities	14, 27	21,507	24,106
Accounts payable	14	19,083	15,970
Income tax liabilities		0	0
Other current liabilities	14	4,391	7,393
Accrued expenses and deferred income	14, 30	13,683	14,418
		58,664	65,082
Total liabilities		257,665	245,078
TOTAL EQUITY AND LIABILITIES		418,392	531,479
Pledged assets			
Pledged bank account, security for reclamation measures		9,546	9,722
Chattel mortgage, security issued to credit institution		20,000	38,004
Real estate mortgage, security issued to credit institution		30,000	30,000
Facilities with ownership restrictions - outstanding payment for acquisition		0	35,000
Shares in subsidiaries		0	0
Contingent liabilities			
Regional grant for business development		1,200	1,200

Consolidated Statement of Changes in Equity

Equity attributable to shareholders in Lapland Goldminers AB

Amounts are in TSEK	Share capital	Additional paid-in capital	Reserves	Retained profit/loss	Total equity
Opening equity, 01/01/2010	1,667	486,971	12,455	-162,933	338,160
Net profit/loss for the year				-43,664	-43,664
Other comprehensive income					
Translation differences			-21,714		-21,714
Comprehensive income for the year			-21,714	-43,664	-65,378
Transactions with owners					
Share-based remuneration				175	175
New share issue					0
Convertible loan, equity portion		13,912			13,912
Costs of convertible loan		-468			-468
Closing equity, 31/12/2010	1,667	500,414	-9,259	-206,422	286,401
Opening equity, 01/01/2011	1,667	500,414	-9,259	-206,422	286,401
Net profit/loss for the year				-196,972	-196,972
Other comprehensive income					
Translation differences			2,061		2,061
Comprehensive income for the year			2,061	-196,972	-194,911
Transactions with owners					
Share-based remuneration		1,091		175	1,266
New share issue	1,111	76,661			77,772
Convertible loan, equity portion					
Costs of new share issue		-7,799			-7,799
Other items				-2,001	-2,001
Closing equity, 31/12/2011	2,778	570,367	-7,198	-405,221	160,726

Consolidated Statement of Cash Flows

Amounts are in TSEK	Notes	2011	2010
Operating activities			
Operating profit/loss for the period		-160,949	-32,057
Adjustments for non-cash items			
Depreciation, amortisation and impairments		208,306	54,309
Other adjustments			2,405
Forward contracts		-16,738	
Changes in value of biological assets (forest)		0	1,735
Interest received		1,955	281,
Interest paid		-20,233	-11,951
Cash flow from operating activities before changes in working capital		12,341	14,722
Changes in working capital			
Changes in accounts receivable and other receivables		-14,885	-8,442
Changes in inventories		16,499	-4,516
Changes in accounts payable and other payables		3,415	-14,505
Cash flow from operating activities		17,371	-12,741
Investing activities			
Acquisition of intangible non-current assets	12	-30,382	-31,704
Acquisition of property, plant and equipment	13	-38,800	-39,997
Cash flow from investing activities		-69,182	-71,701
Financing activities			
Convertible loan		0	122,214
New share issue, net		68,862	0
Changes in current and non-current financial liabilities		10,033	-43,419
Changes in pledged cash and cash equivalents		162	0
Cash flow from financing activities		79,057	78,795
Net change in cash and cash equivalents		27,245	-5,648
Cash and cash equivalents at beginning of period		10,458	16,106
Translation differences in cash and cash equivalents		-577	0
Cash and cash equivalents at close of period		37,126	10,458

Parent Company Income Statement

Amounts are in TSEK	Notes	2011	2010
Sales income	7	472	1,991
Exploration costs	1, 31	-5,007	-5,270
Administration costs	6	-17,176	-21,601
Impairment losses on intangible assets	5	-27,568	
Operating profit/loss	6, 7	-49,279	-24,880
Impairment losses on shares in subsidiaries	15	-58,100	0
Impairment losses on intra-Group receivables		-67,720	0
Result from financial investments	16	-1,006	948
Financial income	8	41,150	4,828
Financial costs	9	-35,659	-39,801
Profit/loss after financial items		-170,614	-58,905
Tax on profit for the year	10	0	0
Profit/loss for the year		-170,614	-58,905
Other comprehensive income		0	0
Total comprehensive income for the year		-170,614	-58,905
Average number of shares during period, basic	25	111,789	83,328
Average number of shares during period, diluted		125,448	92,538

Parent Company Balance Sheet

Amounts are in TSEK	Notes	2011	2010
ASSETS			
Non-current assets			
Intangible non-current assets			
Mining rights and exploration costs	12	144,818	162,497
Property, plant and equipment			
Buildings and land	13	13,988	14,703
Equipment, tools and installations	13	292	597
Construction in progress and advance payments on property, plant and equipment	13	5,469	5,466
Financial assets			
Shares in subsidiaries	15, 19	8,850	66,950
Other securities held as non-current assets	16	997	2,003
Pledged cash and cash equivalents	17	80	79
Total non-current assets		174,494	252,295
Current assets			
Receivables from Group companies	18	221,074	241,367
Other receivables	21, 23	583	1,266
Prepaid expenses and accrued income	22	422	597
Cash in hand and on deposit	24, 29	11,606	9,202
Total current assets		233,685	252,432
TOTAL ASSETS		408,179	504,727

Parent Company Balance Sheet

Amounts are in TSEK	Notes	2011	2010
EQUITY AND LIABILITIES			
Equity	25		
Share capital		2,778	1,667
Statutory reserve		81,327	81,327
Share premium reserve		489,044	419,091
Retained profit/loss		-141,408	-82,677
Net profit/loss for the year		-170,614	-58,905
Total equity		261,127	360,502
Liabilities			
Non-current liabilities			
Liabilities to credit institutions	27	15,840	12,351
Convertible loan	28	114,244	110,469
		130,084	122,820
Current liabilities			
Accounts payable		2,688	5,592
Other current financial liabilities	27	12,000	7,401
Income tax liabilities		0	0
Other current liabilities		357	1,272
Accrued expenses and deferred income	30	1,922	7,139
		16,967	21,404
Total liabilities		147,051	144,225
TOTAL EQUITY AND LIABILITIES		408,178	504,727
Pledged assets			
Pledged bank account, security for reclamation measures		80	79
Chattel mortgage, security issued to credit institution		10,000	10,000
Real estate mortgage, security issued to credit institution		30,000	30,000
Shares in subsidiaries		0	0
Contingent liabilities			
Guarantee for loan at subsidiary		15,450	11,140
Regional grant for business development		1,200	1,200

Parent Company Statement of Changes in Equity

Equity attributable to shareholders in Lapland Goldminers AB

Amounts are in TSEK	Share capital	Additional paid-in capital	Share premium reserve	Retained profit/loss	Total equity
Opening equity, 01/01/2010	1,667	81,327	405,644	-82,851	405,786
Appropriation of profit/loss for preceding year					
Net profit/loss for the year				-58,905	-58,905
Other comprehensive income					
Comprehensive income for the year				-58,905	-58,905
Transactions with owners					
Share-based remuneration				175	175
New share issue			13,912		13,912
Costs of new share issue			-465		-465
Closing equity, 31/12/2010	1,667	81,327	419,091	-141,582	360,502
Opening equity, 01/01/2011	1,667	81,327	419,091	-41,582	360,502
Appropriation of profit/loss for preceding year					0
Net profit/loss for the year				-170,614	-170,614
Comprehensive income for the year				-170,614	-170,614
Other comprehensive income					
Transactions with owners					
Share-related costs			1,091	175	1,266
New share issue	1,111		76,661		77,772
New share issue costs			-7,799		-7,799
Other items					
Closing equity, 31/12/2011	2,778	81,327	489,044	-312,021	261,127

Parent Company Statement of Cash Flows

Amounts are in TSEK	Notes	2011	2010
Operating activities			
Operating profit/loss for the period		-49,279	-24,881
Adjustments for non-cash items			
Depreciation, amortisation and impairments		27,913	499
Foreign exchange gain		-2,396	2,231
Other adjustments			175
Interest received		42,676	2,597
Interest paid		-25,206	-10,769
Cash flow from operating activities before changes in working capital		-6,291	-30,148
Changes in working capital			
Changes in accounts receivable and other receivables		-48,174	-40,949
Changes in accounts payable and other payables		-9,327	5,582
Cash flow from operating activities		-63,792	-65,515
Investing activities			
Acquisition of subsidiary	19	0	-100
Shareholder contributions		0	-26,600
Acquisition of intangible non-current assets	12	-9,889	-19,366
Acquisition of business		0	0
Acquisition of property, plant and equipment	13	-40	-648
Cash flow from investing activities		-9,928	-46,715
Financing activities			
Convertible loan		0	122,214
New share issue		68,862	0
Changes in non-current liabilities		7,264	-13,054
Pledged cash and cash equivalents		-1	0
Cash flow from financing activities		76,124	109,160
Net change in cash and cash equivalents		2,404	-3,070
Cash and cash equivalents at beginning of period		9,202	12,272
Cash and cash equivalents at close of period		11,606	9,202

Notes

1 Accounting policies

Lapland Goldminers AB (publ), corporate registration number 556544-3339, of Storgatan 36, 921 31 Lycksele, has its registered office in Lycksele, Sweden.

Lapland Goldminers AB is a producing mining company with extensive exploration activities. The company is listed on the First North Premier market place under the abbreviated name of GOLD, with Mangold Fondkommission AB as its Certified Advisor. Lapland Goldminers' strategy is to develop mineral deposits into profitable producing mines. The company is strategically positioned in northern Sweden with the Fäboliden Project and in northern Finland with the producing Pahtavaara mine. Lapland Goldminers is a member of SveMin and applies its reporting rules for public mining and exploration companies.

Basis of preparation of the accounts

Lapland Goldminers' Annual Report is published in Swedish and English. The Swedish annual report is the binding version.

The financial statements consist of pages 30-39 and have been prepared in accordance with the International Financial Reporting Standards (IFRS). The Administration Report extends over pages 25-29.

The Administration Report and associated financial statements also satisfy the requirements of the Swedish Annual Accounts Act, and have been audited by Lapland Goldminers' auditors.

Unless otherwise indicated, all comparisons in the Annual Report refer to the corresponding period in the preceding year.

The consolidated accounts for Lapland Goldminers AB have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. The consolidated accounts also comply with RFR 1 "Supplementary Accounting Rules for Groups". The basis of preparation of the accounts is acquisition value, except in the case of financial instruments, which are recognised at fair value. The Parent Company applies essentially the same accounting principles as the Group. Any deviations that occur between the Parent Company's and the Group's policies arise from restrictions as regards the ability to apply IFRS in the Parent Company under the Swedish Annual Accounts Act and Swedish Pension Obligations Vesting Act. Deviations may also be attributable, in certain cases, to tax considerations. Furthermore, the Parent Company applies RFR 2 "Accounting by Legal Entities".

The consolidated income statement and balance sheet and the Parent Company income statement and balance sheet were approved by the Board on 26 April 2012 and will be submitted for adoption at the Annual General Meeting on 24 May 2012.

Consolidated accounts

The consolidated accounts comprise Lapland Goldminers AB and all subsidiaries. Subsidiaries are companies in which Lapland Goldminers AB, directly or indirectly, controls more than 50 percent of the voting rights represented by the shares, or otherwise exercises a controlling influence. Subsidiaries are reported using the acquisition method of accounting, in which identifiable assets and liabilities in the company acquired are recognised at fair value. The analysis determines the acquisition value of the shares or the business activity and the fair value on the acquisition date of identifiable assets acquired and liabilities and contingent liabilities assumed. The acquisition value of the subsidiary's shares and business activity consists of the fair value on the date of transfer of the assets acquired, liabilities incurred or assumed and

equity instruments issued that are provided as a purchase consideration in exchange for the net assets acquired. Transaction costs directly attributable to the acquisition are recognised directly in the income statement as they are incurred.

In the case of business combinations where the acquisition cost exceeds the net value of identifiable assets and liabilities acquired plus contingent liabilities, the difference is recognised as goodwill. When the difference is negative, it is taken directly to the income statement. Only income earned after the time of acquisition is included in the Group's equity. Divested companies are included in the Group up to the point in time when the controlling influence ceases. Intra-Group receivables and liabilities, income and costs, as well as unrealised gains and losses arising from intra-Group transactions are eliminated in their entirety during preparation of the consolidated accounts.

Unrealised gains arising from transactions with associated companies and joint ventures are eliminated on a pro rata basis corresponding to the Group's ownership stake in the company. Shareholdings without a controlling influence, i.e. equity in a subsidiary that is not attributable to the Parent Company, are recognised as a special item in equity, separately from the Parent Company's ownership share in equity. Separate disclosure is made of the share in profit for the year that is attributable to shareholdings without a controlling influence, if this is relevant.

New or amended standards and interpretations from IASB and statements from IFRIC that took effect in the calendar year 2011

- IFRS 3 Business Combinations Clarification of transitional rules on conditional purchase consideration.
- IFRS 7 Financial Instruments: Disclosures. Amendment introducing certain easing of disclosure requirements for maximum credit risk and additional disclosure requirements as to how securities furnished lessen the credit risk.
- IAS 1 Presentation of Financial Statements Clarification that reconciliation of items in other comprehensive income can be performed either in the statement of changes in equity or a note to the financial statements.
- IAS 24 Related Party Disclosures. Change in definition of related party and exemption concerning disclosures by publicly owned companies.
- IAS 27 Consolidated and Separate Accounts The amendment of IAS 27, which was made in 2008, led to amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and Joint Ventures and IAS 31 Interests in Joint Ventures. The supplementation of IAS 27 clarifies the circumstance in which these amendments are to be applied, prospectively or retroactively.
- IAS 32 Financial Instruments: Presentation According to the amendment of IAS 32, private issues of rights to subscribe for shares are classified as equity, even when the price is set in a currency other than the Company's functional currency.
- IFRIC 13 Customer Loyalty Programmes The amendment clarifies the meaning of fair value regarding valuation of bonus points awarded in customer loyalty programmes.
- IFRIC 14 & IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. Surpluses in a pension plan arising from advance payments are recognised as an asset rather than a cost, in that the advance payments were made in order to

obtain future economic benefits as a result of lower future outflows of resources.

- **IFRIC 19** Extinguishing Financial Liabilities with Equity Instruments. Interpretation applied when a loan is renegotiated so that all or portions of the loan are settled by the Company issuing its own shares to the lender.

It is not considered that any of the changes will have any significant effect on Lapland Goldminers' financial reporting and accounting.

New standards and interpretations that take effect in the 2012 calendar year or later

The standards and interpretations described are such, in the Group's view, that they may have an impact in the future. The Group intends to apply these standards when they enter into force.

- **IFRS 7** Financial Instruments: Disclosures (supplement). Additional quantitative and qualitative disclosures are to be provided in the event of derecognition of financial instruments from the balance sheet. The interpretation is applied to financial years starting on 1 July 2011 and thereafter.
- **IFRS 9** Financial Instruments: Classification and Measurement. This standard is part of a comprehensive revision of the current IAS 39 standard. The standard reduces the number of measurement categories for financial assets, to consist of the main categories for recognition at acquisition value (amortised cost) and fair value via the income statement. In the case of certain investments in a company's own equity instrument, the item can be recognised at fair value on the balance sheet, with any change in value being taken directly to other comprehensive income, in which case no transfer takes place to profit for the period on disposal of the asset. In addition, new rules have been introduced determining how changes in a company's own credit spread should be presented when liabilities are recognised at fair value. The standard will be supplemented by rules on impairment losses and hedge accounting on the balance sheet. IASB has proposed that mandatory application is deferred until no earlier than 1 January 2015. Pending completion of all the parts of the standard, the Group has not assessed the effects of the new standard.
- **FRS 10** Consolidated Financial Statements (replaces IAS 27 and SIC 12). Has the effect of introducing a single structure for evaluating whether a controlling influence is represented by all investments in a company. This introduces uniform rules for consolidation. A controlling interest exists if the investor 1) is exposed to or is entitled to a variable return on their investment, 2) has the ability to affect the return by virtue of their ability to manage the business, 3) a link exists between the return obtained and the ability to manage the company. The new standard is unlikely to have any significant impact on Lapland Goldminers' financial reporting. A review of the Group's subsidiaries will be conducted to obtain assurance that this is the case. The standard has not yet been adopted by the EU, but is expected to enter into force on 1 January 2013.
- **IFRS 11** Joint Arrangements (replaces IAS 31). Classifies the current joint ventures into joint operations - where the owners have a right to assets and a commitment in respect of liabilities in the investment - and joint ventures - where the owners have a right to the net assets represented by the investment. The new standard changes the current criteria for establishing accounting method where accounting has hitherto been determined by the arrangement's legal structure and a free choice between the equity and proportional methods. The proportional method is no longer applicable to joint ventures but must be applied to joint operations. Lapland Goldminers will examine the new standard to establish whether the new standard is relevant to the Group's associated companies. No decision on the standard has been taken in the EU, but it will in all probability take effect from 1 January 2013.
- **IFRS 12** Disclosure of Interest in Other Entities Brings together into

one standard the disclosure requirements for subsidiaries, joint arrangements and associated companies. The standard introduces a number of new disclosure requirements. A review to establish how the requirements will affect Lapland Goldminers will be carried out in connection with the review of IFRS 10 and 11. The standard is expected to be approved by EU in the third quarter of 2012 and has been proposed to take effect from 1 January 2013.

- **IFRS 13** Fair Value Measurement The intention of a new standard is to define a universal framework for measurement of fair value. IFRS 13 will be applied to all other standards that require or permit measurement at fair value for accounting and disclosure purposes, apart from IFRS 2, IAS 17, 19, 26 and 36. The standard defines fair value and gives directions as to how fair value is to be determined, but it does not change the requirements as to which items are to be measured at fair value. Lapland Goldminers' valuation policies are unlikely to be amended as a result of the new standard, but the matter will be assessed. The standard has not yet been adopted by the EU, but will in all probability be implemented prospectively from 1 January 2013.
- **IAS 19** Employee Benefits (revised). The amendments will be such that 1) the corridor approach, in which actuarial gains and losses can be deferred, will be removed; 2) actuarial gains/losses will have to be recognised in other comprehensive income; and 3) return on plan assets recognised in profit or loss will be calculated using the interest rate used to discount the pension obligation. The requirement for supplementary disclosures will increase. Lapland Goldminers will review the possible effects of implementation of the revised standard, including with regard to elimination of the corridor approach. The standard will take effect for financial years starting on 1 January 2013, but has not yet been adopted by the EU.
- **IFRIC 20** Stripping Costs in the Production Phase of a Surface Mine. A company is to capitalise the costs of removal of waste rock as part of an asset when it is possible: to identify the component of the ore body for which access is improved; to identify future economic benefits from this access; and a reliable estimated cost can be attributed to the component of the ore body. The first of the above is a new requirement that deviates from the procedure to calculate the mean value of the ratio of ore to waste rock for an entire mine. The emphasis instead shifts to dividing the mine into different constituent parts. In the interpretation, "mine" refers to each open pit, individually. IFRIC 20 has not yet been adopted by the EU; a decision is expected to be taken in the second quarter of 2012, with implementation from 1 January 2013. Lapland Goldminers will develop a process for application of the new interpretation and will be able to report in accordance with the new interpretation for all comparison periods once a decision is taken by the EU.

Other changes to standards and interpretative statements that entered into force on 1 January 2012 are considered not to have had any impact on Lapland Goldminers' accounts.

Functional currency and reporting currency

Items that are included in the financial statements for the various units in the Group are measured in the currency used in the economic environment in which the company in question is principally active (functional currency). This is currently the Swedish krona (SEK) for operations in Sweden and the euro (EUR) for the Finnish subsidiary. SEK, the Parent Company's functional currency and reporting currency, is used in the consolidated accounts.

Translation of foreign subsidiaries and other foreign operations

The current method is used in translation of the income statements and balance sheets of independent foreign operations. In this method, all assets, provisions and liabilities are translated at the closing

exchange rate and all income statement items are translated at the average rate. Any exchange rate differences are recognised via other comprehensive income.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are translated at the closing exchange rate. Exchange rate differences for operating receivables and operating liabilities are included in the operating profit/loss, whereas exchange rate differences for financial receivables and liabilities are reported among financial items. Unrealised exchange rate gains and losses attributable to operating receivables and liabilities are reported net as other operating income/ expenses.

Transactions in foreign currencies

Transactions in foreign currencies are translated to the functional currency at the exchange rate prevailing on the day of the transaction. The functional currency is the currency in the primary financial environments in which the companies conduct their operations. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the rate of exchange prevailing on the balance sheet date. Any exchange rate differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities recognised at fair value are translated to the functional currency at the rate prevailing at the time the fair value of the item was measured.

Financial instruments

Financial instruments recognised on the balance sheet consist of shares, receivables, cash and cash equivalents, liabilities and derivatives. Financial assets and liabilities are entered on the balance sheet when the Company becomes bound by the contractual terms for the instrument (transaction-date accounting). However, financial liabilities are not recognised until the date of settlement. A financial asset is removed from the balance sheet when the contractual rights or obligations have been performed, expire or are transferred to another counterparty. A financial liability is removed from the balance sheet when the contractual obligation is fulfilled or if very significant aspects of the conditions of lending are renegotiated. Financial instruments are recognised at fair value, amortised cost or acquisition value, depending on initial categorisation under IAS 39. On each reporting occasion, the Company assesses whether there are objective indications that a financial asset or group of financial assets is in need of impairment.

Valuation policies for financial instruments

Fair value

Lapland Goldminers has elected not to exercise the option of measuring financial assets or liabilities other than derivatives at fair value. The fair value of derivatives is based on current buying and selling prices on the balance sheet date, with discounting of estimated cash flows. Market prices for gold are obtained from where gold derivatives are traded, i.e. from the London Bullion Market Association (LBMA). Discount rates are based on current market rates per currency and date of maturity for the particular financial instrument. Year-end prices are obtained from Riksbanken (the Central Bank of Sweden). In disclosure of fair value of financial liabilities, the fair value is calculated as the discounted contractual amortisations, plus interest payments at estimated market interest rate margins.

Fair value hierarchy

In accordance with IFRS 7, Lapland Goldminers has disclosed information on the financial instruments recognised at fair value on the balance sheet, based on a three-level hierarchy. Level 1 comprises instruments quoted and traded on an active market where identical instruments are traded. Level 2 consists of instruments not traded on an active market, but where observable market data is used as a basis for valuation of the instruments (either directly or indirectly). Level 3

comprises instruments whose values are to a major extent based on non-observable market data. The assessments are made on the basis of circumstances and factors affecting the various instruments. Gold forward contracts are classified as Level 2, as their discounted prices are based on quoted daily prices obtained from exchanges.

Amortised cost

Amortised cost is calculated using the effective interest rate method. This means that any surplus or deficit values, as well as directly attributable costs or income, are distributed over the term of the contract on the basis of the estimated effective interest rate. The effective interest rate is the rate by which the acquisition value of the instrument is calculated on the basis of a current value calculation of future cash flows.

Acquisition value

Acquisition value is the value recognised when the financial instrument was acquired; this is equal to the fair value at the time of acquisition, plus transaction costs.

Valuation category

Lapland Goldminers divides financial instruments into the following valuation categories:

Holdings measured at fair value

Derivatives that are measured at fair value, for which changes in value are recognised in the income statement (net financial items). These derivatives, consisting of gold forward contracts and currency forward contracts, are not included in hedge accounting.

Loans receivable and accounts receivable

This category includes financial investments, receivables (not quoted in an active market) and cash and cash equivalents. Cash and cash equivalents include cash in hand and on deposit, plus current investments, with a term of no more than three months at that time of acquisition, that may readily be converted into cash. Cash and cash equivalents are exposed to only an insignificant risk of fluctuation in value and are recognised in their nominal amounts. Receivables consist of accounts receivable, as well as current interest-bearing holdings of securities and other investments that are not non-current assets and are not to be categorised as cash and cash equivalents. Receivables are recognised in the amount that is expected to be received, i.e. after a deduction for bad debts that are assessed on a case-by-case basis. The estimated term for accounts receivable and other current receivables is short, and so the value is recognised at the nominal amount without discounting, in accordance with the method used to calculate amortised cost.

Available-for-sale financial assets

Assets in this category consist of shares measured at fair value, with changes in value being recognised under Other comprehensive income. Where fair value cannot be established for such shares, they are recognised at acquisition value, taking into account accumulated impairment losses.

Derivatives used in hedge accounting

This category consists of derivatives measured at fair value that are included in fair value hedging, cash flow hedging and hedging of net investments in foreign operations. These derivatives consist of gold forward contracts, currency forward contracts and interest rate derivatives. See section Classification and recognition of derivatives used for hedging. In 2010 and 2011, hedge accounting was not used by Lapland Goldminers AB and its subsidiaries. Any change in value of derivatives is recognised via the income statement.

Other financial liabilities

Other financial liabilities comprise in the main liabilities to credit institutions, together with accounts payable. The estimated term for accounts payable and other current receivables is short, and so the value

is recognised in the nominal amount without discounting, in accordance with the method used to calculate amortised cost. Liabilities to credit institutions are measured initially as funds received after deduction of any set-up fees, and are then recognised at amortised cost. Interest costs are recognised on an ongoing basis via the income statement, other than the portion that is included in the acquisition value of property, plant and equipment. Capitalised set-up fees are recognised directly against the loan liability, to the extent that the loan commitment underlying the loan agreement is used and recognised in the income statement (other financial expenses) over the contractual term of the loan. If a loan agreement is terminated or otherwise expires, at a time before end of the original contractual term, capitalised set-up fees are recognised in income. If a current agreement is renegotiated during the contractual term, any additional fees associated with the renegotiation will be distributed over the remaining contractual term of the loan.

Assets and liabilities in foreign currencies

Receivables, liabilities and derivatives in foreign currencies are translated to SEK at the closing exchange rate. Exchange rate differences on operating receivables and operating liabilities are included in the operating profit/loss, whereas exchange rate differences on financial assets and liabilities are recognised among financial items.

Classification and recognition of derivatives used for hedging

Fair value hedging (binding commitment)

Any change in value of financial derivatives intended to hedge a binding undertaking is recognised in operating profit along with any change in value — that the hedge is intended to protect against - of the asset or liability. On the balance sheet, the fair values of the financial derivatives are recognised as current assets and liabilities. At the same time, any change in value of hedged items is recognised on the balance sheet, for example as inventories. This means that changes in values for the derivatives are effectively set off against changes in value from hedged items in the income statement and balance sheet.

Cash flow hedging (forecast flows)

Financial derivatives intended to hedge forecast flows are hedge accounted. This means that the effective portion of unrealised market values is recognised in Other comprehensive income until the hedged item, such as forecast sales of gold, USD and EUR income and interest costs, is realised and consequently recognised via the income statement. Realised profits attributable to gold and currency derivatives are recognised against sales income and profits from interest rate derivatives are recognised in net financial items. The ineffective portion of cash flow hedges is recognised in financial items.

Hedging of net investments

The result of hedging of net investments in foreign operations is hedge accounted together with cash flow hedges in Other comprehensive income. Any ineffective portion of these hedges is recognised in financial items.

On disposal of foreign operations, any associated hedging result is recognised via the income statement along with the translation effect of the net investment.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and recognised as a net amount per counterparty on the balance sheet when a legal right to offset the amounts exists, and there is an intention to settle the items with a net amount or to realise the asset and settle the liability at the same time. Financial derivatives are recognised net.

Inventories

Inventories are recognised in accordance with the FIFO (first-in, first-out) method and measured at acquisition value or fair value, whichever is the lower.

Intangible non-current assets

Licenses for mining rights are entered at acquisition value. The nature of the exploration work can vary, as it includes activities such as drilling of various kinds as well as geological and geophysical surveys. This work is primarily carried out for two reasons: on the one hand as pure exploration activity in order to identify new, mineable minerals, and on the other as evaluation work in order to better determine the economic potential for extraction from an already known mineral deposit.

Exploration costs for pure exploration activities are recognised as an expense during the period in which they arise, while costs of evaluation work are recognised as an expense at the time when the company has decided to extract minerals from a deposit. From that moment, the expenses are capitalised as mining rights, after which they are amortised according to generally accepted practices based on the estimated economic lifetime once extraction of the ore commences. Any need for impairment is assessed if information or circumstances indicate that the value of costs for the evaluation work should be tested. This is done both for assets that have been placed in service and for assets that have not yet been placed in service. On each reporting occasion, an assessment is carried out as to whether there is any need for impairment.

Property, plant and equipment

Property, plant and equipment are valued at acquisition value less depreciation and any impairment losses. The acquisition value includes expenditure on the costs of restoration. Expenditure on improvements in the performance of assets, over and above the original level, is added to the carrying amount for the assets. Expenditure on repairs and maintenance are recognised as costs.

Development costs in mines refer partly to the mining of waste rock to access the ore body, and partly to work relating to infrastructure facilities, roads, sites, excavation, inclined drifts and installations for the distribution of services, electricity and air. Costs for development work in order to extend the capacity of the mining operation, to develop mineral bodies and to prepare the mine areas for future mineral production are capitalised and amortised in line with mineral production.

Amortisation and depreciation

Intangible assets

Intangible assets are amortised in accordance with the "unit of production" method. According to this method, the assets are amortised in pace with the rate of production. Within the Lapland Goldminers AB Group, an assessment is made regarding total anticipated production of gold from each mine during its anticipated economic life. After that, assets are amortised in each period corresponding to that period's proportional share of total anticipated production.

Property, plant and equipment

Property, plant and equipment are depreciated systematically over their estimated economic life. When an asset's depreciable amount is determined, the residual value of the asset is taken into account, where appropriate. The straight-line depreciation method is used for the property, plant and equipment specified below. The following depreciation policies are applied:

Buildings	10 years
Processing facilities	10 years
Machinery	5 years
Computers	3 years

Leasing

A finance lease is an agreement whereby the financial risks and benefits that are associated with the ownership of an object are essentially transferred from the lessor to the lessee. All other leases are classified as operating leases. Assets that are held under finance leases are initially recognised as non-current assets in the consolidated balance

sheet. The debt that the Group has vis-à-vis the lessor is recognised on the balance sheet under financial liabilities, divided into a short- and a long-term portion. Lease payments are apportioned between interest and reduction of the outstanding liability. Interest costs are distributed over the leasing period so that each accounting period includes an amount corresponding to a fixed interest rate for the liability recognised in each period. The leased asset is depreciated according to the same principles that are applied to other assets in the same category. The payments under operating leases are to be recognised as an expense on a straight-line basis over the lease period.

Pledged cash and cash equivalents

Pledged cash and cash equivalents consist mainly of cash and cash equivalents that have been set aside in a blocked account as a guarantee for reclamation measures and environmental undertakings for the operations at Ersmarksberget, Svärträsk and Pahtavaara.

Biological assets

The Group accounts for its forest assets as growing forests, which are recognised as a biological asset at fair value, and land, which is reported at acquisition value. Changes in the fair value of the growing forest are recognised via the income statement. The valuation was conducted by an external independent party using the forest stand method and a sliding interest rate for costing purposes of 3.0%—3.8%. The Group's assets are valued at SEK 18,700 th. See also Note 13.

In the Parent Company, biological assets are accounted for according to the Swedish Annual Accounts Act. As a result, biological assets classified as non-current assets are reported at their acquisition value, adjusted for write-ups and taking into consideration any need for impairment.

Convertible debenture loan

Convertible debenture loans are reported in accordance with IAS 32. As a result, the loan is deemed to be subject to an actual interest rate that is below an estimated market interest rate, as the conversion right is considered to have a value. For this reason, the loan liability is recognised, less issue costs, at its present value at the market interest rate, which means that the liability is recognised at an amount below the nominal amount. The difference between the loan liability calculated in this way and the nominal liability amount is transferred to other paid-in capital/share premium reserve as a premium on the shares that may be issued. The distribution of the issue costs between the loan portion and the equity portion is carried out on the basis of the same distribution. The recognised loan liability is upwardly adjusted regularly over the term of the loan at a rate of interest, such that on the date of maturity the recognised liability is equal to the nominal amount. As a result, the market interest rate, which exceeds the rate that is actually paid, is recognised via the income statement. The loan is recognised at amortised cost.

Provisions

Provisions are recognised when an obligation exists as a result of events that have occurred, and it is likely that payments will be necessary for the obligation to be fulfilled. Another requirement is that it must be possible to make a reliable estimate of the amount that is to be paid out. The book provisions refer to estimated costs for reclamation of the environment on closure of the Pahtavaara mine in Finland. These amounts are according to calculations carried out by Lapland Goldminers AB and its subsidiaries.

Revenue recognition

Sales of gold concentrate and by-products are recognised when delivered to the customer in accordance with the terms and conditions of sale, i.e. revenue is recognised when significant risks and rewards of

ownership are transferred to the buyer. Sales are recognised net of VAT, discounts and exchange rate differences in the case of sales in foreign currencies. The Group's gold concentrate is provisionally invoiced in accordance with the relevant counterparty agreement. Definitive invoicing takes place when all parameters, including quantity of concentrate, gold grade, level of impurity, price of gold and exchange rate for the pricing period agreed, have been settled.

Impairment of assets

When there are indications that the value of an asset has been impaired, the carrying amount for the asset is assessed. In those cases where the carrying amount for an asset exceeds its calculated recovery value, the asset is immediately written down to the recovery value that is deemed to correspond to the asset's fair value.

Financial income

Interest income is recognised using the effective interest method.

Dividends received

Dividends received are recognised when the right to dividend is assured.

Income taxes

The tax expense (income) for the period comprises current tax and deferred tax. Taxes are reported via the income statement, other comprehensive income and equity. Current tax is the tax calculated for the taxable profit for a period. The taxable profit for the year differs from the recognised pre-tax profit for the year in that it has been adjusted for non-taxable and non-deductible items plus temporary differences. The Group's current tax liability is calculated on the basis of the tax rates enacted or announced on the balance sheet date. The balance sheet method is used for reporting deferred tax. In this, deferred tax liabilities are reported on the balance sheet for all taxable temporary differences between book and taxable values for assets and liabilities. Deferred income taxes recoverable are reported on the balance sheet with regard to tax loss carry-forwards and all deductible temporary differences to the extent it is probable that the amounts will be used against future taxable surpluses. The carrying amount for deferred income taxes recoverable is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable surpluses will be available to be used. Deferred tax is calculated using the tax rates that are expected to apply in the period when the asset is recovered or the liability settled.

Exploration, research and development

R&D at Lapland Goldminers consists mainly of exploration, i.e. searching for new mineral deposits. Expenses are generally recognised as costs as they arise. In cases where an economic potential is deemed to exist, or is established in relation to the extraction of a possible future deposit, the costs are recognised as expenses up to that point. After the said point in time, the costs relating to exploration are capitalised, the principle of which is described under intangible assets. Preparation, the principle of which is described under property, plant and equipment, is also capitalized after the said point in time.

New share issue costs

New share issue costs are taken directly to shareholders' equity.

Remuneration to employees and the Board of Directors

Current remuneration to employees — such as salaries, social welfare charges and similar remuneration — is recognised in the period in which they arise.

Pensions

Lapland Goldminers accounts for remuneration to employees in accordance with IAS 19. The standard draws a distinction between defined-contribution and defined-benefit pensions. Defined-contribution pension plans are defined as plans where the Company pays fixed fees to a third party and where the Company has no obligations after the premiums have been paid in. Such plans are recognised as a cost when the premiums are paid. Other plans are defined-benefit plans, where the obligations remain within the Group. These obligations and costs in respect of service during the current period are calculated actuarially using the Projected Unit Credit Method. External actuaries are engaged for these calculations.

The commitment for retirement and family pensions for salaried employees in Sweden is secured through an insurance scheme with Alecta. According to a statement (UFR 3) by the Swedish Financial Reporting Board, this is a defined-benefit plan that covers several employers. As in the previous financial year, the Company has not had access to such information that enables this plan to be reported as a defined-benefit plan, which means that the ITP plan with Alecta, which is secured through the insurance scheme, is accounted for as a defined-contribution pension plan.

The Company's obligations regarding fees to defined-contribution pension plans are recognised as a cost in the income statement at the rate at which they are earned through the employees performing services for the Company during a period.

Share-based remuneration to employees

Lapland Goldminers AB had no outstanding incentive programme on 31 December 2011.

The Chairman of the Board and Directors receive fees as determined by the Annual General Meeting. Remuneration to the CEO and other senior executives comprises basic salary, other benefits and pension. The senior executives are the CEO of the Parent Company, the Vice CEO of the Parent Company, the Chief Financial Officer of the Parent Company and the Managing Directors of the subsidiaries.

Related party disclosures

IAS 24 specifies that information must be disclosed regarding the relations the Company has with other companies and physical persons, as well as the transactions that have taken place between them, see Note 4.

Segment reporting

The Company has defined its reporting of operating segments as operational areas. These are mining, exploration and administration. Lapland Goldminers is at present organised into three business areas: Pahtavaara, Ersmarksberget and Exploration. The business areas correspond to Lapland Goldminers' operational areas since 1) the business area managers are directly accountable to the Chief Executive Officer (CEO); 2) the CEO controls the constituent parts of the Group via Group Management meetings, through which financial results are judged against financial goals; 3) the budget process sets financial goals and establishes investment plans and budgets for overheads for the individual business areas; 4) decisions on goals and allocation of resources for units within the individual business areas are taken within the management group for the particular business area; and 5) heads of operational units normally do not report to the CEO but to the particular business area manager.

Business Area Pahtavaara includes the Finnish gold mine just north of Sodankylä in the Finnish part of Lapland. Pahtavaara is operational and produced around 640 kgs gold concentrate in 2011. Business Area Ersmarksberget includes the gold deposit in the vicinity of Storuman in Västerbotten County, Sweden. Ersmarksberget is not in production. Business Area Exploration includes all exploration activities conducted

by Lapland Goldminers in Sweden and Finland.

The accounting policies applied in segment reporting are the same as those applied by the Group. Note 31 on page 58 provides information on sales revenue per geographical market, including where the Group's external customers are located and information on major customers. The note also contains information on assets and investments per geographical market.

Assessments and estimates in the financial statements

The preparation of financial statements in conformity with IFRS and RFR 2.3 requires the Company management to make judgements, estimates and assumptions that affect the application of the accounting policies and the amounts reported for assets, liabilities, income and expenses. The actual outcome may deviate from these estimates and judgements. The estimates and assumptions are reviewed regularly. Changes in estimates are applied prospectively and via future income statements. On the other hand, changes in accounting policies are applied retroactively and through opening equity.

The estimates and assumptions that constitute a major risk of significant adjustments in carrying amounts for assets and liabilities during subsequent reporting periods are outlined below.

Impairment testing of intangible assets

Any need for impairment of exploration and evaluation assets is tested, on the basis of the requirements in IFRS 6, when facts and circumstances indicate that the carrying amount for an exploration or evaluation asset may exceed its recovery value. If the conditions for the underlying assessments that constitute the basis for the value of the intangible assets should change, and if facts and circumstances emerge that indicate that an impairment test in accordance with IAS 36 should need to be performed, the amount may need to be reduced. No facts or circumstances were found to indicate that an impairment adjustment was justified.

The value of the assets depends on a number of factors, including:

- Whether permits, such as exploitation concessions and environmental permits, have been obtained
- Whether extraction is taking place, or it is considered that extraction could commence
- Whether the sum of costs incurred and the discounted value of future expenditure on extracting the minerals is less than the current value of the income that the extraction of the minerals is expected to generate.

The value of the assets in the form of capitalised development expenditure for mining operations is dependent on whether the Group obtains exploitation concessions and environmental permits for those locations where exploration is taking place. During 2011, exploration primarily took place in the Pahtavaara area in Finland and at Ersmarksberget in Sweden.

Reclamation

During the year, the policies on provision for reclamation costs have been subject to a review, which has affected the value of the non-current assets, as well as the provision for the cost of reclamation. The effects of the changes in estimates will be accounted for prospectively via the income statement.

Valuation of loss carry-forwards

Every year, the Group's management and Board of Directors assess the potential to capitalise deferred income taxes recoverable in relation to taxable loss carry-forwards. Deferred income taxes recoverable are only entered if it is judged as certain that these can be used against taxable surpluses. As the future point in time and the potential to use these

are considered to be uncertain, it has been decided until further notice not to report deferred income taxes recoverable arising from taxable deficits.

Legal issues

The Board of Directors continually assesses the risk of economic consequences of disputes. These assessments include a certain measure of estimation as regards outcome and required provisions.

Statement of cash flows

The Company applies IAS 7 in the preparation of statements of cash flows. The statements are prepared in accordance with the indirect method.

The reported cash flow only covers transactions that entail incoming or outgoing payments.

Parent Company's accounting principles

The Parent Company's annual report has been prepared in accordance

with the Swedish Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 2 - Reporting for legal entities, and the statement by the Swedish Financial Reporting Board. Under RFR 2, the Parent Company is required, in preparing the annual accounts for the legal entity, to apply all IFRS and statements adopted by the EU, as far as this is possible within the framework of the Swedish Annual Accounts Act and taking account of the relationship between accounting and taxation. The recommendation specifies which exemptions and additions are to be made in respect of IFRS. The differences between the accounting policies of the Group and the Parent Company are set out below.

Biological assets, where the difference in policies is described separately below under the heading "Biological assets".

Financial instruments, including shares in subsidiary companies, where the difference in policies is described separately below the heading "Financial assets and liabilities".

2 Fees to auditors

Fees and reimbursement of costs to Ernst & Young AB	Group		Parent Company	
	2011	2010	2011	2010
Audit assignment	562	689	362	548
Other auditing services	0	109	0	109
Tax advice	0	0	0	0
Other services:	0	0	0	0
Total	562	798	362	656

3 Lease commitments

Operating leases	2011		2010	
	Future minimum leasing payments	Of which, premises	Future minimum leasing payments	Of which, premises
Group				
Within one year	1,367	1,125	2,170	1,838
Between one and five years	3,659	2,351	3,299	2,818
More than five years	0	0	0	0
Total	5,026	3,476	5,470	4,656
Leasing costs for the year	1,327	1,084	3,352	1,393

Finance leases	2011		2010	
	Future minimum leasing payments	Of which, premises	Future minimum leasing payments	Of which, premises
Group				
Within one year	4,089	0	4,056	0
Between one and five years	8,594	0	12,683	0
More than five years	0	0	0	0
Total	12,683	0	16,739	0
Leasing costs for the year	4,056		2,489	0
Carrying amount for leased assets	16,117		17,403	

In 2011, the subsidiary Lapland Goldminers Sorsele AB reclassified certain lease commitments from Operating leases to Finance leases. As a result of the reclassification, adjustments have been made to the

The following adjustments have been made to the income statement for the period January—December 2010.

	TSEK
(-) decrease in costs	
Other operating costs:	-1,086
of which, depreciation, amortisation 1,403	
Interest costs	408
Total adjustments	-678

consolidated accounts for the financial year ending on 31 December 2010.

The following adjustments have been entered on the balance sheet as on 31 December 2010

Increase in equipment, tools fixtures and fittings	17,403
Increase in non-current financial liabilities	12,610
Increase in current financial liabilities	3,553
Increase in retained profit	562
Increase in profit for the year	678

4 Personnel

Average number of employees:

	2011		2010	
	Number of employees	Of whom, men	Number of employees	Of whom, men %
Parent Company - Sweden	13	85	16	88
Subsidiaries - Sweden	7	100	9	100
Subsidiaries - Finland	58	86	52	88
Total, Group/subsidiaries	78	87	77	90

Salaries and other remuneration:

Group and Parent Company	Group		Parent Company	
	2011	2010	2011	2010
Board of Directors and CEO	2,975	2,871	1,960	2,086
Other senior executives	3,388	3,991	3,388	3,991
Other employees	18,066	29,006	3,506	4,874
	24,429	35,868	8,854	10,951

Salaries and other remuneration:

Subsidiaries	Sweden		Finland	
	2011	2010	2011	2010
Board of Directors and CEO	1,015	785	0	0
Other senior executives	0	0	0	0
Other employees	3,612	3,372	10,948	20,760
	4,627	4,157	10,948	20,760

Social welfare charges

Group and Parent Company	Group		Parent Company	
	2011	2010	2011	2010
Pension costs, Board of Directors and CEO	635	707	232	338
Other senior executives	1,016	1,111	1,016	1,111
Pension costs, other employees	609	3,998	324	477
Social welfare charges	8,390	6,255	2,933	3,812
	10,649	12,071	4,504	5,738

Social welfare charges

Subsidiaries	Sweden		Finland	
	2011	2010	2011	2010
Pension costs, Board of Directors and CEO	403	369	0	0
Other senior executives	0	0	0	0
Pension costs, other employees	285	92	0	3,429
Social welfare charges	1,702	1,507	3,756	936
	2,389	1,968	3,756	4,364

(Cont.) 4

Sick leave

Sick leave at the Company was 2.0% during 2011 and 1.4% during 2010.

The Company's plan for pensions is of the defined-contribution type.

	Group		Parent Company	
Parent Company and Group	2011	2010	2011	2010
Gender representation on the Board				
Women	1	1	1	1
Men	8	7	3	3
Gender representation in the Company's management				
Women	1	0	1	0
Men	7	7	5	5
Gender representation in the Company's management				
Subsidiaries	Sweden		Finland	
	2011	2010	2011	2010
Gender representation on the Board				
Women	0	0	0	0
Men	2	1	3	3
Gender representation in the Company's management				
Women	0	0	0	0
Men	1	1	1	1

Remuneration and other benefits during the year
Specification of remuneration to Directors and senior executives

	Director's fee/ Basic salary	Variable remu- neration	Other benefits	Pension
Board of Directors				
Lars Olof Nilsson, Chairman	230			
Lars Göran Olsson	175			
Peter Edwall	175			
Pia Gideon	175			
Group Management				
Kjell Larsson, CEO to 30 September 2011, inclusive.	1,353			310
Henrik Grind, Acting CEO from 1 October 2011, inclusive	230			
Other individuals in the Group Management (5)	4,012			1,419

The CEO, Henrik Grind, is employed full time. The employment agreement is subject to a period of notice of 6 months on the part of the Company and 6 months on the part of the employee. There is no agreement regarding severance pay. Henrik Grind benefits from a fixed pension premium of SEK 15,000/month paid on his behalf. Other employees are affiliated to the ITP plan, which means that both defined-premium and defined-benefit pension plans are currently in force. With regard to the defined-benefit element, this is also treated as a premium pension plan, since the value of the assets cannot be calculated.

At the Annual General Meeting on 18 May 2011, it was decided that annual Directors' fees totalling SEK 950,000 should be distributed, with SEK 250,000 being paid to the Chairman and SEK 175,000 to each of the other Directors not employed at the Company.

Transactions with related parties

In addition to the Directors' fees paid, Chairman of the Board Lars

Olov Nilsson sold consultancy services from his company to Lapland Goldminers AB to a total value of SEK 350,000 in 2011. Director Lars Göran Ohlsson sold consultancy service via his company to a total value of SEK 22,000 in 2011. In April 2011, Lapland Goldminers raised a loan of SEK 15 million from Ponderus Invest AB, on market-based conditions. The loan was repaid in June 2011. Interest paid on the loan totalled SEK 219,000. Ponderus Invest also received guarantee commission payments totalling SEK 1.25 million in payment for its role as guarantor during the new share issue conducted in 2011. Ponderus Invest AB is the main owner of the Company and is controlled by Director Peter Edwall.

Warrants

On 25 February 2009, a wholly owned subsidiary of Lapland Goldminers AB (publ) subscribed for 1,000,000 warrants, for onward transfer on market terms to the Company's new CEO, Kjell Larsson, subject to the following terms:

- A total of 300,000 series A warrants matured on 31 December 2011.
- A total of 700,000 series B warrants, each of which carries an entitlement to subscribe for one (1) new share in the Company during the period 1 January – 31 December 2013 at a subscription rate of SEK 15.70 per share.

Lapland Goldminers chose the Black & Scholes model as the option valuation model. The set market price paid per warrant amounted to SEK 1.09 per warrant, as a result of which SEK 1,093,000 was paid by Kjell Larsson into Lapland Goldminers Sorsele AB in March 2009.

Ponderus Invest has issued call options to:

Name	Number	Subscription price	Maturity
Lars Olof Nilsson, Chairman ¹	100,000	13.00	31-12-2012
Lars Olof Nilsson, Chairman ¹	300,000	5.62	31-12-2012
Henrik Grind, CEO	200,000	4.00	31-08-2014
Henrik Grind, CEO	100,000	4.40	31-08-2014
Anders Haker, former CFO	200,000	6.00	31-12-2013
Other employees	513,000	4.00	31-08-2014

¹ via controlled companies

On acquisition, the call options were valued using the Black & Scholes model, and a market-based premium was paid to the issuer when the call options were acquired.

5 Depreciation, amortisation and impairments

	Group		Parent Company	
	2011	2010	2011	2010
Equipment, tools and installations	8,451	4,396	345	499
Mineral reserve, permits, capitalized costs - mine	47,622	41,500	0	0
Impairment losses	152,234	0	27,568	0
Total depreciation, amortisation and impairments	208,307	45,896	27,913	499
Included in function				
Costs of goods sold	54,414	43,967	0	0
Administration costs	345	499	345	499
Impairment losses	152,234	0	27,568	0
Other operating costs	1,314	0	0	0
Total depreciation and amortisation	208,307	45,896	27,913	499

6 Significant costs by type

	Group		Parent Company	
	2011	2010	2011	2010
Raw material costs, including changes in inventory	122,520	100,887	0	0
Personnel costs	45,478	47,618	13,507	16,169
Environmental costs, Ersmarksberget	9,225	10,517	0	0
Other external costs	21,085	15,094	7,859	7,142
Other operating costs ¹	0	6,678	0	1,071
Impairment losses	152,234	0	27,568	0
Depreciation according to plan	56,073	45,896	345	499
Total significant costs	406,614	226,690	49,279	24,881

¹The item other operating costs in the 2010 consolidated income statement refers to impairment losses of SEK 8,413 th. on inventories and changes in value of biological assets (forest) amounting to SEK 1,735 th., on the properties.

Details of significant costs by type refer to items included in the income statement as costs of goods sold, sales and administration costs and exploration costs.

7 Intra-Group sales and purchases

Of sales during the year by the Parent Company, sales to other Group companies accounted for 90% (89%).

Of purchases during the year in the Parent Company, purchases from other Group companies accounted for 0% (0%).

8 Financial income

	Group		Parent Company	
	2011	2010	2011	2010
Interest income, external	365	282	296	2,597
Interest income, internal	0	0	40,790	
Exchange difference on claim in foreign currency	99	2,231	63	2,231
Total	465	2,514	41,150	4,828

9 Financial costs

	Group		Parent Company	
	2011	2010	2011	2010
Interest costs to credit institutions	-4,384		-3,194	
Other interest expenses	-14,377	-11,448	-13,331	-10,262
Cost of convertible loan	0	-3,621	0	-3,621
Forward contract ¹	-16,738	0	-16,738	0
Exchange difference on internal receivables			-2,396	
Exchange difference on claim in foreign currency	-23	0	0	-25,917
Total	-35,482	-15,069	-35,659	-39,800

¹Loss on hedge for gold deliveries, Pahtavaara

10 Tax on profit for the year

	Group		Parent Company	
	2011	2010	2011	2010
Recognised profit/loss before tax	-196,972	-43,664	-170,614	-58,905
Tax at current tax rate	51,804	11,484	44,871	15,492
Tax impact of non-deductible costs:	31,357	226	31,357	50
Other tax adjustments	0	0	0	0
Taxable deficit not recognised	83,161	11,710	76,229	15,542
Effective tax	0	0	0	0

Tax expense recognised

Effective and nominal tax is 0 (0) for both Group and Parent Company. Accumulated tax loss carry forwards total SEK 445,378,999 (215,529,147) for the Group, of which SEK 209,418,175 (158,033,910) is attributable to the Parent Company. The Group has not recorded

any tax loss carry forwards, since the future point in time for, and possibility of, utilising these losses is considered uncertain.

There is no time limit for the deduction of losses in Sweden. A time limit of ten years applies to tax loss carry forwards in Finland.

11 Earnings per share

	Group		Parent Company	
	2011	2010	2011	2010
Recognised profit/loss	-196,972	-43,664	-170,614	-58,905
Profit/loss for calculating earnings per share	-196,972	-43,664	-170,614	-58,905
Average number of shares during period, basic	111,789	83,328	111,789	83,328
Average number of shares during period, diluted	125,448	92,538	125,448	96,218
Basic earnings per share	-1.76	-0.52	-1.53	-0.71
Diluted earnings per share ¹	-1.76	-0.52	-1.53	-0.71

¹ In the case of negative earnings, the accounting rules state that diluted earnings per share is the same amount as basic earnings per share.

12 Intangible non-current assets

	Group		Parent Company	
	2011	2010	2011	2010
Mining rights and exploration costs				
Opening balance, acquisition values	284,005	265,613	162,497	143,131
Purchases	27,795	31,704	9,889	19,366
Provisions	40,843	0	0	0
Currency effects	1,253	-13,312	0	0
Closing balance, accumulated acquisition values	353,895	284,005	172,386	162,497
Opening balance, depreciation & amortisation	-9,220	-5,734	0	0
Currency effect	683	1,159	0	0
Depreciation and amortisation for the year	-3,034	-4,644	0	0
Closing balance, accumulated depreciation and amortisation	-11,570	-9,220	0	0
Opening balance, impairment losses	0	0	0	0
Impairment losses	-123,548	0	-27,568	0
Closing balance, accumulated impairment losses	-123,548	0	-27,568	0
Closing balance, planned residual value	218,777	274,785	144,818	162,497

The Group also reports surplus values arising from purchases of subsidiaries

13 Property, plant and equipment

	Group		Parent Company	
	2011	2010	2011	2010
Buildings and land				
Opening balance, acquisition values	9,351	10,192	14,703	14,164
Purchases/harvesting	-2,716	539	-715	539
Acquisition of business	0	0	0	0
Currency effects	616	-1,381	0	0
Closing balance, accumulated acquisition values	7,250	9,351	13,988	14,703
Closing balance, planned residual value	7,250	9,351	13,988	14,703
Tax assessment value:				
Building	0	0	0	0
Land	15,089	9,518	12,114	6,543

(Cont.) 13

	Group		Parent Company	
	2011	2010	2011	2010
Biological assets				
Opening balance, acquisition values	18,700	16,965	0	0
Purchases	0	0	0	0
Change in fair value	0	1,735	0	0
Closing balance, accumulated acquisition values	18,700	18,700	0	0
Closing balance, planned residual value	18,700	18,700	0	0
Dams and mines				
Opening balance, acquisition values	108,992	70,588	0	0
Purchases	36,979	39,306	0	0
Provisions	0	7,674	0	0
Currency effects	-570	-8,577	0	0
Closing balance, accumulated acquisition values	145,401	108,992	0	0
Opening balance, depreciation & amortisation	-45,875	-12,717	0	0
Currency effect	773	3,697	0	0
Impairment losses	-34,377	0	0	0
Depreciation and amortisation for the year	-48,990	-36,856	0	0
Closing balance, accumulated depreciation and amortisation	-128,469	-45,875	0	0
Closing balance, planned residual value	16,931	63,117	0	0
Equipment, tools, fixtures and fittings				
Opening balance, acquisition values	68,490	69,097	2,690	2,580
Purchases	1,821	152	40	109
Provisions	-11,082	0	0	0
Currency effects	-12	-1,031	0	0
Closing balance, accumulated acquisition values	59,216	68,218	2,730	2,690
Opening balance, depreciation & amortisation	-10,190	-6,408	-2,093	-1,661
Impairment losses	-6,345	0	0	0
Depreciation and amortisation for the year	-3,608	-3,782	-345	-432
Closing balance, accumulated depreciation and amortisation	-20,143	-10,190	-2,438	-2,093
Closing balance, planned residual value	39,073	58,028	292	597
Construction in progress and advance payments on property, plant and equipment				
Opening balance, acquisition values	17,995	17,159	5,466	5,466
Purchases	99	836	2	0
Provisions	0	0	0	0
Currency effects	0	0	0	0
Closing balance, accumulated acquisition values	18,094	17,995	5,469	5,466
Opening balance, depreciation & amortisation	0	0	0	0
Impairment losses	-12,625	0	0	0
Depreciation and amortisation for the year	0	0	0	0
Closing balance, accumulated depreciation and amortisation	-12,625	0	0	0
Closing balance, planned residual value	5,469	17,995	5,469	5,466

14 Financial instruments

Financial assets in the Lapland Goldminers Group consist mainly of cash and cash equivalents, plus accounts receivable. Pledged cash and cash equivalents comprise cash and cash equivalents pledged for the Group's environmental commitments. Lapland Goldminers' financial liabilities are for the most part loans that have been raised to finance operations in Sweden and Finland. The risks associated with the Company's financial assets and liabilities are judged to be small.

Fair value of financial instruments

Information regarding the fair value of financial instruments measured

at their accrued selling value is provided in the table below. The carrying amount for interest-bearing assets and liabilities on the balance sheet may deviate from their fair value, partly as a result of changes in market interest rates. To establish the fair value of financial assets, official market quotations have been used for those assets that have been sold on an active market.

In the case of financial instruments such as accounts receivable and accounts payable, which are accounted for at their amortised cost less any write-downs, the fair value is considered to correspond to the carrying amount.

	Holdings measured at fair value	Loans receivable and accounts receivable	Available- for-sale financial assets	Other financial liabilities	Total carrying amount	Fair value
Group 2011						
Other holdings of securities	997				997	997
Pledged cash and cash equivalents		9,546			9,546	9,546
Other receivables		8,128			8,128	8,128
Prepaid expenses and accrued income		3,470			3,470	3,470
Accounts receivable		44,089			44,089	44,089
Cash in hand and on deposit		37,127			37,127	37,127
Total assets	997	102,360	0	0	103,356	103,356
Non-current interest-bearing liabilities				154,044	154,044	154,044
Current interest-bearing liabilities				21,507	21,507	21,507
Accounts payable				19,083	19,083	19,083
Other current liabilities				4,392	4,392	4,392
Accrued expenses and deferred income				13,683	13,683	13,683
Total liabilities	0	0	0	212,708	212,708	212,708
Liabilities in foreign currencies amount to EUR 3,100 th.; other liabilities are in SEK.						
Group 2010						
Other holdings of securities	2,003				2,003	2,003
Pledged cash and cash equivalents		9,722			9,722	9,722
Other receivables		5,436			5,436	5,436
Prepaid expenses and accrued income		3,681			3,681	3,681
Accounts receivable		33,025			33,025	33,025
Cash in hand and on deposit		10,458			10,458	10,458
Total assets	2,003	62,322	0	0	64,324	64,324
Non-current interest-bearing liabilities				138,381	138,381	138,381
Current interest-bearing liabilities				27,300	27,300	27,300
Accounts payable				15,970	15,970	15,970
Other current liabilities				7,393	7,393	7,393
Accrued expenses and deferred income				14,416	14,416	14,416
Total liabilities	0	0	0	203,461	203,461	203,461
Liabilities in foreign currencies amount to EUR 1,955 th.; other liabilities are in SEK.						

15 Financial non-current assets

	Parent Company	
	2011	2010
Interests in Group companies		
Opening balance, acquisition values	66,950	40,250
Formation of Lappland Goldminers Fäboliden AB	0	100
Conditional shareholder contribution Lappland Goldminers Sorsele AB ¹	0	26,600
Closing balance, accumulated acquisition values	66,950	66,950
Impairment losses for the year	-58,100	0
Closing balance, net carrying amount	8,850	66,950

¹ Shareholder contributions intended to cover loss.

16 Other securities held as non-current assets

	Group		Parent Company	
	2011	2010	2011	2010
Opening balance, acquisition values	4,082	4,082	4,082	4,082
Purchases	0	0	0	0
Closing balance, accumulated acquisition values	4,082	4,082	4,082	4,082
Opening balance, impairment losses	-2,080	-3,027	-2,080	-3,027
Change in fair value	-1,006	948	-1,006	948
Closing balance, accumulated impairment losses	-3,086	-2,080	-3,086	-2,080
Closing balance, net carrying amount	997	2,003	997	2,003

The holding consists of 1,018,667 (1,018,667) shares in Northern Lion Gold Corporation and 10,989 (10,989) shares in Dragon Mining NL, carried at a value equal to market value at year-end. The Group also has an interest in Kreditgarantiförening Norr valued at SEK 5,000.

17 Pledged cash and cash equivalents

	Group		Parent Company	
	2011	2010	2011	2010
Ersmarksberget	2,351	2,351	0	0
Svärträsk	1,282	1,261	0	0
Pahtavaara	5,742	4,141	0	0
Bank, other	171	1,969	80	79
Total	9,546	9,722	80	79

Cash and cash equivalents are mainly pledged to assure measures to restore the environment when mining operations are closed down at the individual units at Ersmarksberget, Svärträsk and Pahtavaara.

18 Receivables from Group companies

	Parent Company	
	2011	2010
Lappland Goldminers Oy	138,386	187,532
Lappland Goldminers Sorsele AB	76,459	47,605
Lappland Guldprospektering AB	6,229	6,229
Total	221,074	241,367

No agreed amortisation plan has been established; some of the receivables are subject to interest on the following terms: 3-month EUR + 3 percentage points per annum.

19 Interests in Group companies

	% equity	% votes	Number of shares	Book value
Lapland Guldprospektering AB	100	100	25,000	8,750
Lapland Goldminers OY	100	100	178,000	0
Lapland Goldminers Sorsele AB	100	100	1,000	0
Lapland Goldminers Fäboliden AB	100	100	100,000	100
Total				8,850

Organisation registration numbers and registered offices of subsidiaries:

	Co. Reg. No.	Reg. Office	Equity
Lapland Guldprospektering AB	556487-3064	Lycksele	3,790
Lapland Goldminers OY	1907114-0	Sodankylä, Finland	-99,097
Lapland Goldminers Sorsele AB	556761-0265	Lycksele	-70,969
Lapland Goldminers Fäboliden AB	556805-7090	Lycksele	100

20 Inventories

	Group		Parent Company	
	2011	2010	2011	2010
Raw materials and consumables	18	64	0	0
Work in progress	8,618	22,552	0	0
Finished products and goods for resale	0	2,562	0	0
Total	8,636	25,179	0	0

The whole of the inventory is valued at acquisition value.

21 Other receivables

	Group		Parent Company	
	2011	2010	2011	2010
Value added tax	6,577	4,506	238	843
Income tax recoverable	199	0	292	0
Other items	1,551	929	0	423
Total	8,327	5,436	529	1,266

22 Prepaid expenses and accrued income

	Group		Parent Company	
	2011	2010	2011	2010
Prepaid rent	678	376	314	39
Accrued income	0	46	0	0
Prepaid premiums for personnel insurance	0	0	0	0
Prepaid contractors	2,684	2,701	0	0
Other items	108	558	108	558
Total	3,470	3,681	422	597

23 Accounts receivable

	Group		Parent Company	
	2011	2010	2011	2010
Accounts receivable not yet due	44,089	33,025	53	0
Overdue 0—30 days	0	0	0	0
Overdue 30—60 days	0	0	0	0
Total	44,089	33,025	53	0

The Group has no bad debts.

24 Cash in hand and on deposit

	Group		Parent Company	
	2011	2010	2011	2010
Cash and cash equivalents	37,127	10,458	11,606	9,202
Short-term deposits	0	0	0	0
Total	37,127	10,458	11,606	9,202

25 Equity

Number of shares	
Number of shares 01-01-2010	83,328
Number of shares 31-12-2010	83,328
Redemption of convertibles	1
New share issue	55,552
Number of shares 31-12-2011	138,881

The quotient value is SEK 0.02.

Changes in share capital

Year	Event	Increase in number of shares	Increase in share capital, TSEK	Total number of shares	Total share capital, TSEK
2008	New share issue	2,600	52	63,001	1,260
2009	New share issue	7,400	148	70,401	1,408
2009	New share issue	5,226	105	75,628	1,513
2009	New share issue	7,700	154	83,328	1,667
2011	Redemption of convertibles	1	0	83,329	1,667
2011	New share issue	55,552	1,111	138,881	2,778

26 Provisions for reclamation measures

	Group		Parent Company	
	2011	2010	2011	2010
Ersmarksberget	0	27,951	0	0
Svärtrräsk	0	9,523	0	0
Pahtavaara	44,958	4,141	0	0
Total	44,958	41,615	0	0

Reclamation measures comprise future costs for restoring the environment on closure of the mining operations at the individual units.

27 Maturity of liabilities

Group total	Liability		Matures for payment		
	Liability on 31-12-2011	Liability on 31-12-2010	Within one year	Two to five years	After five years
Promissory notes to credit institutions	46,973	40,017	21,507	37,799	0
Other promissory note loans	0	0	0	0	0
Convertible loan	114,244	110,469	0	114,244	0
Loan from bankrupt estate for acquisition	0	10,000	0	0	0
Debenture loan ¹⁾	2,000	2,000	0	0	2,000
Other long-term liabilities	12,334	0	0	0	0
Total	175,551	162,486	21,507	152,044	2,000

¹⁾ The debenture loan is a subordinated interest-free loan which only can be repaid from unrestricted equity in the subsidiary Lapland Guldprospektering AB. The debenture loan is interest-free. These loans have not been discounted. Debenture loans can only be repaid from unrestricted equity, and it is not

certain when this can take place.

The interest rates on the promissory notes to credit institutions are 8.60% and 9.15%.

Parent Company	Liability		Matures for payment		
	Liability on 31-12-2011	Liability on 31-12-2010	Within one year	Two to five years	After five years
Promissory notes to credit institutions	27,840	19,753	12,000	15,840	0
Other promissory note loans	0	0	0	0	0
Convertible loan	114,244	110,469	0	114,244	0
Other current liabilities	0	0	0	0	0
Total	142,084	130,221	12,000	130,084	0

The interest rates on the promissory notes to credit institutions are 8.6% and 9.15%.

28 Convertible loan

Conditions in brief:

Loan amount — nominal amount of SEK 122,213,674.

Interest — The convertibles will be valid from 3 May 2010 at an annual interest rate of STIBOR 90-day plus six (6) percentage points, with an interest ceiling of ten (10) percent during each interest period. The interest falls due for payment quarterly in arrears, with a first interest payment on 30 June 2010.

Repayment date — 30 December 2013, unless conversion or early repayment has taken place before this date.

Conversion period — On three occasions each year, see below

2012 - 1—15 January, 1—15 May, 1—15 September.

2013 - 1—15 January, 1—15 May, 1—15 September.

Conversion price — The conversion price is SEK 9.47 per share.

29 Bank overdraft facilities

	Group		Parent Company	
	2011	2010	2011	2010
Approved facility	21,000	14,000	5,000	5,000

30 Accrued expenses and deferred income

	Group		Parent Company	
	2011	2010	2011	2010
Holiday pay liability	3,081	2,696	371	573
Social welfare charges	837	941	168	458
Other accrued payroll costs	1,045	729	569	729
Electricity costs	981	272	0	0
Feasibility study Fäboliden	0	2,109	0	2,109
Production contractors	6,805	3,713	0	0
Accrued interest	0	2,198	0	0
Other items	933	1,758	815	3,270
Total	13,683	14,416	1,922	7,139

31 Information by business area and geographical market

Business area and geographical market¹

2011	Pahtavaara ¹	Ersmarksberget	Exploration	Intra-Group	Group total
Sales income	244,600	155		472	245,227
Costs of goods sold	-215,148				-215,148
Gross profit	29,451	155	0	472	30,078
Operating profit/loss	29,451	-72,871	-101,891	-15,638	-160,949
Net financial items	-18,401	-517	0	-17,105	-36,023
Profit/loss after net financial items	11,050	-73,388	-101,891	-32,744	-196,972
Income taxes					0
Net profit/loss for the year					-196,972
Intangible assets	57,324	0	161,453	0	218,777
Property, plant and equipment	25,062	34,000	0	30,362	89,424
Inventories	8,618	18	0	0	8,636
Other receivables	6,728	1,158	4	239	8,128
Assets	97,732	35,176	161,457	30,601	324,966
Provisions, other than for pensions and tax	44,958	0	0	0	44,958
Other liabilities	43,984	19,668	4	147,052	210,707
Liabilities	88,942	19,668	4	147,052	255,665
Capital employed	-128,992	-99,908	-6,231	284,576	49,455
Depreciation, amortisation and impairment of assets	54,414	56,664	96,883	345	208,307
Investments	41,651	17,603	0	9,928	69,182

¹ Pahtavaara represents the geographical market Finland.

Ersmarksberget, Exploration and Administration represent the geographical market Sweden.

Of Parent Company sales, the Finnish subsidiary accounts for 60 percent.

Minerals

	2011	2010
Sales income	244,600	192,145
Gold	244,600	192,145
Other metals	0	0
	244,600	192,145

The major share of sales in 2011 went to one customer and in 2010 to two customers.

32 Financial risks and sensitivities

The Group is exposed to a number of financial risks. Changes in the price of gold, exchange rates, interest rates and smelting fees affect the Group's profit and cash flows. Lapland Goldminers is also affected by financing and liquidity risks, as well as credit and counterparty risks.

A more detailed description of financial and operational risks is provided in the Administration Report under the heading Significant risks and uncertainties, on pages 27-29.

Risk in price of gold

The global market price for gold is of central importance to Lapland Goldminers and its subsidiaries. The current price of gold affects, on a day-to-day basis, earnings and cash flows for production at Pahtavaara, but the price of gold also affects profitability calculations for future projects such as Fäboliden. Fluctuations in the price of gold are beyond Lapland Goldminers' control, since the price is established on a day-to-day basis on the world's commodity exchanges.

Changes in the price of gold and its short-term impact on Lapland Goldminers can be calculated in general terms. During 2011, the Pahtavaara mine produced 20,570 ounces of gold. At an assumed payment factor of 93 percent for the gold and a USD/SEK exchange rate of 6.90, the effect of a change of USD 100/oz in the price of gold on income and cash flows for the mine is calculated by the following formula: $20,570 * 93 \text{ percent} * 6.90 * 100 = \text{SEK } 13.2 \text{ million}$.

Foreign exchange risk

The price of gold is normally based on the USD. The mine at Pahtavaara mainly reports its income in EUR, based on the price of gold in USD, while its costs are for the most part accounted for in EUR. Consequently, the mine's income and cash flows are affected by fluctuations in the USD/EUR exchange rate. This is known as transaction exposure.

Sensitivity to fluctuations in exchange rates may be calculated

in general terms. In the event of a production of 20,570 ounces, an assumed gold price of USD 1,500/oz, an assumed payment factor of 93 percent and an exchange rate of USD 1.30/EUR, income and cash flows amount to: $20,570 * 1,500 * 93 \text{ percent} / 1.30$, giving EUR 22.1 million. In the event of a change in the exchange rate to USD 1.40/EUR, income and cash flows total EUR 20.5 million. Expressed in SEK at a rate of SEK 9.00/EUR, income and cash flows are reduced by SEK 14.2 million in the event of a weakening of the USD from USD 1.30 to USD 1.40/EUR.

The Group is also exposed to translation exposure when the results, assets and liabilities of foreign subsidiaries are translated to SEK in the consolidated accounts.

Interest rate risk

Fluctuations in market interest rates directly impact on the Group's profit and cash flows. The Group's interest-bearing liabilities on 31 December amounted to approximately SEK 176 million. A one percentage point change in market interest rates for these liabilities affects the annual interest expense by around SEK 1.8 million.

Financing risks and objectives

Historically, Lapland Goldminers has financed its operations by capital from shareholders or through financial liabilities. The preconditions for the availability of capital are affected by many factors, such as the price of gold and the state of national and international economies. The objective is for operations, in the long term, to be financed via a number of the Company's own, productive mines generating positive cash flows, combined with long-term, interest-bearing liabilities. It should be possible for prevailing gold prices, exchange rates and other market conditions in the long term to generate positive cash flows and results that will produce a good return on the Company's managed assets.

Lycksele, 26 April 2012

Lars Olof Nilsson
Chairman

Peter Edwall

Pia Gideon

Lars-Göran Ohlsson

Henrik Grind
President and CEO

My audit report was submitted on 27 April 2012

Fredrik Lundgren
Authorised Public Accountant

Audit Report

To the Annual General Meeting of shareholders in Lappland Goldminers AB, corp. reg. no. 556544-3339

Report on the Annual Accounts and Consolidated Accounts

I have audited the annual accounts and the consolidated accounts of Lappland Goldminers AB for the 2011 financial year. The annual accounts and the consolidated accounts of the company are included in the printed version of this document, on pages 25-59.

Respective responsibilities of the Board of Directors and the CEO with regard to the annual accounts and the consolidated accounts

The Board of Directors and the Chief Executive Officer are responsible for preparing an annual report that provides a true and fair view in accordance with the Swedish Annual Accounts Act and consolidated accounts that provide a true and fair view in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Swedish Annual Accounts Act, as well as for the internal systems of control that the Board of Directors and Chief Executive Officer deem to be necessary in order to prepare an annual report and consolidated accounts that are free of material misstatement, whether caused by irregularity or error.

Responsibilities of the auditor

My responsibility is to express an opinion on the annual accounts and the consolidated accounts based on my audit. I conducted my audit in accordance with International Standards on Auditing and generally accepted auditing practice in Sweden. Those standards require that I observe the requirements of professional ethics and that I plan and perform the audit to obtain reasonable assurance that the annual report and the consolidated accounts are free from material misstatement.

An audit includes obtaining, by variety of measures, accounting evidence supporting the amounts and disclosures in the annual report and consolidated accounts. The auditor decides which actions should be taken, for example by determining the risks of material misstatement in the annual report and the consolidated accounts, whether caused by irregularity or error. In determining risks in this way, the auditor considers which aspects of internal systems of control are relevant to how the company prepares the annual report and the consolidated accounts in order to provide a true and fair view, in order to devise audit measures that are fit-for-purpose with regard to the circumstances, but not in order to state an opinion as to the efficacy of the company's internal systems of control. An audit also includes an assessment of the suitability of the accounting policies applied and of the reasonableness of the estimates by the Board of Directors and the Chief Executive Officer in the accounts, as well as an assessment of the overall presentation of the annual report and the consolidated accounts.

I believe that the accounting evidence I have obtained provides an adequate and appropriate basis for my opinions.

Opinions

In my view, the annual report has been prepared in accordance with the Swedish Annual Accounts Act and provides in all material respects a true and fair view of the parent company's financial position on 31 December 2011 and of its financial results and cash flows for the year in

accordance with the Swedish Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and provide in all material respects a true and fair view of the Group's financial position on 31 December 2011 and of its financial results and cash flows for the year in accordance with International Financial Reporting Standards, as adopted by the EU, and the Swedish Annual Accounts Act. The statutory administration report is consistent with the other parts of the Annual Accounts and the Consolidated Accounts.

I therefore recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the parent company and the Group be adopted.

Report on other requirements under legislation and other regulations

In addition to my audit of the annual report and the consolidated accounts, I have also reviewed the proposed treatment of the company's profit or loss and the administration of the affairs of Lappland Goldminers AB by the Board and the Chief Executive Officer in the 2011 financial year.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposed arrangements for the company's profit or loss, and the Board and Chief Executive Officer are responsible for administration under the Swedish Annual Accounts Act.

Responsibilities of the auditor

My responsibility is to express an opinion with a reasonable degree of assurance as to the proposed treatment of the company's profit or loss and as to the administration based on my review. I conducted my audit in accordance with generally accepted auditing practice in Sweden.

As a basis for my opinion on the Board's proposed arrangements for the company's profit or loss, I have examined whether the proposed arrangements are consistent with the Swedish Annual Accounts Act.

As a basis for my opinion concerning discharge from liability, I examined, in addition to my review of the annual report and the consolidated accounts, significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Director or the Chief Executive Officer. I also examined whether any Director or the Chief Executive Officer has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

I believe that the accounting evidence I have obtained provides an adequate and appropriate basis for my opinions.

Opinions

I recommend to the Annual General Meeting of shareholders that the profit be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Skellefteå, 27 April 2012

Fredrik Lundgren
Authorised Public Accountant

Board of Directors and Auditor



Left to right: Peter Edwall, Pia Gideon, Lars-Göran Ohlsson and Lars Olof Nilsson.

Lars Olof Nilsson, Chairman

Born: 1962

Education: Graduate in Economics, Umeå University. Chairman of AGL Transaction Services AB and AGL Treasury Support AB; Director of BE Group AB and PA Resources AB; advisor to Evli Bank. Formerly head of the Finance and Business Development group staff functions in the Trelleborg Group.

Number of shares: 241,666

Number of share options: 400,000, held by company (call options from one of the Company's principal owners)

Number of convertibles: 14,630

Peter Edwall, Director

Born: 1955

Education: B.A. in Economics and Law, Gothenburg School of Business. CEO of Ponderus Invest AB; more than 30 years' experience in professional asset management. Director of Satpoint AB, Ortivus AB, Hälsöpoolen AB and Wallstreet AB.

Number of shares, held by company: 18,933,176

Number of call options: 0

Number of convertibles, held by company: 30,952,416

Pia Gideon, Director

Born: 1954

Education: Graduate in Economics, Stockholm School of Economics. Partner in Gaia leadership; formerly various managerial positions at the Ericsson Group with global responsibility for Marketing and Communication, most recently Marketing Manager for Ericsson North America. Director of Svevia AB, Acta A/S, Qlucore AB, Scandbook AB.

Number of shares: 0

Number of share options: 0

Lars-Göran Ohlsson, Director

Born: 1944

Education: Mining Engineer, KTH (Royal Institute of Technology), Stockholm.

CEO of Geo Management AB. Director since 2006. Chairman of Geo Management AB; Director of Endomines AB, Kopparberg Mineral AB, Nordic Iron AB and Norrlieden Mining AB. Formerly Chief Geologist at AB Stadsgruvor; manager of the Exploration Division at SSAB, CEO of LKAB Prospektering AB, Riddarhyttan Resources AB and Dannemora Mineral AB, among others.

Number of shares: 0

Number of share options: 0

Fredrik Lundgren, Auditor

Born: 1973

Authorised Public Accountant
Ernst & Young



Management



Left to right, top row: Peter Törnkvist, Stefan Månsson and Jonatan Forsberg. Bottom row: Risto Virkkunen, Henrik Grind, Erika From and Bengt Arne Bergström.

Henrik Grind

President and CEO since 1 February 2012.

Born: 1959

Education: Graduate in Geology and Mineralogy, Åbo Akademi University.

Many years of experience in exploration and management.

Number of shares: 0

Number of share options: 300,000

Jonatan Forsberg

Chief Financial Officer since 1 February 2012

Born: 1980

Education: M.Sc. Economics and Business, Stockholm School of Economics.

Formerly served with Evli Bank Corporate Finance and Deloitte.

Number of shares: 50,000

Number of share options: 150,000

Anders Haker (Not present when picture was taken)

Chief Financial Officer up to 31 January 2012

Risto Virkkunen

Chief Geologist and CEO of Lapland Goldminers Oy

Born: 1955

Education: Graduate in Geology and Mineralogy, Åbo Akademi University.

Former experience in exploration and mining at LKAB.

Number of shares: 0

Number of share options: 225,000

Peter Törnkvist

Project Manager, Fäboliden

Born: 1959

Education: Bachelor's degree in Spatial Planning

Experience in international and Nordic project management, including on the Botniabanan rail route.

Number of shares: 10,184

Number of share options: 225,000

Bengt-Arne Bergström

Technical Director

Born: 1952

Previous experience as Mill Manager, Zinkgruvan Mining. Formerly consultant in processing and metallurgy for more than 30 years

Number of shares: 0

Number of share options: 100,000

Stefan Månsson

Head of mining technology

Born: 1951

Education: Mining Engineer, KTH Stockholm.

Formerly head of Galmoy Mines Ltd and Zinkgruvan Mining AB.

Number of shares: 0

Number of share options: 0

Erika From

Head of Administration

Born: 1961

Formerly employed at Grant Thornton.

Number of shares: 0

Number of share options: 50,000

Lapland Goldminers and its Subsidiaries

On 31 December 2011, the Group comprised the Parent Company Lapland Goldminers AB (publ) and the four wholly-owned subsidiaries, Lapland Goldminers Oy, Lapland Goldminers Sorsele AB, Lapland Guldprospektering AB and Lapland Goldminers Fäboliden AB.

Lapland Goldminers AB (publ)

Abbreviated name	GOLD
Registered Office	County of Västerbotten
Corp. reg. no.	556544-3339
Date when company formed	7 January 1997
Date when activities commenced	8 September 1997
Country in which company formed	Sweden
Domicile	Lycksele
Legal form	Public limited company
Legislation	Swedish law and the Swedish Companies Act
Address and telephone number of head office	Storgatan 36, SE-921 31 LYCKSELE, Sweden; (+46)-950 275 00
Website	www.laplandgoldminers.se

Subsidiaries

Lapland Goldminers Oy

Is engaged in the production of gold from its own mines.	
Country in which company formed	Finland
Country in which subsidiary company conducts operations	Finland
Corp. reg. no.	FO-1907114-0
Ownership interest	100%

Lapland Goldminers Sorsele AB

Is carrying out preparations for production at Ersmarksberget etc.	
Country in which company formed	Sweden
Country in which subsidiary company conducts operations	Sweden
Corp. reg. no.	556761-0265
Ownership interest	100%
Lapland Goldminers Sorsele AB was declared bankrupt on 2 February 2012.	

Lapland Guldprospektering AB

Holds permits and exploitation concessions for the Stortjärnhobben gold project.	
Country in which company formed	Sweden
Country in which subsidiary company conducts operations	Sweden
Corp. reg. no.	556487-3064
Ownership interest	100%

Lapland Goldminers Fäboliden AB

Is engaged in planning work for the development of the Fäboliden mine.	
Country in which company formed	Sweden
Country in which subsidiary company conducts operations	Sweden
Corp. reg. no.	556805-1790
Ownership interest	100%

Words and Expressions

Arsenopyrite

Mineral with the chemical formula FeAsS.

Bedrock chips

Crushed rock.

Carat

Measure of the amount of gold in an alloy.

Cut off

Lowest grade that is accepted in a calculation of tonnage and average grade.

Dip

The lateral incline (angle in relation to the horizontal plane) of a rock layer or mineralisation.

Exploitation concession

Permit to mine (extract) a deposit (used instead of obsolete term "utmål" - mining claim). The entitlement lasts for 25 years and can be renewed.

Exploration permit

Permit from the Mining Inspectorate to conduct exploration within a certain area.

Fault

Zone along which the adjacent rock surfaces are differentially displaced.

Feasibility study

Study of profitability or the potential for implementation. A study with a sufficient degree of accuracy to form the basis for an investment decision.

FinnMin

The Finnish Association of Extractive Resources Industry.

Geochemistry

The study of the chemical composition of the Earth and its distribution of elements. Geochemical sampling of, for example, till, bedrock or plant material is used as a method of exploration.

Geophysical survey

Measurement using instruments that reveal the physical characteristics of rocks, ores or tectonic structures.

Indicated mineral resources

Mineralised tonnage with a specified grade calculated from a reliable basis, which clearly shows the form, extent and continuity of the mineralisation.

Inferred mineral resources

Mineralised tonnage of potential economic value with a specified grade, calculated from a limited amount of supporting data, which however provides a reasonable understanding of the form, extent and continuity of the mineralisation.

Measured mineral resource

Mineralised tonnage with a specified grade calculated from a very reliable basis in the form of observations in rock outcrops, drill holes, ditches and mining operations, which clearly show the form, extent and continuity of the mineralisation.

Mining claim

Older term for exploration permit.

Mining Inspectorate

An authority in Sweden that grants/rejects applications for exploration permits and exploitation concessions. The Mining Inspectorate, which is headed by the Chief Inspector of Mines, also supervises operations in the country's mines.

Ore loss

That part of the ore that has to be left in the mine during mining.

Pre-feasibility study

Preliminary profitability study with a lower degree of accuracy than a feasibility study.

Probable mineral reserve

The calculated quantity and grade of that part of the measured or indicated mineral resources for which the size and content, as well as technical, economic and legal factors, are known with a high degree of certainty.

Processing

Processing ore from mine to a high grade product (concentrate) that can be sold to smelting works.

Proven mineral reserve

The calculated quantity and grade of that part of the measured mineral resources for which the size and grade, as well as technical, economic and legal factors, are known with the highest degree of certainty.

Quartz

Mineral with the chemical formula SiO₂.

Reservation

In Finland, a one-year permit that provides the option to make a claim (obtain an exploration permit).

Strike

Direction at the surface (the horizontal plane) of a rock layer or mineralisation.

SweMin

An employers' and industry association for mines and mineral and metal producers in Sweden.

Waste rock intercalation

Content of non-metalliferous (not mineable) material when mining ore.

Definitions of Key Ratios

Cash and cash equivalents

The sum of cash in hand and on deposit, plus interest-bearing deposits.

EBITDA

Operating profit before depreciation, amortisation and impairments.

Earnings per share

Profit/loss for the period, divided by the average number of shares.

Equity/assets ratio

Equity, including minority interests, as a percentage of total assets.

Net debt/equity ratio

Interest-bearing liabilities divided by equity.

Profit/loss for the year

Profit/loss after tax.

Return on capital employed

Profit/loss after financial items plus financial expenses calculated on a rolling 12-month period, as a percentage of average capital employed over the same period.

Return on equity

Net profit/loss for the year calculated on a rolling 12-month period as per income statement, as a percentage of average equity over the same period.

Total assets

Total assets as stated on the balance sheet.





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