

Corporate Governance report 2014

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" or the "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"). Any significant deviations are detailed in the Company's corporate governance reports. 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. 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 2014, there were, in total, 17,802,429 shares in the Company and the same number of votes. There were 2,687 shareholders in the Company as of December 31, 2014 and the largest shareholder was Bertil Holdings Ltd with 52.32% of shares. Bertil Holdings Ltd is the only shareholder representing more than one tenth of the voting rights of all shares in the Company. The share capital of the Company as at that date totaled SEK 200,277,326.25.

ANNUAL GENERAL MEETING IN 2013

Auriant's 2014 AGM was held on Tuesday, May 13, 2014 in Stockholm. The minutes from the meeting are available at 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.
- The Articles of Association were amended to include the election of Deputy Board Members and to allow the Board of Directors to consist of at least 3 and at most 10, ordinary members and not more than 5 Deputy Board Members.
- Board Members Preston Haskell, Andre Bekker, Peter Daresbury, Ingmar Haga, and Bertil Villard were re-elected to the Board for 2014 and James Provoost Smith Jr. was elected Deputy Board Member.
- It was decided that the Board of Directors would themselves elect one of them as the Chairman of the Board.
- Board fees were established for the Chairman of the Board in the amount of SEK 250,000 and for the other Board Members, in the amount of SEK 200,000 each. 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 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.
- The AGM decided to establish the incentive program for certain members of senior management through the issuance of warrants, in accordance with the Board's proposal.
- The AGM decided to establish the incentive program for the members of management and a number of other employees through the issuance of employee stock options and warrants, in accordance with the Board's proposal.
- The AGM decided to establish the incentive program for the Company's Board of Directors through the issuance of stock options and warrants, in accordance with the proposal made by a shareholder representing 52.32% of the shares and votes in the Company.

At the 2014 Annual General Meeting, a total of 13,071,799 shares were represented by 15 shareholders either in person or via proxies. The shares represented comprised approximately 73% of the total number of shares in the Company.

ANNUAL GENERAL MEETING IN 2015

The Annual General Meeting of the shareholders will be held on Tuesday, May 12, 2015, at Näringslivets Hus, Storgatan 19, Stockholm. The AGM will start at 14:30, and the doors will open at 14:00. The annual report for 2014 will be available on the Company's website as of April 21, 2015.

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 13, 2014, as follows. The Company shall have a Nomination Committee comprised of the Chairman of the Board and four other Members, each representing one of the four owners with the largest voting power. The selection of the four 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 2014. At the

earliest convenient date after the end of September 2014 the Chairman of the Board shall contact the four 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 shareholders 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. The Nomination Committee's mandate continues until a new Nomination Committee is appointed. If it proves to be impractical to establish contact with such shareholder within a reasonable period of time, then the Nomination Committee may consist of the Chairman of the Board and three members, each representing one of the three other owners with the largest voting power. 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 deems that it is necessary 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, formed in accordance with the above described principles, is as follows: Lord Peter Daresbury, Chairman of the Board, Erik Wigertz representing Bertil Holdings Ltd, Peter Hamberg representing Niclas Eriksson and the family, and Bernt Plotek representing Svea Lands S.A. As one of the four largest shareholders decided not to appoint a member, an opportunity to do so was offered to the fifth largest shareholder, which also chose not to appoint a member to the Nomination Committee. It turned out to be impracticable to obtain reliable shareholder information necessary to establish contact with the shareholder with the next largest voting power within a reasonable time, due to a number of shareholders holding their shares through nominees. The Nomination Committee was duly constituted by the four 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.

CHAIRMAN OF THE BOARD OF DIRECTORS

At its first meeting after the AGM on May 13, 2014, the Board of Directors elected Lord Peter Daresbury as Chairman of the Board. During 2014, 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.

MEMBERS OF THE BOARD OF DIRECTORS

At year-end 2014, Auriant's Board was comprised of five ordinary Board Members, Andre Bekker, Peter Daresbury, Ingmar Haga, Preston Haskell and Bertil Villard, and one Deputy Board Member, James Provoost Smith Jr., all elected by the Annual General Meeting on May 13, 2014. 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*
Preston Haskell	9,314,968	0	No	No
Andre Bekker	0	70,000	Yes	No
Ingmar Haga	0	70,000	Yes	Yes
Peter Daresbury	0	70,000	Yes	Yes
Bertil Villard	0	70,000	Yes	Yes
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 2014

Name	Position	Present
Peter Daresbury	Member/ Chairman ¹	23/23
Andre Bekker	Member	23/23
Ingmar Haga	Member	23/23
Preston Haskell	Chairman ² / Member	21 ³ /23
Bertil Villard	Member	22/23

¹ Elected by the Board on May 13, 2014

² Until May 13, 2014

³ Mr. Haskell refrained from participating in two Board meetings held by correspondence, due to conflict of interest. As the deputy Board member Mr. James Provoost Smith also had a conflict of interest in respect of those matters, he did not participate in the decisions taken at those two meetings as deputy for Mr. Haskell.

THE BOARD'S WORK IN 2013

The Board held 23 meetings in 2014. A total of 14 of them were held by correspondence, 3 by telephone and 6 meetings were held in person. The important issues dealt with by the Board in 2014, 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
- Approval of the transaction with Centerra Exploration B.V., pursuant to which Auriant Mining AB increased its indirect shareholding in LLC "Kara-Beldir" to 100% in exchange for Auriant Cyprus Limited entering into a net smelter royalty agreement with the seller
- Approval of the main terms of the transaction involving five entities owning a gold producing mine and production and prospecting licenses in the Chukotka region of Russia
- Approval of other major contracts, in accordance with the Chart of Authority
- Preparation for the Annual General Meeting
- Meeting with the auditor without the presence of the Group's management.

BOARD COMMITTEES

Remuneration Committee

In 2014, the Remuneration Committee was comprised of Preston Haskell (chairman of the committee), Peter Daresbury, Bertil Villard and until May 13, 2014, Ingmar Haga. 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

The Finance and Audit Committee was initially comprised of Peter Daresbury, Ingmar Haga and Bertil Villard. Following his election as Deputy Board Member at the 2014 AGM, Mr. JP Smith became the fourth member of the committee and was elected its Chairman. The members of the committee have the necessary competence and experience in the accounting matters.

Technical Committee

The Technical Committee remained comprised of Ingmar Haga and Andre Bekker, with Mr. Haga serving 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 a regular basis and on any major decisions taken.

BOARD FEES

The Board of Directors' fees are decided by the shareholders' meeting. The following Board fees were approved by the shareholders' meeting in 2014: for the Chairman of the Board in SEK 250,000 and for the other Board Members, in the amount of SEK 200,000 each. 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 2014, the Group's management comprised the CEO, deputy CEO, CFO, Head of HR, Chief Geologist, and Group General Counsel. The management of the Company is presented on page 28-29 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. Denis Alexandrov is Chief Executive Officer for Auriant Mining AB since May 2012.

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. The Board of Auriant Mining AB appointed Irina Olsson as Deputy CEO of the Company in January 2014.

REMUNERATION OF EXECUTIVE MANAGEMENT

The AGM on May 13, 2014 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, 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 information regarding the Remuneration Policy and the remuneration of the Chief Executive Officer, senior executives and other employees, please see Note 3 on pages 75-76 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.

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 13, 2014 appointed, for a period until the 2015 AGM, PwC as the Company’s auditors. The responsible auditor at PwC is Authorized Public Accountant Martin Johansson.

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 bookclosing 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

Internal control is underpinned by the control environment, which comprises the culture communicated by the Board and company management, and according to which they operate, and which provides the discipline and structure necessary to implement the other aspects of internal control. 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

All business operations involve risk. 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 reports 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 the operational reports, including plan-to actual analysis, of the Group. In 2014, financial reports of the Group, including profit and loss statements, cash flows, and statement of financial position, were 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 2015.

The main instances where Auriant did not comply with the Swedish Corporate Governance Code in 2014 were as follows:

- Code rule 2.5 provides that the company is to announce names of members of the nomination committee on its website no later than 6 months before the Annual General Meeting.

The Company did not update names of members of the Nomination Committee on its website before November 12, 2014, which was the date falling 6 months before the date of the 2015 Annual General Meeting. The requisite information was

not available to the Company as at November 12, 2014 because the selection by the owners with the largest voting power of their representatives on the nomination committee had not been completed by that date. The longer selection process is considered to be in the best interest of all shareholders of the Company as it helps to identify and attract members for the Committee having the necessary competence and experience.

- Code rule 6.1 provides that the Chairman of the Board is to be elected by the shareholders meeting.

In Auriant, the Board is responsible to elect its Chairman. It is believed to be in the Company's best interest that the Board is responsible for the election of the Chairman since this increases the flexibility of the Board's work.

- Code rule 9.2 provides that except for the Chairman of the Board who may chair the Remuneration Committee, the other shareholders' meeting-elected members of the Committee are to be independent of the company and its executive management.

The Board member, Mr. Preston Haskell, who is not independent in relation to the Company and executive management in accordance with the criteria set out in Code rule 4.4, has continued to serve as a Chairman of the Remuneration Committee after he stepped down as Chairman of the Board in May 2014. Mr. Haskell's involvement in the Remuneration Committee is considered to be in the best interests of all shareholders of the Company for the following reasons. Mr. Haskell is himself the largest shareholder in the Company, holding, through companies, 52.32% of its shares, and has significant knowledge and experience of executive remuneration issues. Mr. Haskell is not a member of the executive management of the Company since May 2012.

- Code rule 9.8 provides that share- and share-price-related incentive programmes are to be designed so that the vesting period or the period from the commencement of an agreement to the date for acquisition of shares, is to be no less than three years.

The Annual General Meeting on May 13, 2014 approved the incentive program for certain members of senior management through the issuance of warrants, the long-term incentive program for the Company's Board of Directors and the long-term incentive program for the members of management and a number of other employees. Each of those programs, as well as other existing long-term incentive programs listed above in this report, provide for a vesting period that is less than three years.

It was considered to be in the best interest of the Company and

all of the shareholders to create a greater participatory interest for the members of the Board of Directors, CEO and a number of other members of management and employees by offering incentive programmes with a shorter period for acquisition of shares and/or shorter vesting period, than the period recommended by the Swedish Code for Corporate Governance. .

- Code rule 9.8 further provides that remuneration of non-executive Board members is not to include share options.

The Annual General Meeting on May, 13 2014 approved the long-term incentive program for the Company's Board of Directors, which includes stock options. It was considered to be in the best interest of the Company and all shareholders to adopt such incentive program for the following reasons. The Company has been successful in recruiting non-executive board members who are highly qualified and experienced. For a company the size of Auriant to be able to attract such quality individuals, a key factor has been the potential offering of stock options. Furthermore, this method of reward will save cash for the Company, which, as a growing junior mining company, has limited free cashflow and thus, is not in a position to offer higher board fees or synthetic stocks to Board members. The ownership of these stock options will also align the interests of the non-executive board members to those of the shareholders.

PROPOSAL FOR LOSS DISTRIBUTION

The Group's equity at year-end 2014 amounted to MSEK – 156.3, of which the share capital is MSEK 200.3. In the Parent Company the unrestricted shareholders equity amounts to:

	SEK
Share premium reserve	587,962,259
Translation difference reserve	-100,607,474
Retained earnings	-566,522,099
Net income for the year	-41,589,655
Total unrestricted equity	-120,756,969

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