

Nord Gold N.V.

Consolidated interim condensed financial statements
as at and for the three months ended March 31, 2012

Nord Gold N.V.

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Consolidated interim condensed income statements

Three months ended March 31, 2012 and 2011

(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Note	Three months ended March, 31	
		2012 (unaudited)	2011 (unaudited)
Sales	4	263,875	244,031
Cost of sales		(164,989)	(138,401)
Gross profit		98,886	105,630
General and administrative expenses	5	(14,961)	7,261
Taxes other than income tax		(16,405)	(18,499)
Other operating (expenses)/income, net	6	(2,695)	1,368
Profit from operations		64,825	95,760
Finance income	7	19,259	21,082
Finance costs	7	(7,015)	(15,378)
Profit before income tax		77,069	101,464
Income tax expense		(17,375)	(16,806)
Profit for the period		59,694	84,658
Attributable to:			
Shareholders of the Company		39,372	56,649
Non-controlling interest		20,322	28,009
Weighted average number of shares outstanding during the period (millions of shares)	11	358.794	358.794
Earnings per share			
Basic and diluted profit per share (US dollars)	11	0.11	0.16

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Consolidated interim condensed statements of comprehensive income
Three months ended March 31, 2012 and 2011
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Three months ended March, 31	
	2012	2011
	(unaudited)	(unaudited)
Profit for the period	59,694	84,658
Foreign exchange differences	55,920	25,250
Revaluation of available-for-sale financial investments	(1,436)	(2,916)
Deferred tax on revaluation of available-for-sale investments	177	(19)
Other comprehensive income for the period, net of tax	54,661	22,315
Total comprehensive income for the period	114,355	106,973
Attributable to:		
Shareholders of the Company	81,962	72,395
Non-controlling interest	32,393	34,578

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Consolidated interim condensed statements of financial position
as at March 31, 2012 and December 31, 2011
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Note	March 31, 2012 (unaudited)	December 31, 2011
Assets			
Current assets			
Cash and cash equivalents		170,505	217,133
Accounts receivable		67,861	74,328
Inventories		449,312	375,281
VAT recoverable		66,196	57,031
Short-term financial investments		4,600	4,043
Income tax receivable		2,609	3,051
Total current assets		<u>761,083</u>	<u>730,867</u>
Non-current assets			
Property, plant and equipment		641,220	574,831
Intangible assets		1,281,917	1,242,820
Long-term financial investments		86,604	86,371
Investment in joint venture		5,119	4,769
Restricted cash		4,865	3,857
Deferred tax assets		1,954	2,709
Other non-current assets		1,556	1,657
Total non-current assets		<u>2,023,235</u>	<u>1,917,014</u>
Total assets		<u><u>2,784,318</u></u>	<u><u>2,647,881</u></u>
Liabilities and shareholders' equity			
Current liabilities			
Short-term debt finance	10	59,350	316,328
Accounts payable		160,888	172,697
Income tax payable		16,596	18,238
Provisions		24,743	24,538
Total current liabilities		<u>261,577</u>	<u>531,801</u>
Non-current liabilities			
Long-term debt finance	10	373,291	84,062
Provisions		65,206	61,283
Deferred tax liabilities		201,310	201,034
Other non-current liabilities		12,352	13,474
Total non-current liabilities		<u>652,159</u>	<u>359,853</u>
Total liabilities		<u><u>913,736</u></u>	<u><u>891,654</u></u>
Equity			
Share capital		1,244,501	1,244,501
Additional capital		862,340	862,340
Foreign exchange differences		(27,787)	(71,367)
Retained earnings		(510,981)	(550,353)
Revaluation reserves		29,352	30,342
Total equity attributable to shareholders of the Company		<u>1,597,425</u>	<u>1,515,463</u>
Non-controlling interest		<u>273,157</u>	<u>240,764</u>
Total equity		<u>1,870,582</u>	<u>1,756,227</u>
Total equity and liabilities		<u><u>2,784,318</u></u>	<u><u>2,647,881</u></u>

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Consolidated interim condensed statements of cash flows
Three months ended March 31, 2012 and 2011
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Three months ended March, 31	
	2012	2011
	(unaudited)	(unaudited)
Operating activities		
Profit for the period	59,694	84,658
Adjustments for non-cash movements:		
Finance (income) / costs, net	(12,244)	(5,704)
Income tax expense	17,375	16,806
Depreciation and amortization	46,616	38,577
Impairment of non-current assets	2,094	838
Net loss from associates and joint ventures	116	139
Gain on disposal of subsidiaries	-	(412)
Loss on disposal of property, plant and equipment	14	98
Movements in provisions for inventories, receivables and other provisions	815	(16,872)
Impairment of available-for-sale financial assets	39	5,076
Changes in operating assets and liabilities:		
Accounts receivable	8,278	2,985
Inventories	(50,526)	(19,549)
VAT recoverable	(6,715)	(6,985)
Accounts payable	(18,534)	(7,042)
Net other changes in operating assets and liabilities	809	663
Cash flows from operations	47,831	93,276
Interest paid	(44,176)	(3,165)
Income taxes paid	(22,872)	(10,081)
Cash flows (used in) / from operating activities	(19,217)	80,030
Investing activities		
Additions to property, plant and equipment	(68,097)	(24,375)
Additions to exploration and evaluation assets	(28,614)	(18,884)
Additions to other intangible assets	(72)	-
Additions to financial investments	(493)	(881)
Proceeds from disposal of property, plant and equipment	4	700
Proceeds from disposal of financial investments	-	869
Proceeds from disposal of subsidiaries, net of cash disposed	-	457
Interest received	1,821	1,281
Cash used in investing activities	(95,451)	(40,833)
Financing activities		
Proceeds from debt finance	372,110	59,952
Repayment of debt finance	(318,264)	(29,708)
Payment of finance lease liabilities	-	(189)
Acquisition of non-controlling interest	-	(32,910)
Equity transaction costs paid	-	(3,562)
Cash from / (used in) financing activities	53,846	(6,417)
Net (decrease) / increase in cash and cash equivalents	(60,822)	32,780
Cash and cash equivalents at beginning of the period	217,133	212,204
Effect of exchange rate fluctuations on cash and cash equivalents	14,194	6,202
Cash and cash equivalents at end of the period	170,505	251,186

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Consolidated interim condensed statements of changes in equity
Three months ended March 31, 2012 and 2011
(Amounts expressed in thousands of US dollars, except as stated otherwise)

	Attributable to the shareholders of Nord Gold N.V.						Non-controlling interest	Total
	Share capital	Additional capital	Foreign exchange differences	Retained earnings	Revaluation reserves	Total		
Balance at January 1, 2011	1,244,501	862,340	(46,671)	(715,643)	47,266	1,391,793	231,031	1,622,824
Profit for the period (unaudited)	-	-	-	56,649	-	56,649	28,009	84,658
Foreign exchange differences (unaudited)	-	-	18,241	-	-	18,241	7,009	25,250
Revaluation of available-for-sale financial investments (unaudited)	-	-	-	-	(2,477)	(2,477)	(439)	(2,916)
Deferred tax on revaluation of available-for-sale investments (unaudited)	-	-	-	-	(18)	(18)	(1)	(19)
Total comprehensive income for the period (unaudited)						72,395	34,578	106,973
Acquisitions of non-controlling interest without a change in control (unaudited)	-	-	-	5,420	-	5,420	(38,330)	(32,910)
Balance at March 31, 2011 (unaudited)	<u>1,244,501</u>	<u>862,340</u>	<u>(28,430)</u>	<u>(653,574)</u>	<u>44,771</u>	<u>1,469,608</u>	<u>227,279</u>	<u>1,696,887</u>
Balance at January 1, 2012	1,244,501	862,340	(71,367)	(550,353)	30,342	1,515,463	240,764	1,756,227
Profit for the period (unaudited)	-	-	-	39,372	-	39,372	20,322	59,694
Foreign exchange differences (unaudited)	-	-	43,580	-	-	43,580	12,340	55,920
Revaluation of available-for-sale financial investments (unaudited)	-	-	-	-	(1,123)	(1,123)	(313)	(1,436)
Deferred tax on revaluation of available-for-sale investments (unaudited)	-	-	-	-	133	133	44	177
Total comprehensive income for the period (unaudited)						81,962	32,393	114,355
Balance at March 31, 2012 (unaudited)	<u>1,244,501</u>	<u>862,340</u>	<u>(27,787)</u>	<u>(510,981)</u>	<u>29,352</u>	<u>1,597,425</u>	<u>273,157</u>	<u>1,870,582</u>

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Notes to the consolidated interim condensed financial statements

Three months ended March 31, 2012 and 2011

(Amounts expressed in thousands of US dollars, except as stated otherwise)

1. Operations

Nord Gold N.V. (the “Company”) and its subsidiaries (together referred to as the “Group”) comprise a Dutch public limited liability company as defined in the Netherlands Civil Code, and companies located abroad. The Company was established as a private limited liability company in 2005 named Sakha Gold B.V. and was renamed to a public liability company Severstal Gold N.V. on July 30, 2009 and further to a limited liability company Nord Gold N.V. on September 29, 2010.

The Company’s registered office is Luna ArenA, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, the Netherlands.

As at December 31, 2011 the Company’s ultimate parent company was JSC Severstal, an integrated steel and mining company with key assets in Russia, the US and Europe (the “Severstal Group”). The immediate parent company was Lybica Holding B.V., Severstal Group’s 100% owned subsidiary. The Company’s ultimate controlling party was Alexey Mordashov.

In November 2011, the Severstal Group decided to spin off the Group by exchange of 100% shares of Nord Gold N.V. for JSC Severstal shares and GDRs based on the relative fair values. In January 2012, the Company completed exchange of 10.6 % of its shares with non-controlling shareholders which became traded on the London Stock Exchange in the form of GDRs. The exchange between Lybica Holding B.V. and Rayglow Limited, an entity controlled by Alexey Mordashov, of JSC Severstal shares for 89.4% of the Company’s shares (“Shares”) was completed in March 2012 and those Shares were then sold to Canway Holding B.V. As at March 31, 2012 Alexey Mordashov remains the ultimate controlling party.

The Group’s principal activity is the extraction, refining and sale of gold. Mining and processing facilities are located in Burkina Faso, Guinea, the Republic of Buryatia, the Republic of Yakutia, the Amur region and the Transbaikal region of the Russian Federation, Kazakhstan.

2. Basis for preparation of the consolidated interim condensed financial statements

Statement of compliance

These consolidated interim condensed financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information required for full annual financial statements.

Accounting policies

The accounting policies applied by the Group in these consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended December 31, 2011, except that the Group has adopted those new/revised standards mandatory for financial annual periods beginning on January 1, 2012. The adoption of the pronouncements did not have a significant impact on the Group’s condensed consolidated interim financial statements.

Critical accounting judgements, estimates and assumptions

The preparation of consolidated interim condensed financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and

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Three months ended March 31, 2012 and 2011

(Amounts expressed in thousands of US dollars, except as stated otherwise)

the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated interim condensed financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2011.

Financial risk management

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's Directors monitor compliance with the Group's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Group.

3. Segment reporting

The Group has eight reportable segments, as described below, which include the Group's strategic business units. The strategic business units are managed separately. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Neryungri and Aprelkovo.* Includes gold mining entities OOO Neryungri-Metallic and ZAO Mine Aprelkovo located in the Republic of Yakutia and the Transbaikalian region of the Russian Federation and operating mines with heap-leaching technology for gold processing. OOO Neryungri-Metallic operates open-pit gold mine Tabornoye and Gross gold development project. Mine Aprelkovo operates open-pit gold mine Pogromnoye.
- *Suzdal and Balazhal.* Includes Celtic Group operating Suzdal underground gold mine located in Kazakhstan with flotation, BIOX and CIL technology for gold processing and geographically aggregated with Semgeo operating Balazhal gold deposit in Kazakhstan.
- *Buryatzoloto.* Gold mining entity located in the Republic of Buryatia of the Russian Federation, includes two underground gold mines: Zun-Holba with gravity, flotation and CIP technology for gold processing and Irokinda with gravity and flotation technology for gold processing.
- *Berezitovy.* Open-pit gold mine located in the Amur region of the Russian Federation with CIP technology for gold processing.
- *Taparko.* Open-pit gold mine located in Burkina Faso, West Africa with CIL technology for gold processing.
- *Lefa.* Includes Crew Gold Group operating Lefa open-pit gold mine located in Guinea, West Africa with CIP technology for gold processing.
- *Bissa and Burkina Faso Greenfields.* Includes Bissa gold development project and a number of gold deposits on exploration and evaluation stage located in Burkina Faso, West Africa.
- *Russian Greenfields.* Includes a number of gold deposits on exploration and evaluation stage located in the Russian Federation.

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The following is an analysis of the Group's sales and profit for the period by segment:

	Three months ended March, 31	
	2012	2011
	(unaudited)	(unaudited)
Sales		
Neryungri and Aprelkovo	21,916	17,910
Suzdal and Balazhal	33,163	20,014
Buryatzoloto	52,793	43,256
Berezitovy	34,370	31,510
Taparko	54,275	52,258
Lefa	67,358	79,083
Total	263,875	244,031

	Three months ended March, 31	
	2012	2011
	(unaudited)	(unaudited)
Profit for the period		
Neryungri and Aprelkovo	(1,789)	1,237
Suzdal and Balazhal	4,244	5,630
Buryatzoloto	18,824	29,564
Berezitovy	21,919	19,294
Taparko	23,733	28,523
Lefa	(2,590)	11,636
Bissa and Burkina Faso Greenfields	1,021	(1,271)
Russian Greenfields	240	234
Unallocated items and consolidation adjustment	(5,908)	(10,189)
Total	59,694	84,658

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The following is an analysis of the Group's total assets by segment:

	March 31, 2012	December 31,
	(unaudited)	2011
Segment total assets		
Neryungri and Aprelkovo	629,907	470,214
Suzdal and Balazhal	431,008	393,168
Buryatzoloto	313,680	284,016
Berezitovy	240,098	235,703
Taparko	253,500	223,153
Lefa	940,000	921,894
Bissa and Burkina Faso Greenfields	210,792	157,234
Russian Greenfields	43,566	36,400
Unallocated items and consolidation adjustment	(278,233)	(73,901)
Total	2,784,318	2,647,881

4. Sales

Sales by product were as follows:

	Three months ended March, 31	
	2012	2011
	(unaudited)	(unaudited)
Gold	261,980	241,977
Silver	1,895	2,054
Total	263,875	244,031

Sales by delivery destination and customers were as follows:

	Three months ended March, 31	
	2012	2011
	(unaudited)	(unaudited)
Switzerland: MKS Finance S.A.	67,358	79,083
Russia: NOMOS bank	59,284	92,676
Switzerland: Standard Bank	54,275	52,258
Russia: VTB	34,370	-
Switzerland: Metalor Technologies S.A.	33,163	20,014
Russia: Sberbank	15,425	-
Total	263,875	244,031

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5. General and administrative expenses

General and administrative expenses were as follows:

	Three months ended March, 31	
	2012	2011
	(unaudited)	(unaudited)
Wages and salaries	6,684	4,415
Services	5,016	3,806
Social security costs	1,254	220
Change in bad debt allowance	430	(16,833)
Depreciation and amortization	234	179
Materials and consumables	137	301
Other expenses	1,206	651
Total	14,961	(7,261)

Change in bad debt allowance for three months ended March 31, 2011 includes a reversal of allowance on debt partially repaid by Prognoz Silver LLC to Buryatzoloto under the contract for exploration work on the Prognoz silver project in amount of US\$ 16.8 million.

6. Other operating expenses, net

	Three months ended March, 31	
	2012	2011
	(unaudited)	(unaudited)
Impairment of exploration and evaluation assets	(2,094)	(838)
Social expenses	(478)	(84)
Charity donations	(122)	(34)
Net loss from joint ventures	(116)	(139)
Net (loss) / gain on disposal of inventories	(90)	185
Net (loss) / gain from contractual compensations and fines	(48)	2,287
Impairment of available-for-sale investments	(19)	(5,076)
Loss on disposal of property, plant and equipment	(14)	(98)
Reversal of provisions and contingencies	-	4,863
Net gain on disposal of subsidiaries	-	412
Other	286	(110)
Total	(2,695)	1,368

Impairment of available-for-sale investments for three months ended March 31, 2011 totally consists of impairment of investment in Sacre-Coeur Minerals Ltd. recognized basing on significant decline in its market value.

Reversal of provisions and contingencies for three months ended March 31, 2011 includes partially reversed provisions for legal claims recognized within final purchase price allocation of Crew Gold Corporation due to certain compromise agreements with the claimants achieved by the management of the Group in 2011.

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Notes to the consolidated interim condensed financial statements

Three months ended March 31, 2012 and 2011

(Amounts expressed in thousands of US dollars, except as stated otherwise)

7. Finance income and costs

	Three months ended March, 31	
	2012	2011
	(unaudited)	(unaudited)
Foreign exchange gain	17,314	19,777
Interest income	1,945	1,305
Finance income	19,259	21,082
Interest expenses	(7,015)	(7,704)
Equity transaction costs	-	(7,674)
Finance costs	(7,015)	(15,378)
Total	12,244	5,704

Equity transaction costs for three months ended March 31, 2011 includes costs incurred in connection with probable future equity transaction and written off in 2011 as the management of the Group has no further intention to finalize the transaction.

8. Related party transactions

Balances with related parties, except Joint Venture, were the following:

	Three months ended March, 31	
	2012	2011
	(unaudited)	(unaudited)
Cost of sales	(1,661)	(905)
General and administrative costs	(171)	(249)
Other operating expenses	(29)	(3)
Interest income	529	5
Interest expense	(5,655)	(5,303)
Purchases:		
non-capital expenditures	(1,861)	(1,157)
capital expenditures	(8)	(96)

Transactions with the Joint Venture Prognoz-Silver LLC were the following:

	Three months ended March, 31	
	2012	2011
	(unaudited)	(unaudited)
Repayment of debt	-	16,822
Other operating income	-	2,299

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(Amounts expressed in thousands of US dollars, except as stated otherwise)

9. Related party balances

Balances with related parties, except Joint Venture, were the following:

	March 31, 2012 (unaudited)	December 31, 2011
Cash and cash equivalents	399	46,281
Short-term accounts receivable	845	640
Short-term loans given	453	447
	<u>1,697</u>	<u>47,368</u>
Short-term accounts payable	780	503
Short-term debt finance	7	257,516
Long-term debt finance	-	84,062
	<u>787</u>	<u>342,081</u>

All outstanding balances with related parties are to be settled in cash. The Group did not hold any collateral for amounts owed by related parties.

There were no transaction and balances with the Parent Company.

10. Debt finance

Short-term debt financing was as follows:

	March 31, 2012 (unaudited)	December 31, 2011
Notes and bonds issued	59,250	58,812
Loans	-	232,910
Accrued interest	7	24,606
Bank overdrafts	93	-
Total	<u>59,350</u>	<u>316,328</u>

Long-term debt financing was as follows:

	March 31, 2012 (unaudited)	December 31, 2011
Bank and other credit organizations financing	375,065	-
Loans	-	73,889
Accrued interest	108	10,173
Unamortized balance of transaction costs	(1,882)	-
Total	<u>373,291</u>	<u>84,062</u>

In March 2012, the Company received US\$ 375 million loan facility from Sberbank denominated in Russian roubles maturing in 2015 with a grace period of 21 months and quarterly repayments thereafter. The loan bears an interest at a variable rate of 3-month Mosprime + 3.8% per annum payable on quarterly basis. The loan is secured by pledge of Group's ownership in High River Gold

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Mines Ltd (not less than 50% + 1 share of all High River Gold Mines Ltd outstanding shares) and by guarantees of certain Group's subsidiaries. The proceeds from the facility were used to repay Group's outstanding debt financing to Severstal Group in amount of US\$ 358.4 million that completed debt financing arrangements between the Group and Severstal Group as at March 31, 2012. In April 2012, the Group signed cross-currency swap agreements with various banks for the amount of Sberbank loan facility. As a result the loan denomination currency was effectively changed from Russian roubles to US dollars at the exchange rate of approximately 29.3:1 and interest rate of 5.6%.

Short-term and long-term loans and accrued interest at December 31, 2011 are all from related parties (Note 9).

11. Earnings per share

The calculation of basic earnings per share for three months ended March 31, 2012 was based on the profit attributable to ordinary shareholders of US\$ 39.4 million (three months ended March 31, 2011: US\$ 56.6 million), and a weighted average number of outstanding ordinary shares of 358.8 million (2011: 358.8 million).

The Company has no dilutive potential ordinary shares.

	actually issued shares (in million of shares)	shares with effect of share split and reverse share split (in million of shares)	weighted average number of shares with effect of share split and reverse share split (in million of shares)
Issued shares at January 1, 2011	717.588	358.794	358.794
Effect of reverse share split	(358.794)	-	-
Weighted average number of shares for the three months ended March 31, 2011			358.794
Issued shares at January 1, 2012	358.794	358.794	358.794
Weighted average number of shares for the three months ended March 31, 2012			358.794

12. Acquisitions and disposals

Acquisitions of non-controlling interests

In January 2011, the Group acquired an additional 6.62% stake in Crew Gold Corporation for a total consideration of US\$ 32.9 million resulting in obtaining ownership over 100% of its issued outstanding common shares.

Disposals of subsidiaries

In March 2011, the Group sold High River Gold Group's subsidiary (minor gold-placer mining company) to a third party for a total consideration of US\$ 0.5 million.

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Notes to the consolidated interim condensed financial statements

Three months ended March 31, 2012 and 2011

(Amounts expressed in thousands of US dollars, except as stated otherwise)

13. Commitments and contingencies

a. Taxation and litigations

The Group's tax risks and litigations are the same as those disclosed in the consolidated financial statements as at and for the year ended December, 31 2011 except the following developments.

In October 2011, JSC FIC Alel ("Alel") received notifications from region tax authorities regarding additional royalty and additional corporate tax accrual in total amount of US\$ 3.1 million. Management believed that the royalty and taxes were not supported by applicable regulation and thus no provision was made. However, the final outcome might significantly depend on political environment of the Republic of Kazakhstan. In May 2012, Alel's complaint was rejected by the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan. Management decided not to file the application to the court and the amounts were paid off. Following this decision a liability of US\$ 2.7 million will be accounted for in the financial year 2012.

b. Capital commitments

At the reporting date the Group had contractual capital commitments of US\$ 105.5 million (December 31, 2011: US\$ 78.7 million).

14. Events after the reporting period

In April 2012, the Group signed cross-currency swap agreements with various banks for the amount of Sberbank loan facility. As a result the loan denomination currency was effectively changed from Russian roubles to US dollars at the exchange rate of approximately 29.3:1 and interest rate of 5.6%.

In April 2012, Moscow Arbitration Court directed Prognoz Silver LLC to repay approximately US\$ 1.8 million of debt to OJSC Buryatzoloto.

In May 2012, Alel's complaint on notifications from region tax authorities regarding additional royalty and additional corporate tax accrual was rejected by the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan. Management decided not to file the application to the court and the amounts were paid off. Following this decision a liability of US\$ 2.7 million will be accounted for in the financial year 2012.

There were no other events subsequent to the reporting date, which could influence the economic decisions of users taken on the basis of these consolidated interim condensed financial statements.

These consolidated interim condensed financial statements were approved on 16 May, 2012 and were signed by:

PHILIP BAUM

Chairman of the Board of Directors

SERGEY ZINKOVICH

Chief Financial Officer
