

## Corporate Governance Report 2016

Corporate governance concerns the regulations and structure established to govern and manage a company in an effective and controlled manner. Corporate governance is primarily aimed at meeting the shareholders' requirements with regard to returns on their investment, and at providing all interested parties with comprehensive and correct information about the company and its development. The Corporate governance of Auriant Mining AB (publ) is based on the Swedish Companies Act, the Swedish Corporate Governance Code, the Articles of Association and other relevant laws and rules. Auriant Mining AB (publ) (in this corporate governance report also referred to as "Auriant", the "Company" or the "Parent Company") is a Swedish public limited liability company with its registered office in Stockholm, Sweden and with business operations primarily in Siberia, Russia. Auriant was formed in 2004 and listed on the NGM Equity, Nordic Growth Market on March 29, 2005 under the name Central Asia Gold AB (publ). Since July 19, 2010, Auriant's shares have been listed on the Swedish stock exchange, NASDAQ OMX First North Premier. The shares are traded under the abbreviation "AUR". Auriant applies the majority of the rules of the Swedish Corporate Governance Code (the "Code"). The Code is based on the "comply or explain" principle, which implies that companies applying the Code can deviate from specific rules, but they must provide an explanation for such deviation. Any significant deviations are detailed in the Company's corporate governance reports. Governance, management and control responsibilities in Auriant are divided between the shareholders at the Annual General Meeting of shareholders (or any Extraordinary General Meeting), the Board of Directors and the Chief Executive Officer.

### THE SHAREHOLDERS' MEETING

The shareholders' right to decide on Auriant's business is exercised at the Shareholders' Meeting of the Company, which is the Company's highest decision-making body. The Board of Directors is appointed by the Shareholders' Meeting and the Chief Executive Officer is appointed by the Board of Directors. The Shareholders' Meeting has a sovereign role over the Board of Directors and the Chief Executive Officer. The duties of the Shareholders' Meeting include the election of Members of the Board, the approval of principles for the appointment of the Nomination Committee, the adoption of income statement and balance sheet, resolutions on appropriation of profits and discharge from liability for the members of the Board and the Chief Executive Officer of the company, the determination of fees payable to the members of the Board and to the auditors and the principles governing remuneration for the Chief Executive Officer and senior executives, the election of auditor and, where relevant, the amendment of Articles of Association.

### SHAREHOLDERS

As of the end of 2016, there were, in total, 17,802,429 shares in the Company and the same number of votes. There were 3,344 shareholders in the Company as of December 30, 2016 and the largest shareholder was Bertil Holdings Ltd with 52.32% of shares. The second largest shareholding was that of Mr. Bernt Plotek and the company Svea Lands S.A. affiliated with him, which together held 10.49% of shares. There are no other shareholders representing more than one tenth of the voting rights of all shares in the Company. The share capital of the Company as at December 30, 2016 totaled SEK 2,002,773.25.

### ANNUAL GENERAL MEETING 2016

Auriant's 2016 AGM was held on Thursday, May 12, 2016 in Stockholm. The minutes from the meeting are available at [www.auriant.com](http://www.auriant.com).

The following principal resolutions were adopted:

- The Board of Directors and the Chief Executive Officer were discharged from liability for the past financial year.
- It was resolved that until the end of the next annual general meeting, the number of Board Members shall be 3 and the number of deputies shall be 1.
- Board Members Peter Daresbury, Ingmar Haga, and Preston Haskell were re-elected to the Board for 2016 and James Provoost Smith Jr. was re-elected Deputy Board Member.
- Lord Peter Daresbury was re-elected as Chairman of the Board.
- Board fees were established for the Chairman of the Board Lord Peter Daresbury in the amount of SEK 400,000, for the ordinary Board Member Ingmar Haga in the amount of SEK 250,000, and for the ordinary Board member Preston Haskell in the amount of SEK 200,000. The meeting further resolved that remuneration to the deputy board member shall be SEK 100,000. It was decided that remuneration amounting to SEK 25,000 per year and member shall be paid for participation in each committee established by the Board.
- It was resolved to re-elect PwC to serve as auditor with Martin Johansson as responsible auditor.
- The AGM approved the principles for appointment of the Nomination Committee in accordance with the Nomination Committee's proposal.
- The AGM approved the Board's proposal on adoption of the guidelines for the remuneration to members of the executive management.

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At the 2016 Annual General Meeting, a total of 11,120,479 shares were represented by 6 shareholders either in person or via proxies. The shares represented comprised 62.47% of the total number of shares in the Company.

### ANNUAL GENERAL MEETING IN 2017

The Annual General Meeting of the shareholders will be held on Friday, May 12, 2017, at Näringslivets Hus, Storgatan 19, Stockholm. The annual report for 2016 will be available on the Company's website as of April 21, 2017.

### NOMINATION COMMITTEE

The role of the Nomination Committee is to present proposals to the AGM for: (i) the election of AGM Chairman; (ii) the number of members of the Board; (iii) the election of the Chairman of the Board and other Board Members; (iv) Board fees, allocated between the Chairman and other Members; (v) any remuneration for committee work; and (vi) the election and payment of auditors and alternate auditors (where applicable). In addition, the Nomination Committee shall make proposals for decisions regarding principles to be applied in establishing a new Nomination Committee.

The principles for the appointment of the Nomination Committee were approved by the AGM of May 12, 2016, as follows. The Nomination Committee shall consist of the Chairman of the Board and three other Members, each representing one of the three owners with the largest voting power. The selection of the three largest shareholders shall be made on the basis of the share register of the Company kept by Euroclear Sweden AB as of the last banking day in September 2016. At the earliest convenient date after the end of September 2016 the Chairman of the Board shall contact the three shareholders with the largest number of voting rights, as determined above, and will request that they each appoint a member to the Nomination Committee. If any of the three shareholders with the largest voting power decline their right to appoint a member to the Nomination Committee, the shareholder with the next largest voting power shall be provided with the opportunity to appoint a member. If such shareholder also declines its right to appoint a member to the Nomination Committee or does not respond to the request within a reasonable time then the Nomination Committee shall be constituted by the remaining members. Unless the Nomination Committee members decide otherwise, the chairman of the Nomination Committee shall be the member representing the shareholder with the largest voting power in the Company. If a member leaves the Nomination Committee before its work is completed, and if the Nomination Committee considers that there is a need to replace this member, then the Nomination Committee shall appoint a new member.

No remuneration shall be paid to the members of the

Nomination Committee. The Nomination Committee may charge any reasonable expenses for travel and investigations.

The Nomination Committee for the 2016 AGM has been comprised of Lord Peter Daresbury, Chairman of the Board, Ekaterina Drozdova representing Bertil Holdings Ltd, and Bernt Plotek representing Svea Lands S.A. and himself. As Svea Lands S.A. and Bernt Plotek are considered as one shareholder for the purposes of the participation in the Nomination Committee, an opportunity to appoint a member was also offered to the shareholder with the next largest voting power. The shareholder decided not to appoint a member. The Nomination Committee was duly constituted by the three members appointed as above.

The Nomination Committee works in the best interests of all shareholders of the Company and focuses on ensuring that the Company's Board of Directors is comprised of members who possess the knowledge and experience corresponding to the needs of the Company.

### BOARD OF DIRECTORS

In accordance with the Swedish Companies Act, the Board of Directors is responsible for the organisation of the Company and the administration of the Company's business, and shall continually assess the Company's and the Group's financial situation. The Board of Directors deals with issues of material significance, such as business plans including profitability targets, budgets, interim reports and annual reports, the acquisition or sale of companies, significant property acquisitions or sales, the establishment of important policies, the structure of internal control systems, and significant organisational changes. Each year, Auriant's Board adopts written rules of procedure for the Board of Directors, written instructions to the Chief Executive Officer, written instructions regarding financial reporting and a Chart of Authority further detailing the division of work between the Board and the Chief Executive Officer. The rules of procedure regulate, among other things, the Board's duties, the minimum number of Board meetings each year, the manner in which meetings are to be notified and the documents required to be distributed before Board meetings and the manner in which the minutes of Board meetings are to be drawn up. The written instructions regarding financial reporting regulate the reporting system in place, as the Board needs to be able to continually assess the Company's and Group's financial position. The written instructions to the Chief Executive Officer together with the Chart of Authority regulate the division of work, authorities, and responsibilities between the Board and the Chief Executive Officer.

According to the Articles of Association, the Board of Directors shall comprise a minimum of three and maximum of ten ordinary Members, and not more than five Deputy Board Members, elected by the Annual General Meeting.

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### CHAIRMAN OF THE BOARD OF DIRECTORS MEMBERS OF THE BOARD OF DIRECTORS

The 2016 Annual General Meeting re-elected Lord Peter Daresbury as Chairman of the Board. During 2016, Auriant's Chairman of the Board led the Board's work and ensured that the Board fulfilled its duties. The Chairman of the Board has continually followed the Group's business and development through contact with the Chief Executive Officer.

At year-end 2016, Auriant's Board was comprised of three ordinary Board Members, Peter Daresbury (Chair), Ingmar Haga and Preston Haskell, and one Deputy Board Member, James Provoost Smith Jr., all elected by the Annual General Meeting on May 12, 2016. The members of the Board are presented in more detail in the Board of Directors section of the annual report, and the details of the members' independence vis à vis the Company and its management are presented below.

### BOARD MEMBERS' INDEPENDENCE AND SHARES IN AURIANT

Board member	Shares in Auriant	Warrants in Auriant	Independent of the company and management*	Independent of the major shareholders*
Peter Daresbury (Chair)	0	140,000	Yes	Yes
Ingmar Haga	0	120,000	Yes	Yes
Preston Haskell	9,314,968	0	No	No
James Provoost Smith Jr. (deputy board member)	0	0	Yes	No

\* Independence as defined by the Swedish Code of Corporate Governance.

### BOARD MEMBERS' ATTENDANCE AT BOARD MEETINGS IN 2016

Name	Position	Present
Peter Daresbury	Chairman	18/18
Ingmar Haga	Member	17/18
Preston Haskell	Member	18/18
Andre Bekker <sup>1</sup>	Member	7/18
James Provoost Smith Jr. <sup>2</sup>	Deputy Board Member	6/18

<sup>1</sup> Mr. Bekker was a Board member until the 2016 AGM, where he did not stand for re-election in accordance with the Nomination Committee's proposal.

<sup>2</sup> Mr. Smith participated in one Board meeting as deputy for Mr. Haga and attended 5 Board meetings held in person or by telephone, without participating in the decisions taken at those meetings.

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### THE BOARD'S WORK IN 2016

The Board held 18 meetings in 2016. Ten of them were held by correspondence, one by telephone and seven meetings were held in person. The important issues dealt with by the Board in 2016, in addition to the approval of the annual report and the interim reports, and approval of the budgets, were as follows:

- The Company's financial position and liquidity
- Strategic decision-making
- Appointment of Mr. Sergey Ustimenko as CEO of the Company following resignation of Mr. Denis Alexandrov
- Resource estimate of the Kara-Beldir deposit in accordance with JORC
- Approval of USD 3.5 million credit line, provided by Promsvyazbank to LLC "Tardan Gold"
- Approval of other major contracts, in accordance with the Chart of Authority
- Preparation for the Annual General Meeting.

The Board has conducted an evaluation of its work under the guidance of the Chairman of the Board. The evaluation is carried out on the basis of a self-assessment questionnaire. The questionnaire is circulated to the Board in the beginning of the year. Each ordinary board member and deputy board member is to complete the questionnaire independently. Responses are collated by the Chairman of the Board who then leads a discussion of the key points arising from the questionnaire, especially those areas which need improvement. This is normally done at the last Board meeting with personal attendance before the AGM. Completed questionnaires are also to be provided to the Nomination Committee. The evaluation ensures that the basic intentions of the Code of Corporate Governance are followed.

### BOARD COMMITTEES

#### Remuneration Committee

In 2016, the Remuneration Committee was comprised of Peter Daresbury (chairman of the committee) and Preston Haskell. The Remuneration Committee submits proposals for resolution by the Board regarding salary and other terms of employment of the CEO. The committee also approves proposals regarding salaries and other terms of employment of the Group's management, according to the CEO's proposal.

#### Finance and Audit Committee

In 2016, the Finance and Audit Committee was comprised of JP Smith, Peter Daresbury and Ingmar Haga. Mr. JP Smith served as Chairman of the committee. The members of the committee have the necessary competence and experience in the accounting matters.

### Technical Committee

The Technical Committee was comprised of Ingmar Haga, Peter Daresbury and until May 2016, Andre Bekker. Mr. Haga continued to serve as Chairman of the committee. The committee's task is to advise the rest of the Board on mining and technical issues.

The committees report to the Board on their work on a regular basis.

### BOARD FEES

The Board of Directors' fees are decided by the shareholders' meeting. The following Board fees were approved by the shareholders' meeting in 2016: for the Chairman of the Board Lord Peter Daresbury in the amount of SEK 400,000, for the ordinary Board Member Ingmar Haga in the amount of SEK 250,000, and for the ordinary Board member Preston Haskell in the amount of SEK 200,000. The meeting further resolved that remuneration to the deputy board member shall be SEK 100,000. It was decided that remuneration amounting to SEK 25,000 per year and member shall be paid for participation in each committee established by the Board.

### GROUP MANAGEMENT

As of the end of 2016, the Group's management comprised the CEO, deputy CEO, CFO, Head of HR, Chief Geologist, and Group General Counsel. The management of the Company as at the date of this report is presented on pages 46-49 of the annual report.

The Chief Executive Officer is responsible for the on-going management of the Company. The CEO's work is evaluated once a year. Following the departure of Denis Alexandrov in January 2016, the Company's then CFO Sergey Ustimenko was appointed Chief Executive Officer of Auriant Mining AB with effect from 16 January 2016.

In the event that the CEO becomes unable to fulfill CEO's duties, the deputy CEO shall substitute for the CEO until the new CEO is appointed. Such events are defined in the written instructions to the CEO, adopted by the Board. Upon resignation of Irina Olsson the Board of Auriant Mining AB appointed Maria Carrasco as Deputy CEO of the Company in October 2016.

### REMUNERATION OF EXECUTIVE MANAGEMENT

The AGM on May 12, 2016 approved the following guidelines for remuneration of executive management.

#### Guidelines

The guidelines shall apply to all employment contracts which are entered into after the meeting's resolution and in those cases where amendments are made to the existing terms and conditions after that point in time. The Company shall aim to offer a total remuneration,

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which is reasonable and competitive based on the circumstances in the individual country and in that respect shall also be able to offer a so-called “Sign on” bonus in order to recruit the best personnel. The remuneration shall vary in relation to the performance of the individual and the Group. The total remuneration to the Group Management shall consist of the components stated below.

### Fixed salary

The fixed salary (“Base Salary”) shall be adjusted to the market and be based on responsibility, competence and performance. The fixed salary shall be revised every year.

### Variable salary

The variable salary shall relate to the Company’s return on production result, reserves and production goals, and specific goals within each executive’s area of responsibility. The variable salary shall be paid annually and shall amount to a maximum of one annual Base Salary.

### Long-term incentives

The board of directors intends, on a regular basis, to assess the need of long-term incentive programmes that shall be proposed to the general meeting. (For details on the long-term incentive programs established in the Company please see the following section of this corporate governance report.)

### Insurable benefits

Old-age pension, healthcare benefits and medical benefits shall, if applicable, be prepared in a manner that reflects the rules and practice in the home country. If possible, the pension plans shall be premium determined. In individual cases, depending on the tax and/or social insurance laws which apply to the individual, other adjusted pension plans or pension solutions may be approved.

### Other benefits

The company shall be able to provide individual members of the Group Management or the entire Group Management with other benefits. These benefits shall not constitute a substantial part of the total remuneration. The benefits shall further correspond to what is normal on the market.

### Termination and severance pay

Notice of termination of employment shall be no more than twelve months upon termination initiated by the Group and no more than six months upon termination initiated by a member of the management. Severance pay may only be paid out upon termination by the Company or when a member of the Group Management resigns due to a significant change of his/her working conditions, which means the he/she cannot

perform adequately.

### Derogation from the guidelines

The Board shall be entitled to derogate from these guidelines if special reasons exist in an individual case.

For more information regarding the remuneration of the Chief Executive Officer, senior executives and other employees, please see Note 4 on page 92 of the annual report.

### LONG-TERM INCENTIVE PROGRAMS

The Board regularly evaluates the need for long-term incentive programs. Currently, the following long-term incentive programs are established in the Company:

- the long-term incentive program for the Chief Executive Officer and the Chief Investment Officer of the Company, adopted at the Extraordinary General Meeting on November 27, 2012;
- the long-term incentive program for the members of management and a number of other employees, adopted at the Annual General Meeting on May 15, 2013;
- the long-term incentive program for the Company’s Board of Directors, adopted at the Annual General Meeting on May 15, 2013 upon the proposal of the major shareholder;
- the long-term incentive program for the members of management and a number of other employees, adopted at the Annual General Meeting on May 13, 2014;
- the long-term incentive program for the Company’s Board of Directors, adopted at the Annual General Meeting on May 13, 2014 upon the proposal of the major shareholder.
- the long-term incentive program for the members of management and a number of other employees, adopted at the Annual General Meeting on May 12, 2015;
- the long-term incentive program for the Company’s Board of Directors, adopted at the Annual General Meeting on May 12, 2015 upon the proposal of the major shareholder.

No new long-term incentive programs were established in 2016.

### AUDITOR

The AGM appoints an auditor of the Company. The auditor’s task is to examine the Company’s annual financial statements and accounts, as well as the administration and management by the Board and the Chief Executive Officer. The AGM of May 12, 2016 appointed, for a period until the 2017 AGM, PwC as the Company’s auditors. The responsible auditor at PwC is Authorized Public Accountant Martin Johansson.

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The audit is conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit of the annual accounts is conducted during the period from February to April of the following year, and also includes a review of the nine-month book closing in November of the financial year in question.

### INTERNAL CONTROL

Internal control is often defined as a process that is influenced by the Board, the company management and other staff, and which is developed to provide reasonable assurance that the company’s targets are being met in terms of the business operations being both appropriate to the goals of the company and being efficient. Reasonable assurance is also to be provided as regards the reliability of the financial reporting and compliance with relevant laws and regulations. Internal control consists of various aspects: control environment, risk assessment, control activities, information and communication, as well as monitoring.

### Control environment

The control environment primarily consists of the organisational structure, the assignment of responsibility and powers, management philosophy, ethical values, staff competence, policies and guidelines, as well as routines. In addition to the relevant legislation, the framework within which Auriant’s Board and management work is comprised of the owners’ aims and the Swedish Corporate Governance Code. The formal decision-making procedure is based on the division of responsibility between the Board and the CEO, which the Board establishes each year in the form of written instructions to the Chief Executive Officer and the Chart of Authority. The CEO is able to delegate a degree of decision-making to other senior executives. Two members of the Board have the authority to sign on behalf of the Company. Furthermore, the CEO, in his normal business activities, is also entitled to sign on behalf of the Company.

### Risk assessment

A structured risk assessment makes it possible to identify material risks having an effect on internal control with regard to financial reporting and where these risks exist within the organisation. Auriant’s Board continually assesses the Company’s risk management, by assessing the preventative measures needed to be taken to reduce the Company’s risks. This involves, for example, ensuring that the Company has appropriate insurance and that the Company has the necessary policies and guidelines in place.

### Control activities

Control measures are required to prevent, detect and correct errors and discrepancies. Each quarter, Auriant Mining’s Finance Department compiles financial re-

ports providing details of earnings and cash flow for the most recent accounting period at subsidiary and Group level. Deviations from budget and forecasts are analysed and commented on. Documented processes exist for the compiling of the information on which the financial reports are based. Detected errors and discrepancies are analyzed and followed up.

### Monitoring

Financial monitoring is carried out on a quarterly basis for all profit centres and at Group level. In addition, Group management receives operational results on a weekly and monthly basis. Monitoring is, then, carried out in comparison with budgets. Auriant is a mining company in its early stages, which is why no earnings or sales forecasts are currently provided externally. Targets for the expected volume of gold production for the full year are initially set during the budgeting process at the end of the previous year. Normally, these targets are, again, reviewed and revised if necessary in the summer months when production has begun in earnest.

The Board on a weekly, monthly and quarterly basis receives operational reports, including plan-to actual analysis, of the Group. Financial reports of the Group, including profit and loss statements, cash flows, and statement of financial position, are analyzed by the Board on a quarterly basis. The Board continuously evaluates the information provided by the Company management. Each month the CEO reports to the Board on the Company’s performance with regard to the targets in the budget.

Given its size, the Company has chosen not to establish a separate internal audit unit. If the Board finds it appropriate, internal control will be further expanded. The issue of internal control and a separate internal audit unit is annually reviewed by the Board and will be discussed again in 2017.

### THE MAIN INSTANCES WHERE AURIANT DID NOT COMPLY WITH THE SWEDISH CORPORATE GOVERNANCE CODE IN 2016 WERE AS FOLLOWS:

*Code rule 7.5 provides that at least once a year, the board is to meet the company’s statutory auditor without the chief executive officer or any other member of the executive management present.*

In 2016 the CEO of the Company and other members of management were present during the Board’s meeting with the auditor, as it was considered that there were no issues requiring a discussion in their absence. However the Company intends to follow Code rule 7.5 in future.

*Code rule 10.3 provides that the board is to publish the results of the evaluation of programs for variable remuneration for the executive management, and of the application of the guidelines for remuneration of the executive manage-*

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ment established by the annual general meeting, in the corporate governance section of the Company's website.

In Auriant, results of the specified evaluations are not published as separate documents. However the Board carries out the specified evaluations on an annual basis, and their results are reflected in Board resolutions or in the Board's proposals for the Annual General Meeting, as the case may be.

### PROPOSAL FOR PROFIT DISTRIBUTION

The Group's equity at year-end 2016 amounted to MSEK -308.3 (US\$ -30.4 mln), of which the share capital is MSEK 2.003 (US\$ 0.3 mln).

In the Parent Company the unrestricted shareholders equity amounts to:

	SEK
Share premium reserve	624,087,508
Retained earnings	-662,772,336
Net income for the year	10,980,010
Total unrestricted equity	-27,704,818

The Board of Directors and the Chief Executive Officer propose that the Parent Company's accumulated net results are carried forward and that no dividend is paid for the financial year.