

Lapland Goldminers proposes a composition agreement to its creditors followed by a set off share issue and a subsequent preferential rights issue

- The Board of the Company proposes a composition agreement with the holders of the convertible loan and its other subordinated creditors based on each creditor receiving 30% of his/her outstanding claim.
- The Board of the company proposes that the holders of the convertible loan are offered to set off their outstanding claims after the proposed composition agreement against new shares in the company to a subscription price of SEK one (1).
- The Board of the company proposes a new share issue of maximum SEK 42 million, with preferential right for the existing shareholders with the aim to be fully, or to the greater part, underwritten.

The Board of directors of Lapland Goldminers AB (publ) (the "Company") has prepared a proposed composition agreement, mainly with the content that the subordinated creditors are offered full payment to a maximum amount of SEK 6,000 SEK and an additional 30 percent of the outstanding claim exceeding SEK 6,000. The Company's subordinated creditors are mainly the holders of the convertible loan, whose claims in the composition amount to about SEK 124 million. The Board of the Company intends to submit an application for a composition agreement to the District Court of Lycksele shortly.

The execution of the proposal is subject to a decision at an Extra General Meeting (EGM) to carry out a set off issue directed towards the holders of the convertible loan that still are receiving parties under the composition agreement, who will be offered to set off of their remaining convertible loan after the composition (maximum SEK 35.2 million) against newly issued shares in the Company at a subscription price of SEK (1) one per share.

In order to carry out the composition and connected payments and to raise capital to fund going concern of Lapland Goldminers the Board also proposes that a subsequent, fully or partly underwritten, rights issue is executed. The proposed amount of the rights issue will be maximum SEK 42 million with preferential rights for both the existing shareholders and the new shareholders that may be added by the set off issue.

The composition agreement along with the new share issues will make it possible for the concerned companies within the Lapland-Group to leave the on-going restructuring process with a significantly improved financial position aiming to create a more long term increase of the value related to the assets of the Group.

1. Background and motives

Lapland Goldminers is the parent company of a group consisting of the wholly owned Swedish subsidiaries Lapland Goldminers Fäboliden AB and Lapland Goldminers Exploration AB together with the wholly-owned Finnish subsidiary Lapland Goldminers Oy. The Group's main activity consists of gold production in northern Finland in the so-called Pahtavaara mine operated and owned by its wholly owned Finnish subsidiary Lapland Goldminers Oy. In addition to the mine in Finland, the Group owns a gold project in Fäboliden in northern Sweden. For further information

regarding the Fäboliden project and the previously completed feasibility study (Definitive Feasibility Study) please see the Company's website (www.lapplandgoldminers.com).

The parent company and Lappland Goldminers Fäboliden AB, together with Lappland Goldminers Oy are in a restructuring process since May/June 2013. Lappland Guldprospektering AB is a dormant company.

The corporate restructuring program in Lappland Goldminers Oy including, among other things, a composition agreement of 50%, was approved in January 2014 by the Helsinki District Court. The program includes a conditional debt reduction of approximately SEK 30 million. The restructuring program under the decision by the court has a duration of five years.

The Board believes that the Company and its projects have good potential to create long-term value for its shareholders, based on the current projects and activities, provided that the financial situation of the Group will be improved. The Company's financial position is primarily to be improved by a debt reduction under the composition proposal and the subsequent share issues. The goal is that this will give the company the necessary flexibility to take advantage of existing opportunities for the development of the Company's assets.

The Company has, as a first step in the action plan adopted by the Board also conducted extensive organizational and cost reduction measures as outlined below.

- *Pahtavaara Gold mine*

Lappland Goldminers Pahtavaara Gold mine in Northern Finland has produced according to plan during autumn 2013. Between 30 and 45 kg of gold per month has been shipped to smelter in Germany during the second half of the year. Full scale production is expected to be achieved during the first half of 2014 resulting in an average production above the current production level.

Based on the current gold price, the Pahtavaara operation generates a small surplus sufficient for limited reinvestment in exploration and amortization under the current restructuring program. Additional investments in exploration will be required to ensure long-term profitable production, which is expected to be generated internally by the mine. Based on the latest years' development of the gold price, it is the Board's opinion is that the Pahtavaara mine has a good potential to generate a positive cash flow if, and when, the gold market recovers.

The mining activities have since beginning of the year been focused on the new Karoliina mineralization, adjacent to the west of the existing mining operations. A full scale test during the latter part of 2013 has demonstrated higher grades with a recovery exceeding 80%. The board is convinced that the extraction of this mineralization has a good potential to improve the Group's result over the coming years.

The Pahtavaara mine is located in an interesting area for mineral exploration and mining in Sodankylä in northern Finland with a couple of major mines in the region along with a couple of the major mining companies represented among the holders of the neighbouring exploration permits. The municipality invests in creating good conditions for exploration and mining in the area. Large investments have historically been made within the Pahtavaara project. The Pahtavaara project is a viable producing mine with a capacity of more than 500,000 tons/year.

- *Fäboliden Gold project*

The company announced in late 2012 a feasibility study (Definitive Feasibility Study) conducted by Golder Associates for its wholly-owned gold project, Fäboliden, showing a probable mineral reserve of approximately 20 million tons with an average grade of 1.38 grams per ton, open pit, and 2.19 grams per ton in underground mining. The project is considered by the Board to have significant upside potential but has, in the current market for mineral projects and based on the current gold price, not been possible to sell (wholly or partly) at

an acceptable price for the shareholders according to the Board. This could change relatively quickly if the market for gold and exploration projects improves and when the Group companies have come out of the pending restructuring processes.

The Fäboliden area is considered to have a good potential for further exploration. The Board of the parent company considers the project to be an interesting investment based on the net present value of more than SEK 1.3 billion according to the feasibility study at a gold price of 1,660 USD/oz.

- *The Company's convertible debt of 2010/2013.*

The company has an outstanding convertible debt at nominal value of SEK 121,996,120 due for payment on 30th of December 2013. The total debt attributable to the convertible loan amounts to approximately SEK 124 million including accrued interest during the period 1st April -24th of June 2013. The Company it is not able to repay the convertible debt.

- *The restructuring process is a result of a too high indebtedness given current production*

Based on current gold production at Pahtavaara and the lack of other revenue generating projects within the Group, the Board came to the conclusion during the spring 2013 that the debts could not be carried by the Group's projects. Therefore the parent company Lappland Goldminers AB, the Finnish subsidiary Lappland Goldminers Oy and the Swedish subsidiary Lappland Goldminers Fäboliden AB were entered into a corporate restructuring process in May/June 2013.

As a result of the proposed composition agreement to the creditors under the restructuring process in Sweden and Finland along with the subsequent offset issue and rights issue, the Group's total debt burden will be reduced by approximately SEK 160 million (of which approximately SEK 30 million is a conditional write down of debts under the Finnish program) while the Group's total equity is strengthened.

The Company believes that the composition proposal, together with the subsequent set-off issue and preferential rights issue, will provide the Company and the Group with the necessary platform for a continued development of the Group's assets.

- *Cost reductions in Lappland Goldminers*

In parallel with the pending restructuring process, the Company has focused on reducing the so-called overhead costs of staff, administration, offices etc. After the already implemented and planned cost reduction measures have come in to effect, the overhead expenditures within the parent company of the Group is estimated to be reduced with SEK 8 million on an annual basis. The annual overhead burn rate is estimated to be around SEK 4 million per year, financial costs excluded, from the second half of 2014.

The Board's proposal regarding the composition agreement, set off of the convertible loan and the subsequent share issue with preferential rights to existing shareholders:

Proposed composition agreement

- The Board proposes a composition agreement with creditors under the current restructuring process, offering full payment of all claims up to an amount of maximum SEK 6,000 along with an additional 30% of each claim exceeding SEK 6,000. The creditors concerned by the proposed composition agreement consist mainly of the holders of the Company's convertible loan 2010/2013.

The total convertible debt amounts to approximately SEK 124 million including accrued interest as per June 24th 2013. Other subordinated debts concerned by the proposed composition agreement amount to about SEK 5 million.

According to below, holders of a total claim of SEK 95 million of the outstanding convertible loan have submitted written confirmations that they accept the proposed composition agreement.

- All subordinated creditors will receive a cash payment of a maximum of SEK 6,000, implying that those holding a claim under the convertible bond or other unsecured debt that is equal to or less than SEK 6,000 may be paid in full on his/her claim and therefore not take part in the composition agreement. This means, among other things, that the number of creditors concerned by the composition agreement is reduced from about 3,000 to about 500.
- The proposal under the composition agreement offers 30 percent of the accrued interest from the convertible loan up to June 24th 2013 (the commencement date of the restructuring process). Unpaid interest for the period June 25th and forward is written off under the composition agreement.
- After the execution of the composition agreement the company has a remaining outstanding debt related to the convertible loan of about SEK 35.2 million along with SEK 1.5 million in other subordinated debts.
- The realization of the composition agreement is subject to the set off issue.

Set off issue

- The Board proposes that the Company directs a set off issue towards the holders of the outstanding convertible loan. The set off issue implies a new issue of maximum 35.2 million new shares at a subscription price of SEK 1.
- The main part of the larger creditors under the convertible loan, with aggregated holdings of about SEK 95 million prior to the composition and about SEK 28 million after the composition, have submitted subscription confirmations in writing to the Company confirming that they will second the proposed composition agreement as well as to participate in the subsequent set off issue. As a result, a minimum of 28,000,000 new shares will be issued at a subscription price of SEK 1 in connection with the set off issue.
- Those who choose not to participate in the set off issue will receive SEK 6,000 plus 30% of the amount of claims exceeding SEK 6,000 to be paid after the set off issue and the subsequent rights issue is completed. It is the Board's and management's assessment that the creditors who do not participate in the set off issue should receive their entire claims after the completion of the composition agreement during the summer of 2014 at the latest.
- The set off Issue will be conducted after the composition proposal has been determined by the district court. The set off issue is subject to (i) that the next meeting of creditors at Lycksele district court approves the proposed composition agreement, requiring approval of a minimum of 75% of the number of creditors as well as 75% of the outstanding convertible loan amount of those present (in person/by proxy) and voting at the creditors meeting, (ii) that the district court's decision of the composition agreement is legally adopted and implemented.
- The set off issue is planned to be executed during April/May 2014.

Share issue with preferential right for existing shareholders

- The Board of Lappland Goldminers has, against the above background, an intention to propose to an upcoming Extraordinary General Meeting to authorize the Board to decide on a subsequent rights issue of about 34 - 42 million new shares at a subscription price of minimum SEK 0.8 maximum SEK 1 per share. The rights issue is subject to the implementation of the above described set off issue and the proposed composition agreement.
- The right to participate in the share issue with preferential rights will include holders of "old" shares as well as the "new" shares issued as a result of the set off issue. The record date for

the right to participate in the preferential rights issue will be set to a date after the execution of the set off issue.

- It is the Board's intention to have the rights issue secured to the greatest possible extent based on written subscription confirmations and guarantees. The share issue will be executed regardless of if it is fully underwritten or not.

2. Flexibility and a continued possibility to develop the prioritized assets within the Group

- The proceeds from the rights issue together with debt reductions, which will considerably strengthen the Company's financial situation, are expected to provide the Group with a good platform to continue operations and to continue efforts to commercialize the Group's gold project in Fäboliden and to continue to develop the operations of the Fäboliden project.
- The Group's strengthened financial position is also expected to contribute significantly in the visualization and verification of the values related to the assets held by the Group which thereby will strengthen the Company's negotiating position. As a result of the implemented cost reduction measures in combination with the capital contributions from the planned share issues the company will have the flexibility and the resources of its own to await a future increase in the Gold price.

To summarize, it is the view of the management and the Board that the Company has an attractive underlying portfolio of asset which today is burdened by too much debt. The proposed measures will create favourable conditions for long-term production growth and value creation. To the extent that the measures proposed, for yet unknown reasons, can not be implemented, the Board believes that the Company has no ability to get out of the current restructuring process and in such a case must file for bankruptcy proceedings, which will be considerably worse for both shareholders and creditors.

Time table etc. for set off issue and preferential rights issue

Time table and other terms for the implementation of the set off issue will be communicated in conjunction to the notification of the upcoming Extra General Meeting. A prospectus describing the offer to participate in the set off issue will be announced.

Time table, terms and prospectus referable to the preferential rights issue will be presented as soon as possible after completion of the set off issue

Lapland Goldminers AB (publ)

For additional information, please visit: www.laplandgoldminers.se or contact:

Sven Rasmusson, chairman of the Board
Tel. +46 70-605 83 15
sven.rasmusson@raspart.se

Thomas Häggkvist, acting CEO/CFO
Tel. +46 70-552 26 22
thomas.haggkvist@lgold.se