

Nordgold

Integrated Report 2013

Table of contents

Mission and values	4
About the report	5
Performance highlights of 2013	7
Message from the Chairman	10
Message from the CEO	12
Group overview	14
• Business review	14
○ Business Description	14
○ Map of operations	15
○ Mines description	16
○ Business model	24
○ Business System of Nordgold	25
○ Sustainability framework	28
○ Scorecard	29
• Market overview	30
• Strategy	34
○ Overview	34
○ A sustainable pipeline	37
Performance results	38
• Operating review	38
○ Operational KPIs	38
○ Assets review	40
○ Development and Exploration	58
○ Reserves and resources	64
• Financial performance (MD&A)	72
○ Financial review	72
○ Operational information	76
○ Results of operations	83
○ Financial performance by segment	92
○ Liquidity and capital resources	115
○ Cash Flows From Operating Activities	116
○ Cash Flows From/(Used In) Financing Activities	117
○ Cash Used in Investing Activities	118
○ Contractual Obligations and Commitments	119
○ Capital Expenditure Commitments	120
○ Financial Liabilities	121
○ Bank loans	122
○ Notes issued	123
○ Capital Expenditure	124
Governance	128
• Corporate Governance summary	128
• Directors' report	129
• Corporate governance statement	134
• The Board of the Company and Committees	144
• Management team	153

• Remuneration report	159
• Risk management	169
Sustainability review	175
• Living our values	175
• Stakeholder Engagement	177
• Health and safety	179
• People	188
• Community Engagement	201
• Environmental overview	215
Appendix	219
• Independent Auditor's Report	219
• Financial statements	221
○ Consolidated Statement of Profit or Loss	221
○ Consolidated Statement of Profit or Loss and Other Comprehensive Income	222
○ Consolidated Statement of Financial Position	223
○ Consolidated Statement of Cash Flows	225
○ Consolidated Statement of Changes in Equity	227
○ Notes to the Consolidated Financial Statements	228
• Company only financial statements for the year ended 31 December 2013	274
○ Company balance sheet as at 31 December 2013	274
○ Company income statement for the year ended 31 December 2013	275
○ Notes to the Company financial statements for the year ended 31 December 2013	276
○ Other information	287
• GRI Index	288
• Glossary	302

Mission and values

Mission

At Nordgold, we have always thought big. We have grown quickly, meeting the challenges we have faced head on to become the successful international business we are today. ***Our mission is to become a world leading producer of gold, with a best in class management team, a strong commitment to our staff and the communities in which we operate.***

Nordgold's ambition is to become a best-in-class gold mining company, one with:

- A portfolio of high quality, long life and low cost assets
- Leading operating practices and an absolute focus on safety
- The best and brightest talent
- The trust of its investors built by a relentless dedication to shareholder value

But for us, success is about **more than gold**.

Values

It is about more than how much gold we produce or the company's current share price. Gold production is the basis of our business, of course. But our values run deeper than effective gold production. We want our employees to know their safety is our absolute priority. We want the trust of the investment community. We want to contribute to the communities in which we operate and become a trusted local partner to collaborate with. We want to be high professional and efficient company.

In order to achieve that Nordgold promotes the following **corporate values**:

Respect for People	Safety
We believe proper attention paid to people, polite and respectful communication, and providing employees with best working conditions allow the company to attract and maintain best employees.	We believe that no objective can justify the violation of the production safety regulations or any disregard for human life. Our priorities are to create a culture of safe behaviour in the company, build safe working environments, evoke employees' personal responsibility for their lives and health, and encourage making management decisions based on the safety regulations.
Professionalism and Efficiency	Trust and Collaboration
We strive to set and achieve ambitious goals, continuously improve operating performance, and build an effective system of work based on professionalism and competence.	We are a team of like-minded professionals. We create an atmosphere of trust and cooperation, uniting around common goals, taking personal responsibility, cooperating constructively, discussing and solving problems openly. We help each other, share experience and knowledge, and build dialogue at all levels of the company.

About the report

The Nordgold integrated annual report covers the period from 1 January to 31 December 2013. The first Nordgold sustainability report was published for the year 2012 and in the reporting period Nordgold decided to switch to an integrated report format that appeals to a wider range of stakeholders and which enables them to make more informed decisions concerning the Group's performance and outlook.

The Report provides an overview of the operational, sustainability and financial performance at nine Nordgold operations located in Russia, Kazakhstan, Burkina Faso and Guinea:

- Bissa
- Taparko
- Lefa
- Buryatzoloto (Irokinda and Zun-Holba)
- Berezitovy
- Neryungri
- Aprelkovo
- Suzdal

And six development and exploration projects:

- Gross
- Bouly
- Uryakh
- Prognoz
- Montagne D'Or
- Wayin

In 2013 the HR data also covers the managing company, Nordgold Management, as well as London office, North Gold Mining Company and High River Gold Mines Ltd (Toronto office^[1]).

[1] From January 31, 2014 the Toronto office closed.

Compared with previous reports the scope of the report was expanded, to cover a new production operation – Bissa mine, located in Burkina Faso – and a development and exploration project, Montagne D'Or, located in French Guiana. There were no significant restatements of data during the reporting period. The financial data in the report underwent independent assurance by Deloitte. Nordgold decided not to conduct independent assurance of the sustainability information presented in the report. As of January 1, 2014 there is no new reserves and resources statement in accordance with the JORC Code guidelines (2004).

The data in the report is disclosed in line with the following standards:

- Disclosure Rules and Transparency Rules (DTR)
- Dutch Civil Code, Book 2
- Global Reporting Initiative G3.1 Guidelines and Metals and Mining Sector Supplement
- The International Integrated Reporting Standard
- International Financial Reporting Standards (IFRS)

We believe that the Report, together with the additional materials on the corporate website (www.nordgold.com), conforms to level C of GRI G3.1 guidance. All financial indicators are denominated in US dollars, in accordance with the audited consolidated IFRS financial statements.

In the Report the Group strives to provide a concise and balanced account of performance during the reporting period and the approach to managing economic, social and environmental issues and risks that may have an impact on the Group's stakeholders and long-term success. Key topics, reflecting both the Group's aspirations and the needs of multiple stakeholders, were identified as:

- Positive free cash flow generation at all operating mines
- Continuing sustainable growth
- Improving safety performance, enhancing professionalism and efficiency
- Responsible mining and sustainable development

Nordgold refers to the Group (i.e. the Company with its subsidiaries) and the Company to Nord Gold N.V.

Forward-looking statement

This integrated report contains forward-looking statements and forecasts regarding the Group's operational and financial results which involve risk and uncertainties, since they relate to events and depend on circumstances that occur in the future. The Group's actual results could differ materially from those expressed or implied in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed in the 'Financial' section and elsewhere in the Annual Report.

Feedback and contacts In order to ensure the quality and constant improvement of our reporting, your feedback is welcome. Please go to the feedback form on our website (http://nordgold.devh.cpeople.ru/contact-us/#contact_form).

You can contact us:

Valentina Bogomolova, IR
va.bogomolova@nordgold.com

Daria Grigorieva, SD
daria.grigorieva@nordgold.com

Olga Ulyeva, Press Secretary
olga.ulyeva@nordgold.com

For detailed information about the company, please visit our web-site: www.nordgold.com

Performance highlights of 2013

	2013	2012
Financial highlights (US\$ million)		
Revenue	1,271.3	1,197.9
Gross profit	331.3	348.3
EBITDA	420.6	494.6
EBITDA margin (%)	33.1%	41.3%
Net profit / loss	(170)	76
Cash flow from operating activities	310.7	121.6
Capital expenditures	237.7	474.4
Operational highlights		
Gold produced (Koz)	924.4	716.9
Ore mined (Kt)	16,763	16,032
Ore milled (Kt)	18,543	15,141
Grade (g/t)	1.89	1.86
Recovery (%)	81.00	79.20
Non-financial highlights		
LTIFR (lost-time injury frequency rate)	1.51	1.77
LTI (total number of lost time injuries)	32	35
Investments in supporting local communities (US\$ thousand)	1,031.5	-

Important milestones achieved in 2013

Launch of Bissa – A new world class mine in Burkina Faso

Launched in January 2013

A greenfield gold mine development completed on time, on budget and ramped up to nameplate capacity in record time. The construction of the Bissa mine took just 15 months and was built according to the most advanced engineering and safety standards applicable to the industry. Total investment in the project was US\$250 million. Bissa reached industrial scales of production within the first month of operation and was operating at full capacity after only 6 months. As a result, in 2013 Bissa had an outstanding performance, producing 254.3 koz at AISC US\$540 per ounce and exceeding its projected capacity by 27%. The mine generated US\$155 million of free cash flow in 2013, showing a truly impressive IRR.



Consolidation of 100% of High River Gold

March 2013

In March 2013, Nordgold completed the acquisition of all of the outstanding common shares of High River Gold that it did not already own. Each holder of an HRG Share was entitled to elect to receive either CA\$1.40 or 0.285 Nordgold global depositary receipts per HRG Share. The successful transaction resulted in an increase in Nordgold's free float to 14.6% from under 10% prior to the deal. Completion of this transaction marked an important streamlining of Nordgold's corporate structure; better positioning the Group as one of the leading emerging market gold producers.

Successful Placement of Eurobond

May 7, 2013

In May 2013, Nordgold raised US\$500 million from the 5-year Guaranteed Notes issuance. The Notes bear interest at a rate of 6.375% per annum (payable semi-annually in arrears on May 7 and November 7 of each year), the first payment being made on November 7, 2013. The Eurobond matures on May 7, 2018. The Notes were admitted to the Official List of the Irish Stock Exchange and started to trade on the Global Exchange Market of the Irish Stock Exchange on May 8, 2013. Overall investor demand for Nordgold's Eurobond totalled US\$1 billion. In April 2013, Fitch ratings and Moody's Investors Service assigned ratings to Nordgold for the first time. Fitch assigned a BB- foreign currency long-term issuer default rating and Moody's assigned a Ba3 corporate family rating and Ba3-PD probability of default rating. The outlook on the ratings continues to be stable. The rating reflects the strong operational, financial and corporate governance profiles of Nordgold.

Nordgold Strengthens Senior Management Team

Summer 2013

In 2013, Nordgold has significantly strengthened its senior operational management team, hiring several industry professionals with proven expertise:

- Louw Smith was appointed as Chief Operating Officer of Nordgold in July 2013, joining from Alacer Gold.
- Martin White was appointed as the Technical Director of Nordgold in September 2013, joining from Aureus Mining Inc.
- Philip Lodewyk Engelbrecht joined Nordgold as Director of Metallurgy in August 2013. Most recently, he was the Vice President and Head of Metallurgy at Gold Fields International, Australia.

Nordgold is confident that by broadening the experience and skillset within its executive team, it will be better positioned to deliver the efficiency and technical improvements necessary to continue to achieve its key strategic objectives: to improve profitability and grow gold production.

Montagne D'Or Project

September 2013

In September 2013, Nordgold entered into a Binding Letter of Intent with Columbus Gold Corporation regarding a controlling stake in the Montagne D'Or project. Under this agreement, Nordgold is eligible for a 50.01% stake in the Montagne D'Or gold deposit in French Guiana by investing not less than US\$30 million over three years in developing this project into a bankable feasibility study. In November 2013, a 14-month work programme entirely funded by Nordgold was commenced at the deposit, including the Phase II drill programme and detailed metallurgy and baseline environmental studies. Participation in the

4.15 million ounce Montagne D'Or deposit is another step in the implementation of Nordgold's strategy to expand its portfolio through the development of high quality projects that will deliver long term growth and value to shareholders.

New Dividend Policy

November 2013

Nordgold continues to remain focused on rewarding shareholders by returning cash from the Group's strong operational and financial performance. In November 2013, the Board of Directors of Nordgold approved changes to the Company's dividend policy. With the aim of delivering more frequent dividend payments to its shareholders, Nordgold has introduced payment of an interim quarterly dividend. The targeted payout ratio was set at 30% of net profit attributable to shareholders and for the full year 2013, Nordgold paid 7.86 US\$ cents per share or per GDR in dividends, bringing the total pay-out to US\$29.7 million.

Key events in 2013

January	Our new Bissa mine launched production in January 2013, following a highly successful development – completed within schedule, on budget, and with an exemplary safety record.
April	Nordgold placed five-year eurobonds worth US\$500 million. Nordgold bonds were assigned the credit rating Ba3, Stable (by Moody's) and BB-, Stable (by Fitch).
May	The Group announced a new information technology (IT) strategy, developed by Nordgold and Sky Technics Group (STG) consultants, and an information technologies & services development plan for 2013-2014.
June	Nordgold received a gold and silver mining licence for its Gross project in Yakutia in Northern Russia.
September	Nordgold gave an update on a series of key internal and external appointments in its operations leadership team: Louw Smith was appointed the Chief Operating Officer, Martin White Technical Director, Philip Lodewyk Engelbrecht Director of Metallurgy. New management team has an extensive operating experience from around the globe.
	Nordgold entered into a Binding Letter of Intent with Columbus Gold Corp. to acquire 50.01% of the Montagne D'Or deposit in French Guiana.
	The Company paid an interim dividend of 4.05 US\$ cents per share or per Global Depositary Receipt for the six months ended June 30, 2013, bringing the total pay-out to US\$15.3 million.
October	Nordgold announced that JSC Buryatzoloto, in which the Company holds an 84.9% stake in common shares, had won an auction for an exploration and mining licence in the Zhanokskaya gold area in the Republic of Buryatia in Russia.
November	The Company began making interim quarterly dividend payments . The targeted payout ratio was 30% of net profit attributable to shareholders. The Board of Directors approved an interim dividend of 2.38 US\$ cents per share or per Global Depositary Receipt, for the three months ended September 30, 2013, thus bringing the total pay-out to US\$9 million.
December	Total annual gold production reached 924.4 Koz. With the 29% increase over 2012, Nordgold significantly exceeded its 2013 production guidance of 850 Koz.

Message from the Chairman



While 2013 was a challenging year for the gold market, it was also the perfect opportunity for Nordgold to prove that we can deliver on our promise to achieve long-term growth and provide value for our shareholders.

With a strict focus on improving operational efficiency, we are pleased to be on track to achieving these goals. At the same time we demonstrate financial stability during a tough year for the industry.

A principal highlight of 2013 was the successful launch of our new Bissa mine in Burkina Faso, where the ramp up to full scale production was achieved in record time, exceeding projected capacity for 2013 by 27%. This impressive performance has consolidated our position as sector specialists.

Our goal for 2013 was to optimise existing operations and to implement a range of cost-savings initiatives. Flexible capex, greenfield development, improvements in operational efficiency and continuing investment in our Business System of Nordgold (BSN) are the initiatives that drove us towards achieving our strategic goals. The BSN initiatives achieved more than US\$80 million of savings in the year. We are encouraged by the positive results to continue investing in these programmes.

At the outset Nordgold has been a champion of transparency in reporting costs to the market. In our first annual report we highlighted EBITDA comparisons as giving a more honest measure of industry performance than the customary Total Cash Costs. Consequently, we welcomed the World Gold Council's guidance note on all-in sustaining costs (AISC) published in June 2013. Nordgold's AISC in the final quarter of 2013 was US\$1016/oz, a 14% improvement on the comparable quarter in 2012.

After a successful launch of the Bissa mine in January 2013, completed within budget, ahead of schedule and with only one minor lost time injury, the mine has demonstrated superb operational and safety performance throughout the year. Bissa is a great example of the exceptional professionalism of Nordgold employees. Nordgold has now completed an extensive exploration programme to define the Gross deposit, and its reserves in Yakutia, and plans to run a pilot stage operation there in 2014.

Despite market challenges, we continued to realise our strategy to develop other new operations. We began to mine the Bouroum pit at the Taparko mine and look forward to further developing this high-grade pit in the near future. In addition, in September 2013 Nordgold entered into a Binding Letter of Intent with Columbus Gold Corporation regarding a controlling stake in the Montagne D'Or project in French Guiana. Under this agreement, Nordgold is eligible for a 50.01% stake in the Montagne D'Or gold deposit by investing not less than US\$30 million over three years in developing it into a bankable feasibility study.

We strive to embed our corporate culture and values across all operations, on an inclusive basis encompassing all associated with Nordgold, including our contractors. As a multinational Group operating in different jurisdictions and in diverse communities we pay special attention to sustainable business practices. Please read our Sustainability Review for more information on our performance in Environmental Management and Community and Employee Engagement.

Nordgold is a young company with a track record of responsible business practice. We value the natural resources we utilise and choose to develop sustainably, minimising environmental impacts and taking great care of our employees and local communities. Our first priority is the safety of our people. We target Zero Harm with the aim that every employee and contractor should return home to their family without injury at the end of each working day. As a result of this focus, we are pleased to

announce a 15% improvement in the Group's Long Term Injury Frequency Rate in 2013. Despite all these efforts most regrettably the year was marred by two fatalities. We extend our heartfelt condolences to the families, friends and colleagues of these employees. Once again safety is the main goal for the coming year. We will continue to invest our efforts into improving safety performance and achieving our goal of harm free operations.

The management and board remain committed to achieving the highest standards of corporate governance. As a further enhancement of our "best in class" practices we are proud to report for the first time our 2013 year on a fully integrated basis. The Sustainability Report, which was prepared for the first time last year as a separate report, has been included this year as a part of the Integrated Report, which covers the financial and operational performance of the business.

The success of the Group in 2013 would not have been possible without the hard work of each employee and contractor. The Board is proud of this dedicated Nordgold team and expresses its sincere appreciation for their special efforts and considerable achievements despite the difficulties of the past year.

Philip Baum

Chairman of the Board
Nordgold

Message from the CEO



As a young company, 2013 was an important year for us to demonstrate our unabated perseverance to responsibly grow our business and to deliver value to our stakeholders.

I am delighted to present you with our first integrated report, where we demonstrate our operational, financial, social and environmental performance. Our forward-looking strategy organically combines clear business targets, social responsibility, a great team of professionals, and fundamental values; all of which contribute to the Group's success.

2013 was a challenging year for the gold industry. The gold price has been dropping since October 2012 and the gold price lost nearly 16% of its value. It is thanks to Nordgold's strong vision and the implementation of clear and comprehensive strategies that we have been able to foster success and meet this new challenge with enthusiasm. And I am pleased with the progress we have made. Our gold production increased by 29%, achieving a record level and generating US\$1,271.3 in revenue; 6% higher than in 2012.

The most notable achievement in 2013 is the great success of the Bissa mine – launched in January 2013 – with its outstanding production and safety performance. The project, which was completed in 15 months and within the budget of US\$250 million, was up to full production capacity in less than 6 months and well exceeded our initial production plan for 2013 of 100 koz of gold, achieving an overall production of 254 Koz of gold. The Group expects that Bissa's processing facility will continue to operate at full capacity and produce around 200 Koz in the full year 2014. We will continue to work on the Bissa model to improve efficiency and optimize the production plan.

Our major strategic goal for 2013 was the implementation of new initiatives to modernise production and improve technologies. We have continued to roll-out the turnaround programme at Lefa, which resulted in greater production efficiency. Our Business System is now implemented as planned across all operations, while the SAP systems and new IT infrastructure that we are starting to launch promises to further increase efficiency during each stage of operation – from drilling to smelting. In 2014, we will continue to maintain our focus on our key metrics: safety, operational efficiency and a reduction in costs, working capital and capex. Our target for 2014 remains to achieve positive free cash flow for all our operations.

Current market conditions notwithstanding, we are continuing to invest in our future. We are proud of recent additions to our international management team, which is committed to driving the Group forward and to making us a leading international miner. We have also expanded our asset portfolio and continued to realise our strategy of ensuring the development of a strong pipeline of high-quality projects. In September 2013, Nordgold entered into a Binding Letter of Intent with Columbus Gold Corp. to acquire 50.01% of Montagne D'Or deposit. Finally, in November 2013, Buryatzoloto won the Zhanokskaya tenement in a tender. We are planning to study Zhanokskaya thoroughly and commence exploratory drilling only after identifying the most cost efficient method following geophysical and geochemical testing.

Nordgold's corporate culture is founded on the values of respect, safety, professionalism and collaboration.

The safety of our people is of paramount importance for the Group. We are constantly progressing towards achieving our Zero Harm goal, and in 2013 we have managed to improve LTIFR by 15% YoY. Yet, it is with deep sadness that we announce the fatalities of two of our employees this year. We thoroughly investigated these cases and made a number of improvements to prevent fatalities in the

future. We are committed to achieving zero fatalities going forward. In addition to the implementation of the best safety standards and the constant upgrading of our safety equipment, we are also working towards changing how employees perceive safety and addressing the culture of responsibility in the workplace.

We take seriously the environmental risks which our industry faces, as they impact on both the local population and our business. Only the prudent and responsible use of natural resources can provide long-term prosperity for us as a multinational company.

I look forward to seeing Nordgold's continued organic growth and increased efficiencies in 2014 and am always happy to receive your comments on this report.

Nikolai Zelenski

Chief Executive Officer
Nordgold

Group overview

Business review

Business Description

Nordgold is a leading emerging-markets gold producer with assets in five countries across three continents. The ability to work within different cultures, legislative frameworks and environmental conditions is an important advantage for Nordgold.

Guided by a strategy focused on finding, developing, and optimising assets, we have established a proven track record of creating value for our stakeholders. Our diversified asset portfolio includes nine producing mines, one large-scale development project, five advanced exploration projects, as well as a number of projects at an early exploration stage. We have a large JORC resource base at 34.7 Moz gold-equivalent, and reserves at 12.6 Moz with a life of approximately 13 years. Nordgold employs over 10,000 staff.

Nordgold is publicly traded on the London Stock Exchange (ticker NORD), with a free float of 14.6%.

Map of operations

With extensive experience in operating across five diverse countries and a strong track record of developing new reserves and building mines, our management team can with confidence look forward to the successful implementation of current and future projects.

Active mines



Go to [interactive version](#)

Development and exploration projects



Go to [interactive version](#)

Mines description

West Africa

Bissa



Successfully commissioned in January 2013, Bissa was ramped up to full production within less than 6-months and significantly outperformed expectations for the year

Brief overview

Location	Country	Burkina Faso
	Location	100km north of Ouagadougou
	Infrastructure	Easy access to the national highway
Operational statistics	Mine type	Open pit
	Technology	Crushing, milling, CIL circuits
	Start-up	January 2013
	Plant Capacity	3.5 Mtpa
	FY 2013 production	254 koz
	Proven & probable reserves	1,863 koz at 1.74 g/t
	M + I + I resources	5,066 koz at 1.12 g/t
	FY 2013 total cash costs	US\$467/oz

2013 Performance

Following a highly successful development process completed within schedule and on budget (US\$250 million), Bissa began production in January 2013. The mine demonstrated outstanding performance throughout the year, producing 254.3 Koz of gold, – thus significantly beating initial full-year production guidance for 2013 of 100 Koz. In Q4 2013, gold production at Bissa reached a record level of 75.7 Koz over all quarters in 2013.

Bissa operations averaged the high head grade of 2.67 g/t in 2013, which led to the positive reconciliation of the Bissa geological model.

[Go to Assets review](#)

[Go to Bissa case](#)

Taparko



Launched production at the Bouroum pit in Q4 2013 and maintained recovery rates of over 80%

Brief overview

Location	Country	Burkina Faso
	Location	Approx. 200km northeast of Ouagadougou
	Infrastructure	Access from the national highway, on-site power generation
Operational statistics	Mine type	Open pit
	Technology	Crushing, ball milling and CIL circuits
	Start-up year	2007
	Production in 2013	108 koz
	Proven & probable reserves	703 koz at 2.52 g/t
	M + I + I resources	1,506 koz at 1.94 g/t

2013 Performance

Gold production at Taparko in 2013 was 108.4 Koz, a decrease of 14% on 2012, mainly due to unplanned maintenance of the primary ball mill trunion and lower plant recoveries in the first half of 2013.

Metallurgical initiatives continued to have a positive impact on plant performance, with recovery increasing and well above 80% for the second consecutive quarter. In order to maintain recovery rates at a high level we have performed a thorough study of the mineralisation and characteristics of the Taparko deposits. Recovery improvements include an operating strategy to manage “preg-robbing ore” and the construction of an oxygen plant in Q4 2014.

In Q4 2013 mining of the Bouroum pit commenced and in 2014 we intend to continue its development. The mine will also optimise the life of mine mining and processing schedules.

[Go to Assets review](#)

Lefa



Continued to implement the turnaround programme and improve production effectiveness

Brief overview

Location	Country	Guinea
	Location	700km northeast of Conakry
	Infrastructure	All-season road with close access to an air strip, on-site power generation
Operational statistics	Mine type	Open pit
	Technology	Crushing, 2 SAG mills, 2 ball mills and CIL circuits
	Start-up year	2008
	Production in 2013	163 koz
	Proven & probable reserves	3,860 koz at 1.43 g/t
	M + I + I resources	7,904 koz at 1.18 g/t

2013 Performance

Ore mined in 2013 fell by 39%; although ore processed volumes, grades and recovery only marginally decreased and therefore the total gold production was only 5% lower YoY, at 162.7koz in 2013.

We continued to roll out the turnaround programme at the Lefa mine. Key measures of the programme included creating a detailed geological model to improve the reliability and stability of the mine plan, multiple capital repairs, and a series of measures taken to reduce the negative impact of the wet season, including upgrading the conveyor system. The programme has impacted all operational areas, with head grade growing to 1.23 g/t in Q4 2013, up from 1.13 g/t in Q3 2013. In addition, the top management team was replaced in 2013 to help drive the mine transformation.

Go to Assets review

Russia and Kazakhstan

Berezitovy



Achieved record production in 2013 due to higher ore mined volumes, achieved mill availability of 88-90% and heap-leach operation launched

Brief overview

Location	Country	Russia
	Location	100km from Skovorodino railway station
	Infrastructure	All-season mostly paved road, power grid connection
Operational statistics	Mine type	Open pit
	Technology	Crushing, SAG/ball milling and CIP circuits
	Production in 2013	120 koz
	Proven & probable reserves	815 koz at 1.87 g/t
	M + I + I resources	1,231 koz at 1.42 g/t

2013 Performance

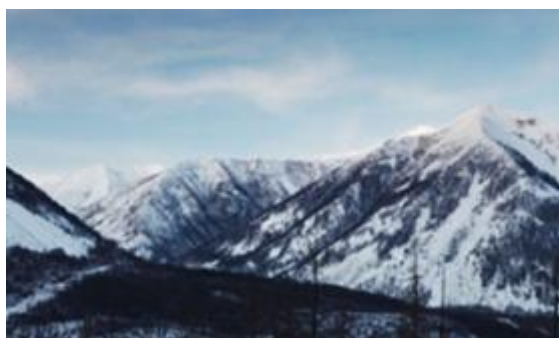
2013 was a record year for Berezitovy: the mine produced 120.3 Koz, compared with 116.3 Koz in the previous year.

A good level of production reported was achieved, due to higher ore mined and processed volumes as well as efficiency improvements at processing plants. In October 2013 Berezitovy achieved a record level of ore milled and a recovery of 91.92%.

During the year the SAG mill was upgraded with new units, allowing us to increase mill availability to 88-90% and achieve higher production levels. We expect that the further optimisation of the processing plant's performance and a greater efficiency in heap-leach operations will help us to increase production and improve performance at Berezitovy.

[Go to Assets review](#)

Buryatzoloto (Irokinda and Zun-Holba)



Increased efficiency by continuing the drilling programme, making process improvements, and implementing a labour productivity programme

Brief overview

Location	Country	Russia
	Location	<i>Irokinda</i> : 1,000km northeast of the Buryatia capital – Ulan-Ude, <i>Zun-Holba</i> : 315km by road from the Trans-Siberian Railroad
	Infrastructure	Easy access by road, access to power grids, water supply
Operational statistics	Mine type	Underground
	Technology	Crushing, ball milling and CIL circuits
	Start-up year	1991 (Zun-Holba) and 1996 (Irokinda)
	Production in 2013	99 koz
	Proven & probable reserves	565 koz at 9.29 g/t
	M + I + I resources	710 koz at 10.50 g/t

2013 Performance

In 2013 gold production at Buryatzoloto decreased by 10% to 98.5 Koz. This was due to a lower head grade of 0.32 g/t and processing 27 kt less ore.

In 2013 we focused our efforts on modernising the production process and upgrading equipment. At Irokinda we changed the technology of mine horizons development: from 1 July an underground zone for mobile mining machines was created. In order to raise the volume of ore mined and to increase production efficiency, we implemented a substantial resource expansion drilling programme to locate high-grade reserves. We also launched an efficiency improvement programme to obtain more value at every stage of the value chain: mining, transportation and processing. As a result, both head grade and ore mining volumes are expected to increase in 2014. In addition, we are seeking to increase employee motivation by implementing a labour productivity improvement programme, and we acquired an exploration license for the district of Irokinda – an area which we are optimistic will yield strong results.

Go to Assets review

Neryungri



Continued to modernise the processing plant, extending the period of active leaching to 12 months, upgraded infrastructure facilities, including construction an all-season road

Brief overview

Location	Country	Russia
	Location	125km north east of the BAM railway station of Ikabya
	Infrastructure	Access by an overland cross country route, or by helicopter
Operational statistics	Mine type	Open pit
	Technology	Crushing, cyanide heap leach
	Production in 2013	67 koz
	Proven & probable reserves	260 koz at 0.96 g/t
	M + I + I resources	454 koz at 0.92 g/t

2013 Performance

Neryungri produced 66.5 Koz in 2013, flat compared with 66.3 Koz in 2012.

In 2013 we found ways to also crush and stock ore during the winter meaning that gold production in Q1 next year will be higher than in previous years.

We continued to modernise the processing plant, extending the period of active leaching to 12 months. We also constructed an all-season road, built a new camp, and upgraded infrastructure facilities. We will also launch the Gross project heap-leach pilot process project at Neryungri in late Q1 2014 to confirm Gross Feasibility study merits. Feasibility study was completed and approved by the Board in February 2014.

[Go to Assets review](#)

Aprelkovo



Production optimisation and establishing ways to maximise extraction levels

Brief overview

Location	Country	Russia
	Location	120km east of the regional centre of Chita
	Infrastructure	10km from railway, access to power grids and water supply
Operational statistics	Mine type	Open pit
	Technology	Crushing, cyanide heap leach
	Production in 2013	33 koz
	Proven & probable reserves	328 koz at 1.24 g/t
	M + I + I resources	941 koz at 0.97 g/t

2013 Performance

In 2013 Aprelkovo gold production decreased by 9% over 2012 to 32.7 Koz due to lower ore grades.

This year we focused on production optimisation, including technical improvements: upgrading the entire mining fleet, doubling the metallurgical plant capacity, and installing crushers to reduce ore sizes from -15 to -5 mm. We are also continuing to establish ways to maximise extraction levels at the mine.

[Go to Assets review](#)

Suzdal



Underground mining fleet upgraded and restored recovery rate levels of nearly 70%

Brief overview

Location	Country	Kazakhstan
	Location	55km southwest of Semipalatinsk in northern Kazakhstan
	Infrastructure	Easy road access, power grid connection
Operational statistics	Mine type	Underground
	Technology	Crushing, ball milling, flotation, BIOX and CIL circuits
	Start-up year	2006
	Production in 2013	81 koz
	Proven & probable reserves	648 koz at 10.85 g/t
	M + I + I resources	1,318 koz at 6.14 g/t

2013 Performance

In 2013, gold production at Suzdal fell by 11%, to 81.1 Koz, compared to 90.9 Koz (including 4 Koz from Zherek) in 2012. This reduction in production in 2013 was mainly due to a lower grade in the ore mined of 0.66 g/t, offset by the increased throughput of an additional 21 kt and record recoveries of 69.1% (up from 65.3% in 2012).

During 2013 we upgraded the underground mining fleet, and improved the efficiency of the BIOX module. We also launched a cost-reduction programme, enabling us to reduce costs by approximately US\$200/oz. Despite these improvements, 2014 will see pressure on production volumes from lower ore grades due to the completion of high-grade ore body 1/3 and the accessing of medium-grade ore bodies 2 and 4.

[Go to Assets review](#)

Business model

1. Ensure we have a high-quality resource base and asset portfolio

The first step in implementing our business model is to develop the mineral resource base. We support our asset portfolio through dedicated exploration activity in the areas of our operations and through acquiring promising greenfield projects. Our experience and proven geological expertise in the regions where we operate allow us to identify deposits with the best potential for further extraction. Exploration requires a highly qualified and experienced geology team, as well as the use of technologies such as the 3D modelling of underground structures and drilling and laboratory research to assess the quality of gold resources.

2. Improve the efficiency of operating assets

One of the main elements of our strategy is to improve our operational performance. This includes:

- paying particular attention to the occupational health and safety of our employees
- constantly optimising our labour force structure
- exercising corporate values in daily work
- training and developing our employees
- providing necessary safety equipment and ensuring that health and safety standards are adhered to
- using best-in-class technology to constantly improve operational inefficiencies
- BSN implementation across all our mines
- using a tender process for all suppliers and securing the best conditions

The well-invested processing facilities at mines help us to maximise our production and to minimise the production cost. We invest in and upgrade our production facilities to enhance efficiency, improve recovery, and expand capacity when required.

3. The gold-extraction process

Mined ore is crushed and ground to a finer consistency so that it can be processed to extract gold. We employ various gold-extraction technologies, but most use cyanide to draw gold out of powdered ore, and then further chemical processes are used to separate the gold from other elements. Gold is extracted from this solution and poured into metal cathode bars. We then melt these down and pour them into doré bars, which predominantly contain gold and which can also contain small amounts of silver or copper.

4. Production and storage of gold bullion

Doré bars are securely stored at mines until a sufficient number have been collected. They are then transported to precious metal refineries by truck, helicopter or plane for subsequent processing into gold bullion. Refineries are insured against all possible risks during the bars' transportation. The gold bullion is then transferred for safe-keeping to a bank where it is stored until the Group decides to sell it on the spot market.

5. Sale of gold bullion on spot market

At present, most of our sales are made at spot prices and as a rule take place at least once a quarter. We make sales decisions based on prevailing market conditions.

6. Distribution of profits among shareholders

We remain focused on delivering dividends to our shareholders according to our dividend policy, under which we distribute 30% of net profit to shareholders as dividends.

Business System of Nordgold

Business System of Nordgold (BSN) seeks to establish best-in-class sustainable processes at the Group's operating assets to ensure that they are as efficient, low cost, and, above all, as safe as possible. The first stage of BSN implementation began in the middle of 2012.

During 2013 we continued to commit significant resources to this programme. We have now rolled BSN out across all Nordgold mines, and are conducting a review of all business processes with the aim of reducing total cash costs, increasing productivity, and improving the overall level of operational management at mines. The positive impact of BSN in 2013 reduced the consumption of key materials and lowered repair and administrative expenses, which totalled just over US\$80 million in 2013, compared with US\$17 million in 2012.

Key development areas	Goals	Actions
Safety	Fostering a culture in which everyone takes ultimate responsibility for their own safety, using technologies and equipment provided by the Group	<ul style="list-style-type: none"> Establishment of HSE dialogs across the African mines
Continuous improvement	Enhancing productivity across the business through greater efficiency and highly effective sustainable processes	<ul style="list-style-type: none"> Start of Lean Academy at Russian mines (a training programme for supervisors focused on implementing BSN across all line management)
Cost control	Implementing initiatives that reduce production and overhead costs in mines	<ul style="list-style-type: none"> Establishing stringent controls over heavy fuel oil and light fuel oil consumption at the Lefa mine Reducing overhead costs at all mines, with a focus on African assets and the centralisation of regional offices in Russia Developing a working/downtime hours schedule at the Aprelkovo mine to minimise unnecessary stoppages Launching the Visagio consulting project to minimise the stock level at Taparko
People and teamwork	Consistently improving working conditions across the Group and cascading our values all through the Group	<ul style="list-style-type: none"> Encourage employee alignment with the new Nordgold Code of Values and Behavioral Standards Launch of the Effective Teamwork programme in 2014
Shared respect	Treating colleagues within the organisation as clients who deserve a high-quality service	<ul style="list-style-type: none"> Continue the Management Development Programme
Technology	Leveraging the Company's Global Technology System (GTS) to ensure the employment of the most-advanced and appropriate technologies at each production stage	<ul style="list-style-type: none"> Establishing controls over tyre consumption through technology transfer centres Implementation of SAP ERP

The Top-10 BSN achievements in 2013 were:

- Establishing comprehensive controls over fuel and diesel engine use at the Lefa mine
- Opening the Russian Mines Academy (a management training programme to roll out BSN at all management levels)
- Reducing overhead administrative expenses at mines, especially African assets, and centralising regional offices in Russia
- Taparko and Bissa: Realisation of Visaro consulting project to minimise stock levels
- Lefa: Changes to increase productivity and reduce the number of management levels and administration functions
- Neryungri: Expansion of drilling network. Average amount of smitten rock to used explosive increased from 18 m3/running meters
- Taparko: Most efficient transportation ratio (number of tonnes per hour)
- Neryungri: Cost and equipment assessment (purchase of Komatsu lorries instead of more expensive BelAZ 7540 models, storage of spare excavators)
- Aprelkovo: Optimising the decomposition cycle and eliminating narrow areas on milling lines
- Lefa: Stabilising working methods with reagents (comprehensive control and implementation of cyanide analyzer)
- Berezitovy: Increasing productivity and the workload capacity of equipment

We plan to continue to invest in BSN programmes and will target cash improvements of US\$55 million in 2014 from the implementation of best-in-class operating processes. We prioritise the implementation of techniques that target more efficient methods of allocating equipment workloads.

SAP ERP

The implementation of enterprise resource planning application systems and management (SAP ERP) has been an important development for Nordgold. The software covers the key business functions of the Group, including procurement, sales, finance, HR, and operational processes.

As with any major innovation, the implementation of SAP ERP requires time and careful planning. Nordgold aims to launch SAP in its major production units by October 2014, and will allot another three months to a stabilisation process. For optimal results, we have strategically divided our mines into three groups. We successfully launched the software in July 2013 at Buryatzoloto; Neryungri, Berezitovy and Suzdal mines joined the project during the second phase, which will start in early 2014; and the final group to join is mines in West Africa: Bissa, Taparko, and Lefa.

New IT infrastructure

Another project in progress is the implementation of a brand-new IT infrastructure across the Group. A unified IT infrastructure along with uniform standards of software and hardware products will provide easier access for our employees to the in-house information they require, irrespective of their location. Paying particular attention to main operational processes, this initiative will deal with increasing efficiency levels at each stage of operations, from extraction to melting.

- All Russian business units and a Kazakh business unit are together linked to the Corporate Net of Data Transfer (CNDT). African business units will be added to the CNDT in the nearest future. The Group has created and implemented for staff a unified standard on access to information and informational systems
- In 2014 we are planning to implement an IP-telephony and a MS Lync-based internal communication system at all business units
- The pilot project "Centralisation of Industrial Control System" has been successfully completed. Implementation of this IT system allows the monitoring and reporting of each of the production indicators of the processes of ore preparation and gold production

- The Standard Nordgold project (SAP) infrastructure has been launched. Users' remote positions have the necessary technical capabilities and users have access to communication channels to the Data Processing Centre (DPC)
- In 2014 the internal corporate internet-portal Nordgold will be launched
- The Management Company Nordgold Management has completed a project to circulate e-documents
- We are planning to develop communication channels at our remote corporate websites to reduce uplink costs

Sustainability framework

Our motto is *More than gold* because we believe that only a business model built on social responsibility and sustainable growth can lead to long-term success for the Group. Nordgold has elaborated and adheres to strategic policies that allow its divisions to perform at their best and to exist harmoniously in their surrounding environments and communities. Our approach to business is based on close cooperation with all stakeholders: employees, partners and contractors, local governments, and communities. We believe that by equally taking into account the needs of our people, the environment, and communities we can ensure that the fundamentals for achieving continuing business success are in place and that the high investor returns that we all want to see will be realised.

Our sustainability goal is to achieve a balance between economic prosperity, environmental stewardship, caring for our people and social responsibility – Nordgold understands that truly sustainable development is possible only by taking into account all these factors. Thus we have identified further key performance areas:

People	<ul style="list-style-type: none"> • Our employees and their safety • Employee training and personal development • Adhering to our corporate culture and values
Financial	<ul style="list-style-type: none"> • Economic value added in areas where we operate • Financial performance
Environment	<ul style="list-style-type: none"> • Environmental management • Cyanide management
Social	<ul style="list-style-type: none"> • Successful interaction with communities in all areas of operation • Contributing to our neighbouring communities

For detailed information see Living our values.

Scorecard

2013 Strategic initiatives

	2013 targets	2013 achievements
Production efficiency	Continue making progress with Business System of Nordgold (BSN) efficiency programme	BSN is rolled out across all Nordgold mines, and we are conducting a review of all our business processes, with a view to reducing total cash costs. The total positive impact of BSN in 2013 was more than US\$80 million.
	Turnaround of underperforming Lefa and Buryatzoloto mines	The grade at Lefa improved in H2 2013, and the further improvement is expected.
New production mines	Launch and ramp up of Bissa mine: initial 2013 production target 100 Koz	Gold production at Bissa amounted to 254.3 Koz
Global Technology System	Implement SAP ERP system at Buryatzoloto	SAP system implemented at Buryatzoloto; local employees participated in several workshops and seminars to discuss the innovation
Safety	Zero fatalities	LTIFR 2013: 1.51; 15% decrease compare to LTIFR 2012

2014 Strategic initiatives

- Continue to invest in BSN and target cash improvements of US\$55 million in 2014 from the implementation of best-in-class operating processes;
- Lefa plans to continue raising production efficiency by realising the next steps of the turnaround programme, including further operational improvements, an optimised mine; plan, and the mobile equipment fleet management strategy;
- Start process ore from Gross (Yakutia, Russia) at pilot plant at Neryungri mine in H1 2014;
- Implement SAP ERP across all operations by end of 2014;
- Zero fatalities. Health and safety a priority goal for 2014.

Market overview

Global markets and trends

Gold demand

Gold demand	Tonnes	Value (US\$ million)
Jewellery		
2013	2,209.50	100,248
2012	1,896.10	101,745
Technology		
2013	404.8	18,365
2012	407.5	21,864
Investment		
2013	773.3	35,085
2012	1,568	84,144
Central Bank net Purchases		
2013	368.6	16,724
2012	544.1	29,193
Total gold demand		
2013	3,756.10	170,422
2012	4,415.80	236,946

Source: World Gold Council (WGC)

Consolidated demand for gold was down YoY in 2013, due to a significant reduction in gold ETF holdings.

While the gold price decline was bad news for gold producers, the almost 16% price drop stimulated consumer demand, particularly within the jewellery segment. The consumer market for gold was once more dominated by global leaders India and China, which together accounted for almost 60% of the global jewellery sector and slightly less than half of total bar and coin demand.

Jewellery

Global jewellery demand was very substantial in 2013, especially after reaching record levels in Q2. This is chiefly due to the main markets in this sector being price sensitive. For the first time since 2010 global jewellery demand increased, by 17% to 2,209.5 tonnes, contributing to 59% of total global demand excluding OTC investments and stock flows.^[1] China has easily overtaken India as the largest gold consumer: gold jewellery consumption in China rose nearly a third, to 711.4 tonnes. Demand for gold jewellery in India rose last year by 11%, to 612.7 tonnes, but was held back by new import tariffs and restrictions. South Asia – part of Great China, Vietnam, Indonesia, and Thailand – also witnessed a strong increase in jewellery demand. In addition, steady growth in the US market, with a focus on higher-carat items, provides a good signal of market recovery. The consensus market view is that strong physical demand will continue to be robust in 2014.

[1] WGC data

Central banks

In 2013 net official sector purchases dropped 32%, to 369 tonnes. However, taking into account that the previous year's total was the highest in six decades, this is still a healthy figure. Russia (77t), Kazakhstan (28t), Azerbaijan (20t) and Korea (20t) posted significant increases in official reserves, while a number of other central banks made smaller purchases during the year (8t or less). Despite central banks becoming wary of buying, due to a further potential decline in price, they are expected to remain a strong market player in the first half of 2014.

Investment

The main feature of gold investment throughout 2013 was the contrast between demand for ETFs, which acted as a source of supply to the market as sizeable institutional positions were sold (approximately 881 tonnes), and demand for bars and coins, which surged to an all-time high (1,654 tonnes).

On the consumer side of the market, demand for small bars and coins outstripped demand for high-carat jewellery, which was treated as a proxy investment.

Official World Gold Holdings		Tonnes	% of reserve
1	USA	8,133.50	70
2	Germany	3,387.10	66
3	IMF	2,814.00	-
4	Italy	2,451.80	65
5	France	2,435.40	65
6	China	1,054.10	1
7	Switzerland	1,040.10	8
8	Russia	1,035.20	8

Source: WGC

Technology

The volume of gold used in technology stabilised in 2013 at 405 tonnes (2012: 407.5 tonnes), as the sector benefitted from a more buoyant global economic outlook and lower gold prices. The electronic segment was characterised by two factors in 2013: an improving consumer sector due to economic growth and stability on the one hand, and a reduction in the production of gold bonding wire offsetting these gains on the other. The dentistry segment continued its long-term trend away, though lower prices slowed this process.

Gold supply

Gold supply	Tonnes
Mining	
2013	3,018.60
2012	2,804.10
Recycled gold	
2013	1,371.40
2012	1,590.80
Total supply	
2013	4,339.90
2012	4,415.20

Source: WGC

In 2013 annual gold mine production grew by 154.5 tonnes (5%), the bulk of which came through in the second half of the year. Canada was the main contributor to the global growth in gold mining, accounting for almost 20% of global growth. China's smelting industry also played a significant role in the market. Other countries making substantial positive contributions were Australia, Russia, Brazil, and Indonesia.

South Africa and the USA decreased gold mining YoY in 2013. The reduction in the supply in South Africa is steady, but not as significant as in the previous year, when strikes were more disruptive.

A minimal impact on supply in 2013 came from net producer hedging activity. The outstanding global hedge book stands at below 100 tonnes, which clearly indicates that in the near future hedging will not play any significant role in the gold's supply profile. In 2013 the de-hedging of exciting positions amounted to just 50 tonnes.

The annual supply of recycled gold declined for the fourth consecutive year to the lowest level since 2008. According to the WGC the scale of the decline was the same for industrialised markets as for developing countries, although different drivers were behind the declines.

Gold price and price trends

Commodity price forecast

Metal	Average Price 1Q 2014	Average 2014 Forecast	2013 Average
Gold	US\$1,298	US\$1,219	US\$1,411
Silver	US\$20.52	US\$19.95	US\$23.79
Platinum	US\$1,431	US\$1,490	US\$1,487
Palladium	US\$745.42	US\$774.81	US\$725.29

Source: LBMA, <http://www.investing.com/>

2013 was a challenging year for gold. The price for the precious metal lost nearly 16 percent of its value – its worst decline in 12 years. The average price fell from a high of US\$1,669/oz in 2012 to a low of US\$1,411/oz in 2013. The decline in price actually began in October 2012, after peaking at US\$1,792/oz. Subsequently the price steadily decreased until mid-April 2013, when it slumped by US\$140 overnight.

This situation arose mainly as a result of an exodus from ETF holdings, as well as soaring developed (US) stock markets. The global expectation of a slowdown in Chinese GDP, together with recently introduced Indian import restrictions, led to concerns in the market surrounding a potential reduction in demand from the jewellery industry for physical gold, which exerted additional pressure on the gold price.

Average monthly gold price in 2013



Source: World Bank

Nordgold's position in the global market

	Polyus Gold	Agnico-Eagle	IAMGOLD	Randgold	Petro-pavlovsk	ABG	Polymetal	Centerra	Semafo	Nordgold
Gold production, Koz	1,650	1,099	835	910	741	642	1,280	690	159	924
Total Reserves and Resources (incl Inferred) in GE (incl silver), Moz	150.1	38.5	29.7	27.2	25.1	29.0	29.9	19.4	6.2	34.7
Market capitalisation as of 28.03.2014, US m	10,303	5,323	1,321	6,893	241	1,640	3,889	1,090	979	654

Source: Bloomberg, companies' announcements and reports

Based on reported 2013 production numbers, Nordgold was a top-20 gold producers and remained one of the leading gold companies in its peer group, gradually approaching 1 Moz producers. Given the clear articulated strategy and solid project pipeline, the Group has all the potential to remain a strong market player in the future. Nordgold is relatively well positioned in the middle of the global gold cost curve, and hence has the opportunity to generate positive free cash flows, even in the current low market price environment.

Strategy

Overview

We strive to become a best-in-class gold mining Company – identifying and acquiring assets which we are uniquely positioned to create value from, and increasing gold production through streamlining current operations and developing operations at existing and newly acquired mines.

Our strategy is to build a globally competitive gold mining Company – growing profits, paying dividends, and supported by experienced teams with strong values that are committed to deliver. We are focused on optimising operational delivery, increasing margins, and sharing the rewards.

We have a clear and straightforward strategy in place, aimed at providing the Group with a stable platform on which to base sustainable and profitable long-term growth.

Due to the impact of the sharp decrease in the price of gold on Nordgold, we have developed a cost management approach. Our efforts have been focused on a range of initiatives, including cost reduction, improving efficiency, and process optimisation.

Positive free cash flow generation at all operating mines

Our target is for all operating mines to become free cash flow (FCF) positive in 2014, through cost optimisation, mining model updates, diligent capex spend, and working capital optimisation. Despite the significant gold price decline, consolidated Nordgold operations remained FCF positive in 2013.

We have focused on driving down costs through a combination of mining model optimisation, achieving a reduction in general and administrative expenses, improvements in operational efficiency, and the ongoing implementation of Business System Nordgold.

At the same time, existing efficiency programmes are demonstrating positive results, with growing plant and fleet productivity at key mines, and the Group has also successfully reduced both its consumption of key materials and its level of administrative expenses.

Reduce leverage through effective debt management

We seek to reduce the debt burden organically, through consistent FCF generation achieved by the effective and efficient management of mining operations, keeping a close eye on administrative and other costs, and maintaining an optimum level of working capital. We also take a proactive approach to managing debt levels through effective existing portfolio management, so as to be able to obtain more favourable terms wherever possible.

Dividend payments to shareholders

We strive to deliver more frequent dividend payments to our shareholders. Thus, in November 2013 Nordgold introduced a quarterly interim dividend payment. The current dividend payout ratio is 30% of net profit attributable to shareholders. In addition, we have no limitation from bond and debt holders on dividend payments.

Continuation of growth

Through focused exploration expenditure we will seek to develop and invest in our current mines, as well as new high-quality greenfield and brownfield projects. To supplement the organic growth pipeline and to further enlarge the reserve base Nordgold will also seek to capitalise on other opportunities, through

evaluating potential purchases of premium-quality reserves and resources that comply with our project criteria.

During 2013 we continued to realise our strategy in order to drive the Group forward and maximise value for current and future shareholders. We were still focused on optimising existing operations by addressing immediate issues, such as cash constraints, and intensive and ongoing measures to improve mine management and productivity.

An important milestone during the year was the highly successful launch of the Bissa mine, which reached its commercial production levels in the first month of ramp-up and reached full capacity in only six months. Completed within schedule and on budget, and with an exemplary safety record, Bissa demonstrated outstanding performance, producing 254.3 Koz in 2013. We have already completed a feasibility study of the Gross project, which was approved by the Board in February 2014, and plan to commence mining at Gross in H1 2014.

A further step in the implementation of Nordgold's strategy to expand its portfolio through developing high-quality projects was the acquisition of a 50.01% stake in the Montagne D'Or Deposit in French Guiana. Over the next year it is intended to conduct geophysical and geological surveys, drilling, sampling, assaying, and metallurgical testing of the deposit, as well as complete a scoping study.

In accordance with our strategy we developed a new IT approach, focused on developing and standardising Nordgold's IT infrastructure to improve efficiencies at all operating units and within the Group as a whole. The new strategy will involve a transition to cutting-edge business process management systems, and includes the deployment of specialised geological support systems for Nordgold's mining operations, centralised production technology management systems, and preparation for SAP deployment. As part of ongoing efficiency improvements, in 2013 we significantly strengthened our senior operational management team, recruiting new hires with proven knowledge and capabilities. In order to reduce costs Nordgold's management is focused on achieving increased efficiency at all its mines, as it continues to roll out BSN throughout the Group.

2013 achievements	2014 targets
Operational optimisation	
We have continued production process efficiency improvements at Suzdal and modernisation of the processing plants at Berezitovy, Buryatzoloto and Aprelkovo	Increase the efficiency of mining operations and recovery rate at Lefa, including further operational improvements, an optimised mine plan, and a mobile equipment fleet management strategy
At Aprelkovo we completed the technical design of the first stage of gold-recovery plant construction and the partial upgrade of the mining fleet	Increase the recovery rate by modernising the process plant at Taparko, in particular by constructing an oxygen plant
We achieved sustainable improvement in head grade at Lefa and Buryatzoloto, and high recovery rates at Suzdal	Implement key operational improvement initiatives at both the Buryatzoloto mines of Irokinda and Zun-Holba, targeting increased, higher-grade ore volumes
We commenced mining of the Bouroum pit at the Taparko mine	
At Buryatzoloto we began to implement the corporate SAP system as part of the Standard Nordgold project	
Organic expansion and development	
We received a gold and silver mining license for the Gross project. Gross is into the final feasibility study	Start mining at Gross at the end of Q1 2014. Continue to develop the infrastructure required

2013 achievements	2014 targets
stage	for the Gross project and launch the large-scale pilot heap-leach mining project at Gross
Buryatzoloto won a tender for an exploration and mining licence in the Zhanokskaya gold area in the Republic of Buryatia in Russia	Develop Taparko's high-grade Bouroum pit, achieve reduced mill downtime, and further optimise gold recovery by managing ore blend and other process improvements
	Prepare a prefeasibility study of the Prognoz project
Value-accretive acquisitions	
Consolidation of 100% of High River Gold	Continue monitoring the market to identify potentially value-adding opportunities around the globe
Nordgold entered into a binding letter of intent to acquire a 50.01% stake in the Montagne D'Or deposit in French Guiana	Identify underperforming assets where value can be created through operational improvements or by providing expertise or capital

A sustainable pipeline

Nordgold has an extensive pipeline and a proven track record of successfully realising development projects. Our strong development pipeline has moved forward. We currently have one development project and five advanced exploration projects, as well as a diverse portfolio of early exploration projects and licenses in the CIS, West Africa and French Guiana. All these projects are expected to yield significant increases in our resource base and production profile.

Gross remains the main Nordgold development project; after it reaches full capacity our target production is over 1 Moz of gold by 2017.

Production projects	Development projects	Advanced exploration projects	Early exploration projects	
Production in progress	<ul style="list-style-type: none">• Delineated resource• Feasibility underway or completed	<ul style="list-style-type: none">• Significant drilling• Performed scoping underway	<ul style="list-style-type: none">• Potential resource identified• Target delineation	
Russia and CIS				
Russia				
Neryungri (2002) Aprelkovo (2006) Berezitovy (2007) Irokinda (1985) Zun-Holba (1986)	Gross (2014)	Prognoz Uryakh	Vitimkan Uzhno-Uguyskaya Pl.	
Kazakhstan				
Suzdal (1999)				
West Africa				
Taparko (2007) Lefa (2008) Bissa (2013)		Bouly Goengo Yeou Wayin Zinigma Sakou	Standalone: <ul style="list-style-type: none">• Tanzaka• LEFA corridor• Banora corridor• Labola	Taparko satellites: <ul style="list-style-type: none">• Nayiri• Ankouma• Baola
			Bissa satellites: <ul style="list-style-type: none">• Gargo• Yargo• Yimiougou• Nougou	
French Guiana				

Performance results

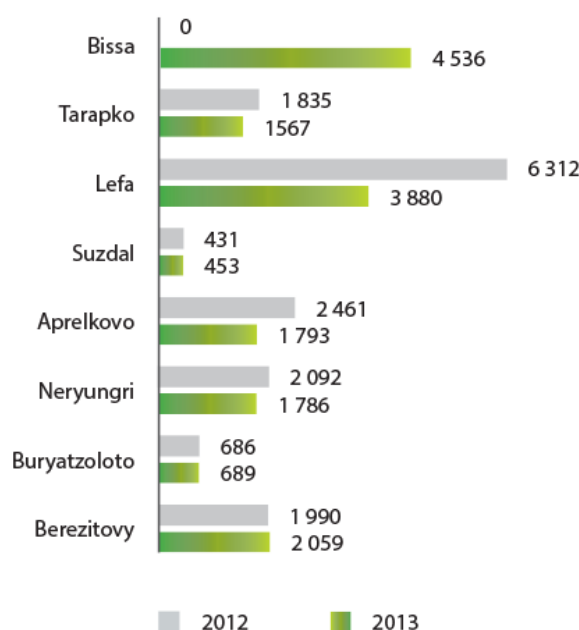
Operating review

Operational KPIs

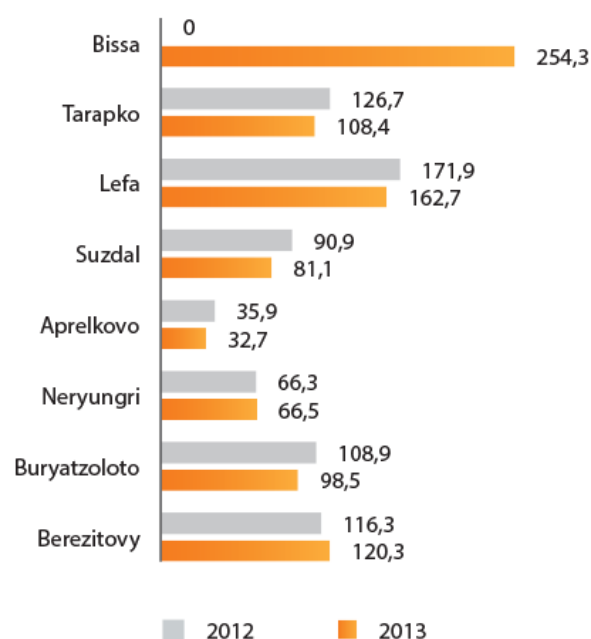
Operating Highlights	2013	2012	% change
Ore mined, kt	16,763	16,032	5%
Stripping ratio ^[1] , tn/tn	6.21	4.00	55%
Ore milled, kt	18,543	15,141	22%
Grade, g/t	1.89	1.86	2%
Recovery, %	81.00	79.20	1.8 pp
Gold production, Koz	924.4	716.9	29%
Gold sold, Koz	924.2	717.3	29%
Average realised gold price per ounce sold, US\$/oz	1,376	1,670	(18%)
Revenue, US\$m	1,271.3	1,197.9	6%
TCC, US\$/oz	819	836	(2%)
All-in Sustaining Costs (AISC), US\$/oz	1,062	1,174	(10%)

[1] Calculated only for open pits

Dynamics of ore mined for the period 2012-2013



Dynamics of gold production for the period 2012-2013



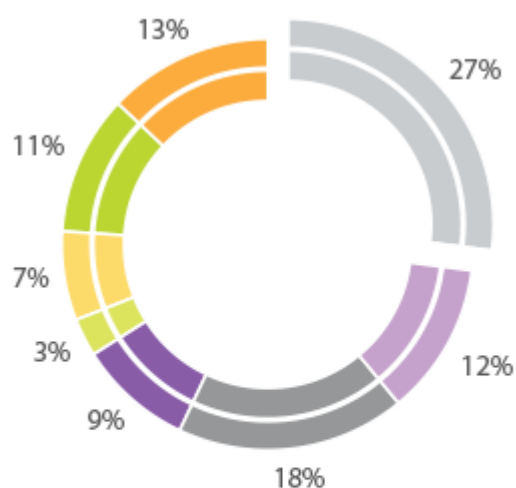
In 2013 Nordgold achieved record levels of gold production, which increased by 29% to 924.4 Koz. This growth was mainly driven by the superb performance demonstrated by our new Bissa mine, and by improvements across all critical KPIs – including grade, recovery and processing volumes – and is

testament to the success of improvements implemented at underperforming mine sites. In 2013, the Berezitovy and Neryungri mines increased gold production. This, together with the outstanding performance at Bissa mine, compensated for a reduction in gold production from the Lefa, Taparko, Buryatzoloto and Suzdal mines. The decline in gold production at the latter mines was due to the following factors:

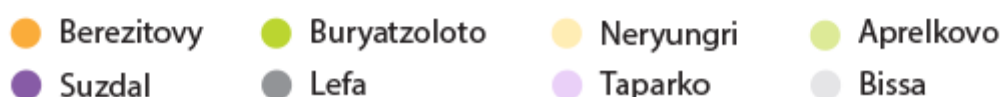
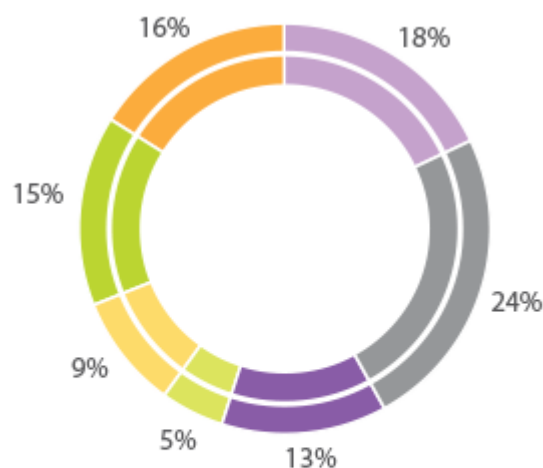
- Lefa: Lower ore tonnes mined year-on-year, although higher grade ore was mined during H2 2013 which lead to improved gold production.
- Taparko: Mainly due to unplanned maintenance of the primary ball mill trunion and secondly, lower plant recoveries resulting from treating increased volumes of fresh ore.
- Suzdal: Reduction in ore mined grade at the Suzdal underground mine, and the completion of gold production from the Zherek mine.
- Buryatzoloto: Grade reduction of the ore mined.

We continued to focus on enhancing operational efficiency, increasing technical capabilities, auditing resources, continuing successful exploration works, and bringing about positive cultural change.

Gold production in 2013, %



Gold production in 2012, %



All-in sustaining costs (AISC) for the consolidated operations, the merits of which include EBITDA-based TCC and sustaining capex, were US\$1,062/oz in 2013, which is 10% lower than in 2012 (US\$1,174/oz). We expect consolidated AISC to be in the range of US\$1,050/oz – to US\$1,100/oz for the full year 2014, which in the absence of large standalone capex projects; will enable Nordgold to generate meaningful positive free cash flow.

In 2014 we expect to produce a level of 870-920 Koz, including 30 Koz of gold from the pilot plant at Neryungri mine processing ore from the Gross deposit, reconstructing existing mines and implementing key process improvement initiatives – including the continual improvement of resource models and value driven mine plans, increased mobile and fixed plant equipment availability, and improved utilisation and productivity, supported by further investment in the training of supervisors and operators.

Assets review

West Africa

Bissa



Successfully commissioned in January 2013, Bissa was ramped up to full production within less than 6-months and significantly outperformed expectations for the year

Key operating statistics – Bissa

Operating results	2013	2012	% change
Ore mined (Kt)	4,536	-	n/a
Stripping ratio (tn/tn)	5.13	-	n/a
Ore milled (Kt)	3,387	-	n/a
Grade (g/t)	2.67	-	n/a
Recovery (%)	88.9	-	n/a
Gold production (Koz)	254.3	-	n/a
Gold sold (Koz)	254.3	-	n/a
Average realised gold price per ounce sold (US\$/oz)	1,375	-	n/a
TCC (US\$/oz)	467	-	n/a
AISC (US\$/oz)	540	-	n/a

Overview

The Bissa mine is located approximately 85 km north of Ouagadougou, the capital of Burkina Faso. Bissa is accessible via Route Nationale 22, a sealed road. Ouagadougou airport has flight connections to major European cities.

Bissa Gold SA, which owns both the Bissa mine and the Bouly deposit, is 90% owned by Nordgold and 10% state owned.

The Bissa mine was officially commissioned in January 2013 and now comprises open-pit production at the IO and Southwest Pits and development of the South Extension Pit.

The Bissa process consists of primary crushing before feeding to a SAG/Ball grinding circuit; classifying the ground slurry product; and thickening, leaching and carbon adsorption to recover soluble gold and silver.

A well-established base camp is located to the immediate east of the Bissa process plant and includes accommodation for approximately - 180 people. In addition, an administration office, laboratory and workshop/warehouse have been constructed at the mine area, together with a haul road system.

2013 Performance

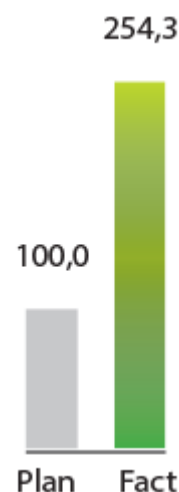
Following a highly successful development process completed within schedule and on budget (US\$250 million), Bissa began production in January 2013. The mine demonstrated outstanding performance throughout the year, producing 254.3 Koz of gold, – thus significantly beating initial full-year production guidance for 2013 of 100 Koz. In Q4 2013, gold production at Bissa reached a record level of 75.7 Koz over all quarters in 2013.

Bissa operations averaged the high head grade of 2.67 g/t in 2013, which led to the positive reconciliation of the Bissa geological model.

Key future activities

- Production of approximately 200 Koz in the full year 2014
- 2014 average stripping ratio at the same level of Q4 2013, or 6,8t/t.
- Develop two additional pits in 2014 – the Zone 52 pit (5% of ore mined) and BH2 pit (13% of ore mined)
- Throughput increase to 3.5 Mtpa from 3.38 Mtpa
- Oxygen plant construction and commissioning in Q4 2014
- Gougre pit permitting
- Commencing Phase-2 ore mining at the Southwest Pits
- Creating of an effective training system for local employees
- Optimisation of the Life of Mine mining and processing schedules based on improved technical information and supported by infill and extensional drilling programmes to target high-grade lodes identified during the first year of mining operations and pit mapping
- Implementation of efficient maintenance programmes for the mining fleet and plant
- Running incremental capex programmes to maximise mill throughput and recovery; adding lead-nitrate and oxygen; establishing optimal grind-size; pebble crusher construction, supported by optimal blending from the pits

Gold production in 2013 (Koz)



Bissa case

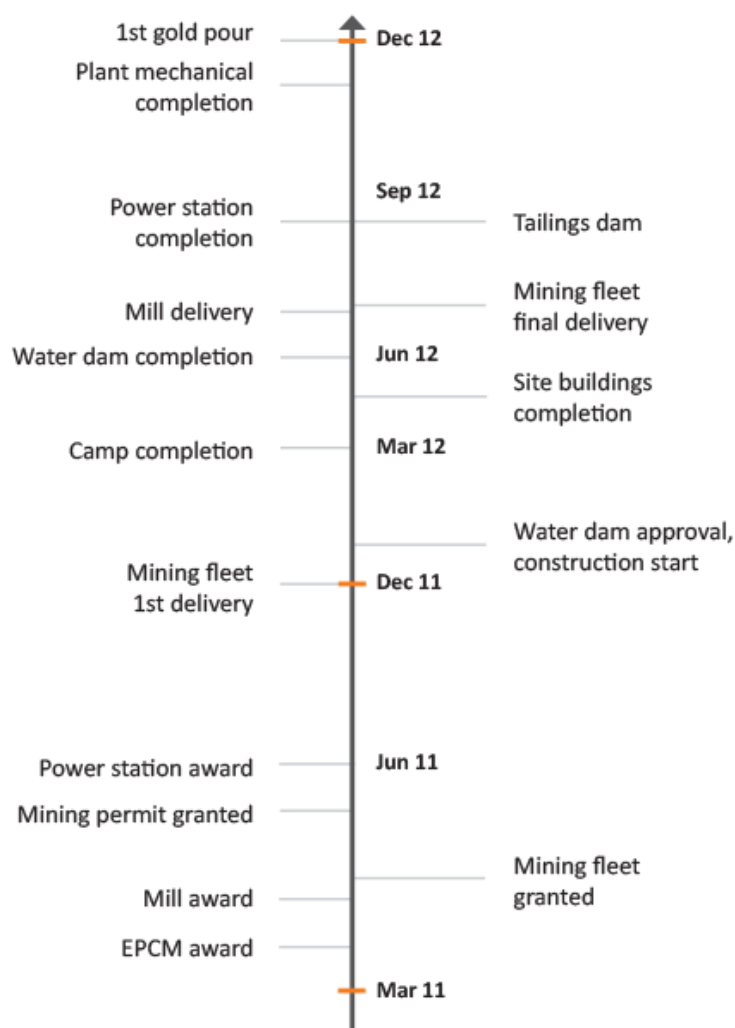
Bissa is Nordgold's second mine in Burkina Faso and brings the total number of operating assets in the Nordgold portfolio to nine. Bissa was completed ahead of schedule, on budget and with only one minor Lost Time Injury.

Total investment in the project was US\$250 million and it was completed in 15 months. The mine was officially opened on January 17, 2013 by His Excellency the Prime Minister of Burkina Faso Luc Adolphe Tiao and Chief Executive Officer of Nordgold Nikolai Zelenski.

The mine went into production in January 2013, and got off to a strong start, exceeding our initial full-year production expectations. During 2013, the Actual amount of ore mined was 2% higher, while the average grade in ore mined was 11% higher and contained ounces 12% higher compared with the Bissa Reserve models. Individual pit reconciliation data is shown in the table below.

The success of Bissa demonstrates our ability to design, develop and complete a world-class new mine project from scratch, on time, and on budget. This major development asset is a key in our long-term growth strategy and it highlights the increasingly international scope of our portfolio.

Project timeline



	IO Pit			South West			SW Extension			Bissa Hill 1		
	Ktons	g/t	Koz	Ktons	g/t	Koz	Ktons	g/t	Koz	Ktons	g/t	Koz
WAI 2012 Model	313	2.99	30.1	1,738	2.26	126.2	552	1.49	26.5	645	2.71	56.2
Grade Control Ore Blocks	394	3.49	44.1	1,832	2.27	133.9	459	1.24	18.3	469	2.77	41.7
Grade Control over WAI	126%	117%	147%	105%	101%	106%	83%	83%	69%	73%	102%	74%
Delivered according to Milled - Stockpile Balance	518	3.39	56.4	1,803	2.47	143.0	505	1.30	21.1	473	3.16	48.1
Milled stockpiles over GC	131%	97%	128%	98%	108%	107%	110%	105%	115%	101%	114%	115%
Milled stockpiles over WAI	165%	113%	187%	104%	109%	113%	91%	87%	80%	73%	117%	86%
Total												
WAI 2012 Model	3,248	2.29	239									
Grade Control Ore Blocks	3,154	2.35	238									
Grade Control over WAI	97%	103%	100%									
Delivered according to Milled - Stockpile Balance	3,299	2.53	269									
Tons are back-allocated to pits depending on truck counts	105%	108%	113%									
	102%	111%	112%									

Tons are back-allocated from Mill-Stockpiles to various Pits depending on truck counts from Pits.

Extra ounces Milled and Stockpile over GC ore blocks can be explained by top-cuts, especially IO pit, and grade losses in ore blocks due to contacts cutting through blocks.

Taparko



Launched production at the Bouroum pit in Q4 2013 and maintained recovery rates of over 80%

Key operating statistics – Taparko

Operating results	2013	2012	% change
Ore mined (Kt)	1,567	1,835	(15%)
Stripping ratio (tn/tn)	9.40	5.63	67%
Ore milled (Kt)	1,366	1,580	(14%)
Grade (g/t)	2.99	3.09	(3%)
Recovery (%)	80.5	82.1	(1.6pp)
Gold production (Koz)	108.4	126.7	(14%)
Gold sold (Koz)	108.5	126.8	(14%)
Average realised gold price per ounce sold (US\$/oz)	1,400	1,672	(16%)
TCC (US\$/oz)	771	611	26%
AISC (US\$/oz)	1,238	852	45%

Overview

The Taparko mine is located in the Namantenga province of Burkina Faso, approximately 200 km northeast of Ouagadougou, the capital of Burkina Faso. The mine is situated in a sparsely populated area readily accessible by road from the capital. The Bouroum mine, a satellite of Taparko, is located approximately 49 km northwest of the main Taparko site where all mining and milling infrastructure is located. It is accessible from Taparko via a gravel road.

Production began at Taparko in 2007. The mine is operated by SOMITA SA, a company owned 90% by High River Gold; a 10% belongs (under the law) to the Burkina Faso Government. Nordgold acquired a 53% stake in High River Gold in 2008, and gradually increased its stake to 100 % in 2013.

The Taparko mine has been developed with three open pits. The processing plant operates crushing, ball milling and CIL circuits. The Bouroum mine consists of three deposits. Development of the Bouroum mine commenced in the final quarter of 2013.

2013 Performance

Taparko gold production in 2013 was 108.4 Koz, a decrease of 14% on 2012, mainly due to unplanned maintenance of the primary ball mill trunion and lower plant recoveries in the first half of 2013.

Metallurgical initiatives continued to have a positive impact on plant performance, with recovery increasing and well above 80% for the second consecutive quarter. In order to maintain recovery rates at a high level we have thoroughly studied the mineralisation and characteristics of the Taparko deposits. Recovery improvements include an operating strategy to manage “preg-robbing ore” and the construction of an oxygen plant in Q4 2014.

In Q4 2013 mining of the Bouroum pit commenced and in 2014 we intend to continue its development. The mine will also optimise the life of mine mining and processing schedules.

Key future activities

- Increasing ore processing volumes
- Head grade is expected at 2.79 g/t, average stripping ratio – 7.5-8 t/t
- Complete repairment of the trunion; new trunion will be installed in Q4 2014.
- Further increase of recovery; developed a campaign milling and carbon management strategy when processing high-graphite 35-pit ores. Oxygen plant construction and commissioning in Q4 2014, in preparation of future increased fresh ore volumes.
- Implementing efficient maintenance programmes for the mining fleet and plant
- Setting up effective training programmes for national employees
- Optimising the Life-of-Mine mining and processing schedules, including the future Yeou and Goengo deposits and additional satellite pits
- Implementing the Yeou and Goengo deposit exploration programmes.
- Cost-effective development of Bouroum

Lefa



Continued to implement the turnaround programme and improve production effectiveness

Key operating statistics – Lefa

Operating results	2013	2012	% change
Ore mined (Kt)	3,880	6,312	(39%)
Stripping ratio (tn/tn)	5.17	3.28	58%
Ore milled (Kt)	5,826	5,932	(2%)
Grade (g/t)	1.06	1.07	(1%)
Recovery (%)	83.5	84.1	(0.6pp)
Gold production (Koz)	162.7	171.9	(5%)
Gold sold (Koz)	162.7	171.9	(5%)
Average realised gold price per ounce sold (US\$/oz)	1,387	1,670	(17%)
TCC (US\$/oz)	1,346	1,183	14%
AISC (US\$/oz)	1,570	1,511	4%

Overview

The Lefa gold mine is located in the West African country Guinea, approximately 700 km northeast of the capital (and largest city) Conakry, and is connected to an all-season road that has close access to an air strip. The Lefa mine began commercial production in 2008 and was acquired by Nordgold in 2010.

Lefa mining operations consists of two main open pit complexes, and a number of smaller pits, alongside a processing plant (comprising a crushing circuit, two SAG mills, two ball mills and a CIP circuit) and waste facilities and a water management system.

2013 Performance

Ore mined in 2013 fell by 39%; although ore processed volumes, grades and recovery only marginally decreased and therefore the total gold production was only 5% lower YoY, at 162.7koz in 2013.

We continued to roll out the turnaround programme at the Lefa mine. Key measures of the programme included creating a detailed geological model to improve the reliability and stability

of the mine plan, multiple capital repairs, and series of measures taken to reduce negative impact of wet season, including the upgrade of the conveyor system. The programme has impacted all operational areas, with head grade growing to 1.23 g/t in Q4 2013, from 1.13 g/t in Q3 2013. In addition, top management team was replaced in 2013 to drive the mine transformation.

Key future activities

- Raising production efficiency by realising the next steps of the turnaround programme, which including further operational improvements, and various identified cost reduction and optimisation opportunities
- Establishing an effective training system for local employees
- Management continues to invest in infill and extensional drilling to convert resource and improve reserve confidence levels. Optimising the Life-of-Mine mining and processing schedules based on improved technical information
- Implementing efficient maintenance programmes for the mining fleet and plant
- stable production of 15-16 koz per month, which is ore supply dependant
- Through operational improvements, target a TCC of US\$1,000/oz
- Construction of a reclaim feeder and coarse ore stockpile to increase mill throughput and to ensure future flexibility in blending
- Partial replacement and rebuild of the mining fleet
- Plan to access and develop of the Firifirini, a new open pit located 9km north of the Fayalala crusher at Lefa.

Russia and Kazakhstan

Berezitovy



Achieved a record production in 2013 due to higher ore mined volumes, achieved mill availability of 88-90% and heap-leach operation launched

Key operating statistics – Berezitovy

Operating results	2013	2012	% change
Ore mined (Kt)	2,059	1,990	3%
Stripping ratio (tn/tn)	5.93	7.34	(19%)
Ore milled (Kt)	1,741	1,437	21%
Grade (g/t)	2.20	2.72	(19%)
Recovery (%)	89.5	90.1	(0.6pp)
Gold production (Koz)	120.3	116.3	3%
Gold sold (Koz)	120.1	116.4	3%
Average realised gold price per ounce sold (US\$/oz)	1,372	1,664	(17%)
TCC (US\$/oz)	789	626	26%
AISC (US\$/oz)	894	734	22%

Overview

Nordgold's Berezitovy mine is strategically located in the Amur region of Russia, and is accessible via an all-season road situated only 50 km from the Trans-Siberian Railway.

The Berezitovy mine began commercial production in 2007, and was acquired by Nordgold in late 2008.

The Berezitovy mine has a single well-established open pit. The Berezitovy processing plant contains crushing, SAG and ball milling and CIP circuits and a complete water and waste-management infrastructure. The mine recently expanded its processing operations to include the treat of low-grade ore by heap leaching.

2013 Performance

2013 was a record year for Berezitovy: the mine produced 120.3 Koz, compared with 116.3 Koz in the previous year.

A good level of production reported due to higher ore mined and processed volumes as well as the some efficiency improvements at processing plants. In October 2013 Berezitovy achieved a record level of ore milled and a recovery of 91.92%.

During the year the SAG mill was upgraded with new units, allowing us to increase mill availability to 88-90% and achieve higher levels of production. We expect the further optimization of the processing plant performance and higher efficiency of heap-leach operations will help us to increase production and improve efficiency at Berezitovy.

Key future activities

- Incorporate new drilling data, and update grade control block models
- Evaluation of the Phase 3 cutback Life of Mine schedule nearly complete; including a geotechnical study to confirm planning assumptions
- Commenced development of the Phase 3 cutback; supported by an optimal Life-of-Mine mining fleet maintenance and replacement strategy and efficiency programme
- Optimize processing plant performance by targeting throughput initiatives and recovery initiatives (benefits seen in Q4 2013)
- Resultantly, stripping ratio expected to increase to approximately 7 t/t
- Improve efficiency of heap leaching performance, as a low-cost incremental gold producer of an additional 8-10 Koz of gold per annum.

Buryatzoloto



Increased efficiency by continuing the drilling programme, making process improvements, and implementing a labour productivity programme

Key operating statistics – Buryatzoloto

Operating results	2013	2012	% change
Ore mined (Kt)	689	686	0%
Ore milled (Kt)	668	695	(4%)
Grade (g/t)	4.72	5.04	(6%)
Recovery (%)	92.2	93.3	(1.1pp)
Gold production (Koz)	98.5	108.9	(10%)
Gold sold (Koz)	98.4	108.9	(10%)
Average realised gold price per ounce sold (US\$/oz)	1,382	1,666	(17%)
TCC (US\$/oz)	978	813	20%
AISC (US\$/oz)	1,410	1,179	20%

Overview

The Buryatzoloto gold mining business located in the Republic of Buryatia in Russia is the oldest asset in Nordgold's portfolio. It comprises two underground mines – Irokinda and Zun-Holba – both of which were acquired by Nordgold in late 2008.

Irokinda is located approximately 75 km from the town of Taksimo, where the Baikal-Amur Railway station and airport are situated. Zun-Holba is approximately 315 km from the village of Kultuk (which is on the Trans-Siberian Railway), and 80 km from the city of Irkutsk. Both mines are accessible via all-season roads. Production began at the site of the Irokinda mine in 1985 and at Zun-Holba in 1986.

The mines both have processing plants, each with crushing, grinding, and gravity and flotation circuits. The Zun-Holba plant also contains a CIL circuit and related facilities.

2013 Performance

In 2013 gold production at Buryatzoloto decreased by 10%, to 98.5 Koz. This was due to a lower head grade of 0.32 g/t and processing 27 kt less ore.

In 2013 we focused our efforts on modernising the production process and upgrading equipment. At Irokinda we changed the technology of mine horizons development: from 1 July an underground zone for mobile mining machines was created. In order to raise the volume of ore mined and to increase production efficiency, we implemented a substantial resource expansion drilling programme to locate high-grade reserves. We also launched an efficiency improvement programme to obtain more value at every stage of the value chain: mining, transportation and processing. As a result, both head grade and ore mining volumes are expected to increase in 2014. In addition, we are seeking to increase employee motivation by implementing a labour productivity improvement programme, and we acquired an exploration license for the district of Irokinda – an area which we are optimistic will yield strong results.

Key future activities

- Introduction of a pre-production process to improve the accuracy of mining schedules; include additional GC drilling
- Addressing underground safety performance and operator productivity
- Increase underground stoping reserves, provide flexibility to target highergrade ore blocks
- Continuing with drilling programmes at both mine to explore for high-grade reserves
- Focus on dilution reduction programmes
- Creating a development strategy for the Zun-Holba Deeps project
- Improve process plant performances at Irokinda and Zun-Holba; mainly in the flotation sections
- Improve sequencing of development (all types) and stoping (ore production)

Neryungri



Continued to modernise the processing plant, extending the period of active leaching to 12 months, upgraded infrastructure facilities, including construction an all-season road

Key operating statistics – Neryungri

Operating results	2013	2012	% change
Ore mined (Kt)	1,786	2,092	(15%)
Stripping ratio (tn/tn)	9.12	4.51	102%
Ore milled (Kt)	2,891	3,084	(6%)
Grade (g/t)	0.88	1.02	(13%)
Recovery (%)	75.0	75.0	0pp
Gold production (Koz)	66.5	66.3	0%
Gold sold (Koz)	66.4	66.7	0%
Average realised gold price per ounce sold (US\$/oz)	1,348	1,669	(19%)
TCC (US\$/oz)	764	767	0%
AISC (US\$/oz)	929	1,049	(11%)

Overview

Neryungri is an open-pit gold mine in the Republic of Yakutia in Siberia. It is approximately 200 km from the town of Chara, and is accessible via an all-season road which was completed in 2011. The Company acquired the mine in 2007.

Neryungri has a processing plant with crushing and heap-leaching extraction capabilities. Operations at Neryungri utilise the simplest heap-leaching extraction method available, owing to the highly oxidised low-grade ore. Production at the pit is subject to significant seasonal variations due to harsh winter temperatures. The majority of crushing and stockpiling of ore occurs from May to September each year, and the majority of gold production occurs from July to December each year, as the cyanide spray used in heap leaching cannot penetrate frozen ore.

2013 Performance

Neryungri produced 66.5 Koz in 2013, flat compared with 66.3 Koz in 2012.

In 2013 we found ways to also crush and stock ore during the winter - meaning that gold production in Q1 next year will be higher than in previous years.

We continued to modernise the processing plant, extending the period of active leaching to 12 months. We also constructed an all-season road, built a new camp, and upgraded infrastructure facilities. We will also launch the Gross project heap-leach pilot process project at Neryungri in late Q1 2014 to confirm Gross Feasibility study merits. Feasibility study was completed and approved by the Board of the Company in February 2014.

Key future activities

- Further optimisation of the Neryungri Life-of-Mine mining and processing schedules,
- Carrying out an in-fill and extensional drilling programme to convert the Tabornoe pit extensional resources into reserves
- Launching large-scale pilot heap-leach operations to process ore from Gross to confirm feasibility study processing assumptions late Q1/early Q2 2014

Aprelkovo



Production optimisation and establishing ways to maximise extraction levels

Key operating statistics – Aprelkovo

Operating results	2013	2012	% change
Ore mined (Kt)	1,793	2,461	(27%)
Stripping ratio (tn/tn)	5.79	2.99	94%
Ore milled (Kt)	1,644	1,465	12%
Grade (g/t)	1.27	1.35	(6%)
Recovery (%)	46.7	47.7	(1.0pp)
Gold production (Koz)	32.7	35.9	(9%)
Gold sold (Koz)	32.7	35.8	(9%)
Average realised gold price per ounce sold (US\$/oz)	1,333	1,674	(20%)
TCC (US\$/oz)	1,020	863	18%
AISC (US\$/oz)	1,140	1,302	(12%)

Overview

Aprelkovo is an open-pit gold mine in Russia's Transbaikal region. The mine, which was acquired in 2007, is situated approximately 120 km east of the regional centre of Chita and can be easily accessed via a paved road. The deposit is located approximately 3 km to the south of the navigable River Shilka and the Trans-Siberian Railway, with the nearest stations being Shilka (regional centre), Kholbon, and Priiskvaya, at distances of 20 km, 7 km and 45 km, respectively, from the deposit.

The mine contains a processing plant with crushing and heap-leaching extraction capabilities.

Historically, gold was recovered from oxide-ore types and, more recently, transitional-ore types which achieved gold recoveries of 63.7% and 57%, respectively. However, both of these ore types have now been exhausted. As an interim measure, primary ore is currently being treated. This is less amenable to processing using heap leaching than oxide or transitional ores; as a result, gold recoveries have fallen to approximately 46-48%.

2013 Performance

In 2013 Aprelkovo gold production decreased by 9% over 2012 to 32.7 Koz, due to lower ore grades.

This year we focused on production optimisation, including technical improvements: upgrading the entire mining fleet, doubling the metallurgical plant capacity, and installing crushers to reduce ore sizes from -15 to -5 mm. We are also continuing to establish ways to maximise extraction levels at the mine.

Key future activities

- Evaluate of options for the optimisation of heap-leach recoveries; optimise irrigation and solution management
- Balance mining equipment with optimal mining and processing schedules
- Evaluate the nearby Nerchinskaya area resources for future mining potential
- Continue to implement a new motivation system to increase labour productivity

Suzdal



Underground mining fleet upgraded and restored recovery rate levels of nearly 70%

Key operating statistics – Suzdal

Operating results	2013	2012	% change
Ore mined (Kt)	453	431	5%
Ore milled (Kt)	512	491	4%
Grade (g/t)	7.25	7.61	(5%)
Recovery (%)	69.1	65.3	3.8pp
Gold production (Koz)	81.1	90.9	(11%)
Gold sold (Koz)	81.1	90.9	(11%)
Average realised gold price per ounce sold (US\$/oz)	1,357	1,679	(19%)
TCC (US\$/oz)	733	803	(9%)
AISC (US\$/oz)	884	1,186	(26%)

Overview

The Suzdal gold mine is an underground mine located in eastern Kazakhstan. The mine has good infrastructure, including an all-season road and access to the railway station and airport in the city of Semipalatinsk (55 km to the north east).

The mine comprises a number of worked-out open pits (one of which contains the portal for the decline), waste dumps, a plant, offices, maintenance buildings, accommodation facilities and a canteen.

The mine facility contains a processing plant with crushing, grinding, flotation, BIOX, CCD and CIL circuits. Operations at Suzdal are among the most technologically advanced within Nordgold – the plant possesses the necessary technology to process refractory sulphide ore, and the BIOX processing circuit at the mine was the first in Eurasia.

2013 Performance

In 2013, gold production at Suzdal fell by 11%, to 81.1 Koz, compared to 90.9 Koz (including 4 Koz from Zherek) in 2012. This reduction in production in 2013 was mainly due to a lower grade

in the ore mined of 0.66 g/t, offset by the increased throughput of an additional 21 kt and record recoveries of 69.1% (up from 65.3% in 2012).

During 2013 we upgraded the underground mining fleet, and improved the efficiency of the BIOX module. We also launched a cost-reduction programme, enabling us to reduce costs by approximately US\$200/oz. Despite these improvements, 2014 will see pressure on production volumes from lower ore grades due to the completion of high-grade ore body 1/3 and the accessing of medium-grade ore bodies 2 and 4.

Key future activities

- Continue to increase the efficiency of underground mining equipment
- Support a dilution reduction programme
- Continue to optimise processing efficiencies; install new flotation modules to improve recovery by between 1.5 and 2%
- Average recovery planned in 2014 at 69% despite a planned reduction in feed grade to 6.4g/t
- Target additional gold production from the processing of CIL tailings from hot-leaching technology; testing has commenced
- Launch an in-fill drilling programme to convert resources to reserves in the Zone №4 area and to explore the previously undrilled Zone №1-3 areas.

Development and Exploration

The process of organic expansion and development is one of our key strategic goals. It includes: lengthening the lives of our existing mines through exploration, and extending our resource base by identifying and developing new mine candidates.

Development projects

Gross – Overview



Gross is an important development project in Yakutia. The proximity of Neryungri enables Nordgold to take advantage of economies of scale, deep knowledge of the local geology, and shared expertise and capabilities from Neryungri's management team.

In 2013 Nordgold conducted an extensive exploration programme to identify the Gross deposit and its reserves.

Location	Country	Russia
	Location	Yakutia, 4 km away from Neryungri mine
	Infrastructure	Access via an all-season road
Project parameters	Mine type	Open pit
	Technology	Heap leach
	Trial production	H1 2014
	Mining rate	12 Mtpa
	Average production	220 Koz
	In pit reserves	4.6 Moz at 0.73 g/t
	M + I + I resources	13,3 Moz at 0.56 g/t
	Feasibility study	Completed and approved by the board in Q1 2014

First ore from the deposit is expected to be treated in H1 2014, in a trial project. In total for 2014 we expect to process approximately 1.8 million tons.

Exploration projects

Montagne D'Or – Overview



Montagne D'Or is a highly promising exploration asset located in north-west French Guiana, 180 km west of the capital, Cayenne, and 80 km south of the department capital, Saint-Laurent-du-Maroni.

In September 2013 Nordgold entered into a Binding Letter of Intent with Columbus Gold Corp. to acquire a 50.01% stake in the Montagne D'Or deposit.

Location	Country	French Guiana
	Location	115 km from the port of St Laurent
	Infrastructure	Airstrip; all-season road
Project parameters	Ownership	Nordgold has the right to own 50,01%
	Mine type	Open pit
	Development Stage	Advanced explorationIn-fill drilling to convert Inferred resources into Indicated in Q4 2013 – Q3 2014
	Resources	4.2 Moz at 2.2 g/t Inferred (Coffey Mining, Nov 2012)
	Reserve potential	2-4 Moz
	Scoping study	Will be performed in 2014
	Bankable Feasibility study	Will be completed in 2016

Montagne D'Or is located within the Guiana Gold Belt, whose mineral deposits are very similar to those in West Africa. This will enable Nordgold to apply its deep knowledge of West African geology to the project.

Nordgold intends to conduct intensive metallurgical tests to determine the optimum flowsheet and technologies for the production of gold. In November Columbus Gold commenced a US\$11.8 million work programme at Montagne D'Or. The 14-month programme is entirely funded by Nordgold and includes the Phase-II drill programme, detailed metallurgy and baseline environmental studies, with the aim of completing a resource update and a preliminary economic assessment by the end of 2014.

Bouly – Overview



Bouly (Namatenga permit) is a greenfield exploration project and comprises a large low-grade gold mineralisation.

Location	Country	Burkina-Faso
	Location	10 km east of Bissa mine
	Infrastructure	Bissa infrastructure is available to support Bouly
Project parameters	Mine type	Open pit, low strip ratio
	Technology	Heap leach
	Possible start-up year	2016–2017
	Development stage	Scoping study
	Resources	1 Moz at 0.75 g/t Indicated & Inferred
	Reserve potential	2-3 Moz at 0.75 g/t for open pit
	Scoping study	2014

While Bouly ore is low-grade, the project has very good potential for heap-leaching operations. In view of a significant footprint at the Bouly deposit, exploration is aimed at assessing deep-level and further flanks' resource potential.

In 2013 an intensive exploration programme was performed at Bouly aimed at upgrading the project to a commercially minable deposit. The results of metallurgical testing, which are part of an in-house scoping study, will be available in 2014 and will form the basis to initiate a preliminary economic assessment of the project and decide on a further pre-feasibility study.

Uryakh - Overview



The Uryakh project is the result of successful early exploration work conducted in 2010–2011 on a highly promising ore field with resource potential for quartz veins, gold-bearing stockworks and other types of mineralisation.

Location	Country	Russia
	Location	Irkutsk region, 60 km away from BAM railway
	Infrastructure	Will require construction of an all-season road
Project parameters	Mine type	Underground and/or open pit are possible
	Development Stage	Advanced exploration
	Possible start-up year	2018
	Resources	946 Koz at 1.61 g/t inferred (WAI 2012)
	Reserve potential	1.5 – 2.5 Moz
	Scoping study	2014
	Feasibility study	Will take 1-2 years

Over the past few years an intensive drilling programme has focused on several high-grade quartz veins and adjacent gold mineralised zones which still remain open along the strike and in depth. Exploration results indicate the potential for a large-scale open-pit and/or underground mineable resource.

In 2013 Nordgold completed a 25,000-metre drilling programme. In 2013 we also received positive metallurgical testing results. Geotechnical prospecting was initiated. Uryakh is a highly promising ore field with resource potential associated with quartz veins, gold-bearing stock works and other types of mineralisation. We intend in 2014 to prepare an in-house preliminary economic assessment of the project.

Prognoz – Overview



Prognoz is a remote silver project situated in Yakutia. It is one of the largest and highest-grade undeveloped primary silver projects in the world.

Location	Country	Russia
	Location	Yakutia, 444 km north of the capital city Yakutsk
	Infrastructure	300 km winter road access
Project parameters	Ownership	Nordgold: 50%
	Mine type	Potentially underground
	Development stage	Scoping study completed
	Resources	5,860 Koz at 11.8 g/t Indicated & Inferred (50^50) in GE
	Reserve potential	5,000 Koz

The site is situated in an area of gently rolling terrain with elevations ranging from 300 to 1,100 metres above sea level.

Extensive exploration works since 1985 have identified over 30 mineralised veins distributed across four areas. In addition, a significant

JORC-classified silver resource of 268 Moz at 681 g/t has been identified, and considerable further resource potential appears to exist nearby.

The Company owns a 50% interest in Prognoz Silver LLC, which owns 100% of the Prognoz silver project in Russia, with the other 50% owned by Argentum CJSC.

Wayin – Overview

The Wayin prospect is situated 55 km east of the Burkina Faso capital Ouagadougou. A large copper-gold anomaly was discovered in the area in the 1970s.

Nordgold began systematic exploration work in the area in 2011. The deposit has a near-surface enriched zone with an Au grade of more than 2 g/t and a Cu grade of more than 0.5%. Exploration is still at an early stage, but the chances of finding a major, economically viable deposit appear good and justify further exploration work.

Reserves and resources

Delivering organic growth by developing our reserves and resources represents one of the three pillars of our strategy. During 2013, in order to expand our resource base, exploration was carried out at all existing mines in South Africa, Kazakhstan and Russia.

Mineral Resources and Reserves are reported in accordance with the standards described by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code)^[1].

[1] JORC-compliant reserves audit was undertaken in 2012 - Reserves and Resources Statement dated April, 2013

Proven and probable reserves

	Koz
Burkina Faso	2,565
Guinea	3,860
Kazakhstan	648
Russia	5,569
Total	12,642

Measured, indicated and inferred resources

	Measured and indicated, Koz	Inferred, Koz
Burkina Faso	4,170	2,860
Guinea	5,570	2,334
Kazakhstan	1,005	991
Russia	7,192	10,543
Total	17,937	16,727

Key exploration priorities in 2013 – 2014 will include:

- further extension the Life of Mines for Buryatzoloto (both Irokinda and Zun-Holba) in Russia and Taparko in Burkina Faso.
- infill drilling of the ore body flanks at Lefa aimed at increasing higher grade reserves.
- Progressing Bouly, Uryakh and Wayin projects towards Preliminary Economic Assessments.

Gold Reserves Estimate (1st January 2013) (in Accordance with the Guidelines of the JORC Code (2004))

			Proven				Probable				Proven+Probable				Pit Summary	
Mine	Ore Type	Cut off grade Au g/t	Ore (kt)	Au (g/t)	Au (kg)	Au (kOz)	Ore (kt)	Au (g/t)	Au (kg)	Au (kOz)	Ore (kt)	Au (g/t)	Au (kg)	Au (kOz)	Waste (kt)	Stripping Ratio (t/t)
Russia																
Aprelkovo	Oxide (In-situ)	0.55	-	-	-	-	301	1.23	370	12	301	1.23	370	12	-	-
	Transiti-onal (In-situ)	0.76	1	1.05	1	0.03	375	0.78	292	9	376	0.78	293	9	-	-
	Sulphide (In-situ)	0.58	1,764	1.48	2,612	84	5,749	1.20	6,890	222	7,513	1.26	9,502	305	49,452	6.0
	Stockpile (All Types)	0.79	51	1.02	53	2		-		-	51	1.02	53	2	-	-
Mine Total			1,817	1.47	2,665	86	6,425	1.18	7,552	243	8,242	1.24	10,217	328	49,452	
Berezitovoye	Sulphide (In-situ)		5,937	1.88	11,183	360	5,672	1.89	10,733	345	11,609	1.89	21,916	705	40,666	3.5
	Stockpile (All Types)	0.96	1,979	1.74	3,446	111					1,979	1.74	3,446	111		
Mine Total			7,916	1.85	14,629	470	5,672	1.89	10,733	345	13,588	1.87	25,362	815	40,666	
Neryungri	Oxide (In-situ)	0.53	3,700	0.98	3,626	120	2,900	1.22	3,500	110	6,600	1.08	7,126	230	39,840	6.0
	Stockpile	0.5					1,900	0.50	1,000	30	1,900	0.50	1,000	30		
Mine Total			3,700	0.98	3,626	120	4,800	0.93	4,500	140	8,500	0.96	8,126	260	39,840	
Gross		0.3	-	-	-	-	200,000	0.56	110,000	3,600	200,000	0.56	110,000	3,600	481,000	2.4
Mine Total							200,000	0.56	110,000	3,600	200,000	0.56	110,000	3,600	481,000	
Zun-Holba		3.00	761	8.28	6,300	203	219	8.28	1,800	58	980	8.28	8,100	260		
Mine Total			761	8.28	6,300	203	219	8.28	1,800	58	980	8.28	8,100	260		
Irokinda		4.00	458	15.03	6,900	222	464	5.55	2,600	84	922	10.37	9,500	305		
Mine Total			458	15.03	6,900	222	464	5.55	2,600	84	922	10.37	9,500	305		
AREA TOTAL			14,652	2.33	34,120	1,101	217,580	0.63	137,185	4,470	232,232	0.74	171,305	5,569	610,958	

			Proven				Probable				Proven+Probable				Pit Summary	
Mine	Ore Type	Cut off grade Au g/t	Ore (kt)	Au (g/t)	Au (kg)	Au (kOz)	Ore (kt)	Au (g/t)	Au (kg)	Au (kOz)	Ore (kt)	Au (g/t)	Au (kg)	Au (kOz)	Waste (kt)	Stripping Ratio (t/t)
Burkina Faso																
Bissa	Weathered (In-situ)		484	2.20	1,066	34	11,543	1.69	19,485	626	12,027	1.71	20,551	661	165,508	5.2
	Fresh (In-situ)		4,817	2.10	10,105	325	15,271	1.67	25,449	818	20,088	1.77	35,554	1,143	-	-
	Transitional (In-situ)						507	1.58	803	26	507	1.58	803	26		
	Stockpile (All Types)	0.9	641	1.61	1,030	33.1				-	641	1.61	1,030	33		
Sub Total			5,942	2.05	12,201	392	27,321	1.67	45,737	1,470	33,263	1.74	57,938	1,863	165,508	-
Taparko Mine	Zone 3/5		-	-	-	-	3,229	2.78	8,966	288	3,229	2.78	8,966	288	11,490	-
	Zone 2N2K		-	-	-	-	1,178	2.00	2,351	76	1,178	2.00	2,351	76	10,550	-
	Zone GT		-	-	-	-	813	3.76	3,058	98	813	3.76	3,058	98	31,290	-
	Stockpiles (All Types)	0.98	399	2.44	972	31		-		-	399	2.44	972	31	-	-
F12	Fresh & Sap (In-situ)		-	-	-	-	3,049	2.13	6,507	209	3,049	2.13	6,507	209	29,365	9.6
Sub Total			399	2.44	972	31	8,269	2.53	20,882	671	8,668	2.52	21,854	703	82,695	-
AREA TOTAL			6,341	2.08	13,173	424	35,590	1.87	66,619	2,142	41,931	1.90	79,792	2,565	248,203	-
Guinea																
Lero Karta	All Types		23,478	1.58	37,023	1,190	11,963	1.77	21,212	682	35,441	1.64	58,235	1,872	137,859	3.9
	Stockpile (All Types)	0.6	1,312	0.74	1,090	35					1,312	0.83	1,090	35		
Fayalala	All Types		12,363	1.14	14,110	454	14,754	1.30	19,220	618	27,117	1.23	33,330	1,072	71,689	2.6
	Stockpile (All Types)	0.6	5,682	0.80	4,538	146					5,682	0.80	4,538	146		
Kankarta	All Types		1,042	1.30	1,356	44	4,856	1.65	8,005	257	5,898	1.59	9,361	301	37,263	6.3
	Stockpile (All Types)	0.6	140	0.74	104	3					140	0.74	104	3		
Firifirini	All Types		3,791	1.62	6,141	197	1,978	1.44	2,848	92	5,769	1.56	8,990	289		-

			Proven				Probable				Proven+Probable				Pit Summary	
Mine	Ore Type	Cut off grade Au g/t	Ore (kt)	Au (g/t)	Au (kg)	Au (kOz)	Ore (kt)	Au (g/t)	Au (kg)	Au (kOz)	Ore (kt)	Au (g/t)	Au (kg)	Au (kOz)	Waste (kt)	Stripping Ratio (t/t)
Toume Toume	All Types		210	1.41	296	10	440	1.35	594	19	650	1.37	890	29		-
Banko*	All Types	0.6	80	2.05	164	5	515	2.74	1,410	45	594	2.65	1,574	51	3,124	5.3
Banko South Extension* ¹	All Types	0.6	581	1.75	1,016	33	483	1.93	932	30	1,064	1.83	1,948	63	4,215	4.0
AREA TOTAL			48,678	1.35	65,838	2,117	34,989	1.55	54,221	1,743	83,667	1.43	120,060	3,860	254,151	
Kazakhstan																
Suzdal	Sulphide (In-situ)	4	1,126	11.86	13,400	430	711	9.37	6,700	214	1,837	10.94	20,100	644		
	Stockpile (All Types)		27	4.86	132	4	-	-	-	-	27	4.89	132	4		
Sub Total			1,153	11.74	13,532	434	711	9.42	6,700	214	1,864	10.85	20,232	648		
AREA TOTAL			1,153	12	13,532	434	711	9.37	6,700	214	1,864	10.85	20,232	648		
TOTAL-ALL PROJECTS			70,824	1.79	126,663	4,075	288,870	0.92	264,725	8,569	359,694	1.09	391,388	12,642	1,113,312	

All mineral resources have been calculated in accordance with the CIM Standards or the JORC Code. The definitions and standards of the JORC Code are substantively similar to the CIM Standards. There would be no material differences between mineral resources and mineral reserves prepared in compliance with the JORC Code and mineral resources and mineral reserves prepared in compliance with the CIM Standards. Mineral resources include mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Numbers may not add up due to rounding.

(1) Mineral resources quoted herein were estimated by Hellman and Schofield in conjunction with Crew Gold, reported in NI43-101 Report 'Disclosure of Mineral Resources and Reserves, Lefa Gold Mine, Northeast Guinea, Technical Report Update', November 2009. It is understood that no additional drilling has been carried out on these sites since the 2009 Technical Report. The resource models upon which these figures are based have not been audited by WAI.

(2) Mineral resources quoted here-in were estimated by WAI, reported in MM681 Updated CPR Report on the Zherek Asset, Kazakhstan, April 2012.

(3) Mineral resources quoted here-in were estimated by WAI, reported in MM676 Updated CPR Report on the Balazhal Gold Asset, Kazakhstan, April 2012.

Contained metal figures may not calculate due to rounding.

Gold Resource Estimate (1st January 2013) (in Accordance with the Guidelines of the JORC Code (2004))

Deposit	Zone	Cut-Off Grade Au (g/t)	Measured				Indicated				Measured+Indicated				Inferred				TOTAL			
			Ton-nage (kt)	Au Grade (g/t)	Au Metal		Ton-nage (kt)	Au Grade (g/t)	Au Metal		Tonnage (kt)	Au Grade (g/t)	Au Metal		Tonnage (kt)	Au Grade (g/t)	Au Metal		Tonnage (kt)	Au Grade (g/t)	Au Metal	
					kg	koz			kg	koz			kg	koz			kg	koz			kg	koz
Russia																						
Berezitovoye	All Zones	0.50	8,182	1.66	13,562	436	13,749	1.40	19,305	621	21,931	1.50	32,867	1,057	5,102	1.06	5,418	174	27,033	1.42	38,285	1,231
Aprelkovo	All Zones	0.50	2,178	1.32	2,873	92	13,569	1.00	13,563	436	15,747	1.04	16,436	528	14,433	0.89	12,846	413	30,180	0.97	29,282	941
Gross	All Zones	0.30	17,000	0.63	10,495	340	230,000	0.57	130,000	4,200	247,000	0.57	140,495	4,540	500,000	0.55	275,000	8,800	747,000	0.56	415,495	13,340
Neryungri	All Zones	0.40	5,900	0.93	5,500	180	9,100	0.91	8,300	270	15,000	0.92	13,800	450	200	0.75	150	4	15,200	0.92	13,950	454
Visokiy	All Zones	0.50	-	-	-	-	-	-	-	-	-	-	-	-	1,048	0.96	1,005	32	1,048	0.96	1,005	32
Uryakh	All Zones	1.00	-	0.62	-	-	-	-	-	-	-	-	-	-	18,287	1.61	29,419	946	18,287	1.61	29,419	946
Nerchinsk	All Zones	0.50	-	,	-	-	-	-	-	-	-	-	-	-	2,305	1.10	2,532	81	2,305	1.10	2,532	81
Zun-Holba	All Zones	3.00	728	9.59	7,000	225	182	10.46	1,900	61	910	9.76	8,900	286	402	7.21	2,900	93	1,312	8.99	11,800	379
Irokinda	All Zones	3.00	414	18.36	7,600	244	379	7.13	2,700	87	793	12.99	10,300	331	0	0.00	0	0	793	12.99	10,300	331
AREA TOTAL			34,402	1.37	47,030	1,517	266,979	0.66	175,768	5,675	301,381	0.74	222,798	7,192	541,777	0.61	329,270	10,543	843,158	0.65	552,068	17,735
Burkina Faso																						
Taparko Bouroum																						
Zone 3/5	All Zones	0.50	-	-	-	-	6,727	2.49	16,767	539	6,727	2.49	16,767	539	403	1.81	729	23	7,130	2.45	17,496	562
6	All Zones	0.50	-	-	-	-	247	1.92	475	15	247	1.92	475	15	43	1.97	84	3	290	1.93	559	18
Zone 3/5 South	All Zones	0.50	-	-	-	-	66	2.48	164	5	66	2.48	164	5	4	0.88	3	0	70	2.39	167	5
Zone 2N2K	All Zones	0.50	-	-	-	-	1,520	1.87	2,847	92	1,520	1.87	2,847	92	271	1.87	508	16	1,791	1.87	3,355	108

Deposit	Zone	Cut-Off Grade Au (g/t)	Measured				Indicated				Measured+Indicated				Inferred				TOTAL			
			Ton-nage (kt)	Au Grade (g/t)	Au Metal		Ton-nage (kt)	Au Grade (g/t)	Au Metal		Tonnage (kt)	Au Grade (g/t)	Au Metal		Tonnage (kt)	Au Grade (g/t)	Au Metal		Tonnage (kt)	Au Grade (g/t)	Au Metal	
					kg	koz			kg	koz			kg	koz			kg	koz			kg	koz
Zone GT	All Zones	0.50	-	-	-	-	1,032	3.95	4,081	131	1,032	3.95	4,081	131	17	3.77	64	2	1,049	3.95	4,145	133
F12	All Zones	0.50	-	-	-	-	3,489	2.17	7,571	243	3,489	2.17	7,571	243	988	2.13	2,104	68	4,477	2.16	9,675	311
Welcome Stranger	All Zones	0.50	-	-	-	-	-	-	-	-	-	-	-	-	216	3.94	851	27	216	3.94	851	27
Nairy	All Zones	0.50	-	-	-	-	2,690	1.16	3,120	100	2,690	1.16	3,120	100	464	0.97	450	15	3,154	1.13	3,570	115
Baola	All Zones	0.50	-	-	-	-	532	0.79	420	14	532	0.79	420	14	817	1.12	915	29	1,349	0.99	1,335	43
Yeou	All Zones	0.50	-	-	-	-	-	-	-	-	-	-	-	-	3,259	1.58	5,141	165	3,259	1.58	5,141	165
Ankouma	All Zones	0.50	-	-	-	-	-	-	-	-	-	-	-	-	2,217	1.02	2,261	73	2,217	1.02	2,261	73
All Zones			-	-	-	-	16,303	2.17	35,445	1,139	16,303	2.17	35,445	1,139	8,699	1.51	13,110	421	25,002	1.94	48,555	1,560
Bissa																						
Bissa (including Gougre)	All Zones	0.50	8,607	1.62	13,943	448	58,833	1.24	72,702	2,338	67,440	1.28	86,646	2,786	21,631	1.11	24,034	773	89,071	1.24	110,680	3,559
Liliga	All Zones	0.50	-	-	-	-	-	-	-	-	-	-	-	-	4,155	1.52	6,315	203	4,155	1.52	6,315	203
Sakou	All Zones	0.50	-	-	-	-	-	-	-	-	-	-	-	-	2,232	1.36	3,035	98	2,232	1.36	3,035	98
Bouly	All Zones	0.60	-	-	-	-	9,037	0.84	7,625	245	9,037	0.84	7,625	245	32,150	0.75	24,127	776	41,187	0.77	31,752	1,021
Bissa Sud	All Zones	0.50	-	-	-	-	-	-	-	-	-	-	-	-	568	0.94	534	17	568	0.94	534	17
Zinigma	All Zones	0.50	-	-	-	-	-	-	-	-	-	-	-	-	3,463	1.51	5,229	168	3,463	1.51	5,229	168
All Zones			8,607	1.62	13,943	448	67,870	1.18	80,327	2,583	76,477	1.23	94,271	3,031	64,199	0.99	63,274	2,035	140,676	1.12	157,545	5,066
Wayin	All Zones	0.50	-	-	-	-	-	-	-	-	-	-	-	-	16,043	0.69	11,070	356	16,043	0.69	11,070	356
Labola	All Zones	0.40	-	-	-	-	-	-	-	-	-	-	-	-	1,231	1.22	1,497	48	1,231	1.22	1,497	48

Deposit	Zone	Cut-Off Grade Au (g/t)	Measured				Indicated				Measured+Indicated				Inferred				TOTAL			
			Ton-nage (kt)	Au Grade (g/t)	Au Metal		Ton-nage (kt)	Au Grade (g/t)	Au Metal		Tonnage (kt)	Au Grade (g/t)	Au Metal		Tonnage (kt)	Au Grade (g/t)	Au Metal		Tonnage (kt)	Au Grade (g/t)	Au Metal	
					kg	koz			kg	koz			kg	koz			kg	koz			kg	koz
AREA TOTAL			8,607	1.62	13,943	448	84,173	1.38	115,772	3,722	92,780	1.40	129,716	4,170	90,172	0.99	88,951	2,860	182,952	1.20	218,667	7,030
Guinea																						
Lero Karta	All Zones	0.50	26,850	1.54	41,438	1,332	22,513	1.42	32,053	1,031	49,363	1.49	73,491	2,363	15,590	1.36	21,245	683	64,953	1.46	94,736	3,046
Fayalala	All Zones	0.50	15,123	1.11	16,739	538	29,332	1.07	31,462	1,012	44,455	1.08	48,200	1,550	31,625	0.91	28,935	930	76,080	1.01	77,135	2,480
Kankarta	All Zones	0.50	1,555	1.17	1,821	59	14,193	1.21	17,236	554	15,748	1.21	19,057	613	8,741	1.04	9,131	294	24,489	1.15	28,188	907
Kankarta North	All Zones	0.50	-	-	-	-	2,166	0.94	2,043	66	2,166	0.94	2,043	66	-	-	-	-	2,166	0.94	2,043	66
Banko	All Zones	0.50	109	1.75	190	6	950	1.91	1,814	58	1,059	1.89	2,005	64	570	0.97	553	18	1,629	1.57	2,558	82
Banko South Extension	All Zones	0.50	618	1.78	1,099	35	909	1.66	1,507	48	1,526	1.71	2,606	84	1,394	1.19	1,663	53	2,920	1.46	4,269	137
LEFA Corridor - Stockpiles	All Zones	0.60	7,134	0.80	5,707	183	-	-	-	-	7,134	0.80	5,707	183	-	-	-	-	7,134	0.80	5,707	183
LEFA Corridor - Heapleach	All Zones	-	-	-	-	-	8,812	0.45	3,981	128	8,812	0.45	3,981	128	-	-	-	-	8,812	0.45	3,981	128
Firifirini*	All Zones	0.50	4,845	1.41	6,843	220	3,083	1.19	3,670	118	7,928	1.32	10,513	338	2,862	1.25	3,577	115	10,790	1.31	14,090	453
Toume Toume*	All Zones	0.50	268	1.24	342	11	576	1.20	684	22	844	1.21	1,026	33	693	1.19	825	27	1,537	1.20	1,851	60
Banora*	All Zones	0.80	2,196	1.70	3,701	119	598	1.50	902	29	2,794	1.66	4,603	148	330	1.60	529	17	3,124	1.64	5,132	165
Dihuli Bougoufe*	-	0.80	-	-	-	-	-	-	-	-	-	-	-	-	273	2.10	529	18	273	2.10	529	18
Dar Salaam*	-	0.80	-	-	-	-	-	-	-	-	-	-	-	-	522	1.10	560	18	522	1.10	560	18
Diguili North*	-	0.80	-	-	-	-	-	-	-	-	-	-	-	-	1,782	1.40	2,426	78	1,782	1.40	2,426	78
Banora West*	-	0.80	-	-	-	-	-	-	-	-	-	-	-	-	432	1.50	653	21	432	1.50	653	21
Hansaghere*	-	0.80	-	-	-	-	-	-	-	-	-	-	-	-	511	1.10	560	18	511	1.10	560	18
Sikasso*	-	0.80	-	-	-	-	-	-	-	-	-	-	-	-	584	1.40	809	26	584	1.40	809	26
Solabe*	-	0.80	-	-	-	-	-	-	-	-	-	-	-	-	371	1.50	560	18	371	1.50	560	18

Deposit	Zone	Cut-Off Grade Au (g/t)	Measured				Indicated				Measured+Indicated				Inferred				TOTAL			
			Ton- nage (kt)	Au Grade (g/t)	Au Metal		Ton- nage (kt)	Au Grade (g/t)	Au Metal		Tonnage (kt)	Au Grade (g/t)	Au Metal		Tonnage (kt)	Au Grade (g/t)	Au Metal		Tonnage (kt)	Au Grade (g/t)	Au Metal	
					kg	koz			kg	koz			kg	koz			kg	koz			kg	koz
AREA TOTAL			58,698	1.33	77,880	2,503	83,132	1.15	95,352	3,066	141,829	1.22	173,232	5,570	66,280	1.09	72,555	2,334	208,109	1.18	245,787	7,904
Kazakhstan																						
Balazhal**	All Zones	1.00	-	-	-	-	182	1.54	279	9	182	1.54	279	9	926	3.53	3,266	105	1,108	3.20	3,545	114
Suzdal	All Zones	1.50	1,350	11.27	15,210	489	1,193	7.04	8,400	270	2,543	9.28	23,610	759	4,139	4.21	17,410	560	6,682	6.14	41,020	1,318
Zherek***	All Zones	0.50	-	-	-	-	3,644	2.02	7,358	237	3,644	2.02	7,358	237	6,116	1.66	10,126	326	9,760	1.79	17,484	563
AREA TOTAL			1,350	11.27	15,210	489	5,019	3.20	16,037	516	6,369	4.91	31,247	1,005	11,181	2.75	30,802	991	17,550	3.54	62,049	1,995
TOTAL - Projects			103,057	1.49	154,063	4,957	439,303	0.92	402,929	12,979	542,359	1.03	556,993	17,937	709,410	0.74	521,578	16,727	1,251,769	0.86	1,078,571	34,664

All mineral resources have been calculated in accordance with the CIM Standards or the JORC Code. The definitions and standards of the JORC Code are substantively similar to the CIM Standards. There would be no material differences between mineral resources and mineral reserves prepared in compliance with the JORC Code and mineral resources and mineral reserves prepared in compliance with the CIM Standards. Mineral resources include mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Numbers may not add up due to rounding.

(1) Mineral resources quoted herein were estimated by Hellman and Schofield in conjunction with Crew Gold, reported in NI43-101 Report 'Disclosure of Mineral Resources and Reserves, Lefa Gold Mine, Northeast Guinea, Technical Report Update', November 2009. It is understood that no additional drilling has been carried out on these sites since the 2009 Technical Report. The resource models upon which these figures are based have not been audited by WAI.

(2) Mineral resources quoted here-in were estimated by WAI, reported in MM681 Updated CPR Report on the Zherek Asset, Kazakhstan, April 2012.

(3) Mineral resources quoted here-in were estimated by WAI, reported in MM676 Updated CPR Report on the Balazhal Gold Asset, Kazakhstan, April 2012.

Contained metal figures may not calculate due to rounding.

Financial performance (MD&A)

Financial review

The following discussion of the Company's results of operations and financial condition contains forward-looking statements. The Company's actual results could differ materially from those that it discusses in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in the Annual Report.

SELECTED FINANCIAL AND OPERATIONAL INFORMATION

The selected consolidated financial information below sets forth the Nord Gold N.V. historical consolidated financial statements as at and for the years ended 31 December 2013 and 2012. The financial information as at and for the year ended 31 December 2013 has been extracted from the Nord Gold N.V. audited annual consolidated financial statements, where it is shown with important notes describing some of the line items.

Non-IFRS Financial Measures

This Annual Report includes certain measures that are not measures defined by IFRS. These measures are EBITDA and EBITDA margin, total cash costs and net debt, and they are used by the management of Nordgold to assess the company's financial performance. However, these measures should not be used instead of, or considered as alternatives to, Nordgold's historical financial results based on IFRS. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company.

EBITDA and EBITDA Margin

EBITDA results from operating activities adjusted for income tax expense, finance income and costs, depreciation and amortisation charges, impairment / (reversal of impairment) of non-current assets, the net result from the disposal of property, plant and equipment, social expenses and charity donations, and net gain on disposal of subsidiaries. Nordgold uses EBITDA in the reporting of its segments and in assessing its growth and operational efficiencies. The EBITDA margin is EBITDA as a percentage of sales.

Information regarding EBITDA and the EBITDA margin or similar measures is sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements.

EBITDA, by itself, does not provide a sufficient basis to compare Nordgold's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity.

Total Cash Cost

Total cash costs measure what Nordgold considers to be the cash costs most relevant to its principal operations. Total cash cost is calculated by subtracting non-cash, central corporate and ancillary or exceptional operational costs (including depreciation and amortisation, provision for asset retirement obligations, allowance for slow-moving and obsolete inventories, corporate overheads, allowance for bad debts, unused employee vacation time and employee bonuses, change in finished goods and revenue of by-products) from cost of sales, general and administrative expenses and taxes other than income tax.

All-In Sustaining Costs

All-in-sustaining cost ("AISC") stands for the costs related to sustaining production and is calculated as the amount of production cash cost, plus cash selling general and administrative expenses, plus taxes other than income tax and other cash operating result with addition of capital expenditure spent to sustain the production level. The latter includes maintenance capex on all the mines, exploration capex on operating mines and capitalised stripping together with underground development performed on operating mines.

Net Debt / Adjusted Net Cash or Debt

In order to assess Nordgold's liquidity position, Nordgold's management uses a measure of net cash or debt, which is the sum of cash and cash equivalents and short- and long-term debt finance, which are divided between debt and lease liabilities. Short-term and long-term debt include loans and other credit facilities, accrued interest and bank overdrafts. Adjusted net cash or debt reflects net cash or debt less short-term and long-term loans issued to related parties.

The table below presents the Non-IFRS measures, along with gold production and capital expenditure information, for 2013 and 2012. Non-IFRS measures are unaudited.

	Year ended 31 December	
	2013	2012
Gold Production (Koz)	919.0	711.73
Silver production (gold equivalent) (Koz).	5.4	5.2
EBITDA (US\$000) ^{(1), (4)}	420,625	494,552
EBITDA margin (%) ^{(1), (4)}	33.1	41.3
Total cash costs per ounce produced (US\$/oz) ^{(2), (4)}	819.4	834.7
Net debt (US\$000) ⁽³⁾	723,915	680,508
Capital expenditure (US\$000)	237,760	474,368

(1) Normalised EBITDA and EBITDA margin. For the reconciliation of consolidated profit for the period to EBITDA for the Group and for the Group's operating segments, see "—Reconciliation of consolidated profit to EBITDA" below

(2) A reconciliation of the Group's total cash costs per ounce of gold produced for the years ended 31 December 2013 and 2012 appears below under "Total cash costs".

(3) A reconciliation of the Group's net debt appears below in "Operating and Financial Review—Liquidity and Capital Resources—Cash resources".

(4) Figures for 2012 were recalculated after reclassifications made in 2013. For details see "Reclassifications".

Reclassifications

In prior periods, bank charges were presented within general and administrative expenses, in 2013 the Group presented the bank charges as part of finance costs. Comparative information for the year ended 31 December 2012 has been reclassified accordingly to achieve consistency in presentation. Management believes that such presentation better reflects the substance of bank charges.

	Before reclassification	After reclassification	Effect
General and administrative expenses	69,474	68,267	(1,207)
Finance costs	45,351	46,558	1,207
	114,825	114,825	-

Reconciliation of consolidated profit to EBITDA

The table below presents the reconciliation from the Group's profit/(loss) for the period to EBITDA.

The reconciliation of normalised EBITDA⁽¹⁾ to (loss)/profit for the year:

	Year ended 31 December	
	2013	2012
(Loss)/profit for the year	(169,962)	75,988
Income tax (benefit)/expense	(62,461)	54,423
Finance income	(18,275)	(14,496)
Finance costs	69,414	46,558
Depreciation and amortisation	219,497	232,188
Impairment of non-current assets	363,521	47,767
Net loss on disposal of property, plant and equipment	2,166	1,484
Impairment of work-in-progress	22,813	-
Stripping cost write-off due to change in assumptions	-	42,189
Other (expenses)/income	(6,088)	8,451
Normalised EBITDA for the year	420,625	494,552

(1) Figures for 2012 were recalculated after reclassifications made in 2013. For details see "Reclassifications".

Total cash costs⁽¹⁾

The table below presents a reconciliation of the Group's total cash costs per ounce of gold produced for the years ended 31 December 2013 and 2012.

US\$000	2013	2012
Cost of sales	939,953	849,580
(Less)/plus items in income statement:		
Depreciation and amortization	(211,773)	(231,236)
Provision for asset retirement obligations	(4,129)	(5,944)
Allowance for slow-moving and obsolete inventories	(6,835)	(7,568)
Work-in-progress and finished goods fair value adjustment	(22,813)	-
Unused vacation	(22,607)	(15,969)
Employees' bonuses	(7,353)	(6,779)
Exceptional items	(8,484)	(77,456)
Change in finished goods (less items above capitalised in finished goods)	1,246	322
Revenue of by-products	(7,077)	(8,450)
Cost of production	650,128	496,500
General and administrative expenses	66,941	68,267
(Less)/plus items in income statement:		
Depreciation and amortization	(804)	(952)
Corporate overheads	(34,484)	(37,709)
Change in bad debt allowance	(71)	(691)
Unused vacation	(1,866)	(1,004)
Employees' bonuses	(1,278)	(905)
Exceptional items	(85)	(5,387)
Mining administrative expenses	28,353	21,619
Taxes other than income tax	75,237	78,638
(Less):		
Corporate overheads	(711)	(1,479)
Exceptional items	-	(1,225)
Taxes other than income tax	74,526	75,934
Total cash cost⁽²⁾	753,007	594,052
Total gold produced, oz (not including gold equivalent of silver)	918,974	711,702
Total cash cost produced, US\$/oz	819.4	834.7

Notes:

(1) Figures for 2012 were recalculated after reclassifications made in 2013. For details see "Reclassifications".

(2) Total cash cost is calculated for ounces of gold only.

Operational information

The table below presents certain key operational information for each of the mines, notably, mine type, technology, gold production and total cash costs per ounce of gold produced.

			Gold Production, Koz		Total Cash Costs, US\$/oz. ⁽¹⁾	
	Mine Type	Technology	2013	2012	2013	2012 ⁽⁶⁾
Bissa	Open pit	CIL	254.3	—	466.7	—
Taparko	Open pit	CIL	108.4	126.7	711.2	610.5
LEFA	Open pit	CIP	162.7	171.9	1,343.1	1,180.1
Buryatzoloto ⁽³⁾	Underground	Gravity, flotation, CIP	98.5	108.9	978.4	812.3
Berezitovy	Open pit	CIP	120.3	116.3	789.0	624.7
Neryungri	Open pit	Heap leach	66.5	66.3	764.5	766.8
Aprelkovo	Open pit	Heap leach	32.7	35.9	1,020.3	863.3
Suzdal ⁽²⁾	Underground	Flotation, BIOX, CIL	81.1	90.9	733.2	801.7
Total			924.4⁽⁵⁾	716.9⁽⁴⁾	819.4	836.7

(1) Unaudited.

(2) Including refined gold from Zherek.

(3) Comprises the Irokinda and Zun-Holba mines.

(4) Includes 5.2 Koz of gold equivalent of silver.

(5) Includes 5.4 Koz of gold equivalent of silver.

(6) Figures for 2012 were recalculated after reclassifications made in 2013. For details see “Reclassifications”.

Overview

Nordgold is an established pure-play gold producer focused on emerging markets with nine producing mines, one large-scale development project, five advanced exploration projects and a broad portfolio of early exploration projects and licenses located across West Africa in Guinea and Burkina Faso, Kazakhstan and the Russian Federation.

Since undertaking its operations in 2007, Nordgold has grown by both acquisitions and organically, increasing its production (including gold equivalent ounces of silver) from approximately 21 Koz in 2007 to 924.4 Koz in 2013. Between 2007 and 2013, Nordgold’s CAGR was 87.9%, with a CAGR of 36.9% between 2008 and 2013.

In 2013 and 2012 the Group generated revenue of US\$1,271.3 million and US\$1,197.9 million, respectively, and EBITDA of US\$420.6 million and US\$494.6 million, respectively, reflecting margins of 33.1 per cent and 41.3 per cent., respectively. In 2013 the Group’s total cash costs of gold production per ounce sold were US\$819.4 per ounce and US\$836.3 per ounce in 2012.

Basis of presentation of financial information

The Company was incorporated in 2005 but remained dormant until 1 July 2010 when the management of the Severstal Group decided to transfer all its gold mining entities to the Company (as set out in more detail below, see “—Segment Reporting” and “—Formation of the Group”). These entities had been acquired by the Severstal Group in 2007 and 2008 from third parties. For the purposes of the consolidated financial statements of the Company, the transfers of the entities conducting gold mining to

the Company from the Severstal Group in 2010 have been treated as acquisitions of entities under common control and are accounted for as if such acquisitions had occurred at the beginning of the earliest comparative period presented or, if later, the date control was obtained by the Severstal Group. The consolidated financial statements of the Company included in this Annual Report have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRSs EU") and with Part 9 of Book 2 of the Netherlands Civil Code and properly reflect the financial history of the Group. This includes all acquired entities that are consolidated in the financial statements.

Segment reporting

The Group has nine reporting operating segments, described below from the year in which they were acquired. These segments are the Group's strategic business units.

Factors affecting results of operations

Gold prices

The Group generates substantially all of its revenue from sales of gold bullion in the spot market. As a result, the Group's revenue directly correlates to the price of gold. The market price for gold is typically the price quoted as the London PM price.

Historically, the price of gold has fluctuated widely, and it is affected by numerous factors, including international economic and political conditions, levels of supply and demand, the availability and costs of substitutes, inventory levels maintained by producers, governments and others and actions of participants in the gold market. The gold price ranged from US\$1,193 to US\$1,693 in 2013 and from US\$1,540 to US\$1,792 in 2012, with an average market price of US\$1,410 per ounce in 2013 and US\$1,669 in 2012. Price variations and market cycles have influenced the financial results of the Group during the period under review, and the Company expects that they will continue to do so in the future.

The table below presents the Group's average realised price for the sale of gold per ounce against the average London PM price for the periods indicated.

Average price of gold obtained by the Group against average London PM price

		Average for the period
		(US\$)
2013	Realised price on an annual basis	1,376
	Average market price	1,410
2012	Realised price on an annual basis	1,670
	Average market price	1,669
2011	Realised price on an annual basis	1,567
	Average market price	1,572
2010	Realised price on an annual basis	1,251
	Average market price	1,225
2009	Realised price on an annual basis	992
	Average market price	972
2008	Realised price on an annual basis	890
	Average market price	872

Source: Company data and London Bullion Market Association

The Group's method of selling gold is based on consultation between the chief executive officer and the chief financial officer on their review of trends and available information. The Group does not use commodity hedging contracts to mitigate its exposure to commodity price risk and currently has no plans to do so in the foreseeable future. None of the Group's future production is currently hedged. The Group regularly monitors its annual business plan, which takes into consideration a number of factors, including the price of gold and the Group's cash costs, and if needed would modify its plan according to market conditions.

Key cost items

The Group's key cost drivers are personnel costs, materials and fuel and energy costs. Of the Group's key costs, materials and fuel and energy costs are more variable than personnel costs, and vary primarily as a function of the level of production. These costs in aggregate accounted for 59.0 per cent. of the Group's cost of sales in 2013 and 55.9 per cent. in 2012. Primary factors which affect each cost include the rate of inflation and the level of production across the Group. Factors affecting each principal cost are discussed below.

Personnel costs

Personnel costs are the single largest portion of the Group's cost of sales. They are affected by competition for labour with other mining companies in the regions where the Group operates, given the relative scarcity of qualified personnel, and by the remote location of its mines. The Group seeks to control personnel costs by increasing equipment utilisation, eliminating duplication of processes and implementing employee training and efficiency initiatives. The costs of contractor work related to mining are accounted for in the external services line item under cost of sales and include preparation of mining works, transportation, maintenance of equipment, security and general maintenance. To the extent the Group stops using third party service providers for any of these services and instead uses its own employees, there would be a decrease in the cost of external services and potentially a corresponding increase in personnel costs. Personnel costs are relatively fixed in that, in the short term, they do not vary as greatly depending on the level of production at the mines as the other costs discussed below.

Materials

The cost of materials depends on the amount purchased, which depends on the level of production, as well as macroeconomic factors such as inflation, and the relationship with suppliers. The primary materials on which the Group relies include cyanide and other chemicals for its gold recovery operations, grinding balls and rods and blasting agents. The price of key supplies, such as cyanide, is typically fixed for a year and renegotiated on an annual basis. Positive relationships with suppliers can lead to a decrease in the price of supplies over time, as has been the case with the price of sulphuric acid, another material used in the gold recovery process.

Fuel and energy costs

The Group consumes diesel fuel and heavy fuel oil at certain mines for power generation and operations. Diesel fuel and heavy fuel oil are refined from crude oil and are therefore subject to the same price volatility affecting crude oil prices. Volatility in crude oil prices has a significant direct and indirect impact on the Group's production costs by affecting not only the cost of fuel the Group consumes but also transportation costs and the cost of other supplies that must be transported to the mine sites. This impact is less significant on the Group's operations in Russia and Kazakhstan, as the price of diesel fuel and heavy fuel oil in those jurisdictions is not directly correlated to the world oil price and have remained relatively stable in the periods under review. There is a greater correlation between the price of oil and the price of diesel fuel and heavy fuel oil in the Group's African operations.

The Group's electricity costs per unit of electricity depend primarily on the production levels across the mines. At the Group's Russian mines other than Neryungri, which relies on fuel oil, electricity is provided from the national electric grid at tariffs of approximately US\$.06 — US\$.08. In Kazakhstan, electricity is provided from the national electric grid at a tariff of approximately US\$.06. The electricity is provided under regular annual contracts, and there are minor fluctuations in the tariffs within the contract period. Although it may choose to do so in the future, the Group does not currently undertake any hedging activities in relation to fuel or electricity price risk.

Exchange rates

The Group's results for the periods under review are affected by exchange rate fluctuations among the US dollar, which is the presentation currency for the Group's consolidated financial statements; the rouble, the tenge, the Guinean franc and the CFA franc, which are the functional currencies of the Group's operating companies in the Russian Federation, Kazakhstan, Guinea and Burkina Faso, respectively; and the euro, which was the Company's functional currency before April 1, 2012. With effect from April 1, 2012 the Company changed its functional currency from Euro to US dollars. While gold is typically priced by reference to US dollars, and most of the Group's costs in the periods under review were paid in the Russian rouble, the tenge, CFA francs and Guinean franc and US dollars.

Currency translation affects the financial results of the Group in two principal ways. First, it affects operating subsidiaries, where any transactions in foreign currencies are translated into the functional currency of the relevant operating entity at the foreign exchange rate on the date of the transaction; and second, at the level of the consolidated Group financial statements, where all functional currencies are first translated into the presentation currency of US dollars and are then consolidated. Assets and liabilities are translated into US dollars at the closing exchange rates at the date of each financial statement presented. All income and expenses are translated into US dollars at the average exchange rate for each period presented, and all resulting exchange differences are recognised as a separate component, the line item foreign exchange differences, in other comprehensive income in the consolidated statement of comprehensive income.

The Group's revenues from sales of gold from its operations in Burkina Faso, Guinea and Kazakhstan are denominated in US dollars, which in the period under review has been broadly favourable, as the US dollar has tended to appreciate in value relative to the Group's functional currencies, in which the Group's principal production costs are denominated. See note 26 to the consolidated financial statements for the year ended

31 December 2013 for details of foreign currency exposure in respect of the periods covered by the historical financial information.

The Group generally converts its USD-denominated revenues into other currencies only when it needs to do so in order to make purchases or satisfy obligations denominated in the relevant functional currency. The Group is currently able to convert revenue from functional currencies to US dollars at any moment without significant fees.

Seasonality

Due to the cold winter weather, which limits the ability to mine, production volumes generated from the Neryungri and Aprelkovo mines are usually higher during the second half of the year, because during that period the heap leach operations conducted at the sites generally yield the greatest volume of precious metals. For these mines, the amount of inventory and, correspondingly, revenues are subject to seasonality. Ore is placed on heap leach pads mostly in the second and third quarters with revenue being generated primarily in the third and fourth quarters of each year. As a result, work-in-progress inventory generally increases up to the end of the third quarter of each year and subsequently declines up to the end of the first quarter of the following year, which results in lower revenues in the first half of the year. Moreover, changes in inventory levels impact cash flows from operating activities, usually resulting in significant cash outflows (due to greater expenses associated with the heap leaching process) during the

second and third quarters of each year and significant inflows during the first and fourth quarters. The effects of seasonality are not significant at the other mines of the Group.

Consolidated income statement

The following discussion describes the principal line items in the Group's consolidated income statement.

Sales

The Group derives its revenue from sales of gold bullion in the spot market. Revenue is determined by the Group's production (which is influenced by both the quantity and grade of ore mined), the price of gold and timing of sales and is a product of the volume of gold sold and the price at which it is sold, less commission fees, which varied in 2013 and were approximately 0.035 – 0.05 per cent. for Russian entities and nil for sales from Burkina Faso, Guinea and 0.20 US dollar per ounce for Kazakhstan. In 2013, substantially all of the Group's revenue came from the sale of gold, with approximately 1 per cent. coming from the sale of silver. Revenue is net of commission fees paid to each of Metalor, Standard Bank, MKS Finance, VTB, Sberbank and Nomos Bank, who hold the Group's gold bullion as its agents until sold, and is recognised upon transfer as the Group's account is credited substantially contemporaneously. Historically, the Group has sold its Russian products to Nomos Bank, its Kazakh products to Metalor, its Burkina Faso gold to Standard Bank in Switzerland and its Guinean gold to MKS Finance, each in the capacity as agent for immediate sale and transfer to end customers who purchase at the same price as the Group sold the gold. Since 2012 the Group started to sell gold from Russian entities also to Sberbank and VTB. The Group does not rely on sales to banks, as they essentially act as agents for what is a liquid market.

Cost of sales

Cost of sales consists of direct mining costs (which include personnel costs, materials, energy costs (principally diesel fuel, heavy fuel oil and electricity), spare parts, external services (which includes third party refining and transport fees, which include costs for transporting gold doré from the mining facilities to refineries and the costs paid to refiners for converting the gold doré into gold bullion), change in inventories, and third party refining and transport fees), depreciation and amortisation. Change in inventories reflects changes in work in progress and finished goods. This item reflects costs related to inventory that is produced in one financial period but sold in another, as well as the movement in the average cost of gold on hand.

Personnel costs comprise the salaries and social taxes paid in respect of production staff at the Group's mines. The level of social tax is dependent on personnel salaries and varies from jurisdiction to jurisdiction and is generally payable on a monthly basis.

The cost of materials relate principally to the costs of explosives and cyanide for use at the mines and related processing facilities as well as costs for other supplies such as sulphuric acid, grinding balls and rods and blasting agents.

Fuel and energy costs include the cost of diesel fuel, heavy fuel oil and electricity.

The cost of spare parts relates to spare parts for mining and processing machinery.

External services costs are costs paid to third parties for various operational services at the mines, including machinery repair services, communications services, drilling, transportation and blasting.

Other operating costs consist of miscellaneous costs related to the operation of the mines which are not captured in the categories above.

Change in obsolete provisions relates to the provision for slow-moving and obsolete inventories, which comprise the raw materials and inventories other than finished goods.

General and administrative expenses

General and administrative expenses consist of costs related to head office operations of the Group and the head offices of the Group's business units and include head office labour costs, services (primarily auditing and consultant fees), other materials, and depreciation.

Taxes other than income tax

Taxes other than income tax includes mining taxes, property taxes and other taxes. The Group is required to pay mining taxes in each of the jurisdictions in which it operates. In Russia, the mining tax is calculated on a monthly basis as the volume of gold produced per month multiplied by the average for the month gold sales price and multiplied by 6% tax rate. In Kazakhstan, the mining tax is calculated on a quarterly basis as the volume of gold written-off the state balance of gold per quarter multiplied by the market price of gold for the quarter and multiplied by 5% tax rate. In Burkina Faso the mining tax is calculated as total gold sales multiplied by tax rate which depends on the mine. Taparko enjoys 3% favourable tax rate. Tax rate applicable for Bissa varies depending on the gold price: 3% if the gold price is not higher than US\$1,000 per ounce, 4% if the gold price is higher than US\$1,000 per ounce and 5% if the gold price is higher than US\$1,300 per ounce. In Guinea, the mining tax is calculated as the total gold sales multiplied by 5% tax rate.

Impairment loss of non-current assets

The Group assesses the carrying value of its tangible and intangible assets when events or changes in circumstances suggest that indicators of impairment exist. Consideration was given to a range of indicators including the decline in the gold price that occurred during the reporting year and the carrying value of the net assets of the Group which exceeded its market capitalisation. The review resulted in the recognition of impairment losses in 2013 and 2012.

Other operating expenses, net

Other operating expenses, net include write-off of accounts receivable and payable, VAT write-off, loss on disposal of property, plant and equipment, social expenses, net loss from joint ventures, increase/decrease of provisions and contingencies, net gain from contractual compensation and other items.

Finance income and costs

In 2013 Nordgold's net finance costs increased by 61% to US\$51.5 million in 2013, from US\$32.1 million in 2012. In Q2 2013, Nordgold issued US\$500 million of 6.375% Guaranteed Notes due 2018. The proceeds from the Notes issue were partially used to re-finance the six month US\$280 million Bridge Loan, which was used in the acquisition of all the outstanding shares of High River Gold not already owned by Nordgold.

Income tax (expense)/benefit

The income tax expense/(benefit) is calculated by adding to or subtracting from the current tax charge any corrections to prior years' charges and deferred tax expenses or benefits.

Profit for the year attributable to non-controlling interest

Profit for the year attributable to non-controlling interest relates to the minority shareholders of High River Gold, which impacts the Berezitovy, Buryatzoloto, Taparko and Burkina Faso greenfields segments and other entities of High River Gold which are not considered as a reporting segment. In March 2013 all of the remaining outstanding common shares of High River Gold Mines Ltd. were acquired by the Company in exchange for 68,996 of the Company's GDRs and Canadian \$ 24.2 million in cash resulting in an increase of the Company's ownership in High River Gold Mines Ltd. to 100%.

Other key performance indicators (KPIs)

Management analyses certain operational or non-IFRS financial metrics in order to evaluate the performance of its business together with revenue, capital expenditure and cash flow from operations. The following discussion describes certain line items used by the Group to monitor performance, which are included in the Group's discussion of key performance indicators:

- Volume of ore mined — measures in tonnes the amount of ore material which is mined and stockpiled for milling.
- Volume of ore milled — measures in tonnes the amount of ore material processed through the mill.
- Head grade — measures the metal content of mined ore going into a mill for processing, measured in grams per tonne.
- Mill recovery — measures the proportion of valuable metal physically recovered in processing ore, measured as a percentage of metal recovered to total metal originally present in the ore.
- Gold produced — measures the quantity of gold physically recovered in the processing of ore, here presented in thousands or millions of ounces.

Results of operations

The following table sets out, for the periods indicated, the Group's consolidated income statement.

Consolidated income statement data

	Year ended 31 December	
	2013	2012
Sales	1,271,253	1,197,869
Cost of sales	(939,953)	(849,580)
Gross profit	331,300	348,289
General and administrative expenses	(66,941)	(68,267)
Taxes other than income tax	(75,237)	(78,638)
Impairment loss of non-current assets	(363,521)	(47,767)
Other operating (expenses)/income, net	(6,885)	8,856
(Loss)/profit from operations	(181,284)	162,473
Finance income	18,275	14,496
Finance costs	(69,414)	(46,558)
(Loss)/profit before income tax	(232,423)	130,411
Income tax benefit/(expense)	62,461	(54,423)
(Loss)/profit for the year	(169,962)	75,988
Attributable to:		
Shareholders of the Company	(189,285)	19,360
Non-controlling interests	19,323	56,628
Weighted average number of shares outstanding during the year (millions of shares) – basic and diluted	378.109	360.572
(Loss)/earnings per share		
Basic and diluted (loss)/earnings per share (US dollars)	(0.50)	0.05

Results of operations for 2013 and 2012

Overview

KPIs

The table below provides a summary of the KPIs of the Group broken out by mine (apart from Buryatzoloto, the segment which comprises the Irokinda and Zun-Holba mines, where both mines are presented collectively in one column) for 2013 and 2012. Where the name of segments differs from the names of their mines, the segment name appears in italics above the mine name.

	Neryungri and Aprelkovo		Suzdal and Balazhal		Buryatzolo to	Berezitovy	Taparko	Lefa	Bissa	Total
	Neryungri	Aprelkovo	Suzdal	Other ⁽¹⁾	Irokinda and Zun- Holba					
Production										
<i>Volume mined (Kt)</i>										
2013	1,785.9	1,792.7	453.0	—	689.3	2,059.1	1,566.8	3,879.6	4,536.2	16,762.7
2012	2,092.2	2,461.4	431.1	224.9	686.3	1,989.8	1,834.8	6,311.8	—	16,032.2
% change	(14.6%)	(27.2%)	(5.1%)	n/a	0.4%	3.5%	(14.6%)	(38.5%)	n/a	4.6%
<i>Volume milled (Kt)</i>										
2013	2,891.0	1,644.5	511.8	—	667.9	2,248.4	1,366.4	5,826.2	3,386.8	18,542.9
2012	3,083.6	1,465.1	490.9	259.6	695.1	1,635.0	1,579.9	5,932.0	—	15,141.2
% change	(6.2%)	12.2%	4.3%	n/a	(3.9%)	37.5%	(13.5%)	(1.8%)	n/a	22.5%
<i>Head grade (g/t)</i>										
2013	0.9	1.3	7.2	—	4.7	2.2	3.0	1.1	2.7	1.9
2012	1.0	1.4	7.6	1.7	5.0	2.7	3.1	1.1	—	1.9
% change	(10.0%)	(7.1%)	(5.3%)	n/a	(6.0%)	(18.5%)	(3.2%)	—	n/a	—
<i>Mill recovery (%)</i>										
2013	75.0%	46.7%	69.1%	—	92.2%	89.5%	80.5%	83.5%	88.9	81.0%
2012	75.0%	47.7%	65.3%	50.0%	93.3%	90.2%	82.1%	84.1%	—	79.2%
% change	—	(1.0 pp)	3.8 pp	n/a	(1.1 pp)	(0.7 pp)	(1.6 pp)	(0.6 pp)	n/a	1.8 pp
<i>Gold produced (Koz)⁽²⁾</i>										
2013	66.5	32.7	80.7 ⁽⁴⁾	0.4	98.5	120.3	108.4	162.7	254.3	924.4
2012	66.3	35.9	87.3 ⁽⁴⁾	3.6	108.9	116.3	126.7	171.9	—	716.9
% change	0.3%	(8.9%)	(7.6%)	n/a	(9.6%)	3.4%	(14.4%)	(5.4%)	n/a	28.9%
<i>Gold sold (Koz)⁽³⁾</i>										
2013	89.6	43.5	n/a ⁽⁵⁾	110.1	136.0	164.7	151.9	225.7	349.8	1,271.3
2012	66.7	35.8	n/a ⁽⁵⁾	90.9	108.9	116.4	126.8	171.9	—	717.3
% change	(19.6%)	(27.5%)	n/a	(27.9%)	(25.0%)	(14.9%)	(28.3%)	(21.4%)	n/a	6.1%

(1) Other includes the Zherek mine and Balazhal deposit and other entities in the segment.

(2) Amounts for 2012 and 2013 include the gold equivalent of silver produced at the mine.

(3) Amounts for 2012 and 2013 include the gold equivalent of silver sold.

(4) The Suzdal mine, the Zherek mine and Balazhal do not produce refined gold, they produce doré which is then refined on Metalor by other entities of the segment. The amount represents gold refined from doré produced on the mines.

(5) The Suzdal mine does not sell gold bullion; it sells its doré to other entities in the segment at the same prices and on the same terms as if the mine sold directly to third parties on the market; total gold sold for Suzdal is included in the Other column for the Suzdal and Balazhal segment.

	Neryungri and Aprelkovo		Suzdal and Balazhal		Buryat-zoloto	Berezitovy	Taparko	Lefa	Bissa	Other ⁽²⁾	Total
	Neryungri	Aprelkovo	Suzdal	Other ⁽¹⁾	Irokinda and Zun-Holba						
Financial											
<i>Sales (external) (US\$M)</i>											
2013	89.6	43.5	n/a	110.1	136.0	164.7	151.9	225.7	349.8	—	1,271.3
2012	111.4	60.0	— ⁽³⁾	152.6	181.3	193.6	212.0	287.1	—	—	1,197.9
% change	(19.6%)	(27.5%)	n/a	(27.9%)	(25.0%)	(14.9%)	(28.3%)	(21.4%)	n/a	n/a	6.1%
<i>Total cash cost per ounce produced (US\$/oz) (unaudited)⁽⁵⁾</i>											
2013	764.5	1,020.3	733.2	n/a	978.4	789.0	771.2	1,343.1	466.7	—	819.4
2012	766.8	863.3	801.7	n/a	812.3	624.7	610.5	1,180.1	—	—	834.7
% change	(0.3%)	18.2%	(8.5%)	n/a	20.4%	26.3%	26.3%	13.8%	n/a	n/a	(1.8%)
<i>All-in sustaining cost per ounce produced (US\$/oz) (unaudited)</i>											
2013	929.3	1,139.8	883.8	n/a	1,410.1	894.4	1,237.6	1,570.2	539.8	—	1,062.3
2012	1,049.0	1,301.8	1,186.5	n/a	1,179.2	734.0	851.6	1,511.1	—	—	1,174.2
% change	(11.4%)	(12.4%)	(25.5%)	n/a	19.6%	21.9%	45.3%	3.9%	n/a	n/a	(9.5%)
<i>Cash flows from operating activity (US\$M)</i>											
2013	3.3	0.9	49.8	(0.3)	28.6	54.2	34.1	(8.2)	200.5	(52.3)	310.7
2012	19.1	9.0	48.0	(0.7)	30.9	30.0	67.7	(70.1)	—	(12.4)	121.6
% change	(82.5%)	(90.1%)	3.7%	(57.1%)	(7.5%)	80.7%	(49.6%)	(88.3%)	n/a	380.9%	155.5%
<i>EBITDA⁽⁵⁾ (US\$M) (unaudited)</i>											
2013	30.3	8.8	46.9	(0.3)	27.7	63.9	55.1	(4.6)	227.5	(34.7)	420.6
2012	52.7	23.8	54.7	(0.3)	80.7	114.4	124.1	75.8	-	(20.9)	494.6
% change	(42.5%)	(63.0%)	(14.3%)	0.0%	(65.7%)	(44.1%)	(55.6%)	(106.1%)	n/a	66.0%	(15.0%)
<i>Capital expenditures less capitalised costs for environmental provisions (US\$M)</i>											
2013	51.5	2.4	14.2	-	30.6	8.0	37.4	26.4	31.5	35.8	237.8
2012	66.5	11.2	14.3	0.1	32.4	13.0	27.6	51.8	214.6	42.8	474.3
% change	(22.6%)	(78.6%)	(0.7%)	n/a	(5.6%)	(38.5%)	35.5%	(49.0%)	(85.3%)	(16.4%)	(49.9%)

Note: Total cash cost per ounce produced and EBITDA are non-IFRS measures and are unaudited.

(1) Other includes the Zherek and Balazhal mines and other entities in the segment and consolidated adjustments.

(2) Other includes the effects of the financial results of non-mining entities within the Group and consolidation adjustments.

(3) Revenue for the Suzdal mine arises from intra-Group sales and does not appear on a consolidated basis.

(4) Cash cost per ounce of gold content in doré.

(5) Normalised EBITDA. Figures for 2012 were recalculated after reclassifications made in 2013. For details see "Reclassifications".

Revenue

Revenue increased by US\$73.4 million, from US\$1,197.9 million in 2012 to US\$1,271.3 million in 2013. This increase was the result of a higher volumes of gold sales. Average sales price decreased in 2013 and amounted to US\$1,376 per ounce compared to US\$1,670 per ounce in 2012.

Cost of sales

Cost of sales in 2013 amounted to US\$940.0 million, US\$90.4 million higher than in 2012 (2012: US\$849.6 million). The increase was due to higher consumables prices, increased staff cost and higher volumes of use of main production consumables, such as materials, spares and fuel and energy.

Consolidated cost of sales for 2013 and 2012

	Year ended 31 December (US\$000)		Change, US\$000	Per cent. change
	2013	2012	2013-2012	
Personnel costs	201,969	180,651	21,318	11.8%
Materials	149,382	143,476	5,906	4.1%
Fuel and energy	202,821	150,381	52,440	34.9%
Spare parts	109,499	93,223	16,276	17.5%
External services	61,784	59,372	2,412	4.1%
Change in obsolete provision	23,717	14,481	9,236	63.8%
Other expenses	19,833	22,192	(2,359)	(10.6%)
Change in inventories	(40,825)	(45,431)	4,606	(10.1%)
Direct mining costs	728,180	618,344	109,836	17.8%
Depreciation and amortization	211,773	231,236	(19,463)	(8.4%)
Cost of sales	939,953	849,580	90,373	10.6%

Personnel costs increased by US\$21.3 million, from US\$180.7 million in 2012 to US\$202.0 million in 2013. This increase was driven mainly by a greater average number of employees mainly on Neryungri, increased vacation and bonus provisions on Berezitovy and Buryatzoloto, annual salaries indexation on all the mines, partly compensated by decreased number of expatriate personnel on Lefa.

The cost of materials increased by US\$5.9 million, from US\$143.5 million in 2012 to US\$149.4 million in 2013, mainly due to inflation and increased consumption of chemical reagents, tires, grinding balls and other materials mainly on Lefa and Taparko.

Fuel and energy costs increased by US\$52.4 million, from US\$150.4 million in 2012 to US\$202.8 million in 2013, mainly due to inflation and higher fuel and electricity consumption on Lefa and Taparko, partly compensated by lower consumption on Neryungri.

The cost of spare parts increased by US\$16.3 million, from US\$93.3 in 2012 to US\$109.5 million, mostly driven by higher prices and repair works on Berezitovy, Suzdal and Taparko, partly compensated by lower consumption on Lefa on infrastructure and plant equipment repairs.

The cost of external services increased by US\$2.4 million, from US\$59.4 million in 2012 to US\$61.8 million in 2013, mainly due to inflation, partly compensated by refusal of rental services on Lefa and analytical services in Suzdal.

The change in obsolete provision increased by US\$9.3 million, from US\$14.5 million in 2012 to US\$23.7 million in 2013 due to more significant amount of provision recorded in 2013.

Other expenses decreased by US\$2.4 million, from US\$22.2 in 2012 to US\$19.8 million in 2013 mainly due to effect of annual recalculation of environmental provision.

For detailed analysis of changes in elements of cost of sales for the years ended 2013 and 2012 please refer to “Financial performance by segment” below.

Total cash costs⁽¹⁾ for the Group for 2013 and 2012

	Year ended 31 December		Per cent. change
	2013	2012	2013-2012
Cost of sales	939,953	849,580	10.6%
<i>(Less)/plus items in income statement:</i>			
Depreciation and amortisation	(211,773)	(231,236)	
Provision for asset retirement of obligations	(4,129)	(5,944)	
Allowance for slow-moving and obsolete inventories	(6,835)	(7,568)	
Work-in-progress and finished goods fair value adjustment	(22,813)	(6)	
Unused vacation	(22,607)	(15,969)	
Employees' bonuses	(7,353)	(6,779)	
Exceptional items	(8,484)	(77,450)	
Change in finished goods (less items above capitalised in finished goods)	1,246	322	
Revenue of by-products	(7,077)	(8,450)	
Cost of production	650,128	496,500	30.9%
General and administrative expenses	66,941	68,267	(1.9%)
<i>(less)/plus items in income statement:</i>			
Depreciation and amortisation	(804)	(952)	
Corporate overheads	(34,484)	(37,709)	
Allowance for bad debts	(71)	(691)	
Unused vacation	(1,866)	(1,004)	
Employees' bonuses	(1,278)	(905)	
Exceptional items	(85)	(5,387)	
Mining administrative expenses	28,353	21,619	31.2%
Taxes other than income tax	75,237	78,638	(4.3%)
<i>(Less):</i>			
Corporate overheads	(711)	(1,480)	

Exceptional items	-	(1,225)	
Taxes other than income tax	74,526	75,933	(1.9%)
Total cash costs	753,007	594,052	26.8%
Total gold produced, Oz⁽²⁾	918,974	711,702	29.1%
Total cash cost produced, US\$/oz	819.4	834.7	(1.8%)

(1) Total cash cost is a non-IFRS measure and is unaudited. For a description of total cash costs, see "Presentation of Financial and Other Information—Non-IFRS measures—Total cash cost". Figures for 2012 were recalculated after reclassifications made in 2013. For details see "Reclassifications".

(2) This amount does not include the gold equivalent of silver produced by the Group.

General and administrative expenses

The table below presents a breakdown of general and administrative expenses for the Group for 2013 and 2012.

Group general and administrative expenses for 2013 and 2012

	Year ended 31 December	Change, US\$000	Per cent. change
	2013	2012	2013-2012
Wages and salaries	34,399	27,816	6,583 24%
Services	21,639	26,333	(4,694) (18%)
Social security costs	4,291	4,414	(123) (3%)
Change in bad debt allowance	1,413	1,307	106 8%
Materials and consumables	805	952	(147) (15%)
Depreciation and amortization	64	1,883	(1,819) (97%)
Other expenses	4,330	5,562	(1,232) (22%)
Total	66,941	68,267	(1,326) (2%)

General and administrative expenses decreased by US\$2.5 million from US\$68.3 million in 2012 to US\$66.9 million in 2013. The decrease was primarily due to lower expenses for external services and other expenses.

Taxes other than income tax

The table below presents a breakdown of taxes other than income tax for the Group for 2013 and 2012.

Group taxes other than income tax for 2013 and 2012

			Change, US\$000	Per cent. change
	2013	2012	2013-2012	
Mining` tax	68,900	65,901	2,999	5%
Property tax	3,804	3,761	43	1%
Other taxes	2,533	8,976	(6,443)	(72%)
Total	75,237	78,638	(3,401)	(4%)

Taxes other than income taxes for 2013 amounted to US\$75.2 million – US\$3.4 million lower than in 2012. The most significant part of amount discussed relates to the mining tax which is directly dependant on the production, sales and sales prices levels. Higher volumes of gold sold and produced led to increase of mining tax.

Impairment loss of non-current assets

The Company reviewed the carrying values of its mining assets and inventories (including stockpiles and ore on heap leach pads). As a result, the Company recognised one-off non-cash impairment losses of US\$363.5 million on pre-tax basis recognised in other operating expenses and US\$22.8 million recognised in cost of sales for the full year 2013. For details, see table below and note 17 of the Consolidated Financial Statements.

	Year ended 31 December	
	2013	2012
Intangible assets		
Lefa	199,464	-
Suzdal	50,444	34,676
Aprelkovo	29,321	-
Zherek & Balazhal	27,310	6,780
African greenfields	2,653	-
Buryatzoloto	-	2,094
North Gold Mining Company	-	1,964
	309,192	45,514
Property, plant and equipment		
Aprelkovo	17,593	-
Suzdal & Balazhal	1,386	(1,945)
Berezitovy	(56)	56
	18,923	(1,889)
Long-term work-in-progress		

Aprelkovo	23,742	-
Taparko	11,240	-
Suzdal & Balazhal	424	4,142
	35,406	4,142
Total impairment of non-current assets recognised in other operating expenses	363,521	47,767
Work-in-progress		
Lefa	19,460	-
Suzdal & Balazhal	2,443	-
Buryatzoloto	484	-
Berezitovy	252	-
Taparko	174	-
Work-in-progress impairment recognised in cost of sales	22,813	-

Other operating expenses, net

The detailed breakdown of other operating expenses for 2013 and 2012 is presented below:

	Year ended 31 December	
	2013	2012
Write-offs of accounts receivable and payable, net	(4,661)	-
VAT receivable write-off	(3,598)	-
Loss on disposal of property, plant and equipment	(2,166)	(1,484)
Social expenses	(1,941)	(1,733)
Net loss from joint ventures	(1,152)	(473)
Charity donations	(742)	(269)
Net gain/(loss) on disposal of inventories	(542)	361
Other	(540)	(375)
Gain from depository receipt program agreement	-	3,600
Gain from VAT recovered previously written off	-	9,823
(Increase) decrease in provisions and contingencies	3,521	(444)
Net gain (loss) from contractual compensations and fines	4,936	(150)
Total	(6,885)	8,856

Finance income/(costs)

Net finance cost increased by US\$19.1 million, from US\$32.1 million in 2012 to US\$51.1 million in 2013, mainly due to higher interest expenses, partly compensated by higher foreign currency exchange gain in 2012, compared to 2012.

The table below presents a breakdown of interest expense by types of borrowers of the Group for 2013 and 2012.

	Year ended 31 December		Change, US\$000	Per cent. change
	2013	2012	2013-2012	
Interest expense on related party debt financing	49	5,655	(5,606)	(99.1%)
Interest expense on third party debt financing	56,283	31,767	24,516	77.2%
Total	56,332	37,422	18,910	50.5%

Income tax expense

The Group income tax benefit for year ended 31 December 2013 amounted to US\$ 62.5 million (year ended 31 December 2012: income tax expense of US\$ 54.4 million) and included tax benefit from impairment losses recognised in form of deferred tax liabilities decrease amounted to US\$ 103.0 million (year ended 31 December 2012: US\$ 16.4 million). Without deferred tax effects from impairment losses the Group income tax expense for year ended 31 December 2013 amounted to US\$ 40.5 million (year ended 31 December 2012: income tax expense of US\$ 38.0 million).

Effective income tax for the year ended 31 December 2013 amounted to 27% (2012: 42%).

The following factors affected the decrease of the effective tax rate in 2013:

- increase of Bissa profit share in 2013. Bissa profit is taxable at 17.5% which is lower than the average tax rate for the Group;
- effect of changes in unrecognised deferred tax assets on tax losses carried forward related to certain Group entities;
- increase of Nord Gold N.V. loss share in 2013. Nord Gold N.V. loss is not deductible for tax purposes;
- decrease of prior year charges and related penalties.

Profit for the period

As a result of the factors discussed above, the Group had a net loss for the period of US\$170.0 million in 2013 and a profit for the period of US\$76.0 million in 2012.

Profit attributable to non-controlling interest

Profit attributable to non-controlling interest decreased to US\$19.3 million in 2013 compared to US\$56.6 million in 2012. Loss attributable to Shareholders of the Company amounted to US\$189.3 million, compared to profit of US\$19.4 million in 2012. The details could be obtained from the note 4 in the Consolidated Financial Statements and in "Financial performance by segment" below.

Financial performance by segment

Below follows a comparison of the mines of the Neryungri and Aprelkovo, Suzdal and Balazhal, Taparko, Buryatzoloto, Berezitovy, Lefa and Bissa segments, which constitute the mines the Group owned and operated during the periods under review.

Neryungri and Aprelkovo

The Neryungri and Aprelkovo segment comprises mines at Neryungri and Aprelkovo in the Russian Federation.

Neryungri

The table below presents a summary of the key performance indicators at the Neryungri mine for 2013 and 2012.

Neryungri — KPIs for 2013 and 2012⁽¹⁾

	Year ended 31 December		Change	Per cent. change
	2013	2012	2013-2012	
Ore mined (Kt)	1,785.9	2,092.2	(306.3)	(14.6%)
Ore milled (Kt)	2,891.0	3,083.6	(192.6)	(6.2%)
Head grade (g/t)	0.9	1.0	(0.1)	(11.5%)
Mill recovery (%)	75.0%	75.0%	-	-
Gold ounces produced (Koz)	66.5	66.3	0.2	0.3%
Gold ounces sold (Koz)	66.4	66.7	(0.3)	(0.4%)
Revenue (US\$M)	89.6	111.4	(21.8)	(19.6%)
EBITDA (US\$M) ⁽²⁾	30.3	52.7	(22.4)	(42.5%)
Cash costs/ounce produced (US\$/oz) ⁽²⁾	764.5	766.8	(2.3)	(0.3%)

(1) The Group held a 100 per cent. interest in Neryungri in each of the periods presented.

(2) Not audited. Figures for 2012 were recalculated after reclassifications made in 2013. For details see "Reclassifications".

Ore mined decreased by 306.3 kt to 1,785.6 kt due to more difficult geological conditions. Accordingly ore milled decreased by 192.6 kt, from 3,083.6 kt in 2012 to 2,891.9 kt in 2013. The volume of ore milled exceeded the volume of ore mined in 2013 due to inclusion of mineralised waste with grade of 0.5 g/t into processing

Average head grade of ore milled declined by 0.1 g/t to 0.9 g/t due to inclusion of low-grade mineralised waste into processing and mill recovery remained unchanged from 2012.

Gold ounces produced and gold ounces sold in 2013 were in-line with 2012 levels.

Revenue decreased by 19.6% from US\$111.4 million in 2012 to US\$89.6 million in 2013, as a result of lower gold prices. EBITDA decreased by 42.5% from US\$52.7 million 2012 to US\$30.3 million in 2013, due to lower gold prices and revenue.

Cash costs per ounce produced in 2013 were in-line with 2012 level with insignificant decrease of 0.3% - from US\$766.8 in 2012 to US\$764.5 per ounce in 2013.

The table below presents the breakdown of cost of sales for the Neryungri mine for 2013 and 2012.

Neryungri cost of sales for 2013 and 2012

	Year ended 31 December		Change, USD\$000	Per cent. change
	2013	2012	2013-2012	
Personnel costs	18,302	19,248	(946)	(4.9%)
Materials	12,884	9,850	3,034	30.8%
Fuel and energy	18,796	15,391	3,405	22.1%
Spare parts	9,291	6,858	2,433	35.5%
External services	2,895	2,051	844	41.2%
Change in obsolescence provision	(327)	1,391	(1,718)	(123.5%)
Other expenses	2,861	6,524	(3,663)	(56.1%)
Change in inventories	(14,833)	(12,176)	(2,657)	21.8%
Direct mining costs	49,868	49,137	731	1.5%
Depreciation and amortisation	11,227	11,613	(386)	(3.3%)
Cost of sales	61,095	60,750	345	0.6%

Personnel costs in 2013 were generally in-line with 2012 with insignificant decrease of 4.9%.

The cost of materials increased by US\$3.0 million – from US\$9.9 million in 2012 to US\$12.9 million in 2013, mainly as a result of the inflation. The same reason led to increase of fuel and energy costs, from US\$15.4 million in 2012 to US\$18.8 million in 2013 and increase of cost of spare parts, from US\$6.9 million in 2012 to US\$9.3 million in 2013. External services costs remained broadly the same and amounted to US\$2.9 in 2013 and US\$2.1 million in 2012.

Decrease of obsolescence provision represents provision reversals made in 2013.

Other expenses decreased by US\$3.7 million mainly due to effect of annual recalculation of environmental provision.

Depreciation and amortisation expenses in 2013 were in-line with 2012 with insignificant decrease of 3.3%.

Substantially all of the cost of sales of Neryungri for 2013 were denominated in roubles.

The table below presents the total cash costs for the Neryungri mine for 2013 and 2012.

Neryungri total cash costs⁽¹⁾ for 2013 and 2012

	Year ended 31 December		Per cent. change
	2013	2012	2013-2012
Cost of sales.	61,095	60,750	0.6%
<i>(Less)/plus items in income statement:</i>			
Depreciation and amortisation	(11,227)	(11,613)	
Provision for asset retirement obligations	(3,225)	(2,718)	
Allowance for slow-moving and obsolete inventories	(422)	(875)	
Work-in-progress and finished goods fair value adjustment	-	-	
Unused vacation	(3,139)	(2,890)	
Employees' bonuses	(725)	(940)	
Exceptional items	(33)	(112)	
Change in finished goods (less items above capitalised in finished goods)	167	132	
Revenue of by-products	(130)	(199)	
Cost of production	42,361	41,535	2.0%
General and administrative expenses	8,238	5,805	41.9%
<i>(Less)/plus items in income statement:</i>			
Depreciation and amortisation	(39)	(71)	
Corporate overheads	(5,879)	(3,578)	
Allowance for bad debts	-	-	
Unused vacation	(249)	(228)	
Employees' bonuses	9	(88)	
Exceptional items	-	-	
Mining administrative expenses	2,080	1,840	13.0%
Taxes other than income tax	6,295	7,388	(14.8%)
Total cash cost	50,736	50,763	(0.1%)
Total gold produced, Oz⁽²⁾	66,367	66,202	0.2%
Total cash cost produced, US\$/oz	764.5	766.8	(0.3%)

(1) Total cash cost is a non-IFRS measure. For a description of total cash costs, see "Presentation of Financial and Other Information—Non-IFRS measures—Total cash cost". Figures for 2012 were recalculated after reclassifications made in 2013. For details see "Reclassifications".

(2) This amount does not include the gold equivalent of silver produced at the mine.

Cash costs per ounce produced in 2013 were in-line with 2012 level with insignificant decrease of 0.3% - from US\$766.8 in 2012 to US\$764.5 per ounce in 2013.

Aprelkovo

The table below presents a summary of the key performance indicators at the Aprelkovo mine for 2013 and 2012.

Aprelkovo — KPIs for 2013 and 2012⁽¹⁾

	Year ended 31 December		Change	Per cent. change
	2013	2012	2013-2012	
Ore mined (Kt)	1,792.7	2,461.4	(668.7)	(27.2%)
Ore milled (Kt)	1,644.5	1,465.1	179.4	12.2%
Head grade (g/t)	1.3	1.4	(0.1)	(4.0%)
Mill recovery (%)	46.7%	47.7%	(1pp)	(2.1%)
Gold ounces produced (Koz)	32.7	35.9	(3.2)	(8.8%)
Gold ounces sold (Koz)	32.7	35.8	(3.1)	(8.7%)
Revenue (US\$M)	43.5	60.0	(16.5)	(27.5%)
EBITDA (US\$M) ⁽²⁾	8.8	23.8	(15.0)	(63.0%)
Cash costs/ounce produced (US\$/oz) ⁽²⁾	1,020.3	863.3	157.0	18.2%

(1) The Group held a 100 per cent. interest in Aprelkovo in each of the periods presented.

(2) Not audited. Figures for 2012 were recalculated after reclassifications made in 2013. For details see "Reclassifications".

Ore mined decreased by 668.7 kt to 1,792.7 kt in 2013 due to change of accessibility of ore for mining. Ore milled increased by 179.4 kt, from 1,465.1 kt in 2012 to 1,644.5 kt in 2013. In 2012 ore mined with low grade was partly stockpiled, while in 2013 the full volumes of ore mined were transferred to processing. The average head grade decreased by 0.1 g/t, from 1.4 g/t in 2012 to 1.3 g/t in 2013 due to change of geological conditions. Mill recovery decreased from 47.7% in 2012 to 46.7% in 2013 due to change of ore characteristics.

Gold ounces produced decreased by 3.2 Koz, from 35.9 Koz in 2012 to 32.7 Koz in 2013, mainly due to lower grade and recovery.

Revenue decreased from US\$60.0 million to US\$43.5 million mainly due to lower gold prices in 2013. Together with increased cash cost this led to EBITDA decrease of 18.0%.

Cash costs per ounce produced increased from US\$863.3 per ounce to US\$1,020.3 per ounce due to inflation, increase in personnel costs, spare parts and other expenses.

The table below presents the breakdown of cost of sales for the Aprelkovo mine for 2013 and 2012.

Aprelkovo cost of sales for 2013 and 2012

	Year ended 31 December		Change, USD\$000	Per cent. change
	2013	2012	2013-2012	
Personnel costs	12,018	10,360	1,658	16.0%
Materials.	11,524	9,187	2,337	25.4%

Fuel and energy	7,650	7,379	271	3.7%
Spare parts.	5,016	3,594	1,422	39.6%
External services.	2,307	3,167	(860)	(27.2%)
Change in obsolescence provision.	968	620	348	56.1%
Other expenses	1,268	(43)	1,311	(3,048.8%)
Change in inventories	(10,421)	(3,854)	(6,567)	170.4%
Direct mining costs	30,329	30,410	(81)	(0.3%)
Depreciation and amortisation.	7,071	9,625	(2,554)	(26.5%)
Cost of sales.	37,400	40,035	(2,635)	(6.6%)

Personnel costs increased by US\$1.6 million, from US\$10.4 million in 2012 to US\$12.0 million in 2013 mainly due to salary indexation and improved motivation system.

The cost of materials increased by US\$2.4 million, from US\$9.2 million in 2012 to US\$11.5 million in 2013 mainly due to inflation. Fuel and energy cost did not increase significantly due to prices raise, compensated by decrease of fuel consumption.

The cost of spare parts increased by US\$1.4 million, from US\$3.6 million in 2012 to US\$5.0 million in 2013, primarily due to repairs of equipment, mainly crushing complex, as well as inflation.

The cost of external services decreased by US\$0.9 million, from US\$3.2 million in 2012 to US\$2.3 million in 2013, mainly because in 2013 third party drilling services were not required.

Change in obsolescence provision during the period changed insignificantly and amounted to US\$ 0.6 million in 2013 and US\$1.0 million in 2013.

Other expenses increased to US\$1.3 mainly due to effect of annual recalculation of environmental provision.

Depreciation and amortisation expenses decreased by US\$2.6 million mainly due to impairment of property plant and equipment recognised in first half of 2013.

Substantially all the cost of sales of Aprelkovo for 2013 was denominated in roubles.

The table below presents the total cash costs for the Aprelkovo mine for 2013 and 2012.

Aprelkovo total cash costs⁽¹⁾ for 2013 and 2012

	Year ended 31 December(US\$000)		
	2013	2012	2013-2012
Cost of sales	37,400	40,036	(6.6%)
<i>(Less)/plus items in income statement:</i>			
Depreciation and amortisation	(7,071)	(9,625)	
Provision for asset retirement obligations	(228)	(2,007)	
Allowance for slow-moving and obsolete inventories.	(838)	(1,391)	
Unused vacation	(306)	(1,081)	

Employees' bonuses	(110)	(484)	
Exceptional items	(75)	(191)	
Change in finished goods (less items above capitalised in finished goods)	125	(72)	
Revenue of by-products	(37)	(86)	
Cost of production.	28,860	25,099	15.0%
General and administrative expenses.	3,942	3,104	27.0%
<i>(Less)/plus items in income statement:</i>			
Depreciation and amortisation	(16)	(38)	
Corporate overheads	(2,275)	(1,787)	
Allowance for bad debts	(39)	-	
Unused vacation	(133)	(97)	
Employees' bonuses	(27)	-	
Exceptional items	-	-	
Mining administrative expenses.	1,452	1,182	22.8%
Taxes other than income tax	3,017	4,626	(34.8%)
Total cash cost.	33,329	30,907	7.8%
Total gold produced, Oz⁽²⁾.	32,665	35,801	(8.8%)
Total cash cost produced, US\$/oz.	1,020.3	863.3	18.2%

(1) Total cash cost is a non-IFRS measure. For a description of total cash costs, see "Presentation of Financial and Other Information—Non-IFRS measures—Total cash cost". Figures for 2012 were recalculated after reclassifications made in 2013. For details see "Reclassifications".

(2) This amount does not include the gold equivalent of silver produced at the mine.

Cash costs per ounce produced increased by 18.2% due to lower grade and recovery level together with inflation factor and reasons described above.

Changes in the amounts of non-cash items did not significantly influence the changes in cash cost, as the cash cost is mainly dependent on changes in cost of sales and the level of gold production.

Suzdal and Balazhal

The Suzdal and Balazhal segment comprises the Suzdal mine and the Balazhal and Zherek mines in Kazakhstan. This discussion focuses on the results of Suzdal, as the results of Zherek and Balazhal are not significant.

The table below presents a summary of the key performance indicators at the Suzdal mine for 2013 and 2012.

Suzdal — KPIs for 2013 and 2012⁽¹⁾

	Year ended 31 December		Change	Per cent. change
	2013	2012	2013 - 2012	
Ore mined (Kt)	453.0	431.1	21.9	5.1%

Ore milled (Kt)	511.8	490.9	20.9	4.3%
Head grade (g/t)	7.2	7.6	(0.4)	(5.4%)
Mill recovery (%)	69.1%	65.3%	3.8pp	5.8%
Gold ounces produced (Koz) ⁽²⁾	81.1	87.3	(6.2)	(7.1%)
Gold ounces sold (Koz) ⁽²⁾	81.1	90.9	(9.8)	(10.8%)
Revenue (US\$M) ⁽³⁾	110.1	152.6	(42.5)	(27.9%)
EBITDA (US\$M) ⁽⁴⁾	46.6	54.4	(7.8)	(14.3%)
Cash costs/ounce produced (US\$/oz) ⁽⁴⁾	733.2	801.7	(68.5)	(8.7%)

(1) The Group held a 100 per cent. interest in Suzdal in each of the periods presented.

(2) Represents figures for Celtic Group, includes gold from Zherek.

(3) Revenue for the Suzdal mine arises from intra-Group sales and does not appear on a consolidated basis. Presented figure relates to Celtic Group sales.

(4) Not audited. Figures for 2012 were recalculated after reclassifications made in 2013. For details see "Reclassifications".

Ore mined increased by 21.9 kt to 453.0 kt in 2013. Accordingly ore milled increased by 20.9 kt, from 490.9 kt in of 2012 to 511.8 kt in 2013.

Head grade decreased by 0.4 g/t from 7.6 g/t in 2012 to 7.2 g/t in 2013, due to geological qualities of the ore used. Mill recovery increased by 3.8 p.p. from 65.3% in 2012 to 69.1% 2013.

Gold ounces produced decreased by 6.2 Koz, from 87.3 Koz in 2012 to 81.1 Koz in 2013, due to lower grade offset by 20.9 kt of increased throughput and record recoveries of 69.1% (from 65.3% in 2012).

Revenue decreased by 27.9% in 2013 from US\$152.6 million in 2012, to US\$110.1 million in 2013. The decrease was the result of lower gold prices together with lower sales volumes and led to decrease of EBITDA, from US\$54.4 million in 2012 to US\$46.6 million in 2013.

Cash costs at Suzdal decreased by 8.7% mainly due to increased volumes of ore milled (additional 20.9 kt) and record recoveries of 69.1% (up from 65.3% in 2012). Cash costs improvement was also driven by a lower share of costly external concentrate processing and cost savings realised on analytical services, which were partially fulfilled internally.

The table below presents the breakdown of cost of sales for the Suzdal mine for 2013 and 2012.

Suzdal cost of sales for 2013 and 2012

	Year ended 31 December		Change, USD\$000	Per cent. change
	2013	2012	2013-2012	
Personnel costs	15,971	14,873	1,098	7.4%
Materials	17,246	29,246	(12,000)	(41.0%)
Fuel and energy	6,619	6,211	408	6.6%
Spare parts	4,524	3,796	728	19.2%
External services	4,924	7,620	(2,696)	(35.4%)
Change in obsolescence provision	1,161	2,627	(1,466)	(55.8%)

Other expenses	213	(3,033)	3,246	(107.0%)
Change in inventories	3,488	9,640	(6,152)	(63.8%)
Direct mining costs	54,144	70,980	(16,836)	(23.7%)
Depreciation and amortisation	28,665	41,696	(13,031)	(31.3%)
Cost of sales	82,809	112,676	(29,867)	(26.5%)

Personnel costs increased by US\$1.1 million in 2012 from US\$14.9 million in 2012 to US\$15.0 million in 2013. The increase was principally due to salary indexation.

The cost of materials decreased by US\$12.0 million from US\$29.3 million in 2012 to US\$17.3 million in 2013. The increase was principally due to lower share of external concentrate in processing.

Fuel and energy costs and costs of spare parts in 2013 were mainly in-line with 2012 with insignificant increase of US\$ 0.4 million and US\$ 0.7 million accordingly.

The cost of external services decreased by US\$2.7 million from US\$7.6 million in 2012 to US\$4.9 million in 2013 mainly due to cost savings realised on analytical services, which were partially fulfilled internally, refusal of drilling contracting services and mining equipment maintenance services, performed by own means in 2013.

Change in obsolescence provision decreased by US\$1.5 million, from US\$2.6 million in 2012 to US\$1.2 million in 2012 due to lower level of obsolete stock to be provided for. Other expenses increased by US\$3.2 million, from income of US\$3.0 million in 2012 to expense of US\$0.2 million in 2013 mainly due to change of estimations used for asset retirement obligation provision.

Depreciation and amortisation expenses decreased by US\$13.0 million from US\$41.7 million in 2012 to US\$28.7 million in 2013 mainly due to impairment of intangible assets in first half of 2013.

In 2013, tenge-denominated costs constituted a substantial majority of Suzdal's cost of sales.

The table below presents the total cash costs for the Suzdal mine for 2013 and 2012.

Suzdal total cash costs⁽¹⁾ for 2013 and 2012

	Year ended 31 December		Per cent. Change
	2013	2012	2013-2012
Cost of sales	82,809	112,676	(26.5%)
<i>(Less)/plus items in income statement:</i>			
Depreciation and amortisation	(28,665)	(41,696)	
Provision for asset retirement obligations	8	142	
Allowance for slow-moving and obsolete inventories	(1,955)	(1,079)	
Work-in-progress and finished goods fair value adjustment	(1,532)	-	
Unused vacation	(1,506)	(3,786)	
Employees' bonuses	(1,000)	(265)	
Exceptional items	(247)	(9,615)	

Change in finished goods (less items above capitalised in finished goods)	417	(549)	
Revenue of by-products	-	(118)	
Cost of production	48,329	55,710	(13.2%)
General and administrative expenses	3,130	3,685	(15.0%)
<i>(Less)/plus items in income statement:</i>			
Depreciation and amortisation	(60)	(65)	
Unused vacation	(240)	(121)	
Employees' bonuses	(270)	(102)	
Exceptional items	-	(2,402)	
Mining administrative expenses	2,560	995	157.4%
Taxes other than income tax	9,027	13,968	(35.4%)
Exceptional items	-	(1,225)	
Taxes other than income tax	9,027	12,743	(29.2%)
Total cash cost	59,916	69,448	(13.7%)
Total gold produced, Oz⁽²⁾	81,722	86,623	(5.7%)
Total cash cost produced, US\$/oz	733.2	801.7	(8.5%)

(1) Total cash cost is a non-IFRS measure. For a description of total cash costs, see "Presentation of Financial and Other Information—Non-IFRS measures—Total cash cost". Figures for 2012 were recalculated after reclassifications made in 2013. For details see "Reclassifications".

(2) This amount does not include the gold equivalent of silver produced at the mine.

Cash costs per ounce produced decreased by 8.5% per ounce, from US\$801.7 in 2012 to US\$733.2 in 2013 mainly due lower share of costly external concentrate processing and cost savings realised on analytical services, which were partially fulfilled internally.

Non-cash charges and exceptional expenses are excluded from cost of sales in order to arrive at total cash cost. For Suzdal for the periods under review, the major deduction was the depreciation charge, which is not a cash expense.

Management excluded certain exceptional expenses that it believes do not represent ordinary course cash outflows.

Buryatzoloto

The Buryatzoloto segment comprises mines at Irokinda and Zun-Holba in the Russian Federation. The table below presents a summary of the key performance indicators for the Buryatzoloto segment for 2013 and 2012.

Buryatzoloto — KPIs for 2013 and 2012⁽¹⁾

	Year ended 31 December		Change	Per cent. change
	2013	2012	2013-2012	
Ore mined (Kt)	689.3	686.3	3.0	0.4%
Ore milled (Kt)	667.9	695.1	(27.2)	(3.9%)
Head grade (g/t)	4.7	5.0	(0.3)	(6.7%)
Mill recovery (%)	92.2%	93.3%	(1.1pp)	(1.2%)
Gold ounces produced (Koz) ⁽²⁾	98.5	108.9	(10.4)	(9.5%)
Gold ounces sold (Koz) ⁽²⁾	98.4	108.9	(10.5)	(9.6%)
Revenue (US\$M)	136.0	181.3	(45.3)	(25.0%)
EBITDA (US\$M) ⁽³⁾	27.7	80.7	(53.0)	(65.7%)
Cash costs/ounce produced (US\$/oz) ⁽³⁾	978.4	812.3	166.1	20.4%

(1) The Group consolidated the results of Buryatzoloto but had held a 83.2 per cent. indirect effective economic interest in Buryatzoloto in 2012 due to minority interests in High River Gold and its subsidiaries through which it owns Buryatzoloto. In March 2013 the Group obtained 100% ownership in High River Gold.

(2) This amount includes the gold equivalent of silver produced at the mine.

(3) Not audited. Figures for 2012 were recalculated after reclassifications made in 2013. For details see "Reclassifications".

Ore mined increased by 3.0 kt to 689.3 kt in 2013. Ore milled decreased by 27.2 kt from 695.1 Kt in 2012 to 667.9 kt in 2013.

Head grade decreased by 0.3 g/t from 5.0 g/t in 2012 to 4.7 g/t in 2013, due to geological characteristics of ore mined and milled. Mill recovery decreased by 1.1pp, from 93.3% in 2012 to 92.2% in 2013.

Gold ounces produced decreased by 10.4 Koz, from 108.9 Koz in 2012 to 98.5 Koz in 2013 due to lower volumes of ore milled, decrease of head grade and recovery.

Revenue decreased by US\$45.3 million, from US\$181.3 million in 2012 to US\$136.0 million in 2013 as a result of lower gold prices and decrease of volumes of gold sold. Decrease in revenue together with growth of cash cost led to EBITDA decrease of US\$53.0 million, from US\$80.7 million in 2012 to US\$27.7 million in 2013.

Cash costs per ounce produced increased by US\$166.1 per ounce, from US\$812.3 in 2012 to US\$978.4 in 2013 primarily due to head grade decrease to 4.72 g/t compared with 5.03 g/t in 2012 as well as staff, services and material cost inflation.

The table below presents the breakdown of cost of sales for Buryatzoloto for 2013 and 2012.

Buryatzoloto cost of sales for 2013 and 2012

	Year ended 31 December		Change, USD\$000	Per cent. change
	2013	2012	2013-2012	
Personnel costs	53,019	48,081	4,938	10.3%
Materials	18,129	16,706	1,423	8.5%
Fuel and energy	12,732	12,320	412	3.3%
Spare parts	6,810	5,460	1,350	24.7%
External services	9,975	7,131	2,844	39.9%
Change in obsolescence provisions	1,198	752	446	59.3%
Other expenses	(1,264)	(4,608)	3,344	(72.6%)
Change in inventories	(4,962)	(396)	(4,566)	1153.0%
Direct mining costs	95,637	85,446	10,191	11.9%
Depreciation and amortisation	17,315	20,154	(2,839)	(14.1%)
Cost of sales	112,952	105,600	7,352	7.0%

Personnel costs increased by US\$4.9 million from US\$48.1 million in 2012 to US\$53.0 million in 2013, due to increase of number of staff and salary indexation.

The cost of materials increased by US\$1.4 million, from US\$16.7 million in 2012 to US\$18.1 million in 2013 mainly due to inflation factor and increased repairs in mine shafts.

Fuel and energy cost in 2013 were mainly in-line with 2012 with insignificant increase of US\$0.4 million.

The cost of spare parts increased by US\$1.4 million, from US\$5.5 million in 2012 to US\$6.8 million in 2013 mainly due to increased repair works, mining equipment, changes in lining at plant mills and repairs of pulp pipe at tailings pit.

The cost of external services increased by US\$2.8 million, from US\$7.1 million in 2012 to US\$10.0 million in 2013 mainly due to inflation and implementation of SAP in 2013.

Change in obsolescence provisions increased insignificantly – by US\$0.5 million, from US\$0.8 million in 2012 to US\$1.2 million in 2013.

Other expenses increased by US\$3.3 million, from US\$(4.6) million in 2012 to US\$(1.3) million in 2013 due to increased overheads and decreased share of capitalised control drilling works.

Depreciation and amortisation expenses decreased by US\$2.8 million from US\$20.2 million in 2012 to US\$17.3 million in 2013 mainly due to change of estimation of the mineral right useful life effecting from January 1, 2013.

In 2013, rouble-denominated costs constituted substantially all of Buryatzoloto's cost of sales, with the remaining cost of sales comprising costs denominated in US dollars.

The table below presents the total cash costs for Buryatzoloto for 2013 and 2012.

Buryatzoloto total cash costs⁽¹⁾ for 2013 and 2012

	Year ended 31 December		Per cent. change
	2013	2012	
Cost of sales	112,952	105,601	7.0%
<i>(Less)/plus items in income statement:</i>			
Depreciation and amortisation	(17,315)	(20,154)	
Allowance for slow-moving and obsolete inventories	(3)	(666)	
Work-in-progress and finished goods fair value adjustment	(484)	-	
Unused vacation	(9,342)	(6,432)	
Employees' bonuses	(1,177)	(1,106)	
Exceptional items	(727)	(865)	
Change in finished goods (less items above capitalised in finished goods)	318	137	
Revenue of by-products	(2,464)	(3,058)	
Cost of production	81,758	73,457	11.3%
General and administrative expenses.	7,714	5,773	33.6%
<i>(Less)/plus items in income statement:</i>			
Depreciation and amortisation	(264)	(364)	
Corporate overheads	(2,873)	(1,159)	
Allowance for bad debts	25	(691)	
Unused vacation	(325)	(423)	
Employees' bonuses	(439)	(492)	
Exceptional items	-	(567)	
Mining administrative expenses	3,838	2,077	84.8%
Taxes other than income tax	8,763	11,401	(23.1%)
Total cash cost⁽²⁾	94,359	86,935	8.5%
Total gold produced, Oz	96,446	107,020	(9.9%)
Total cash cost produced, US\$/oz	978.4	812.3	20.4%

(1) Total cash cost is a non-IFRS measure. For a description of total cash costs, see "Presentation of Financial and Other Information—Non-IFRS measures—Total cash cost". Figures for 2012 were recalculated after reclassifications made in 2013. For details see "Reclassifications".

(2) This amount does not include the gold equivalent of silver produced at the mine.

Total cash costs per ounce produced increased by 20.4% mainly due to head grade decrease to 4.72 g/t compared with 5.03 g/t in 2012 as well as staff, services and material cost inflation.

Cash cost is mainly dependant on changes in the cost of sales and the level of production. Changes in the amounts of non-cash items did not significantly impact the changes in the cash cost.

Berezitovy

The Berezitovy segment comprises a mine in the Russian Federation. The table below presents a summary of the key performance indicators for the Berezitovy segment for 2013 and 2012.

Berezitovy — KPIs for 2013 and 2012⁽¹⁾

	Year ended 31 December		Change	Per cent. change
	2013	2012	2013-2012	
Ore mined (Kt)	2,059.1	1,989.8	69.3	3.5%
Ore milled (Kt)	2,248.4	1,635.0	613.4	37.5%
Head grade (g/t)	1.9	2.5	(0.6pp)	(23.9%)
Mill recovery (%)	89.5%	90.1%	(6.8%)	(7.5%)
Gold ounces produced (Koz) ⁽²⁾	120.3	116.3	4.0	3.5%
Gold ounces sold (Koz) ⁽²⁾	120.1	116.4	3.7	3.2%
Revenue (US\$M)	164.7	193.6	(28.9)	(14.9%)
EBITDA (US\$M) ⁽³⁾	63.9	114.4	(50.5)	(44.1%)
Cash costs/ounce produced (US\$/oz) ⁽³⁾	789.0	624.7	164.3	26.3%

(1) The Group held a 97.8 per cent. indirect effective economic interest in Berezitovy in 2012 due to minority interests in High River Gold and its subsidiaries through which it owns Berezitovy. In March 2013 the Group obtained 100% ownership of High River Gold.

(2) This amount includes the gold equivalent of silver produced at the mine.

(3) Not audited. Figures for 2012 were recalculated after reclassifications made in 2013. For details see "Reclassifications".

Ore mined in 2013 increased by 69.3 kt, to 2,059.1 kt from 1,989.8 kt in 2012. The amount of ore milled increased by 613.4 kt, from 1,635.0 kt in 2012 to 2,248.4 kt in 2013, mainly due to upgrade of SAG mill.

Head grade of processed ore decreased by 0.6 g/t from 2.5 in 2012 to 1.9 in 2013 due to the geological characteristics of the ore involved in processing. This factor also influenced the decrease of recovery rate at the processing plant decreased by of 0.6pp, from 90.2% in 2012 to 89.5% in 2013. Gold production increased by 4.0 Koz, from 116.3 Koz in 2012 to 120.3 Koz in 2013 due to higher volumes of ore milled.

Revenue decreased from US\$193.6 million in 2012 to US\$164.7 million in 2013 as a result of lower gold prices, partly compensated by higher volumes of gold sold. EBITDA decreased to US\$63.9 million, from US\$114.4 million in 2012, mainly due to revenue fall together with cash costs increase.

An increase in cash costs per ounce produced by US\$164.3 per ounce, from US\$624.7 in 2012 to US\$789.0 in 2013, was caused by inflation, increased repairs and fuel and energy costs.

The table below presents the breakdown of cost of sales for the Berezitovy mine for 2013 and 2012.

Berezitovy cost of sales for 2013 and 2012

	Year ended 31 December		Change USD\$000	Per cent. change
	2013	2012	2013-2012	
Personnel costs	27,669	25,193	2,476	9.8%
Materials	20,780	19,602	1,178	6.0%
Fuel and energy	17,189	16,806	383	2.3%
Spare parts	17,150	14,973	2,177	14.5%
External services	5,592	5,064	528	10.4%
Change in obsolescence provisions	(188)	810	(998)	(123.2%)
Other expenses	148	252	(104)	(41.3%)
Change in inventories	(1,517)	(20,011)	18,494	(92.4%)
Direct mining costs	86,824	62,689	24,135	38.5%
Depreciation and amortisation	16,813	15,821	992	6.3%
Cost of sales	103,637	78,510	25,127	32.0%

Personnel costs increased by US\$2.5 million, from US\$25.2 million in 2012 to US\$27.7 million in 2013. The increase was primarily due to annual indexation of wages and salaries together with increased vacation compensations and annual bonuses.

The cost of materials increased by US\$1.2 million, from US\$19.6 million in 2012 to US\$20.8 million in 2013 mainly due to inflation factor together with higher production level.

Fuel and energy costs increased by US\$0.4 million, from US\$16.8 million in 2012 to US\$17.2 million in 2013.

The cost of spare parts increased by US\$2.2 million, from US\$15.0 million in 2012 to US\$17.2 million in 2013 due to plant mills lining costs, repairs of mining and infrastructure equipment.

The costs of external services in 2013 were in-line with 2012 with insignificant increase of US\$0.5 million.

Change in obsolescence provision decreased by US\$1.0 million, from US\$0.8 million in 2012 to income of US\$0.2 million due to involvement of obsolete stocks into production.

Other expenses remained broadly on the same level in 2013 in comparison to 2012 and amounted to US\$0.2 million and US\$0.3 million accordingly.

Depreciation and amortisation expenses increased by US\$1.0 million from US\$15.8 million in 2012 to US\$16.8 million in 2012 mainly due to depreciation of new items of property, plant and equipment.

In 2013, rouble-denominated costs constituted a substantial majority of Berezitovy's cost of sales.

The table below presents the total cash costs for the Berezitovy mine for 2013 and 2012.

Berezitovy total cash costs⁽¹⁾ for 2013 and 2012

	Year ended 31 December		Per cent.
	2013	2012	Change
Cost of sales	103,637	78,510	32.0%
(Less)/plus items in income statement:			
Depreciation and amortisation	(16,813)	(15,821)	
Provision for asset retirement obligations	1	2	
Allowance for slow-moving and obsolete inventories	(545)	(1,641)	
Work-in-progress and finished goods fair value adjustment	(248)	3	
Unused vacation	(2,806)	(1,685)	
Employees' bonuses	(1,254)	-	
Exceptional items	(562)	(1,322)	
Change in finished goods (less items above capitalised in finished goods)	140	169	
Revenue of by-products	(2,668)	(3,211)	
Cost of production	78,882	55,004	43.4%
General and administrative expenses	9,241	7,555	22.3%
(Less)/plus items in income statement:			
Depreciation and amortisation	(137)	(101)	
Corporate overheads	(5,933)	(4,638)	
Allowance for bad debts	(54)	-	
Unused vacation	(236)	(122)	
Employees' bonuses	(208)	-	
Mining administrative expenses	2,673	2,694	(0.8%)
Taxes other than income tax	11,798	13,710	(13.9%)
Total cash cost	93,353	71,408	30.7%
Total gold produced, Oz⁽²⁾	118,319	114,307	3.5%
Total cash cost produced, US\$/oz	789.0	624.7	26.3%

(1) Total cash cost is a non-IFRS measure. For a description of total cash costs, see "Presentation of Financial and Other Information—Non-IFRS measures—Total cash cost". Figures for 2012 were recalculated after reclassifications made in 2013. For details see "Reclassifications".

(2) This amount does not include the gold equivalent of silver produced at the mine.

The increase in cash costs per ounce produced by 26.3% per ounce from US\$624.7 in 2012 to US\$789.0 in 2013 was due to increase of production together with factors described above.

Changes in the amounts of non-cash items did not significantly impact cash cost, as it is mainly dependent on changes in the cost of sales and the level of gold production.

Taparko

The Taparko segment comprises the Taparko mine in Burkina Faso. The table below presents a summary of the key performance indicators for the Taparko segment for 2013 and 2012.

Taparko — KPIs for 2013 and 2012⁽¹⁾

	Year ended 31 December		Change	Per cent. Change
	2013	2012	2013-2012	
Ore mined (Kt)	1,566.8	1,834.8	(268.0)	(14.6%)
Ore milled (Kt)	1,366.4	1,579.9	(213.5)	(13.5%)
Head grade (g/t)	3.0	3.1	(0.1)	(2.9%)
Mill recovery (%)	80.5%	82.1%	(1.5pp)	(1.9%)
Gold ounces produced (Koz) ⁽²⁾	108.4	126.7	(18.3)	(14.5%)
Gold ounces sold (Koz) ⁽²⁾	108.5	126.8	(18.3)	(14.4%)
Revenue (US\$M)	151.9	212.0	(60.1)	(28.3%)
EBITDA (US\$M) ⁽³⁾	55.1	124.1	(69.0)	(55.6%)
Cash costs/ounce produced (US\$/oz) ⁽³⁾	771.2	610.5	164.3	26.3%

(1) The Group consolidated the results of Taparko but held a 88.1 per cent. indirect effective economic interest in Taparko in 2012 due to minority interests in High River Gold and its subsidiaries through which it owns Taparko. In March 2013 the Group obtained 100% ownership of High River Gold

(2) This amount includes the gold equivalent of silver produced at the mine.

(3) Not audited; Normalised EBITDA. Figures for 2012 were recalculated after reclassifications made in 2013. For details see "Reclassifications".

Ore mined decreased by 268.0 kt, from 1,834.8 kt in 2012 to 1,566.8 kt in 2013. Ore milled increased by 158.6 kt from 1,579.9 kt in 2012 to 1,366.4 kt in 2013.

Head grade decreased by 0.1 g/t from 3.1 g/t in 2012 to 3.0 g/t in 2013. Mill recovery decreased by 1.5pp from 82.1% in 2012 to 80.5% in 2013.

Gold ounces produced decreased by 18.3 Koz, from 126.7 Koz in 2012 to 108.4 Koz in 2013 mainly due to unplanned maintenance of the primary ball mill trunnion and lower plant recoveries in the first half of 2013. Gold ounces sold also decreased by 18.3 kOz, from 126.8 Koz in 2012 to 108.5 Koz in 2013.

Revenue decreased by US\$60.1 million, from US\$212.0 million in 2012 to US\$151.9 million in 2012, as a result of lower gold prices together with lower volumes of gold sold. EBITDA decreased by US\$ 69.0 million, from US\$124.1 million in 2012 to US\$55.1 million in 2012, due to lower revenue and higher cash costs per ounce.

Total cash costs per ounce increased by US\$164.3 per ounce, from US\$610.5 in 2012 to US\$771.2 per ounce, mainly due to lower production volumes caused by the unplanned maintenance of the primary ball mill trunnion, lower grade and recovery, as well as local currency exchange rate.

The table below presents the breakdown of cost of sales for the Taparko mine for 2013 and 2012.

Taparko cost of sales for 2013 and 2012

	Year ended 31 December		Change USD\$000	Per cent. Change
	2013	2012	2013-2012	
Personnel costs	17,796	18,234	(438)	(2.4%)
Materials	8,498	10,913	(2,415)	(22.1%)
Fuel and energy	23,116	23,747	(631)	(2.7%)
Spare parts	16,579	20,263	(3,684)	(18.2%)
External services	3,547	4,186	(639)	(15.3%)
Change in obsolete provision	162	1,973	(1,811)	(91.8%)
Other expenses	12,911	17,653	(4,742)	(26.9%)
Change in inventories	3,482	740	2,742	370.5%
Direct mining costs	86,091	97,709	(11,618)	(11.9%)
Depreciation and amortisation	24,469	28,725	(4,256)	(14.8%)
Cost of sales	110,560	126,434	(15,874)	(12.6%)

The personnel costs decreased insignificantly, by US\$0.4 million, from US\$18.2 million in 2012 to US\$17.8 million in 2013.

The cost of materials decreased by US\$2.4 million, from US\$10.9 million in 2012 to US\$8.5 million in 2013 mainly due to lower throughput and production level, partly compensated by inflation factor as well as increased consumption of reagents and grinding balls due to harder rock on regrinding mill.

The cost of fuel and energy decreased insignificantly, by US\$0.6 million, from US\$23.7 million in 2012 to US\$23.2 million in 2013, mainly due to lower throughput and production level, partly compensated by inflation and higher electric power consumption for ore pre-treatment process caused by the addition of the regrinding mill and mobile crushing line.

The cost of spare parts decreased by US\$3.7 million, from US\$20.3 million in 2012 to US\$16.6 million in 2013 mainly due to lower throughput and production level, partly compensated by inflation and repairs of processing equipment and general site fleet.

The cost of external services remained broadly the same in 2013 with insignificant decrease of US\$0.6 million.

Change in obsolescence provision decreased by US\$1.8 million, from US\$1.9 million in 2012 to US\$0.2 million due to accrued provisions in 2012.

Other expenses decreased by US\$4.7 million, from US\$17.7 million in 2012 to US\$12.9 million in 2013, mainly due to reduction of rental services for mining equipment and mobile crusher in 2013 after purchase of this equipment in 2013.

Depreciation and amortisation expenses decreased by US\$4.3 million from US\$28.7 million in 2012 to US\$24.5 million in 2013 mainly due to estimation of the mineral right useful life effecting from January 1, 2013.

In 2013, CFA-denominated costs constituted approximately seventy percent of Taparko's cost of sales with the remaining cost of sales comprising costs denominated mainly in US dollar and Euro.

The table below presents the total cash costs for the Taparko mine for 2013 and 2012.

Taparko total cash costs⁽¹⁾ for 2013 and 2012

	Year ended 31 December		Per cent. change
	2013	2012	
Cost of sales	110,560	126,434	(12.6%)
<i>(Less)/plus items in income statement:</i>			
Depreciation and amortisation	(24,469)	(28,725)	
Provision for asset retirement obligations	(684)	(1,127)	
Allowance for slow-moving and obsolete inventories	(743)	-	
Work-in-progress and finished goods fair value adjustment	(174)	-	
Unused vacation	(4,972)	(95)	
Employees' bonuses	(563)	(1,225)	
Exceptional items	(2,830)	(28,555)	
Change in finished goods (less items above capitalised in finished goods)	134	500	
Revenue of by-products	(1,339)	(1,481)	
Cost of production	74,920	65,726	14.0%
General and administrative expenses	4,023	4,793	(16.1%)
<i>(Less)/plus items in income statement:</i>			
Corporate overheads	(715)	(151)	
Allowance for bad debts	(3)	-	
Unused vacation	(468)	-	
Employees' bonuses	(90)	-	
Exceptional items	-	(491)	
Mining administrative expenses	2,747	4,151	(33.8%)
Taxes other than income tax	5,200	6,961	(25.3%)
Total cash cost	82,867	76,838	7.8%
Total gold produced, Oz⁽²⁾	107,448	125,864	(14.6%)
Total cash cost produced, US\$/oz	771.2	610.5	26.3%

(1) Total cash cost is a non-IFRS measure. For a description of total cash costs, see "Presentation of Financial and Other Information—Non-IFRS measures—Total cash cost". Figures for 2012 were recalculated after reclassifications made in 2013. For details see "Reclassifications".

(2) This amount does not include the gold equivalent of silver produced at the mine.

The decrease in grade, recovery and consequent decrease of production levels at Taparko in 2013 together with factors described above led to increase of the total cash cost by 26.3%, from US\$ 610.5 per ounce in 2012 to US\$771.2 per ounce in 2013.

Management's view is that such expenses are not in line with general business activity and do not represent regular production expenses, and as such, they are deducted from cost of sales.

LEFA

The Lefa segment comprises the LEFA mine in Guinea. The table below presents a summary of the key performance indicators at the LEFA mine for 2013 and 2012.

LEFA — KPIs for 2013 and 2012⁽¹⁾

	Year ended 31 December		Change	Per cent. Change
	2013	2012	2013-2012	
Ore mined (Kt)	3,879.6	6,311.8	(2,432.2)	(38.5%)
Ore milled (Kt)	5,826.2	5,932.0	(105.8)	(1.8%)
Head grade (g/t)	1.1	1.1	0.0	2.5%
Mill recovery (%)	83.5%	84.1%	(0.6pp)	(0.7%)
Gold ounces produced (Koz)	162.7	171.9	(9.2)	(5.3%)
Gold ounces sold (Koz)	162.7	171.9	(9.2)	(5.4%)
Revenue (US\$M)	225.7	287.1	(61.4)	(21.4%)
EBITDA (US\$M) ⁽²⁾	(4.6)	75.8	(80.4)	(106.1%)
Cash costs/ounce produced (US\$/oz) ⁽²⁾	1,343.1	1,180.1	163.0	13.8%

(1) The Group consolidated Lefa results since end of July 2010. The Group held 100.0 per cent. interest in Lefa in periods presented.

(2) Not audited; normalised EBITDA. Figures for 2012 were recalculated after reclassifications made in 2013. For details see "Reclassifications".

Ore mined decreased by 2,432.2 kt, from 6,311.8 kt in 2012 to 3,879.6 kt in 2013 mainly due to higher stripping ratio (5.07 tn/tn in 2013 vs 3.28 tn/tn in 2012). In 2013, ore milled was 5,826.2 kt, 1.8% lower compared with 2012 (5,932.0 kt).

Overall head grade remained 1.1 g/t, mill recovery decreased by 0.6pp from 84.1% in 2012 to 83.5% in 2013, due to processing of ore blocks with higher grade but with higher refractoriness to the recovery.

Gold ounces produced decreased by 9.2 Koz, from 171.9 Koz in 2012 to 162.7 Koz in 2013 due to factors above.

Revenue decreased by US\$61.4 million, from US\$287.1 million in 2012 to US\$225.7 million in 2013, as a result of lower gold prices together with lower sales volumes. EBITDA decreased by US\$80.4 million, from US\$75.3 million to US\$(4.6) million in 2013, due to lower revenue and higher cash costs.

Total cash costs per ounce increased by US\$163.0 per ounce, from US\$1,180.1 per ounce in 2012 to US\$ 1,343.1 per ounce, mainly due to lower production and due to inflation factor.

The table below presents the breakdown of cost of sales for the LEFA mine for 2013 and 2012.

LEFA cost of sales for 2013 and 2012

	Year ended 31 December		Change	Per cent.
	2013	2012	US\$000	change
Personnel costs	42,163	43,173	(1,010)	(2.3%)
Materials	44,923	46,165	(1,242)	(2.7%)
Fuel and energy	64,074	67,784	(3,710)	(5.5%)
Spare parts	33,889	38,041	(4,152)	(10.9%)
External services	18,239	29,885	(11,646)	(39.0%)
Change in obsolete provision	19,460	0	19,460	n/a
Other expenses	308	2,343	(2,035)	(86.9%)
Change in inventories	(69)	(15,947)	15,878	(99.6%)
Direct mining costs	222,987	211,444	11,543	5.5%
Depreciation and amortisation	65,116	103,999	(38,883)	(37.4%)
Cost of sales	288,103	315,443	(27,340)	(8.7%)

The personnel costs decreased by US\$1.1 million, from US\$43.2 million in 2012 to US\$42.2 million in 2013, mainly due to decreased number of expatriate personnel.

The cost of materials decreased by US\$1.2 million, from US\$46.2 million in 2012 to US\$44.9 million in 2013. due to lower production level.

The decrease of cost of fuel and energy by US\$3.7 million, from US\$67.8 million in 2012 to US\$64.1 million in 2012, is mainly explained by lower purchasing prices for Light and Heavy fuel oils.

The cost of spare parts decreased by US\$4.2 million, from US\$38.0 million in 2012 to US\$33.9 million in 2013 due to lower consumption in the plant and from infrastructure equipment.

The cost of external services decreased by US\$11.6 million, from US\$29.9 million in 2012 to US\$18.2 million in 2013 mainly due to refusal of mining equipment rental services and contractors' blasting services.

Other expenses decreased by US\$2.0 million, from US\$2.3 million in 2012 to US\$0.3 million in 2013 due to travel and other costs decrease.

Depreciation and amortisation expenses decreased by US\$38.9 million, from US\$104.0 million in 2012 to US\$65.1 million in 2013 mainly due impairments recognised in first half of 2013.

In 2013, Guinea franc-denominated costs constituted approximately ten percent of total costs with remaining part denominated in US dollar, Euro and others.

The table below presents the total cash costs for the LEFA mine for 2013 and 2012.

LEFA total cash costs⁽¹⁾ for 2013 and 2012

	Year ended 31 December		Per cent. change
	2013	2012	
Cost of sales.	288,103	315,443	(8.7%)
<i>(Less)/plus items in income statement:</i>			
Depreciation and amortisation	(65,116)	(103,999)	
Provision for asset retirement obligations.	-	—	
Allowance for slow-moving and obsolete inventories	(2,260)	(1,919)	
Work-in-progress and finished goods fair value adjustment.	(19,461)	(1)	
Unused vacation.	1	1	
Employees' bonuses.	(2,144)	(2,760)	
Exceptional items.	(2,228)	(30,482)	
Change in finished goods (less items above capitalised in finished goods)	-	—	
Revenue of by-products.	(255)	(297)	
Cost of production.	196,640	175,986	11.7%
General and administrative expenses.	10,737	11,691	(8.2%)
<i>(Less)/plus items in income statement:</i>			
Corporate overheads.	(580)	(1,042)	
Employees' bonuses.	(224)	(224)	
Exceptional items.	(85)	(1,927)	
Mining administrative expenses	9,848	8,498	15.9%
Taxes other than income tax.	11,751	18,134	(35.2%)
Total cash cost.	218,239	202,618	7.7%
Total gold produced, Oz⁽²⁾.	162,489	171,693	(5.4%)
Total cash cost produced, US\$/oz.	1,343.1	1,180.1	13.8%

(1) Total cash cost is a non-IFRS measure. For a description of total cash costs, see "Presentation of Financial and Other Information—Non-IFRS measures—Total cash cost". Figures for 2012 were recalculated after reclassifications made in 2013. For details see "Reclassifications".

(2) This amount does not include the gold equivalent of silver produced at the mine.

The decrease in grade, recovery, decrease of production levels at Lefa in 2013 together with factors described above led to increase of the total cash cost by 13.8%, from US\$1,180.1 per ounce in 2012 to US\$1,343.1 per ounce in 2013.

Management's view is that such expenses are not in line with general business activity and do not represent regular production expenses, and as such, they are deducted from cost of sales.

Bissa

The Bissa segment comprises the Bissa mine in Burkina Faso. The table below presents a summary of the key performance indicators at the Bissa mine for 2013. Commercial production was started only in 2013, so no comparative figures presented.

Bissa — KPIs for 2013

	2013
Ore mined (Kt)	4,536.2
Ore milled (Kt)	3,386.8
Head grade (g/t)	2.70
Mill recovery (%)	88.9%
Gold ounces produced (Koz)	254.3
Gold ounces sold (Koz)	254.3
Revenue (US\$M)	349.8
EBITDA (US\$M) ⁽¹⁾	227.5
Cash costs/ounce produced (US\$/oz) ⁽¹⁾	466.7

(1) Not audited; normalised EBITDA

The table below presents the breakdown of cost of sales for the Bissa mine for 2013.

Bissa cost of sales for 2013

	Year ended 31 December 2013
	(US\$ 000)
Personnel costs	10,926
Materials	11,580
Fuel and energy	46,252
Spare parts	10,786
External services	13,065
Other expenses	22,623
Change in inventories	(15,245)
Direct mining costs	99,987
Depreciation and amortisation	40,692
Cost of sales	140,680

The table below presents the total cash costs for the Bissa mine for 2013.

BISSA total cash costs⁽¹⁾ for 2013

	Year ended 31 December 2013
	(US\$ 000)
Cost of sales.	140,680
<i>(Less)/plus items in income statement:</i>	
Depreciation and amortisation	(40,692)
Unused vacation	(538)
Employees' bonuses	(381)
Exceptional items	(1,783)
Change in finished goods (less items above capitalised in finished goods)	(54)
Revenue of by-products	(185)
Cost of production	97,047
General and administrative expenses	4,072
<i>(Less)/plus items in income statement:</i>	
Corporate overheads	(735)
Unused vacation	(198)
Employees' bonuses	(29)
Mining administrative expenses	3,110
Taxes other than income tax	18,431
Total cash cost	118,588
Total gold produced, Oz⁽²⁾	254,123
Total cash cost produced, US\$/oz	466.7

(2) Total cash cost is a non-IFRS measure. For a description of total cash costs, see "Presentation of Financial and Other Information—Non-IFRS measures—Total cash cost".

(3) This amount does not include the gold equivalent of silver produced at the mine.

Liquidity and capital resources

Cash resources

Nordgold manages liquidity risk with the objective of ensuring that funds will be available at all times to meet all cash flow obligations as they become due by preparing annual budgets, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Nordgold believes it is able to generate sufficient amounts of cash and cash equivalents, in the short term and the long term, to finance Nordgold's working capital needs and to finance a substantial portion of its planned growth and to fund development activities. Having a strong balance sheet with low leverage and an acceptable level of debt, Nordgold believes it is able to raise the funding required to fully finance its planned growth and development activities.

The table below provides a breakdown of net cash/(debt) of the Group for 2013 and 2012.

Net cash/(debt) of the Group for 2013 and 2012

	As at 31 December		Change, US\$000	Per cent. change
	2013	2012	2013-2012	
Cash and cash equivalents	244,042	44,991	199,051	442.4%
Third party short term debt	(326,678)	(261,905)	(64,773)	(24.7%)
Third party long-term debt	(641,279)	(463,594)	(177,685)	(38.3%)
Net (debt)/cash	(723,915)	(680,508)	(43,407)	(6.4%)

Cash Flows From Operating Activities

	Year ended 31 December	
US\$000	2013	2012
Operating activities		
(Loss)/profit for the year	(169,962)	75,988
Adjustments for non-cash movements:		
Finance income	(18,275)	(14,496)
Finance costs	69,414	46,558
Income tax (benefit)/expense	(62,461)	54,423
Depreciation and amortisation	219,497	232,188
Impairment of non-current assets	363,521	47,767
Net loss from joint ventures	1,152	473
Impairment of work-in-progress	22,813	-
Loss on disposal of property, plant and equipment	2,166	1,484
Movements in provisions for receivables and other provisions	(7,095)	11,933
	420,770	456,318
Changes in operating assets and liabilities:		
Accounts receivable	15,126	(7,317)
Inventories	(33,126)	(145,782)
VAT receivable	804	(34,465)
Accounts payable	7,826	(405)
Other changes in operating assets and liabilities, net	(14,343)	3,834
Cash flows from operations	397,057	272,183
Interest paid	(52,165)	(68,774)
Income tax paid	(34,182)	(80,602)
Cash generated from operating activities	310,710	122,807

The Company continues to pay close attention to its liquidity position and to optimise cash flow in order to maximise shareholder value.

Despite the market gold price correction, in the full year 2013, Nordgold generated US\$310.7 million of cash flow from operating activities. The Bissa mine, which was launched in January 2013 and fully ramped up in the following months, was the main cash-generating asset, while Lefa posted negative operating cash flow in 2013.

Cash Flows From/(Used In) Financing Activities

US\$000	Year ended 31 December	
	2013	2012
Financing activities		
Proceeds from borrowings	579,695	730,918
Repayment of borrowings	(347,893)	(380,939)
Acquisition of non-controlling interest in subsidiary	(24,040)	(177,211)
Finance and equity transaction costs paid	(8,328)	-
Dividends paid	(70,830)	(2,173)
Bank charges paid	(954)	(1,207)
Cash generated from financing activities	127,650	169,388

In 2013 the total cash inflow from financing activities amounted to US\$127.7 million. In May 2013 the Company raised US\$500 million from the Notes issuance, which was partially used for the debt repayment (US\$347.9 million in 2013, including US\$62.6 million in Q4 2013), as well as dividend payments (US\$70.8 million in FY 2013) and the remaining payment to the minority shareholders of High River Gold.

Cash Used in Investing Activities

The table below sets forth the cash used in investing activities:

US\$000	Year ended 31 December	
	2013	2012
Investing activities		
Acquisition of property, plant and equipment	(162,334)	(325,475)
Acquisition of exploration and evaluation assets	(85,181)	(130,224)
Additions to financial investments	(5,733)	(14,102)
Proceeds from disposal of property, plant and equipment	158	124
Proceeds from disposal of financial investments	19,133	400
Interest received	3,310	2,481
Cash used in investing activities	(230,647)	(466,796)

Cash flows used in investing activities for 2013 amounted to US\$230.6 million compared to US\$466.8 million in 2012 mainly due to lower capital expenditures on purchase of property plant and equipment and exploration and evaluation works.

Contractual Obligations and Commitments

The following table sets for the contractual maturities of Nordgold's financial liabilities, including interest payments and excluding the impact of netting agreements, as at December 31, 2013:

	Carrying amount	Future contractual cash flows	Less than 1 year	1-2 years	2-5 years	After 5 years
Non-derivative financial liabilities						
Notes and bonds issued	500,000	(643,460)	(31,880)	(31,880)	(579,700)	-
Bank and other credit organizations financing	433,254	(468,341)	(321,800)	(146,541)	-	-
Trade and other payables	199,200	(201,862)	(186,528)	(3,496)	(7,825)	(4,013)
	1,132,454	(1,313,663)	(540,208)	(181,917)	(587,525)	(4,013)
Hedge derivatives						
Cash-flow hedges	34,703	(16,380)	(10,740)	(5,640)	-	-
Total	1,167,157	(1,330,043)	(550,948)	(187,557)	(587,525)	(4,013)

Capital Expenditure Commitments

At present Nordgold's existing assets are almost fully funded and in future periods will, therefore, require only maintenance capital.

Nordgold has entered into certain capital commitments and contractual obligations in respect of future capital expenditures. As at December 31, 2013, Nordgold had contractual capital commitments of US\$18.3 million excluding the above short-term and long-term loans and borrowings. Sources of funding required to meet the commitments will be Nordgold's cash flows, including financing cash flows.

	31 December	
	2013	2012
Bank loans	301,015	261,855
Derivative financial instruments	20,749	-
Accrued interest	5,602	1,145
Bank overdrafts	-	258
Unamortised balance of transaction costs	(688)	(1,353)
Total	326,678	261,905

Financial Liabilities

The following tables provide an overview of Nordgold's financial liabilities as at December 31, 2013:

Short-term borrowings include the following:

	31 December	
	2013	2012
Bank loans	301,015	261,855
Derivative financial instruments	20,749	-
Accrued interest	5,602	1,145
Bank overdrafts	-	258
Unamortised balance of transaction costs	(688)	(1,353)
Total	326,678	261,905

Long-term borrowings include the following:

	31 December	
	2013	2012
Notes and bonds issued	500,000	-
Bank loans	132,591	466,431
Derivative financial instruments	13,954	(919)
Unamortised balance of transaction costs	(5,266)	(1,918)
Total	641,279	463,594

As at 31 December 2013, bank loans were represented by the current portion of loan facilities from Sberbank (see below).

As at 31 December 2012, bank loans comprised the current portion of a loan facility from Sberbank in the amount of US\$ 60.4 million (see below) and a bridge facility coordinated by Societe Generale, Natixis and Sberbank ("Bridge facility") in the amount of US\$ 201.5 million. The Bridge facility was repaid in full in May 2013.

As at 31 December 2013, derivative financial instruments were represented by the cross-currency swaps held by the Group for hedging of currency and interest rate risks attributable to the loan agreements with Sberbank.

Bank loans

In March 2012, the Company received a US\$ 375 million loan facility from Sberbank denominated in Russian roubles maturing in March 2015 with a grace period of 21 months and quarterly repayments thereafter. The loan bears interest at a variable rate of 3-month Mosprime + 3.8% per annum payable on quarterly basis. As at 31 December 2013, the current portion of the loan facility in the amount of US\$ 224.4 million was included into the short-term debt financing (2012: US\$ 60.4 million).

In July 2012, the Company received a US\$ 152 million loan facility from Sberbank denominated in Russian roubles maturing in July 2015 with a grace period of 21 months and quarterly repayments thereafter. The loan bears interest at a variable rate of 3-month Mosprime + 3.3% per annum payable on quarterly basis. As at 31 December 2013, the current portion of the loan facility in the amount of US\$ 76.6 million was included into the short-term debt financing.

Notes issued

In May 2013, the Company issued US\$ 500 million unsecured notes with the proceeds used to refinance the Bridge facility. The notes are denominated in US Dollars, mature in May 2018, and bear interest of 6.375% per annum payable semi-annually in May and November, commencing November 2013. The notes are unconditionally and irrevocably guaranteed by certain Group's subsidiaries.

As at 31 December 2013, bank loans included a long-term portion of loan from Sberbank.

As at 31 December 2013, loan facilities from Sberbank were secured by 50.0% +1 share of the Group's ownership in High River Gold Mines Ltd (31 December 2012: 51.07%+1 share). The carrying value of the pledged entities' net assets amounted to US\$ 1 149 million (31 December 2012: US\$ 1 026 million).

As at 31 December 2013 and 2012, derivative financial instruments represented cross-currency swaps held by the Group for hedging of currency and interest rate risks attributable to the loan agreements with Sberbank, recorded at fair value.

The fair value of debt instruments approximated their carrying value at 31 December 2013, except for the fair value of notes which had a market value of US\$ 474.7 million.

Capital Expenditure

The Group has made substantial investments in a number of its producing mines and in exploration and development sites. Below is a breakdown of exploration and evaluation capital expenditures for the periods indicated.

Exploration and evaluation capital expenditure

		Year ended 31 December	
		2013	2012
Neryungri	Yuzhno-Uguyskaya field	18,174	18,940
Aprelkovo	Pogromnoe	598	4,494
Suzdal and Balazhal	Suzdal, Zherek, Balazhal, Kentau	1,680	2,605
Buryatzoloto	Irokinda and Zun-Holba, others	14,579	16,745
Berezitovy	Berezitovy, Sergachinsky	2,513	3,564
Taparko	Taparko	3,435	7,320
Lefa	LEFA	9,443	17,171
Bissa	Bissa	2,279	7,256
Burkina Faso greenfields	Various	14,023	23,723
Russian Greenfields	Uryakhskoye field	12,952	11,473
	Others	1,686	7,026
Total exploration and evaluation		81,362	120,317

Neryungri (and Gross)

The Group's major capital expenditure project in Russia is the Yuzhno-Uguyskaya field near the Neryungri mine. In 2013, the Group invested US\$18.2 million in exploration and evaluation works related to the Yuzhno-Uguyskaya field (2012: US\$18.9 million).

Burkina Faso greenfields

The Group's other prospective exploration projects are located in Burkina Faso and constitute Development – West Africa. In 2013, the Group invested US\$14.0 million in exploration and evaluation projects in Burkina Faso.

Russian greenfields

Russian greenfields represents the activities of the Group's subsidiary LLC North Gold Mining Company (**SZRK**), which is focused on exploration and evaluation projects in East Siberia near the Group's producing mine at Neryungri. The main investments have been focused on the Uryakhskoye prospective field. In 2013 the Group has invested US\$13.0 million in those projects.

The table below presents a breakdown of safety, facilities balancing, equipment replacement and development / new technology capital expenditures in the Group as well as mine construction expenditures for the periods indicated.

Safety, facilities balancing, replacement of equipment, expansion capital expenditure, capitalised stripping and mine construction expenditure

	Year ended 31 December	
	2013	2012
<i>Capital expenditure on safety, facilities and replacement of equipment</i>		
Neryungri	-	11,044
Aprelkovo	1,821	6,034
Suzdal and Balazhal	3,905	3,630
Buryatzoloto (Irokinda and Zun-Holba)	13,381	6,280
Berezitovy	2,400	4,719
Taparko	14,249	12,037
Lefa	14,099	31,363
Bissa (Bissa mine)	10,274	-
Burkina Faso greenfields	-	2,604
Russian greenfields	-	-
<i>Unallocated items and consolidation adjustment</i>	(1,279)	156
Total safety, facilities balancing and replacement of equipment capital expenditures	58,850	77,867
<i>Capital expenditure on development / new technology</i>		
Neryungri	-	6,780
Aprelkovo	-	705
Suzdal and Balazhal (Suzdal)	5,230	4,468
Buryatzoloto (Irokinda and Zun-Holba)	748	3,857
Berezitovy	458	4,728
Taparko	-	8,291
Lefa	1,255	3,294
<i>Unallocated items and consolidation adjustment</i>	3,934	-
Total expansion capital expenditures	11,625	32,123
<i>Capitalised stripping</i>		
Suzdal and Balazhal (Suzdal)	3,365	3,722
Buryatzoloto (Irokinda and Zun-Holba)	5,779	5,486
Berezitovy	2,609	-
Taparko	19,754	-
Lefa	1,625	-
Bissa (Bissa mine)	2,458	-
Total capitalised stripping expenditures	35,590	9,208
<i>Capital expenditure on mine construction</i>		
Neryungri (Gross)	33,879	29,767

Bissa	16,454	205,086
Total mine construction capital expenditures	50,333	234,853
Total capital expenditures (including exploration and evaluation)	237,760	474,368

The tables below set out the budgeted capital expenditures for Group's operating mines for the year ending 31 December 2014.

Budgeted capital expenditure, year ending 31 December 2014

	Exploration and evaluation	Capital expenditure on development / new technology	Safety, facilities balancing and replacement of equipment	Mine construction
Neryungri (Gross)	2.0	-	2.0	3.0
Aprelkovo	0.1	0.3	0.9	-
Suzdal and Balazhal	1.5	2.1	9.3	-
Buryatzoloto	9.5	-	19.6	-
Berezitovy	0.6	1.4	17.0	-
Taparko	3.8	4.1	1.8	-
Lefa	4.6	7.9	43.1	-
Bissa	2.2	1.5	7.9	3.0
Development WA	8.9	-	-	-
Russian greenfields	7.5	-	-	-
Nordgold Management	-	22.9	2.0	-
Other projects	17.0	-	-	-
Total budgeted capital expenditure	57.7	40.2	103.6	6.0

Neryungri and Gross

The Group plans to spend approximately US\$2.0 million for exploration works on Gross and Tabornoe. Approximately US\$3.0 million is planned for further construction of Gross. The Group planned approximately US\$2.0 million for various projects on safety, facilities balancing and replacement of equipment.

Aprelkovo

Capital expenditures in exploration on Aprelkovo planned in will amount of US\$0.1 million, US\$0.3 million will be spent for pit development and US\$0.9 million for various projects on safety, facilities balancing and replacement of equipment.

Suzdal and Balazhal

Budgeted capital expenditure for the Suzdal and Balazhal for 2014 include US\$1.4 million for exploration works, US\$2.1 million for mine development and US\$9.3 million for mine, plant and infrastructure modernization.

Buryatzoloto

Capital expenditure at Buryatzoloto is directed at continuing survey of deep underground horizons at Irokinda and Zun-Holba, where the Group is planning to invest US\$9.5 million, US\$19.6 million are planned for safety and replacement of equipment, including mine capital works on Irokinda and Zun-Holba, purchase and replacement of various mining and processing equipment.

Berezitovy

The Group is planning to spend approximately US\$0.6 million for near-mine exploration in 2014. The Group plans to spend approximately US\$17.0 million for various projects and equipment for safety and facilities balancing, including capital stripping works and equipment replacement.

Taparko

The Group is planning to invest US\$3.8 million for satellites exploration and deep-level drilling on Taparko. Approximately US\$4.1 million is planned for mine development, including expenditures on mining fleet and other projects for increase of operational effectiveness. The Group plans to spend approximately US\$1.8 million for various projects and equipment for safety and facilities balancing.

Lefa

The Group is planning to invest US\$4.6 million for near mine exploration on Lefa. . Capital expenditures will also include US\$26.2 of capitalised stripping costs to allow further access to ore bodies, US\$8.1 of development projects (mainly feeder reclaiming), and US\$16.7 million for various projects and equipment for safety and facilities balancing.

Bissa

The Group is planning to spend US\$2.2 million in 2014 for exploration works on Bissa, including infill drilling and deep levels check out. Approximately US\$3.0 million is planned for roads deviation and construction and US\$1.5 million for development of production equipment. The Group plans to spend approximately US\$7.9 million for various projects and equipment for safety and facilities balancing.

Burkina Faso greenfields and Russian greenfields

The Group expects to invest US\$8.9 million and US\$7.5 in 2014 for further exploration of West African and Russian greenfields. The main projects are: continuing exploration drilling on Uryakh field, further exploration of Bouly and Yeou projects, and other.

Nordgold Management

The Group plans to invest US\$22.9 million for further development and implementation of Business System of Nordgold (BSN). BSN will establish best in class sustainable processes at the Company's operating assets ensuring they are as efficient, low cost, sustainable and safe.

Other projects

The Group expects to spend approximately US\$10.0 million to complete Preliminary Economic Assessment of Montagne D'Or project, and approximately US\$7.0 million to complete preliminary feasibility study on Prognoz project.

Governance

Corporate Governance summary

We are fully committed to transparency and high standards of corporate governance. As a company with a GDR listing on the LSE, we aim to achieve the same standards of governance required for a Premium Listing. Our efforts are aimed at achievement of the highest levels of corporate governance, as well as nearly full compliance with the UK Corporate Governance Code and the Dutch Corporate Governance Code. Our Board is also committed to the highest levels of integrity and ethics in the conduct of its business.

Nordgold has a strong Board, led by an independent Chairman and also comprising three independent Non-Executive Directors. Our Board consists of international mining executives and experts, who oversee the management processes of the Company, identify material risks and ensure that the necessary risk management and internal control systems are in place. In 2013 we strengthened our senior management operating team. By broadening the experience and skillset in its executive team, the Company is better positioned to deliver on the efficiency and technical improvements necessary to meet its strategic objectives: to improve profitability and grow gold production.

We endeavour to continuously enhance our corporate governance procedures, so as to maximise shareholder value, ensure long-term business prosperity, and maintain the trust and goodwill of the Company's stakeholders.

Detailed information on our corporate governance practices can be found in the Corporate governance statement.

For detailed information on the Board and senior management team biographies, see The Board and Committees section.

Directors' report

The Annual Report and Accounts for the year ended December 31, 2013, which have been audited by Deloitte Accountants B.V., have been prepared in accordance with applicable law and regulations and give a true and fair view of the state of affairs and the profit or loss of the Company and its subsidiaries, joint ventures and associates. The financial statements were prepared using accounting policies which comply with International Financial Reporting Standards.

The following sections of this Integrated Report together form the management report "jaarverslag" within the meaning of section 2:391 of the Dutch Civil Code: 1.3 Strategy, 2.2 Financial performance (MD&A), sections Directors' report, Corporate governance statement, Remuneration report, Risk Management included under 3. Governance and 4.2 People.

For other information "overige gegevens" within the meaning of section 2:392 of the Dutch Civil Code, please refer to subsection Other information in the company only financial statements.

The management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position and financial performance of the Group in accordance with International Financial Reporting Standards as adopted in the European Union ("EU IFRS").

The management designed and implemented the effective system of internal controls in respect of Financial Reporting process, in particular, comprising of:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Maintaining statutory accounting records in compliance with the legislation and accounting standards in the jurisdictions in which the Group operates;
- Taking steps to safeguard the assets of the Group and
- Detecting and preventing fraud and other irregularities.

The above internal control is subject to review by the Audit Committee and by the external auditors.

This 2013 Nordgold Integrated Report dated April 14, 2014 (the Integrated Report) comprises regulated information within the meaning of sections 1:1 and 5:25c of the Dutch Act on Financial Supervision "Wet op het financieel toezicht".

For the consolidated and the company only 2013 financial statements (also referred to as annual account or "jaarrekening") within the meaning of section 2:361 of the Netherlands Civil Code, please refer to Financial statements. The members of the Board of the Company have signed the 2013 financial statements pursuant to their obligation under section 2:101, paragraph 2 of the Dutch Civil Code.

Principal activities and business review

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 Dutch Civil Code, and companies located abroad.

The Group's principal activity is the extraction, refining and sale of gold. It has mining and processing facilities in Burkina Faso, Guinea, Kazakhstan and the republics of Buryatia and Yakutia, Irkutsk, Amur and Zabaykalskiy regions of Russia.

A full review of the year's activities and details of current and future projects are given in the Group overview and Performance results sections.

Details of the Group's significant subsidiaries and joint ventures are recorded in Note 25 to the consolidated financial statements.

Results and dividend

The net loss for the financial year was US\$170.0 million (compared with net profit 2012: US\$76.0 million).

The net loss of the Company for the year ended December 31, 2013 in the amount of US\$189.3 million, as shown in the Company's financial statements included in the Integrated Report, shall be added to the reserves in compliance with article 23 under 3 of the articles of association of the Company and therefore be deducted from the 'retained earnings', which shall be discussed at the 2014 Annual General Meeting.

Under a revision to the dividend policy, approved by the Board of the Company in November 2013, the Company intends to declare quarterly dividends subject to the Company's financial state, need for investment and availability of funds. The aim, going forward, is to maintain a long-term average dividend payment ratio of approximately 30% of the average net profit attributable to shareholders, calculated in accordance with IFRS. The purpose of the revised policy is to deliver more frequent dividend payments to the shareholders of the Company. The Company's ability to pay dividends and to receive dividends from subsidiaries may, however, be restricted by applicable law. The dividend policy shall be discussed as a separate agenda item at the 2014 Annual General Meeting.

In 2013, despite challenging market conditions, the Company paid interim dividend distributions for the first six months of 2013 (4.05 US\$ cents per share or per GDR) and for the three months ended September 30, 2013 (2.38 US\$ cents per share or per GDR). In February 2014, the Board of the Company approved an interim dividend distribution of 1.43 US\$ cents per share or per GDR in respect of the three months ended December 31, 2013, which was paid on March 17, 2014, bringing the total distributions for the year ended December 31, 2013 to 7.86 US\$ cents per share or per GDR (in total US\$29.7 million in full year 2013 – total dividend for the year ended December 31, 2012: US\$44.6 million).

The Board of the Company proposes that the General Meeting adopts the financial statements for the financial year 2013 at the 2014 Annual General Meeting.

The total amount of dividends paid in 2013 amounted to US\$68.9 million and comprised of US\$44.6 million of annual dividends for 2012 and US\$24.3 million of interim dividends for 9 months 2013.

Principal risks

The Risk management section details the principal risks facing the Company, their potential impact on its performance, and how the Company mitigates these risks.

Risks associated with the Group's use of financial instruments include credit risk, liquidity risk and market risk. Information about these risks is set out in Note 26 to the consolidated financial statements.

Share capital and significant shareholders

On March 11, 2013, 68,996 ordinary shares were issued in relation to the acquisition of the minority holding of High River Gold.

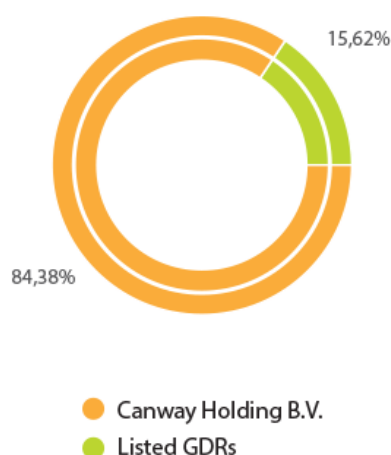
As at December 31, 2013, the Company's authorised share capital was €4,484,927,250, divided into 1,793,970,900 ordinary shares of nominal value €2.50 per share (or US\$ 1,301,481 thousand at December 31, 2013 (2012: US\$ 1,249,283 thousand)).

As at the date of this report, the Company currently has listed 59,062,030 GDRs on the London Stock Exchange, representing approximately 15.62% of the issued share capital.

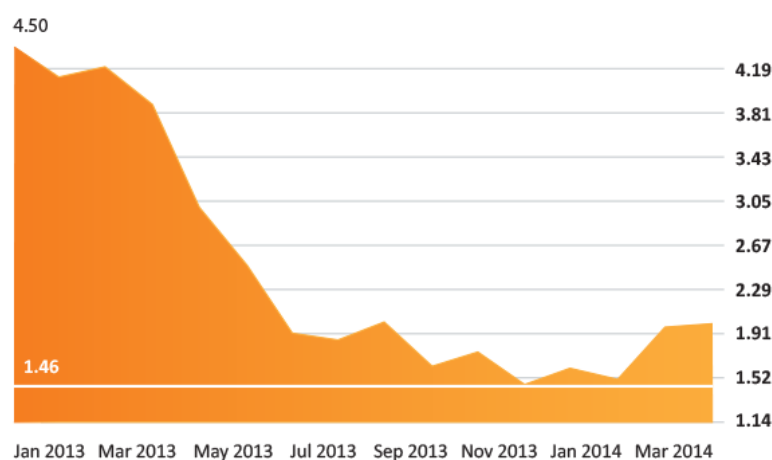
As at the date of this report, Alexey Mordashov remains the ultimate controlling party, holding 319,059,925 ordinary shares through Canway Holding B.V., representing 84.38% of the issued share capital.

As far as the Directors and Senior Management are aware, at the date of this report there is no other person who has, directly or indirectly, a 3% or more stake in the Company's issued share capital or any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company.

Shareholder structure



LSE share price



Employment policies and communications

Details of the Group's employment policies and approach and community engagement can be found in the Sustainability review section.

Significant relationships and related-party transactions

Transactions with entities under common control were the following:

	Year ended 31 December	
	2013	2012
Purchases:		
Operating expenses	10,631	5,702
Capital expenditures	3,952	13
Interest expense	49	5,655

In 2012 the Group repaid its outstanding debt financing to the Severstal Group of US\$ 358.4 million.

There were no transactions or balances with the joint venture Prognoz Serebro LLC or with the Severstal Group during the years ended December 31, 2013 and 2012.

As at 31 December 2013, balances with entities under common control included accounts payable in the amount of US\$ 5.3 million (December 31, 2012: US\$ 1.3 million).

All outstanding balances with related parties are to be settled in cash.

Corporate governance

GDRs of the Company were admitted to trading on the LSE on January 19, 2012. Although the UK Corporate Governance Code does not apply to GDRs, the Company is committed to the highest standards of corporate governance and has chosen to act as if it were a premium-listed entity on the LSE and, therefore, subject to Dutch and UK Corporate Governance codes.

Full details of the Company's corporate governance arrangements are contained in the Corporate Governance statement.

The information concerning corporate governance as referred to in article 2a of the decree on additional requirements for annual reports (*Vaststellingsbesluit nadere voorschriften inhoud jaarverslag*) (the "Decree I"), includes the information detailed below, which is required pursuant to articles 3, 3a and 3b of the Decree I. This information is included in the Integrated Report:

- the information concerning compliance with the Dutch Code;
- the information concerning Nordgold's risk management and control frameworks relating to the financial reporting process;
- the information regarding the functioning of general meetings of shareholders, and the most important powers and rights of shareholders;
- the information regarding the composition and functioning of the Board of the Company and its committees;
- the information concerning the inclusion of the information required by the decree Article 10 European Takeover Directive.

Annual general meeting ("AGM")

The 2014 AGM of the Company will be held by no later than June 30, 2014 at 10.00 am at Strawinskylaan 10, 1077 XZ Amsterdam, the Netherlands. At the 2014 AGM, a review will be given of the progress of the business over the last year. Shareholders are encouraged to attend the meeting and ask questions. The business will include as discussion items the annual report and the dividend policy and the proposed resolutions regarding the adoption of the Integrated Report 2013, the release from liability and partial reappointment of Directors and appointment of the new Directors as per the proposal of the Nomination Committee, the adoption of the remuneration policy, the reappointment of the external auditors, the authorisation for the Board to acquire shares in the Company's capital, to issue shares and to grant rights to acquire shares and to restrict pre-emptive rights. The formal notice of the 2014 AGM will be published in due course on the Company's website at www.nordgold.com.

Post balance sheet events

Option agreement

In March 2014, the Company executed the definitive option agreement with Columbus Gold Corporation contemplated in the binding letter of intent signed in September 2013 under which the Company has

been granted the right to earn a 50.01% interest in certain licenses at Columbus Gold's 100% owned Paul Isnard gold project in French Guiana.

Borrowings

In March 2014, the Company received a US\$ 500 million non-revolving loan facility from Sberbank denominated in US dollars maturing in March 2019. The loan bears interest at a variable rate of 3-month LIBOR + 2.95% per annum payable on a quarterly basis.

Dividends

In February 2014, the Board approved an interim dividend of 1.43 US\$ cents per share or per Global Depositary Receipt, in respect of the three months ended December 31, 2013, which was paid on March 17, 2014. The total amount of dividends payable to shareholders is US\$ 5.4 million.

Auditors

Deloitte Accountants B.V. has been in office as auditor for the year ended December 31, 2013.

The Audit Committee has established a process whereby the proposed provision of any non-audit services by the Auditors is considered on a case-by-case basis before engagement is confirmed.

Statement of Directors' responsibilities

The Directors in office at the date of this report each confirm that to the best of their knowledge:

- The financial statements give a true and fair view of the assets, liabilities, financial position and the profit or the loss of the Company and the companies jointly included in the consolidation;
- The annual report gives a true and fair view regarding the position on the balance sheet date, the state of affairs during the financial year of the Company and its associated companies whose information is disclosed in the financial statements, and the principal risks and uncertainties confronting the Company are discussed and
- The annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

During the year, the Audit Committee conducted a formal evaluation of the effectiveness of the external audit process. After consideration of the tenure, quality and fees of the auditors, the Audit Committee recommended to the Board of the Company the reappointment of Deloitte Accountants B.V. as external auditors at the 2014 AGM.

By order of the Board of the Company

Evgeny Tulubensky
Secretary

April 2014

Corporate governance statement

The Company is committed to the highest standards of corporate governance and has chosen to act as if it were a premium-listed entity on the LSE and, hence, subject to the Dutch and UK Corporate Governance codes.

The Corporate governance statement summarises the Company's corporate governance arrangements and its level of compliance with Dutch and UK Corporate Governance codes.

Dutch corporate governance code

The Board of the Company has reviewed the Dutch corporate governance code 2008 (the 'Dutch Code') and supports its best practice provisions. The Board of the Company intends to comply with these provisions, except (i) where the Dutch Code cannot be reconciled to the UK corporate governance code (the 'UK Code'), (ii) as noted below or (iii) in the event of any future deviation, subject to explanation at the time.

The Company currently complies with the Dutch Code, with the following exceptions:

- Best practice provisions II.2.12a and II.2.13: in view of the confidential or potentially commercially sensitive nature of the information concerned, individual performance targets and achievements relevant for executive remuneration will only be disclosed in general terms.
- Best practice provision III.8.4, which requires the majority of Board members to be independent Non-Executive Directors, is not complied with as only four of the eight members of the Board are independent Non-Executive Directors for the purposes of the Dutch Code. Mr. Mordashov and Mr. Noskov are the two non-independent Non-Executive Directors on the Board at December 31, 2013. Given the current ownership structure of the Company, the Board considers it appropriate that Mr. Mordashov and his associate Mr. Noskov are part of the Board.
- The Company has not formulated an outline policy on bilateral contacts with the shareholders and published this policy on its website in accordance with best practice provision IV.3.13. However, the Board has adopted a communications policy setting out how the Company communicates with shareholders (including GDR holders) and the Board maintains regular and direct contact with such shareholders.

UK Corporate Governance Code

The Company currently complies with the UK Code, with the following exceptions:

- The UK Code recommends that at least half the Board of the Company of directors, excluding the Chairman, should be independent Non-Executive Directors. Only three members of the Board of the Company, excluding the Chairman, are independent Non-Executive Directors for the purposes of the UK Code. As explained above, given the current ownership structure of the Company, the Board of the Company considers it appropriate that Mr. Mordashov and his associate Mr. Noskov should be members of the Board of the Company.
- A Senior Independent Director has not been nominated as the Board is relatively small and there are regular and open communications within the Board and between the Board, management and the majority shareholder. The Board keeps this position under review.

The Board of the Company

The Board of the Company is a one-tier Board, consisting of Executive and Non-Executive Directors. The Executive Directors and Non-Executive Directors are members of the same body and share the overall responsibility for the management, general affairs, direction and performances of the Company. On January 1, 2013, the Dutch legislation formalizing the one-tier Board model in the Dutch Civil Code

became effective. Upon this enactment, Section 2:129a Dutch Civil Code provides for the statutory basis of the one-tier Board.

In line with the Dutch legislation in force since January 1, 2013, the articles of association provide that certain directors be designated as executive directors whilst other directors are designated as Non-executive Directors.



The articles of association provide for the appointment of Executive and Non-executive Directors, with the Executive Directors responsible for the day-to-day management of the Company, and the Non-executive Directors responsible for supervising and generally assisting the executive directors.

All duties are, however, subject to the overall responsibility of the Board of the Company.

There is a formal schedule of matters reserved for the Board of the Company that includes:

- Approving the business strategy, objectives and budget
- Proposing changes to the Company's capital structure
- Approving the annual and half year financial statements and other results announcements
- Overseeing the Group's risk management and internal control systems and matters of governance
- Approving all major capital projects, corporate or related actions and investments with respect to a company in the Group.

There is also a delegated authorities matrix that has been approved by the Board of the Company. This defines how certain items of day-to-day management are delegated by the Chief Executive Officer and Chief Financial Officer to the management team.

The Board of the Company meets regularly throughout the year. At least once a year a separate strategy meeting is held, at which the Board of the Company discusses the strategic direction of the Company. To enable the Board of the Company to perform its duties, each Director has full access to all relevant information.

Board composition

The Board of the Company is made up of eight Directors, of which two are Executive Directors (the Chief Executive Officer and the Chief Financial Officer) and six are Non-Executive Directors.

The Board of the Company considers four of the Non-Executive Directors to be independent, including the Chairman. The division of responsibilities between the Chairman and Chief Executive Officer has been clearly established, set out in writing and agreed by the Board of the Company. The Board of the Company considers all Non-Executive Directors, other than Mr. Mordashov and Mr. Noskov to be independent of management and free from any business of or other relationship which could materially interfere with their ability to exercise independent judgement. The Board of the Company considers it appropriate that given the current ownership structure of the Company, Alexey Mordashov and Mikhail Noskov are members of the Board of the Company.

The following table lists each of the Directors:

Name	Position
Philip Baum	Chairman of the Board of the Company and Chairman of the Nomination Committee
Nikolai Zelenski	Chief Executive Officer
Sergey Zinkovich	Chief Financial Officer
Alexey Mordashov	Non-Executive Director
Mikhail Noskov	Non-Executive Director
Peter Lester	Independent Non-Executive Director and Chairman of the Safety & Sustainable Development Committee
David Morgan	Independent Non-Executive Director and Chairman of the Audit Committee
Michael Nossal	Independent Non-Executive Director and Chairman of the Remuneration Committee

All directors were initially appointed on October 11, 2010, except for Alexey Mordashov and Mikhail Noskov who were appointed as directors initially on June 14, 2012. All directors were reappointed on June 4, 2013 at the 2013 AGM.

Biographies of each Director can be found in The Board of the Company and Committees section.

Board meetings attendance

The following table shows the attendance of Directors at Board meetings for the year ended December 31, 2013. If Directors are unable to attend a Board meeting, they have the opportunity beforehand to discuss any agenda items with the Chairman (or may issue a written proxy to another member of the Board of the Company in order to be represented at such meeting). Attendance is expressed as the number of meetings attended out of the number eligible to attend.

Members	Number of meetings held	Number of meetings attended
Philip Baum	5	5
Nikolai Zelenski	5	5
Sergey Zinkovich	5	5
Peter Lester	5	5
Alexey Mordashov	5	5
David Morgan	5	5
Mikhail Noskov	5	4
Michael Nossal	5	5

The majority of Board meetings are held in Amsterdam but one meeting is held each year in Moscow. On occasion, decisions are made by the Directors by written resolution outside a meeting. Four such resolutions were passed by the Directors in 2013 and, in each case, all Directors were consulted and no Director opposed to adopting resolutions in this manner and without convening a meeting.

Board effectiveness and evaluation

The Chairman, in conjunction with the company secretary, leads the process whereby the Board of the Company formally assess their own performance, with the aim of helping to improve the effectiveness of the Board of the Company and the committees. A review of the effectiveness of the Board of the Company and its committees was undertaken in 2013, based on the completion of questionnaires by directors. The results were subsequently considered fully by the Board of the Company.

The review identified a small number of areas for improvement and a plan of action was agreed to address these. Overall, however, the Company believes that the Board of the Company functions effectively and collaboratively and with an appropriate level of engagement with management and that the diverse membership provides a broad range of skills and perspectives.

The Board had considered the use of an externally facilitated evaluation process once the Board had been together for three years in order to elicit full value from this process. Given the constraints of the gold price and the need to conserve cash, such an exercise has been put on hold for the timebeing.

Diversity and even participation

Diversity at Board level has continued to be a key topic of governance for companies within the EU and remains high on the agenda of the Board and the Nomination Committee. The Company understands the importance of diversity within its workforce, which goes right through the organisation. A principle of even participation (30% quota for each gender) has been laid down in Section 2:166 of the Dutch Civil Code. With regard to gender diversity, the Company currently has no female Board members. However, in the senior management team consisting of eleven senior managers, two are female. The current Board members represent four nationalities, all of which bring with them experience from a wide range of international business, professional and operational backgrounds. The Company feels that gender is only one part of diversity and Directors will continue to be selected on the basis of their wide-ranging experience, backgrounds, skills, knowledge and insight. During 2014, the Nomination Committee will look to implement a diversity policy to address future appointments to the Board and may formulate targets in this respect to achieve an even participation in the future.

Information and professional development

Each Director has the specific expertise necessary for the fulfilment of his duties and has received training on their duties and responsibilities under Dutch and UK regulations. Each of the independent Non-Executive Directors has also been provided with relevant information on the Company and its operations.

The Directors' ongoing training needs will be kept under review and further training will be provided when appropriate.

All Directors have full and timely access to the information required to discharge their responsibilities fully and efficiently. They have access to the advice and services of the company secretary and other members of Company's management and staff, and external advisors. If necessary, the Non-Executive Directors may take independent professional advice in the furtherance of their duties, at the Company's expense.

Appointment, retirement and re-election of directors

In accordance with the Company's articles of association, the Board of the Company consists of one or more Executive Directors and one or more Non-Executive Directors. Only natural persons may be Board members.

Board members are appointed by the General Meeting, which also determines whether a Board member is an Executive or Non-Executive Director. All Directors were for the first time appointed by resolution of the then sole shareholder on October 11, 2010, with the exception of Alexey Mordashov and Mikhail Noskov who were appointed as directors for the first time at the 2012 AGM, held on June 14, 2012.

In accordance with the Regulations Governing the Principles and Practices of the Board of the Company of the Company, Board members are appointed until the next AGM and are subject to annual re-election. The Board of the Company submits its proposal regarding the appointment or re-election of Board members to the General Meeting. The Board of the Company's proposal is supported by recommendations made by the Nomination Committee as laid down in best practice provision III.5.14 of the Dutch Code.

In accordance with the articles of association of the Company, the Board of the Company has a Chairman, who ensures the proper composition and functioning of the Board of the Company as a whole. The Chairman must be a Non-Executive Director and may not be a former Executive Director of the Company (as set out in best practice provision III.8.1 of the Dutch Code). The Board of the Company may appoint an Executive Director as Chief Executive Officer and another Executive Director as Chief Financial Officer.

Board members may at any time be suspended or dismissed by the General Meeting. Executive Directors may also be suspended by the Board of the Company. A suspension may last no longer than three months in total, even after having been extended one or more times.

Directors' interests

Except as listed below, no Director (or any person connected with a Director) had any legal or beneficial interest in the Company's share capital or was granted options over any shares in the Company during the year.

As of December 31, 2013 Alexey Mordashov indirectly held 319,059,925 ordinary shares, Nikolai Zelenski - 2,511,559 GDRs, Philip Baum - 90,000 GDRs and Mikhail Noskov - 200,000 GDRs.

Full details of the remuneration paid to each of the Directors can be found in the Remuneration report.

Conflicts of interest

Each of the above interests has been fully disclosed to and approved by the Board, in compliance with best practice provisions II.3.2 to II.3.4 of the Dutch Code. The Directors have a duty to inform the Board of any relevant changes to the situation. A Director may not vote on, or be counted in a quorum in relation to, any resolution of the Board in respect of any contract in which he has a material interest.

Except for the matters set out above, none of the Directors has any conflict of interests between his duties to the Company and his private interests or other duties.

In conformity with the new rules on conflict of interest provided in Section 2:129 paragraph 6 of the Dutch Civil Code which entered into force on January 1, 2013, the conflict of interest provision included in the articles of association of the Company was removed and a new provision was included when the Company's articles of association were amended on June 4, 2013. The conflict of interest provision now provides that each Director is obliged to inform the Board of any (potential) conflict of interest between such Director and the Company without delay and a Director shall not participate in any deliberations or decision-making process of the Board, if such Director has a direct or indirect personal interest which conflicts with the interest of the Company or its business. In such case the other non-conflicted Directors shall resolve on the matter. If all Directors are conflicted as referred to above, then the General Meeting shall be authorised to resolve on the matter.

Internal control / risk management

The Board of the Company has implemented a continuous process for identifying and managing risks faced by the Company, and taken action to address any weaknesses.

The Board of the Company and the Audit Committee are responsible for the overall supervision of the Group's internal control system and risk management function. The Board of the Company performs an annual review of internal control and risk management systems and adopts the Group's major policies relating to business conduct, environmental, health and safety, insurance and risk management, and labour law issues.

To address risk management and internal control matters, the Audit Committee reviews the policies and overall process for identifying and assessing business risks and managing their impact on the Group, and analyses regular assurance reports from management, internal audit, external audit and others on risk-related matters. Any material matters in relation to internal control or risk identified by the Audit Committee are brought to the attention of the Board of the Company.

Code of Business Conduct and Ethics

A Code of Business Conduct and Ethics has been adopted by the Board of the Company which provides a guide for achieving the business goals of the Company and requires officers and employees to behave in an open, honest, ethical and principled manner.

Arrangements for Whistleblowers

The Company has a whistleblowing policy, which was adopted by the Board of the Company in 2012. The details of the Company's arrangements for whistleblowers including an independently provided international telephone hotline, have been published on the Company's website.

Share dealing code

The Company has adopted an internal code on securities dealing in relation to shares of the Company and related financial instruments, by the Directors, persons discharging managerial responsibilities and persons related to them and employees.

This code has been adopted pursuant to chapter 5.4 of the Dutch Financial Supervision Act and is at least as rigorous as the Model Code as published in the UK Listing Rules. The code adopted is applicable from admission to trading of the Company's GDRs to the Directors and other relevant employees of the Group.

This code includes rules relating to:

- Notifications by or on behalf of persons associated with the Company who are required to make notifications to the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten AFM) of transactions in the Company's securities
- The obligations of employees, managers and Directors with respect to the ownership of, and transactions in, shares and related securities, and
- If relevant, the period during which such persons may not effect transactions in shares and related securities.

Furthermore, the Company has adopted a memorandum on procedures for dealing with inside information outlining the procedures applicable to persons working for the Group who could have access to inside information on a regular or incidental basis and the rules on insider trading and market manipulation, including sanctions which can be imposed in the event of a violation of those rules.

Communications with shareholders

The Company participates in regular dialogue with institutional shareholders. The Chief Executive Officer and the investor relations team meet institutional shareholders on a regular basis and the Chairman is also available to major institutions as appropriate. The half year and annual results announcements, together with quarterly financial and production results and other important announcements and corporate governance documents concerning the Company are published on the Nordgold website: www.nordgold.com.

In November 2012, the Board of the Company adopted a Communications Policy setting out how the Company will communicate with shareholders and holders of the Company's GDRs. This policy is scheduled to be reviewed in 2014 to ensure that it remains fit for purpose in light of the gradual evolution of the Company's shareholder base.

Anti-takeover constructions

There are currently no anti-takeover measures, in the sense of constructions that are intended solely, or primarily, to block future hostile public offers for its shares or GDRs, in place, as such measures are not relevant with regard to the current ownership structure of the Company.

Articles of association

On June 4, 2013 the General Meeting approved to amend the articles of association of the Company to update the conflict of interest provisions, amongst other technical changes. The articles of association of the Company were amended in line with the current Dutch legislation and have not been amended thereafter.

Set out below is a summary of certain material provisions of the articles of association disclosed in accordance with the Dutch Civil Code and applicable Dutch law.

Dividend distributions

Distributions can only take place up to the amount of the part of the Company's net assets that exceeds the nominal value of its issued share capital and the reserves it is legally required to maintain. Each year, the Board of the Company determines which part of the profit earned in a financial year is to be reserved. The remainder of the profit is then at the disposal of the General Meeting, which may, in response to the Board of the Company's proposal, resolve to make a dividend distribution to the shareholders, after adopting the annual accounts from which it appears that such distribution is allowed.

The Board of the Company may also resolve to pay an interim dividend distribution, subject to Dutch law, or make a proposal to the General Meeting to resolve upon a payment to the charge of a reserve which does not need to be maintained by virtue of the law. Distributions are claimable and payable at a date determined by the Board of the Company. The articles of association provide that the claims of shareholders for distribution of dividends shall lapse after five years.

In November 2013, the Board of the Company approved changes to the Company's dividend policy. The Company has introduced payment of an interim quarterly dividend. The targeted payout ratio going forward is 30% of the average net profit attributable to shareholders, calculated in accordance with IFRS for the relevant period. Dividends are based on the estimation of the pro-forma underlying profit (adjusted for one-off non-cash impairment).

The purpose of this new dividend policy is to deliver more frequent dividend payments to the shareholders of the Company. The interim dividend distributions can only be resolved by the Board of the Company in compliance with the requirements of Dutch law.

Issue of shares

The General Meeting of shareholders is authorised to issue shares or grant rights to subscribe for shares, and the Board of the Company may make a proposal to this end.

As long as the maximum number of shares that may be issued is specified, the General Meeting may designate the Board of the Company as the corporate body competent to issue shares, or grant rights to subscribe for shares, and to determine the issue price and other conditions for a specified period not exceeding five years. Shares may not be issued at less than their nominal value and must be fully paid on issue.

A resolution of the General Meeting to issue shares, grant rights to subscribe for shares or designate the Board of the Company as the competent corporate body requires an absolute majority of the votes cast. A resolution designating the Board of the Company as the competent corporate body cannot be withdrawn unless the resolution provides otherwise. No resolution is required to issue shares when exercising a previously granted right to subscribe for shares.

On June 4, 2013 at the 2013 AGM, the Board of the Company was designated by the General Meeting as the corporate body competent to issue shares and grant rights to subscribe for shares, provided that such authority (i) was limited to 10% of the issued share capital of the Company at the date of the 2013 AGM, plus an additional 10% of the issued share capital of the Company as per the same date in relation to mergers or acquisitions and (ii) not limited for the issue of shares in so far as this would be done to meet obligations resulting from the exercise of rights to acquire shares under approved share (option) schemes, for a period of 18 months from the date of the AGM and therefore up to and including December 3, 2014. The authority given to the Board of the Company has been utilized during the reporting period for the issue of 68,996 ordinary shares on March 11, 2013 in relation to the acquisition of the minority holding of High River Gold.

Further details of the proposed resolution will be contained in the notice of the AGM

Pre-emptive rights

Under Dutch law and the articles of association, each shareholder has a pre-emptive right in proportion to the aggregate nominal value of their shareholding, upon the issue of shares or the granting of rights to subscribe for shares.

Exceptions to this pre-emptive right include the issue of shares or the granting of rights to subscribe for shares:

1. To employees of the Company or another member of its Group
2. Against payment in kind (contribution other than in cash), and
3. To persons exercising a previously granted right to subscribe for shares.

The General Meeting may limit or exclude the pre-emptive rights by a resolution requiring a majority of at least 75% of the votes cast. The General Meeting may designate the Board of the Company as the corporate body competent to resolve upon the limitation or exclusion of the pre-emptive rights if the Board of the Company has also been or is designated as the competent body to resolve upon the issue of shares for a specified period not exceeding five years. This period can be extended from time to time for further periods not exceeding five years.

Under Dutch law, a resolution designating the Board of the Company as the competent corporate body to resolve upon the limitation or exclusion of the pre-emptive rights, requires a majority of at least two-thirds of the votes cast, if less than 50% of the Company's issued share capital is present or represented at the General Meeting. A resolution designating the Board of the Company as the competent corporate body to

resolve upon the limitation or exclusion of the pre-emptive rights cannot be withdrawn unless the resolution provides otherwise.

On June 4, 2013 at the 2013 AGM, the Board of the Company was designated by the General Meeting as authorised body to limit or exclude the pre-emptive rights of shareholders in connection with the provided authority to issue shares and to grant rights to subscribe for shares in the capital of the Company for a period of 18 months starting on the date June 4, 2013 and ending on December 3, 2014. The authority given to the Board of the Company has been utilized during the reporting period to exclude the pre-emptive rights for the issue of 68,996 ordinary shares on March 11, 2013.

Acquisition of own Shares

Subject to the certain provisions of the articles of association, the Company may acquire fully paid up shares or depositary receipts (including GDRs) provided no consideration is given, or the Company has freely distributable reserves at least equal to the purchase price, and the nominal value of the shares or depositary receipts thereof to be acquired, when aggregated with the nominal value of the shares or depositary receipts the Company and its subsidiaries already hold, does not exceed 50% of the Company's issued share capital.

The acquisition of shares or depositary receipts by the Board of the Company, other than for no value, requires authorisation by the General Meeting. This authorisation may be granted for a period not exceeding 18 months and must specify the number of shares or depositary receipts and the conditions of such acquisition.

The authorisation is not required for the acquisition of shares or depositary receipts for employees of the Company or another member of its Group, under a scheme applicable to such employees. Under Dutch law, a resolution by the General Meeting to designate the Board of the Company as the competent corporate body for the acquisition of shares or depositary receipts other than for no value requires a simple majority of the votes validly cast.

On June 4, 2013 at the 2013 AGM, the Board of the Company was authorised by the General Meeting to acquire shares or depositary receipts (including GDRs) through stock exchange trading or otherwise, for a period of 18 months and therefore up to and including December 3, 2014. The authority given to the Board of the Company has not been utilised at the date of this report and a resolution to renew such authority will be proposed at the 2014 AGM.

No voting rights may be exercised in respect of any share or depositary receipts (including GDRs) held by the Company or its subsidiaries.

Appointment, suspension and dismissal of Board members

In accordance with article 29 paragraph 4 of the Company's articles of association, the resolution of the General Meeting to appoint, suspend or dismiss a Board member requires a simple majority of the votes validly cast.

When the Dutch legislation formalizing the one-tier Board entered into force on January 1, 2013, the transitional provision of article 34 of the articles of association ceased to exist. In accordance with the second sentence of article 14 paragraph 2 of these articles of association, executive directors may therefore be suspended by the Board of the Company since that moment.

Amendment of articles of association

The General Meeting may resolve to amend the articles of association, upon a proposal of the Board of the Company. A resolution by the General Meeting to amend the articles of association requires a simple majority of the votes cast.

Powers of the General Meeting of Shareholders

Other powers of the General Meeting of Shareholders, in addition to those recorded above, include the adoption of the annual financial statements, release of the Board of the Company's members from liability, reduction of the issued share capital and dissolution of the Company, upon a proposal of the Board of the Company.

Other statutory information

The following additional information is disclosed in accordance with the requirements of the Dutch Civil Code:

- In respect of the Company's shares, there are no:
 1. Restrictions on the transfer of, or in respect of, the voting rights of the Company.
 2. Agreements, known to the Company, between shareholders which may result in restrictions over the transfer of shares and/or voting rights.
 3. Special rights with regard to control of the Company attaching to any such shares.
- There are no significant agreements to which the Company is a party which take effect, alter or terminate upon a change of control of the Company following a takeover bid.
- There are no agreements between the Company and its Directors or employees providing for compensation in connection with a termination of employment resulting from a takeover bid.
- There are no arrangements pursuant to which employees are awarded rights to acquire shares in the capital of the Company or its subsidiary due to an applicable control mechanism.

The Board of the Company and Committees

The Board of the Company



Philip Baum
Chairman

Mr. Baum joined the Company as Chairman of the Board in October 2010.

He is also Chairman of the Nomination Committee and a member of the Safety and Sustainable Development Committee.

He has a 34-year career, mostly with Anglo American plc, and has extensive international experience in Africa, Europe, North and South America and Australasia in mining, minerals, heavy industry and financial services. He retired from Anglo American plc in 2009 as Chief Executive Officer of its ferrous metals division and a member of its Executive Committee.

Mr. Baum also serves as a Director of Pata Finns Africa, a trustee of the Palaeontological Scientific Trust and the Tiger Kloof School, and as an alternate Director of the San Sebastian Sanctuary. Mr Baum holds a B.Com., LL.B. and a Higher Diploma in Tax Law from the University of the Witwatersrand (South Africa).



David Morgan
Independent Non-Executive Director

Mr. Morgan joined the Company in October 2010 as an independent Non-Executive Director and is Chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee.

Mr. Morgan is a member of the Institute of Chartered Accountants in England and Wales. He serves as Chairman of the advisory boards of Conduit Ventures Limited and Imperial College Department of Chemistry, as Deputy Chairman of the Supervisory Board of SFC Energy AG, as non-executive Director of Phosphonics Limited and the Royal Mint, as Chairman of Econic Technologies Limited and as Senior Independent Director of Hargreaves Services plc. Previously, he was Executive Director of Corporate Development at Johnson Matthey plc.

Mr. Morgan received his MA in mineralogy and petrology from Trinity College, Cambridge (England).



Michael Nossal
Independent Non-Executive Director

Mr. Nossal joined the Company in October 2010 as an independent Non-Executive Director. Mr Nossal is Chairman of the Remuneration Committee and is a member of the Audit Committee and the Safety and Sustainable Development Committee.

He is a member of the executive committee of Minmetals Resources Limited where he has served since January 2010, and also acts as a director of a number of subsidiaries of Minmetals Resources Limited. He previously served as Director and Deputy Chief Executive Officer for En+ Group Ltd, which manages aluminium, power and mining assets in Russia.

Mr. Nossal holds a BS from Monash University (Australia) and an MBA from the Wharton School of the University of Pennsylvania (United States).



Peter Lester
Independent Non-Executive Director

Mr. Lester joined the Company in October 2010 as an independent Non-Executive Director. He is also Chairman of the Safety and Sustainable Development Committee and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

He is a mining engineer with extensive experience in senior operating, development and corporate roles. He serves as a Non-Executive Director of Toro Energy Limited, Castlemaine Goldfields Ltd, Chesser Resources Ltd and Whiterock Minerals Ltd. and as a director of Accessio Resources Pty Ltd. Prior to a takeover, he was an Executive Director of Citadel Resource Group which was developing the Jabal Sayid underground copper/gold mine in Saudi Arabia. Previously he was the Executive General Manager for corporate development for Oxiana and OZ Minerals which operated base metal and gold mines in Australia and Laos. His activities have covered Australia, South East and Central Asia, the Middle East and the Americas.

Mr. Lester has a Bachelor of Engineering (Mining-Hons) from the University of Melbourne and is a member of the Australian Institute of Company Directors and the Australian Institute on Mining and Metallurgy.



Nikolai Zelenski
Chief Executive Officer

Mr. Zelenski has led Nordgold's management team since the company's inception in 2007, having previously worked from 2004 at OAO Severstal as a head of Severstal Resources' gold division, which subsequently became Nordgold.

Earlier, Mr. Zelenski was an engagement manager at McKinsey & Company in the mining sector.

Mr. Zelenski holds an MS degree from the Saint Petersburg State Technical University (Russia), a Ph.D. in molecular genetics from the University of Texas (United States), and an MBA from Vanderbilt University (United States).



Sergey Zinkovich
Chief Financial Officer

Sergey has served as CFO for Nordgold since the company was established in 2007, having previously worked from 2005 as a head of the tax department of Severstal Group's mining division and as a Chief Financial Officer of its gold division, which later became Nordgold.

Earlier, he worked at BDO Unicon and held various financial management positions in the manufacturing industry.

He graduated from the Belarusian State University with a Degree in Jurisprudence, specialising in financial law (Belarus).



Alexey Mordashov
Non-Executive Director

Mr. Mordashov was first appointed as a Non-Executive Director on June 14, 2012.

He has worked for Severstal since 1988 prior to being appointed as a Non-Executive Director of the Company in June 2012. In December 1996, he was appointed as Severstal's chief executive officer. In June 2002, Mr. Mordashov was elected chairman of Severstal. Since 2002 he served as chief executive officer of the Severstal Group, since December 2006, he works as the chief executive officer of Severstal.

Mr. Mordashov serves on the Entrepreneurs Council of the Government of Russian Federation. In addition, Mr. Mordashov is a member of the

Russian-German workgroup responsible for strategic economic and finance issues, and he is the head of the Russian Union of Industrialists and Entrepreneurs' (RSPP) Committee of Trade Policy and WTO. Since March 2006 he is a member of the EU-Russia Business Cooperation Council. Mr. Mordashov is a member of the Atlantic Council President's International Advisory Board. He is furthermore a member of the supervisory board of Non-Profit Partnership Russian Steel and deputy chairman of World Steel Association (since October 2011), which is headquartered in Brussels, Belgium.

Mr. Mordashov earned his undergraduate degree from the Leningrad Institute of Engineering and Economics. He also holds an MBA degree from Newcastle Business School of Northumbria University (Newcastle UK). Mr. Mordashov was granted an honorary doctorate from the Saint-Petersburg State University of Engineering and Economics in 2001 and from the University of Northumbria in 2003.



Mikhail Noskov
Non-Executive Director

Mr. Noskov joined the Company as a Non-Executive Director on June 14, 2012.

Mr. Noskov worked at the International Moscow Bank between 1989 and 1993. From 1994, he was Trade Finance Director of Credit Suisse (Moscow). He has worked for Severstal since February 1997 as Head of Corporate Finance and from 1998 as Finance and Economics Director. In June 2002, he was made deputy chief executive officer for Finance and Economics of the Severstal Group, from 2007 till 2008 he was Deputy chief executive officer for Finance and Economics of Severstal.

Mr. Noskov graduated from the Moscow Institute of Finance.

Board committees

In line with the Dutch and UK Codes, the Company has established an Audit Committee, a Remuneration Committee and a Nomination Committee. The Board of the Company has also established a Safety and Sustainable Development Committee. Details of the committees' membership and a brief description of their responsibilities are set out below.

Audit Committee

The Audit Committee helps the Board of the Company meet its responsibilities relating to internal and external audits and controls, including:

- Reviewing the Group's annual, half-year and interim financial statements,
- Considering the scope of the annual audit and the extent of the auditors' non-audit work,
- Advising on the appointment of external auditors,
- Reviewing the effectiveness of the Group's internal controls.

The committee is responsible for overseeing the financial reporting and internal controls of the Company and its Group, and for maintaining an appropriate relationship with the external auditor of the Group. The committee operates under terms of reference approved by the Board of the Company and will normally meet at least three times a year.

David Morgan chairs the Audit Committee and its other members are Peter Lester and Michael Nossal. The Board of the Company is satisfied that David Morgan has recent and relevant financial experience. The Board of the Company appoints Audit Committee members on the recommendation of the Nomination Committee and in consultation with the Audit Committee Chairman.

The number of meetings of the Audit Committee held during the year ended December 31, 2013 and its members' attendance are detailed below.

Where a Director is unable to attend a Board or Board Committee meeting he or she is provided with all relevant papers and information relating to that meeting and is able to discuss issues arising with the respective Chairman and other Board and Committee members.

Attendance	Number of meetings held	Number of meetings attended
Members		
David Morgan	4	4
Peter Lester	4	4
Michael Nossal	4	4

In addition to the formal meetings, committee members undertook regular communication by telephone and e-mail between themselves and with members of the management team. Areas on which the committee focussed in its formal meetings in 2013 included:

- Consideration of the quarterly financial results announcements, together with the preliminary statement of results for the year ended December 31, 2012 and the 2012 Annual Report
- Review of the Whistleblowing system and adoption of an Anti-Bribery and Corruption policy
- Key accounting policies and their impact on the financial results of the Company and comparability of the Company's policies with those of its peers
- Consideration, in consultation with the Auditors, on the assumptions made by management in determining the impairment charge for the year
- Dividend policy
- Re-financing of the Sberbank loan facility

The Committee also receives, at each meeting, updates from the Chief Financial Officer on the key operating and financial results, from the Head of Internal Audit on internal control and risk management and from the Chief Legal Officer on pending legal claims against or being made by the Company. Consideration of the latter focuses on cases that may be material with regard to the financial results of the Company.

The auditors attend and present to each meeting of the Audit Committee at which periodic financial statements are considered, including the annual financial statements.

Audit Committee meetings are normally attended by all of the independent non-executive directors, together with the Chief Executive Officer and Chief Financial Officer. The financial statements are considered in full at such committee meetings.

The board meetings at which the periodic financial statements are formally adopted normally take place on the day following the Audit Committee meeting and the auditors are not required to attend these meetings. The auditors do, however, attend the Board meeting at which the annual financial statements are approved by the Board. The chairman of the Audit Committee advises the Board meeting of any items of relevance discussed with the auditors at the Audit Committee meeting and there is, therefore, full disclosure of auditor comments to the Board prior to their formal adoption of the accounts.

The Audit Committee contains only independent Non-Executive Directors and so complies with the requirements of the UK and the Dutch Codes.

Nomination Committee

The Nomination Committee helps the Board of the Company to determine its composition. It is also responsible for:

- Periodically reviewing the Board of the Company's structure and assessing the size, composition and performance of the Board of the Company,
- Identifying potential candidates to be Directors and drawing up selection criteria and making proposals for (re)appointment of Directors,
- Considering succession planning for the Chairman and Chief Executive Officer.

The committee operates under terms of reference approved by the Board of the Company and will meet when appropriate.

Philip Baum chairs the committee and its other members are David Morgan and Peter Lester. Members of the Nomination Committee are appointed by the Board of the Company. The Nomination Committee meets when appropriate. The number of meetings of the Nomination Committee held during the year ended December 31, 2013 and its members' attendance are detailed below:

Attendance	Number of meetings held	Number of meetings attended
Members		
Philip Baum	2	2
Peter Lester	2	2
David Morgan	2	1

The two meetings of the Committee held during the year focussed on the following:

- The recommendation for re-election of Directors at the 2013 AGM
- The results of the Board of the Company evaluation exercise undertaken
- The Company's policy on diversity

The Company complies with both the UK and Dutch Codes, as the committee contains only independent Non-Executive Directors.

Remuneration Committee

The Remuneration Committee helps the Board of the Company meet its responsibilities relating to attracting and motivating executive officers, including:

- Determining and agreeing with the Board of the Company the framework and policies for executive and Directors' remuneration
- Recommending and monitoring senior management remuneration
- Setting, reviewing and approving corporate and individual executive performance goals
- Producing an annual remuneration report to be approved by shareholders at the Annual General Meeting
- Reviewing Nordgold's Remuneration Policy annually for its ongoing appropriateness and relevance
- Determining criteria for the selection, appointment and terms for any remuneration consultants who advise the Committee, and obtaining reliable up to date information about executive remuneration within the Company's peers.

The Remuneration Committee is chaired by Michael Nossal, with David Morgan and Peter Lester as the other members. The Board of the Company appoints committee members on the recommendation of the Nomination Committee and in consultation with the Remuneration Committee Chairman. The Remuneration Committee normally meets at least twice a year.

The number of meetings of the Remuneration Committee held during the year ended December 31, 2013 and its members' attendance are detailed below:

Attendance	Number of meetings held	Number of meetings attended
Members		
Michael Nossal	4	4
David Morgan	4	3
Peter Lester	4	4

Areas on which the committee focussed in its formal meetings in 2013 included:

- Design of the system of executive reward, which includes salary and benefits, short term incentive bonus and long-term incentive plan
- Developments in UK remuneration reporting requirements
- Consideration of proposed 2014 salary levels and proposed payments in respect of the 2013 short term incentive targets for key executives
- Consideration of 2014 short term incentive targets for key executives

The Committee also receives, at each meeting, an update from the Chief Executive Officer on the structure, development and succession planning needs of his executive team and regularly consults with the Chief Executive Officer and HR Director outside of these meetings on matters of executive remuneration.

The consultancy firm Mercer were engaged during the year to assist with the design of the Company's LTIP. Mercer have no other connection with the Company.

Further details of the activities of the Remuneration Committee can be found in the Remuneration report.

The composition of the Remuneration Committee complies with both the Dutch and the UK Codes.

Safety and Sustainable Development Committee

The Safety and Sustainable Development (S&SD) Committee monitors and evaluates reports on the effectiveness of S&SD policies, management standards, strategy, performance and governance across the Group and reports to the Board on key S&SD issues.

The committee operates under terms of reference approved by the Board and will normally meet at least twice a year.

Peter Lester chairs the S&SD Committee and its other members are Philip Baum and Michael Nossal. Members of the S&SD Committee are appointed by the Board in consultation with the S&SD Committee Chairman.

Committee meetings also are attended by other members of the Board, as well as representatives of the Management team responsible for different areas of sustainability.

The number of meetings of the S&SD Committee held during the year ended December 31, 2013 and its members' attendance is detailed below:

Attendance	Number of meetings held	Number of meetings attended
Members		
Peter Lester	4	4
Philip Baum	4	4
Michael Nossal	4	4

In addition to the formal meetings, committee members are advised of developments in health and safety activity between meetings via regular e-mail communications received from management. Areas on which the committee focussed in its formal meetings in 2013 included:

- Mine visit candidates,
- Mine rehabilitation obligations and activity,
- Internal audit reports pertaining to safety issues,
- Review of safety rules and operating standards,
- Safety and Environmental disclosures for inclusion in the 2013 Integrated Report.

The Committee also receives, at each meeting, an update from management on safety incidents and developments since the last meeting. Additionally, at each quarterly meeting, a presentation is provided on a specific safety improvement initiative.

The UK Code and the Dutch Code do not contain any recommendations concerning an S&SD committee.

Management team

Senior management team^[1]



Nikolai Zelenski
Chief Executive Officer

Mr. Zelenski has led Nordgold's management team since the company's inception in 2007, having previously worked from 2004 at OAO Severstal as a head of Severstal Resources' gold division, which subsequently became Nordgold.

Earlier, Mr. Zelenski was an engagement manager at McKinsey & Company in the mining sector.

Mr. Zelenski holds an MS degree from the Saint Petersburg State Technical University (Russia), a Ph.D. in molecular genetics from the University of Texas (United States), and an MBA from Vanderbilt University (United States).



Sergey Zinkovich
Chief Financial Officer

Sergey has served as CFO for Nordgold since the company was established in 2007, having previously worked from 2005 as a head of the tax department of Severstal Group's mining division and as a Chief Financial Officer of its gold division, which later became Nordgold.

Earlier, he worked at BDO Unicon and held various financial management positions in the manufacturing industry.

He graduated from the Belarusian State University with a Degree in Jurisprudence, specialising in financial law (Belarus).



Louw Smith
Chief Operating Officer

Louw joined Nordgold in July 2013. He has over 20 years' experience in the mining industry in project execution and operations in senior project management roles.

Previously, Louw was COO of Alacer Gold, leading a successful start-up of the Çopler Gold Mine in Turkey. His responsibilities also included operations in Western Australia and the development of the Group's Technical Services functions.

Prior to Alacer Gold, he spent over 15 years at Gold Fields International in Western Australia, Finland, Bulgaria and Ghana managing a variety of its mines and projects, including such flagship operations as Damang and St. Ives mine complexes.

He is a member of the Australian Institute of Mining and Metallurgy.

Louw holds Degrees in geology and geochemistry, engineering geology and commerce, and Master's Degrees in Mining Engineering and Business Administration.



Oleg Pelevin
*Director of Strategy
and Corporate
Development*

Oleg has been with Nordgold since the Company's inception, having previously worked at OAO Severstal. Oleg has also been a member of the Board of Directors of High River Gold since November 2008.

Previously he was a consultant at American Appraisal Russia and head of the investment department at Alphayurservis.

Oleg graduated from the Moscow Institute of Physics and Technology with a Master of Science degree.



Evgeny Tulubensky
*Chief Legal Officer,
Corporate
and Regulatory Affairs*

Evgeny Tulubensky was appointed as Chief Legal Officer, Corporate and Regulatory Affairs in 2014 having joined Nordgold as Chief Legal Officer in 2007. On August 29, 2013, Evgeny Tulubensky was appointed by the Board as Company Secretary, replacing TMF Corporate Administration Services Limited.

Previously, Evgeny was a consultant at Ernst & Young and from 2005 to 2007 he worked as a senior lawyer for Severstal Resource and Severstal. Since 2008, Evgeny has been a member of the Board of Directors of High River Gold.

Evgeny participates in the work of the Advisory Board of the Russian Society of Subsoil Experts, the Russian-Guinean Intergovernmental Commission and the Presidential Investment Council in Burkina Faso.

Evgeny earned a degree in Law from St Petersburg State University and an Economics degree from St Petersburg State University of Engineering and Economics (cum laude).



Yulia Sklar
*Human Resources
Director*

Yulia joined the Group in January 2012 as Head of Human Resources. Before joining the Group she served as Human Resources Director at Ferronordic Machines and BP Trading Limited. She also gained previous experience with Alfa Bank and Pepsico Holdings.

She studied languages at the Krasnoyarsk State Pedagogical Institute and went through the International Executive Programme at INSEAD (France and Singapore).



Igor Klimanov
*Managing Director,
Africa Operations*

Igor was appointed Managing Director of Africa Operations for Nordgold in September 2010. He was appointed to the Board of High River Gold on September 3, 2009.

Previously he was Chief Executive Officer of High River Gold and Director for Corporate Development at Severstal Gold.

Igor holds a PhD from the Swiss Federal Institute of Technology and an Engineering Physics degree from the Moscow Engineering and Physics Institute.



Martin White
Technical Director

Martin joined Nordgold in early 2013. He has in-depth experience of mining coal, gold, copper, zinc and platinum, with a diverse geographical background including mines in South Africa, Ghana, Guinea and Tanzania. Martin has worked for a number of companies such as Chamber of Mines of SA, Johannesburg Investment Company, Ashanti Goldfields, ARCON Mines, IMC Group Consulting and Aureus Mining.

Martin holds a PhD in Mining Engineering from University of Nottingham.



**Philip Lodewyk
Engelbrecht**
Director of Metallurgy

Philip joined Nordgold in August 2013. Previously, he was the Vice President and Head of Metallurgy at Gold Fields International, Australia.

He is a professional Metallurgist with over 15 years' experience in optimising and managing multiple ore processing plants in remote locations in Peru, Ghana, South Africa and Australia.

Philip holds a Higher National Diploma in Extractive Metallurgy from Vaal Triangle University of Technology, Vanderbijlpark, Gauteng, South Africa. He is a member of the Australian Institute.



Ekaterina Yukhanova
Procurement Director

Ekaterina joined Severstal Resources as the head of the raw materials supply department in 2010. Previously she was a consultant at A.T.Kearney and specialised in procurement transformation projects.

Ekaterina graduated from MGIMO University and the University of Saarland with a degree in economics.



Yury Bogdanov
Security Director

Yury joined Nordgold as a Security Director in 2012. Previously he worked in various departments of OJSC Severstal focusing on security issues. Yury has also gained previous experience with his service as a military officer and a police officer.

Yury holds degrees in Economics and Technical Science.

Operating management team



Oleg Maksimov
*Deputy COO West
Africa,
Director Project Office*

Oleg joined Nordgold at the beginning of 2012. Previously he worked as a consultant and project manager at international strategic consulting companies Booz Allen Hamilton and Roland Berger Strategy Consultants, with a focus on the operational aspects of the steel and mining industries. At Nordgold, Oleg is responsible for implementation of The Nordgold Business System, efficiency improvements and cost reduction initiatives, as well as operational development of the Company's African assets.



Igor Shelukhin
*Deputy COO,
Underground Mines*

Igor joined Nordgold in 2011. Previously he was a COO at Severstal Resource's Vorkutaugol coal mining company with a focus on safety, operational improvement and processing plant improvement. Before joining Severstal Resources, Igor had extensive experience in strategic planning and project management in numerous companies, including Siberian Coal Energy Company and Boston Consulting Group. At Nordgold Igor works on production improvement at underground mines and oversees the safety function for all mines.

Igor graduated from St Petersburg State University School of Management with a Master's degree in International Business.



Alexander Shein
*Deputy COO,
Russian Open-Pit Mines*

Alexander began working for Nordgold in July 2012 as Deputy Chief Operating Officer and is responsible for operational performance and improvements. His past experience includes various positions at McKinsey, UC Rusal and LG Electronics. He holds a Master's in Electronic Machine Building from Bauman Moscow State Technical University and a Master's in Economics from the First Professional University.

[1] This subsection contains biographies of certain members of the Company's senior management team

Remuneration report

Remuneration policy

Nordgold has a remuneration policy in place in respect of the senior management team as established by the Company's General Meeting of shareholders on October 8, 2010. The policy describes how Nordgold applies the principles of good governance relating to the remuneration of a Director. The remuneration policy for Executives was accepted by the Remuneration Committee on November 8, 2012. The LTIP portion of the policy was further reviewed and revised on November 4, 2013.

In line with this remuneration policy, Nordgold conducted the salary review, annual performance assessment and LTIP award processes in 2013, as well as defined the remuneration packages for the new Executive Officers who joined Nordgold in 2013. The remuneration policy shall remain effective in 2014 onwards, with the LTIP portion of the policy to be further reviewed throughout 2014.

The Remuneration Committee ensures that the remuneration policy closely reflects Nordgold business strategy and long-term objectives and is designed to avoid rewarding excessive risk-taking or behaviour aimed at short term, unsustainable gains.

The Remuneration Committee participates in setting the KPIs, monitoring that the KPIs align with the Company's business plan, tracking and assessing the performance results, and, if appropriate, recommends the claw back of some or all of the incentives for risky, fraudulent or reckless management behaviour.

The key goals of Nordgold's remuneration policy are to: (a) attract and retain executive officers; (b) align executive officers' motivation to shareholder interests; and (c) motivate top performance.

To implement these goals, Nordgold has built the following guiding principles into its reward system: (a) the remuneration of executive officers reflects the market in which Nordgold operates; (b) the remuneration of executive officers is linked to the creation of value to the shareholders; and (c) the remuneration of executive officers is aligned with performance results.

The General Meeting determines the remuneration policy of the Board and senior management team. With due observance of the remuneration policy, the Board determines the remuneration of each individual member of the Board, in accordance with the relevant provisions under Dutch law. The Company aims to provide remuneration policy, including all its valuable elements, for the determination of the AGM in 2015.

Prior to determining the remuneration of the senior management team, analyses were made of the potential outcomes of the variable remuneration components of the Executive Officers' remuneration package and how these could affect the remuneration of the individual Executive Officers. Level and structure of the remuneration of Executive Officers were determined with due regard to the scenario analyses carried out, and taking into account the remuneration arrangements of the Company's employees generally (i.e. pay differentials within the Company) as well as the results, share price performance and non-financial indicators to the long-term

objectives of the Company, with due regard to the risks to which variable remuneration may expose the enterprise.

The remuneration policy takes into account remuneration market trends and changes in remuneration mix. The salary increase rate, remuneration mix, amounts and weights of remuneration components are based on salary and remuneration policy surveys provided by professional consultants and open-sourced information. Long-term incentive plan, as envisaged in the remuneration policy, was designed based on world best practices and implemented on May 15, 2012, further reviewed and amended on November 4, 2013.

All criteria for determining the fact and the amounts of annual bonus payouts and long-term incentive plan awards were designed in the way to link the criteria with the strategic goals of the Company. Annual bonus for 2013 is based on EBITDA, OCF and LTIFR which are the core indicators of the Company's overall performance and strategic goals to increase production, improve operational efficiency and expand to new areas. Long-term incentive plan awards are connected with Total Shareholder Return and Absolute Share Price criteria, which are best for unifying shareholders' and executives' interests and making the Company attractive for investors.

All variable remuneration plans provide for a possibility to claw back variable remuneration paid out on the basis of incorrect data, including financial data, and/or to reduce unvested variable remuneration awards in case the outcome would produce an unfair result due to extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been achieved.

The remuneration of the Named Executive Officers is comprised of the following elements: (a) base salary; (b) annual performance bonus; (c) long-term incentive; and (d) benefits.

Component	Objective	Details
Base salary	To attract and retain high calibre talent taking into consideration the roles and responsibilities of the job, as well as individual executive competencies and performance results	Annual reviews effective 1 April of every calendar year Benchmarked against FTSE-listed and Russian companies of similar size and operational scale, with focus on the mining/industrial sector
Annual performance bonus (short-term incentive)	To align annual reward with annual performance	On-target annual performance bonus is 100% of annual base salary for CEO, 75% of annual base salary for Level 1 Executive Team members and 50% of annual base salary for Level 2 Executive Team members. Short-term incentive is designed to have an upside and downside leverage depending on Company and individual performance results: superior performance levels produce 150% of bonus target, while performance result below 75% of

Component	Objective	Details
		budgeted results in nil bonus payout
Long-term incentive	To align with creation of shareholder value and to reward sustained increases in operational performance over a three-year period	Maximum award grants for every cycle year is 250% of annual base salary for CEO, 200% of annual base salary for Level 1 Executive Team members and 100% of annual base salary for Level 2 Executive Team members. The plan was approved on May 15, 2012, and the second grant has been made for the coming 3 years on April 1, 2013
Benefits	To provide adequate protection for employees and contribute to organisation retention strategy	Benefits include medical insurance, life and accident insurance, as well as a flexible cash benefit allowance in lieu of pension, cars and other benefits

The Remuneration package comprises performance and non-performance remuneration elements. The performance related components are the incentive schemes referred to above as the annual performance bonus and long term incentives. Base salary level is reviewed regularly based on performance results.

The relative split between the performance related and non-performance related pay is shown below:

	Performance Related Pay (Annual Performance Bonus, Long Term Incentive) ^[1]	Base Pay (with annual salary adjustments linked to performance results)	Non-performance related pay (benefits)
CEO	76%	22%	2%
Level 1 Executive Team Members	68%	27%	4%
Level 2 Executive Team Members	60%	40%	0%

The table illustrates that a significant proportion of Executive Officers' pay is performance-related.

The remuneration of the independent non-executive Board members is comprised of (a) base salary; and (b) for the Chairman special bonus for re-election^[2].

[1] The percentages quoted were calculated based on on-target short-term and long-term performance related pay

[2] There are no targets for bonuses for non-executive members of the Board

Remuneration benchmarking

To assist in determining competitive compensation for executive officers, the Remuneration Committee reviews data from public disclosure surveys and competitor data available from open sources of international, FTSE-listed and Russian companies of similar size and operational scale, with focus on the mining/industrial sector. The benchmark group utilized in 2013 included the following FTSE & TSX listed mining companies with the revenue between 0.2 and 2.4 billion GBP and operational and geographical scale similar to Nordgold: Semafo, Centerra Gold, Eldorado Gold, Randgold resources, Petropavlovsk, African Barrick Gold, Polymetal International, Agnico-Eagles Mines and Polyus Gold. The results of the benchmark showed that the Executive Officers level of pay was somewhat below the target market and the Remuneration Committee recommended some increases to achieve better alignment.

Market data analysis provided by reputable international compensation survey providers is used to set base salary levels, annual variable compensation, long-term plan awards and benefit provision.

The target positioning for the Named Executive Officers' remuneration is between the median and upper quartile for comparators.

Base salary

Base salaries are set based on an overall assessment, rather than adhering to a formulaic approach, with consideration of the scope of the Named Executive Officer's role, impact of the role, individual contribution and performance result of each Executive Officer as determined by Nordgold's performance management system as well as experience and competencies. Evaluation of specific performance outputs agreed during the annual objective setting and performance assessment process, development in the role, as well as positioning of the salary vs. market comparators, determine the level of annual salary increase. Base salaries are reviewed annually with reference to performance results and market movement on 1 April.

Annual performance bonus

Named Executive Officers are eligible to receive an annual performance bonus, subject to the achievement of the Company overall and individual role-specific performance criteria. The bonus is based 50% on Company performance objectives and 50% on individual performance objectives.

The Company performance target in 2013 has been linked to EBITDA, OCF and LTIFR. The fact of meeting the criteria is determined by the Remuneration Committee based on the financial statements approved by the Audit Committee and audited by external auditors.

The role-specific objectives for Executive Officers cover the following performance areas: occupational safety, operational efficiency, resource portfolio, new mine construction investment programme and financing strategy.

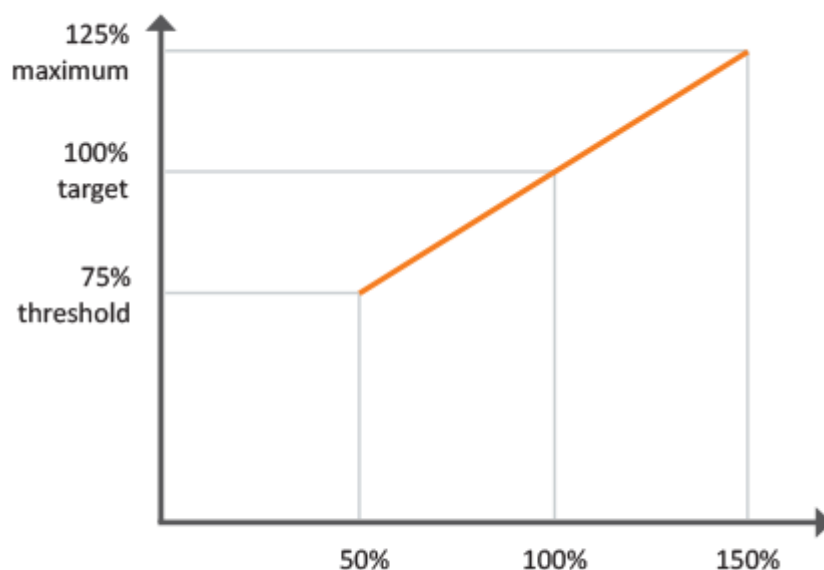
Target awards for the Named Executive Officers are as follows:

	Annual Performance Bonus Target, as % of Annual Base Salary
CEO	100%
COO	80%
Level 1 Executive Team Members	75%
Level 2 Executive Team Members	50%

Performance results reflecting the achievement of budget and business plan targets are rewarded with an on-target bonus payment. 50% of the bonus potential is paid for results equal to 75% of the performance objective. No bonus is payable for performance below this threshold level. All bonuses are capped at 150% of the bonus potential amounts, which is paid upon achieving 125% or more of the performance target (i.e. for every 1% of performance result above/below target, 2% of bonus is paid out/reduced).

Below is the annual bonus pay line:

Performance target



Bonus payments are typically made after all financial results are finalized for the completed operational year. Annual performance bonus awards for the financial year 2013 will be paid in April 2014 based on the principles and performance criteria described above.

Long-term incentive plan (LTIP)

On May 15, 2012, the Board of Nordgold approved in principle the launch of the LTIP for Named Executive Officers.

The principal objective of the LTIP is to align management incentives with the creation of shareholder value and to reward sustained increases in operational performance over an extended period, with a focus on returns of share price growth and dividends ("Total Shareholder Return").

The LTIP is a cash-based incentive plan with three-year cycles. The actual award for each programme cycle is set by the Remuneration Committee. The LTIP award is clearly linked to meeting or exceeding certain performance criteria set over the vesting period.

There are two performance conditions in the LTIP: 75% of the award in each cycle is linked to Total Shareholder Return relative to a comparator group; and the other 25% of the award in each cycle is linked to achieving a special Nordgold share price (the "absolute share price").

The Total Shareholder Return performance measure relative to a group of 12 comparators aims to ensure that actual returns of share price growth and dividends are delivered to shareholders, and provides a measurable and objective reflection of the Executive Team's performance against Nordgold's competitors in the light of market conditions. The comparator group, comprised of major international gold mining companies, is periodically reviewed by the Remuneration Committee to ensure its relevance for benchmarking. The vesting rule applied to the Total Shareholder Return measure contains a threshold target of performance above the median result of the comparator group.

The Absolute Share Price measure aims to ensure alignment of the Executive Team's motivation with shareholders' interests, offering an upside potential to participants for absolute share price performance at target or above. Full vesting for the absolute share price portion of the award is achieved where the absolute share price target is met. There is no vesting of the absolute share price portion of the award if no growth of the absolute share price was achieved over the relevant LTIP cycle.

The fact of meeting the Total Shareholder Return and absolute share price criteria is determined by the Remuneration Committee based on the financial statements approved by the Audit Committee and audited by external auditors.

Target awards for the Named Executive Officers are as follows:

	Long-term Incentive Plan, as % of Annual Base Salary
CEO	250%
COO	200%
Level 1 Executive Team Members	200%
Level 2 Executive Team Members	100%

Upon the LTIP programme launch on July 1, 2012, the Named Executive Officers received the grants for the first 2.5 year cycle of the programme. On April 1, 2013 the Named Executive Offices received grants for the second 3 year cycle of the programme. No payouts have been made with regard to the effective LTIP.

The LTIP contains clawback provisions if the LTIP cash bonus has been paid on the basis of incorrect financial data.

Nordgold currently does not have any incentive plans in place pursuant to which Nordgold shares are issuable, although it intends to implement performance-based incentives through share incentives, consistent with market standards in the industry in which Nordgold operates.

Benefits

It is Nordgold policy not to provide any retirement benefit plans to Named Executive Officers. Nordgold provides medical insurance for Named Executive Officers at Nordgold's expense. Nordgold provides life and accident insurance for Named Executive Officers. Nordgold also provides benefits allowances for flexible coverage of benefits as selected by Named Executive Officers. These allowances are provided as cash in fixed amounts on a monthly basis.

No loans, guarantees or similar arrangements have been provided to Directors.

Performance management

Nordgold's performance management system is designed to ensure that any employee is acting within the Company's strategic priorities and delivers on factors which are critically important to the Company's success. These factors are financial success, productivity and work environment.

The Board of Directors and Remuneration Committee are involved in defining the Company's strategic goals which are divided into Company and individual goals. Among defining goals, the Board, together with senior and line management and HR, also establishes KPIs and standards to measure performance.

Almost all employee remuneration components are performance-related. Based on the annual performance appraisal, the remuneration system provides higher salary increases for high performers.

Remuneration in 2013

Remuneration of Board members for the year 2013 is presented below:

Actual Board members' gross remuneration paid for the period January 2013 to December 2013 in US dollars⁽¹⁾:

		US\$
Philip Baum	Chairman and Independent Non-Executive Director	703,385 ⁽²⁾
Peter Lester	Independent Non-Executive Director	156,300
Alexey Mordashov	Non-Executive Director	-
David Morgan	Independent Non-Executive Director	171,930
Mikhail Noskov	Non-Executive Director	-
Michael Nossal	Independent Non-Executive Director	156,300
Nikolai Zelenski	Director and Chief Executive Officer	24,000 ⁽³⁾
Sergey Zinkovich	Director and Chief Financial Officer	24,000 ⁽³⁾

(1) All compensation is paid to Nordgold Directors in pounds sterling. The values indicated in the table have been converted to US dollars, being the currency Nordgold uses in its financial statements, at a rate of £0.640/US\$1.00, being the average GBP/US\$ exchange rate for the period from January to December 2013.

(2) Includes an additional bonus of £150,000 for re-election at the Annual General Meeting.

(3) Remuneration amount in the table above is indicated as per their Director's appointment letter and does not include remuneration received from the Group in relation to their executive duties, which could be found below.

The following table and notes below describe the total compensation of the following executive officers for services rendered in all capacities to Nordgold and its subsidiaries for 2013

		Base salary ⁽¹⁾ , US\$	Annual bonus ⁽¹⁾ , US\$	Total remuneration ⁽¹⁾ , US\$
Nikolai Zelenski	Director and Chief Executive Officer	1,005,416	1,016,893	2,022,309
Sergey Zinkovich	Director and Chief Financial Officer	386,384	300,670	687,054

(1) All compensation is paid to Named Executive Officers in Russian roubles. The values indicated in the table have been converted to U.S. dollars, being the currency Nordgold uses in its financial statements, at a rate of 31.85 Russian roubles / 1.00 U.S. dollar, being the annual average RUB/USD exchange rate for the period from January to December 2013.

The total cost incurred by Nordgold in 2013 in relation to the CEO and his six direct reports amounts to US\$3,852,146, not including payroll taxes. All compensation is paid to the senior management team in Russian roubles. The value has been converted to US dollars at a rate of 31.8467 Russian roubles/1.00 US dollars, being the annual average RUB/USD exchange rate for the period from January to December 2013.

Relative importance of spend on Executive pay in relation to remuneration of all employees is as follows:

	Average Annual Salary Movement between 2012 and 2013, %	Actual expenditure in 2013, excluding payroll tax, US\$	Relative Importance of spend on pay, %
All employees	12.2%	212,509,878	100%
CEO and direct reports ⁽¹⁾	9.5%	3,852,146	1.8%

(1) Senior Executive salary movement comparison was done on the comparable basis, only remuneration of CEO and his direct reports who worked both in 2012 and in 2013 was included in the analysis. All compensation is paid to the Senior Executives in Russian roubles. The 2013 value has been converted to US dollars at a rate of 31.8467 Russian roubles/1.00 US dollar, being the annual average RUB/USD exchange rate for the period from January to December 2013. The 2012 effective US dollar rate was 30.07 Russian roubles /1.00 US dollar. This rate was also applied when the USD value of executive salaries was approved by the Remuneration Committee in February 2012.

Remuneration Policy for 2014

Nordgold intends to continue implementing the currently effective remuneration policy in 2014. The Annual Performance Bonus objectives set for Senior Executives for 2014 include:

	Weight in the Annual Bonus Structure
Nordgold EBITDA	15%
Nordgold Operational Cash Flow	25%
Safety, reduction of LTIFR	10%
Individual / Functional Targets	50%

The following payouts will apply depending on performance results:

Payout as % of Bonus Potential for Results below 75% of Target	Payout as % of Bonus Potential for Results at 75% of Target	Payout as % of Bonus Potential for On-target Results	Payout as % of Bonus Potential for Results at or above 125% of Target
0%	50%	100%	150%

The participation in and nature of the 2014 cycle of the LTIP is currently under review and certain changes to better align the Plan with its objectives may be considered by the Board.

Recruitment Policy

Nordgold recruitment policy was formalized on October 1, 2013. It specifies the approach and the process taken by the Company to staff vacancies. When initiating the recruitment process, Nordgold seeks to ensure that the following requirements were satisfied in the process of making the hiring decision:

- scope of the role is defined
- there is clarity regarding the fit of the role into the organisational structure

- target compensation package is relevant to the role, Nordgold compensation policy and appropriate for the budget
- there is clarity regarding qualification requirements
- an appropriate panel of interviewers is in place
- interviewers / assessors have clarity regarding selection criteria and areas of assessment
- internal and external candidates are given equal consideration
- a fair, relevant to the labour market, number of candidates are considered
- there is no discrimination (based on race, nationality, religion, age, gender, other) in the selection process
- merit-based selection is made
- finalist reference check is conducted
- finalist shares Nordgold corporate values
- there is proper communication to all the candidates during the recruitment process
- the newcomer is duly on-boarded into the employing entity
- confidentiality is maintained regarding all candidates data

When recruiting for Senior Executive roles Nordgold presents the finalists to the Remuneration Committee members and other Board Directors for approval.

Risk management

Assessing risks and uncertainties

Nordgold has the necessary Risk Management policy and procedure in place to allow our senior management to identify, assess and control the risks that we face, and thus realise the strategic and operational objectives of the Company and create and preserve value.

Risk management is a part of the normal management of the Company, and is integrated into the planning and management processes of the Company.

Our senior management provides assurance that the all business units of Nord Gold N.V. take all reasonable and cost-effective steps to identify, analyse and control risks which could threaten the assets, earning capacity or business objectives of our organisation.

We have established appropriate internal controls to manage our risks. These help the Board ensure that the risks associated with our business are effectively managed. Identifying, evaluating and managing our risks is an ongoing process, as is the development of internal controls. We promptly address any weaknesses we find in our risk management or internal controls.

During Nordgold's 2013 annual self-assessment of the effectiveness of the Company's risk and control processes conducted by management, the Company reviewed all business units. The internal audit team conducts audit engagements based on the annual internal audit plan. A significant part of audits are taken up by occupational health and safety, environmental and key controls issues. Key controls are in place and work is proceeding at a satisfactory level. In 2013, management established additional mitigating controls. Among the other audits, in 2014 Nordgold plans to analyse and consider the Company's adequacy and effectiveness of controls over reputational risks.

As part of the risk management process Nordgold has developed and adopted the following necessary documents: Risk Management Policy, Risk Management Procedure and other regulations applicable for all the business units and functional departments of Nord Gold N.V.

Risk Management Policy

The Risk Management Policy was approved by the Chief Executive Officer in 2012 and covers main principles, the goals of the Company's risk management procedures and responsible parties. Under the Policy, the CEOs of the business units and functional directors are personally responsible for implementing the Risk Management Policy and appointing individual heads of departments to carry out specific risk-management-related actions set out in the Risk Management Procedure.

Risk Management Procedure

The Risk Management Procedure was adopted on August 15, 2012 and covers the processes of identifying and evaluating strategic and operational risks, creation of a Risk Matrix and managing and monitoring of risks. All management mitigation actions with reports and internal audit represent a continuous process that helps us to reduce risks to an acceptable level.

Anti-Bribery and Corruption Policy

Nordgold has developed its own Anti-Bribery and Corruption Policy (ABC policy), which was accepted and approved by the Board of Nord Gold N.V. in 2013. Nordgold has also developed an anti-corruption and anti-bribery Programme in accordance with the 2010 Bribery Act and Adequate Procedures checklist produced by Transparency International UK. The status of Programme implementation is reported to the Audit Committee on a quarterly basis.

The purposes of the ABC Policy:

- Determining anti-corruption and anti-bribery requirements for the business conducted in jurisdictions where the Company operates; ensuring that the Company's business complies with the applicable laws and requirements of relevant regulatory authorities, including those related to combating corruption
- Combating corruption and reducing relevant risks.

The anti-corruption programme includes not only regulations on the actions of Group employees and officials in terms of anti-corruption and bribery, but also organising training in this area, including inserting an anti-corruption clause in all contracts and drafting and implementing registers for gifts, sponsorship, and charity donations.

By implementing an ABC Programme we are able to clearly and concisely communicate to all stakeholders the principles and rules which govern the Company in terms of anti-corruption activity. The adoption of the ABC policy represents an important step on Nordgold's path to becoming a world-class company and also clearly demonstrates our commitment – both to high standards of corporate governance and to the principles of open and fair business.

In developing our ABC policy we were guided by the UK Bribery Act 2010, as well as by other anti-corruption laws effective in the countries where the Group operates.

Whistleblowing Procedures

The Board of Directors adopted in 2012 the Whistleblowing Procedure for the submission of complaints regarding questionable accounting or auditing matters.

NAVEX Global, the US Ethics and Compliance Experts are contracted for independent and confidential Whistleblowing service in all Nordgold's sites. The telephone line and website is available in English, French and Russian (<https://nordgold.alertline.eu>, hotlines for Russia 8 495 363 2400, Kazakhstan – 8 800 121 4321, Burkina Faso and Guinea – 00-1 704 414 5965).

During the year an Ethics Committee was established (whose membership includes a number of senior executive officers, including the Chief Executive Officer and Chief Legal Officer). The role of this committee is to review comments received via the whistleblowing hotline and, where necessary, make suggestions for remedial action. Each quarter, the Audit Committee is provided with a report of issues raised by the whistleblowing hotline and any corrective actions instigated following review by the Ethics Committee.

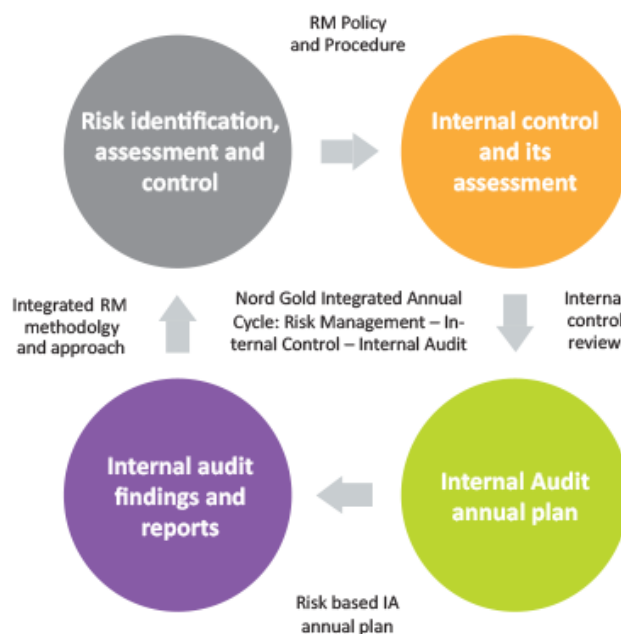
Nordgold actively encourages a culture of openness in which all employees and any third party can report on a confidential and anonymous basis any serious concerns they have concerning questionable accounting or auditing matters. In the event of any questions regarding the best course of action to be taken in a particular situation, or if an employee suspects a possible violation of a law, regulation, or the Code of Business Conduct and Ethics, the employee should follow the procedures described in this document.

Code of Practice on Dealing in Securities

The Code of Practice on Dealing in Securities was adopted by the Board in 2010. These rules are intended to ensure that persons discharging managerial responsibilities and other employees with regular or incidental access to inside information, do not abuse, and do not place themselves under suspicion of abusing, inside information that they have or may be thought to have, especially in periods leading up to an announcement of the Group's results. In particular, all Directors and employees must comply with applicable "insider trading" legislation in relation to dealing in the Company's securities and securities of other companies where they obtain inside information.

The Board of Directors and Functional Directors are personally responsible for the implementation of the Risk Management processes, the Risk Management Procedure and other related regulations, and for the performance of preventive and corrective measures for the treatment of risks and the execution of treatment plans. Internal audit is responsible for objective assurance on all Nord Gold N.V. Business Units achieving compliance with this policy.

In reviewing the effectiveness of risk management, the Board considers the results of the monitoring and reporting process undertaken by Internal Audit, as well as our management's views. The Board also takes into account any material changes and trends in the risk profile, and considers whether the control system adequately supports the Company's risk management objectives. The Board also receives assurance from the Audit Committee, which receives information from regular internal and external audit reports and other reports on financial risk and internal controls throughout Nordgold.



Risks

In addition to those risks which relate to our operations and the markets in which we operate, we face a number of risks that are typical for our industry. These include, but are not limited to, those set out in the Principle risks table. Our principal risk categories are as follows:

Mining industry risks

The market price for gold can change significantly, driven – for example – by inflation expectations, movement in the US dollar, speculation, investment demand and political events.

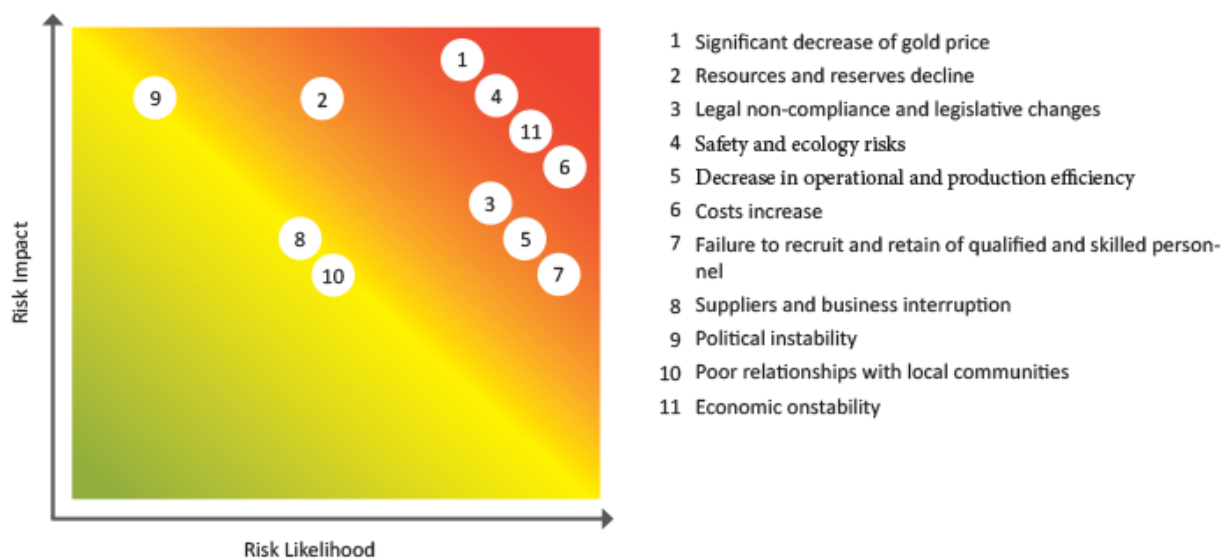
Operational risks

Operational risks could negatively impact the performance or efficiency of our day-to-day operations.

Emerging-market risks

Risks applicable to developing countries in Western Africa and the CIS, together with increased legal and compliance regulations and a special focus on sustainable development and long-term relationships with local communities and governments.

Risk Assessment Matrix



Principal risks

No	Risk	Mitigation
Mining industry risks		
1	Significant decrease of gold price The market price for gold can change significantly, driven, for example, by inflation expectations, movement in the US dollar, speculation, investment demand and political events, which might lead to increasing the pressure on margins and the non-achievement of all strategic objectives.	We monitor the gold price, market, and other indicators related to risk: inflation, US Dollar rates, analyst forecasts, etc. and based on this analysis develop strategic scenarios with different gold prices and take measures to optimise our expenses and increase operational efficiency.
2	Resources and reserves decline Our reserves and production could decline materially over time if we fail to acquire and/or develop additional reserves. Geological data are not sufficient or reliable for the efficient exploration of mines or for the efficient assessment of resources and reserves of new deposits and properties. The cost and outcome of exploration is inherently uncertain.	We employ experienced geologists and use up-to-date exploration techniques to maximise our chances of successful exploration. We monitor the M&A market, control the cost of explorations and regularly review established KPIs and benchmarks.
3	Legal non-compliance and legislative changes We incur risks (legal, reputational, financial) associated with complying with, and the risk of changes to, a range of laws, government regulations, licenses, permits, and other approvals.	Meeting our legal and regulatory obligations is fundamental to the way we work. We maintain sustainable relationships with governments and other regulatory bodies, regularly monitor current legislation and planned changes, and recruit experienced professionals in all key areas to monitor compliance with laws and regulations.
4	Safety and ecology risks Gold mining and the processes, techniques and chemicals we use, can create safety and environmental hazards.	Protecting the health and safety of our workers and looking after the environment are Nordgold's highest priorities. All necessary environmental and health and safety policies and procedures are in place at the Company. We regularly identify and elaborate mitigating controls for safety and environmental risks.
Operational risks		
5	Decrease in operational and production efficiency We incur risks and costs associated with the decreased operational efficiency of the Company due to lower high-quality reserves, equipment obsolescence, and the ineffective implementation of operational efficiency	Increasing operational efficiency is one of Nordgold's priorities. We recruit qualified employees, organise training on the production process, and monitor new technologies and equipment. Nordgold appropriately analyses, budgets and controls all production plans and projects.

No	Risk	Mitigation
	improvement plans and the controlling function.	
6	Costs increase Production cost increases in the gold mining sector are expected to intensify over the next few years, due to a number of key factors, including economic issues, labour, energy, ore grades, currencies, and supplier constraints taxes, which put pressure on the Company's profitability.	We have strong cost controls and a continuing operational efficiency programme is in place. Our key measures to prevent negative impacts from cost increases include: detailed TCC and AISC analysis, and expenditure and payment controls. Investment programmes are focused on cost efficiency and developing and implementing corrective management plans, including cost-cutting initiatives.
7	Failure to recruit and retain qualified skilled personnel Our business depends significantly on the contributions of a number of key personnel, in particular senior management and our engineers and geologists – as well as our workforce.	Nordgold aims to be a best-in-class employer, offering attractive career opportunities and remuneration, including a bonus scheme. We regularly provide internal and external training.
8	Suppliers and business interruption There are no alternatives to the current suppliers – this might lead to business interruptions if suppliers are unable or unavailable to supply ordered items.	Nordgold analyses the exclusivity of individual suppliers, creates a list of key suppliers and establishes control over this risk (alternative supplier selection) by closely monitoring current suppliers.
Emerging markets risks		
9	Political instability Political conflicts, instability, crime and corruption could create an uncertain operating environment.	We closely monitor political situations. We have stable and good relationships with governments.
10	Poor relationships with local communities. Social tension and conflicts might lead to damage to Nordgold's reputation, legal and financial risks and other threats for business and assets.	Our relationships with societies are based on long-term relationships and are regularly maintained by properly instructed and experienced managers. All potential tensions are communicated immediately to the appropriate level.
11	Economic instability Inflation, government efforts to combat it and great macroeconomic uncertainty in Russia, Kazakhstan and West Africa create threats for CAPEX project execution in these areas.	In order to mitigate negative macroeconomic factors, Nordgold uses deposit and borrowing facilities at best-market terms and regularly revises and prioritises capital project plans.

Sustainability review

Living our values

We are certain that a corporate culture contributes to making a difference to the success of a business. A sustainable corporate culture means that the written and unwritten laws we adopt have a positive impact on all parties that the Group engages with: its employees, shareholders, and other stakeholders. That is why we have established the four main values, which together form the core of the Group's strategic approach: respect for people, safety, trust and collaboration, and professionalism and efficiency. These core values are the foundation of our sustainable development strategy. Nordgold sees sustainable development as a resource to help us to create lasting value for all our stakeholders.

We believe that to achieve this goal we must focus on three main areas:

- People
- Environment
- Community.

It is not easy to create and adhere to long-term values in a constantly changing economic environment. Hence we have created Key Performance Areas to monitor and measure the success of our sustainability initiatives. We constantly rethink and renew these areas to stay on the front line of best sustainability practices in the industry.



People	Community	Environment
<ul style="list-style-type: none"> • Recruit and retain industry leading talent • Develop future leaders • Foster and reward high performers • Where possible, employ, train and promote local people • Continually improve the skills of management and staff • Develop joint educational programs with local universities and colleges • implement engineering controls, whenever possible, to minimise health and safety risks and improve working conditions • Provide all employees with the Best personal protective equipment available • Continually improve personal hygiene facilities 	<ul style="list-style-type: none"> • Continue assisting local populations with health and educational support • Support farming and ranching development initiatives • Develop new Businesses using resources and materials from the local areas • Provide support to students through our scholarship program • Invest in local infrastructure improvements • Support cultural and social events • Provide financial support to orphanages and war veterans in Russia • Sponsor summer camps for children as well as sporting and other cultural events 	<ul style="list-style-type: none"> • Identify, assess and manage significant environmental risks • Establish clear environmental objectives aimed at improving our performance • Implement, maintain and regularly test emergency response plans • Comply with applicable laws and regulations • Implement formal environmental management systems at all operations in line with applicable international standards • Internally assess operating practices for compliance with the International Cyanide Code • Continue revegetation programs at African operations

Nordgold people represent our most valuable asset. Thus the care of our employees is a fundamental priority for Nordgold. We have developed several initiatives to ensure the all-round care of our people and to provide them with highest standards of health and safety:

- zero-incident target in production (Zero harm)
- ensuring labour security
- ensuring technical safety
- good labour conditions
- competitive salaries
- training and professional development
- corporate culture of mutual respect and care.

Stakeholder Engagement

Nordgold's future success is impossible without building proactive and transparent relations with a wide variety of stakeholders that may impact and are affected by the Group's activities. Building mutual trust lays a strong foundation for the sustainable development of our business. The fair and ethical nature of our relationships with all our partners is set out in the Corporate Code of Business Conduct and Ethics, adopted in 2013.

The key stakeholder groups the Group engages with are:

Investors	Business Partners	Employees	Society
<ul style="list-style-type: none"> • Shareholders • Investors • Financial Community 	<ul style="list-style-type: none"> • Suppliers • Contractors 	<ul style="list-style-type: none"> • Employees • Trade unions 	<ul style="list-style-type: none"> • Governments and local authorities • Local communities • Media, NGOs, and other opinion formers

Nordgold employs various mechanisms in its relations with stakeholders and engages with them at a number of levels, including information disclosure, consultations, and involving them in the Group's activities. Regardless of the means of engagement, Nordgold is guided by stakeholder expectations and needs, as well as its own priorities and objectives.

We always seek to find common ground with stakeholders in order to promote shared success. Although the Group does not have comprehensive policies and procedures in the field of stakeholder engagement, we actively work in a number of areas.

Special attention is paid to community development. We respect the people living in the areas where we operate and we help communities to develop locally.

Nordgold makes material investments in the construction and support of schools and hospitals, the creation and repair of infrastructure and improvement of water systems, and other community needs.



We provide support for workers and landowners and protection programmes for the most vulnerable members of society. We regularly finance and implement development programmes that positively impact the general community and good causes, thus benefitting thousands of people.

We believe that only a socially responsible approach to business, based on cooperation with all stakeholders – personnel, partners and contractors, local government and communities – can result in the success and long-term investor returns we all want to see.

Participation in associations

Russia

- Nordgold has joined a NGO Russian Gold Mining Union
- The Aprelkovo mine is a member of the Engineering Companies Association
- Eugeny Tulubensky, Chief Legal Officer, Corporate and Regulatory Affairs, represents Nordgold at the Board of Trustees for the Subsurface Management Expert Association of the Russian-Guinea Intergovernmental Economic, Technological, and Trade Committee

Guinea

Lefa is a member of:

- The Chamber of Mines
- Prefectural Development Council (CPD)
- Employers' Confederation of Enterprises of Guinea (CPEG)

Burkina Faso

Taparko and Bissa are members of:

- The Chamber of Mines of Burkina Faso
- The North Central regional consultative framework
- Municipal councils of Yalgo, Bouroum and Nagbingou

Nordgold also participates in the following associations on a regular basis:

- The Regional Directorate of employment, youth and vocational training
- The Tanapunsirikul Association for the development of Yalgo (ATD)
- The Association of pupils and students of Namentenga (ASEN)
- The Nabaasnoogo Association of Taparko
- The Coordination of women of Yalgo and Bouroum

Health and safety

Our approach to health and safety

The health and safety of our people is our number one priority and is also one of the Group's core values: we never compromise on employee safety.

Making continuous improvements in this area forms a key part of our Business System. We believe that excellent health and safety standards and operational efficiency go hand in hand.

Our priority is to encourage and strengthen a shared, Group-wide culture of safety that will enable Nordgold to reduce safety incidents to the minimum, eliminate fatalities and, in doing so, become the industry leader in this area. (Nordgold Health and Safety Policy)

Our activities in the field of health and safety management, both at the Corporate headquarters and at all business units (BU) are based on the following principles:

- Safe working conditions as a priority
- Health and Safety management constitutes a key component of the Nordgold Business System
- Workplace hazards must be identified, and these and all safety incidents must be reported
- Employees must behave safely and responsibly
- Compliance with all HS regulations
- Transparency
- No work can be undertaken if safety is compromised

(Nordgold Health and Safety Policy)



The key standards and documents used by the Group worldwide are: local legislation for each operating region, Business System Nordgold (BSN), the Health and Safety policy, Nordgold Safety Rules, and OHSAS 18001:2007.

Document name	Description
Local legislation	The Group complies fully with related requirements, including the legislation of operating regions, and accepts additional voluntary HS commitments.
BSN	BSN adopts a comprehensive approach in a number of areas, one of which is safety, which is based on 11 methodologies created by DuPont and tailored by Nordgold for use in different BUs. In 2014 Nordgold plans to fully implement BSN across all BUs.
Health and Safety Policy	<p>The Group has one Health and Safety policy for all BUs – in order to achieve excellent results in each BU – and eight site-specific HSE Policies.</p> <p><i>Further information see in Health & Safety section of the corporate website.</i></p>
Nordgold Safety Rules	<p>Nordgold Safety Rules are divided into two groups. The first consists of five rules and is used worldwide. The second has up to five rules and is tailored to the specific local needs of a BU. The rules are implemented in all BUs. Nordgold each year performs an annual review and links Nordgold Safety Rules with the Group's More Than Gold Values.</p> <p>Currently Nordgold is revising the rules to improve results in each BU. After the revision they will be called the Golden Rules.</p>
OHSAS 18001:2007	OHSAS 18001 is a certification standard that sets forth the minimum requirements for occupational health and safety management best practice. It is currently implemented in all BUs.

Nordgold Safety Rules

In order to help ensure that personnel do not act in a way that may lead to serious consequences (accidents at work, safety incidents, fires), on Nordgold territory it is strictly prohibited to:

1. Be in a state of alcoholic, narcotic or substance intoxication, or drink alcohol or use drugs.
2. Issue a task without determining the safest method of performance. It is prohibited to work if it is not clear how to perform the work safely and no safety requirements are provided.
3. Perform without PPE where their use is mandatory.
4. Ignore violations and/or pay no heed to dangerous activity, or not inform managers of safety violations.
5. Conceal an injury of any severity, as well as the circumstances under which the injury occurred.

Structure

The Safety and Sustainable Development Committee of the Board monitors and evaluates the sustainability performance and governance of the Group. The organisational structure of HS management includes the COO, Deputy COO for Underground Mines and HSE, Group HSE

Manager at Management Company level, and BU Directors and HS Deputy BU Directors that head the health and safety department at each BU.

Every month we conduct a peer review of one mine's health and safety. We discuss health and safety issues at various levels, both internally and externally, from the level of the Safety and Sustainable Development Committee of the Board to the level of the mine's Health and Safety Deputy BU Directors. These discussions are followed by engaging workers through pre-shift briefings as well as other actions described in the following sections.

Health and safety forum at the Suzdal mine

Nordgold constantly conducts internal meetings of occupational health and safety experts, aimed at promoting the exchange of experience within the Group. It is important to share knowledge with other companies of the industry to learn how they achieve high safety levels in their companies. In this connection, in mid-2013 Nordgold organised at the Suzdal mine a forum on health and safety in the mining industry.

Over five days representatives from Severstal, Polymetal, EvrazHolding, EuroChem, SIBUR and other leading companies discussed how to improve occupational health and safety. As part of the event they planted the "Alley of Safety", consisting of 25 ash trees.

Our specialists shared with participants their experience in health and safety, including briefings and five-minutes on safety, implementation of the 5S system to clear the workspace, and the construction of new underground workshops. The guests liked the idea of "Training vacationers": mandatory briefings on occupational safety for employees returning after a rotational leave.

On the last day of the forum participants spoke about their "secrets" in the area of occupational safety. The best ideas will be studied and implemented at Nordgold sites.

Key events in 2013

To improve occupational safety at each enterprise we are implementing a programme of activities aimed at changing the safety culture at the level of each employee. In the reporting year we worked hard on integrating and standardising methodologies between the Nordgold operations.

To ensure the safety of our employees, we modified the system of behavioural safety audits. We also changed the emergency operations report form and developed a new questionnaire checklist for rating security audits, and with it we performed a rating survey at all enterprises. We also created general requirements for the mandatory use of safety goggles at enterprises. We engaged all Nordgold management employees in safety risk identification work and also developed and implemented a health and safety feedback form.

To provide an additional level of safety we implemented electrical interlock systems (personal locks / tags) at the Aprelkovo, Berezitovy, Neryungri, and Zun-Holba mines.

In addition to all these efforts we carried out actions to emphasise the importance of health and safety scrutiny and to share knowledge between Nordgold employees and other mining

companies. The first step was holding the forum for health and safety in the mining industry at the Suzdal mine. We conducted "Best employee on occupational safety" and "Best division of occupational safety" contests at all enterprises.

We transformed the "\$100 for an idea" contest into a series of contests; the first is "Idea of the month" at every mine. In addition to the work on health and safety events, we increased the coverage given to them in the monthly Nordgold newspaper.

Idea of the month

We perform a new "Idea of the month" contest at each mine. At the end of the quarter the best ideas are collected globally and nominated in three categories:

- The Safest: new ideas to decrease occupational injuries and incidents
- The Most Duplicated: the best ideas that are easy to implement at different Nordgold BUs
- The Most Effective: ideas that balance difficulties of implementation, effects and costs
- At the end of the year we choose the best ideas. At each stage of the competition employees receive increasingly large monetary awards.

The Safest Idea of the Year 2013 winners are:

1. Mining equipment mechanic of the underground mining area 2 A.L Yakushev suggested implementing a vibroextinguisher holder from perforator PP-63 to perforator YT-29 as well as P-2 Russian design air-leg-attachment
2. "Development and production of a mechanism for loading cyanide into a dissolver vat" by hydro metallurgy workshop director A.M. Kuposov (Zun-Holba).

In order to simplify the cyanide unloading process and facilitate reagent operator work, a device for the mechanised discharge of sodium cyanide cylinders was developed and implemented.

This will facilitate reagent unpacking work performed by operators, shorten the time needed for reagent unpacking, and increase labour productivity.

The Most Duplicated Idea of the Year 2013 winners are:

1. Big Bag reloading device by I.A. Pereboev (Aprelkovo)

During Big Bag content overloading bags at the depot often get damaged. We propose installing hoisting devices for loading damaged Big Bags. This would eliminate significant spills of Big Bag contents and also mechanise the process, thus avoiding physical stress and eliminating time losses associated with reloading the contents of torn Big Bags.

2. Breaker K.E Shpitalny from Neryungri designed an automatic emergency-stop system

The Most Effective Idea of the Year 2013 winners are:

1. Mechanic A. A. Yurovsky, who designed a wooden bearing with a water lubrication system that reduces purchase costs related to supporting the roller of finishing mill 0.9x1.8.

2. GRP electrician V.N. Romanov (Neryungri mine), for his idea "Modernisation of electrolysis baths" [also the best idea of 2013]

The idea is to change the arrangement and insulating elements of feeder busbars – reduce current leakage to a minimum, and decrease thermal and chemical effects. This will improve performance, labour conditions, and electrical safety. The reduction in power supply costs is about US\$25,000.00 per year.

Taparko's safety secrets

In 2012 the Taparko mine focused on implementing BSN, which includes the "Occupational Health and Safety" project. In the reporting year 2013 Taparko continued this process and developed its own approach to safety controls, adapted to local conditions.

For Taparko, as well as for other mines, the main purpose in the area of HS is to reduce production risks and prevent accidents at work. Taparko's management believes that the key to success in this area is teamwork and continuous interaction with foreign colleagues.

Taparko applies the following methods to achieve health and safety goals:

1. Employee trainings. Taparko constantly improves old and introduces new educational programmes. We have also developed special training activities as part of a special approach to integrating newcomers.
2. Pre-shift safety briefings. The most important issues are discussed before each production shift. The list of issues is reviewed each month to fully correspond with current HS scrutiny. In this way Taparko covers a wide range of issues – from standard procedures to specific operations.
3. Discussing health and safety issues at meetings. In addition to weekly meetings on current issues and tasks, object-oriented conferences are held each quarter. At these personnel approve documents and discuss the most interesting topics and risks associated with the most important tasks. Production workers are actively involved in these discussions, which allow situations to be comprehensively assessed.
4. Investigations into accidents. Information about all accidents is received by the HS department, whose head organises investigations. The circumstances of an accident and the inspection results of an injury within a month are discussed every day at pre-shift briefings in BUs. Statistical information on accidents is discussed at coordination departmental meetings, which allows priority issues to be identified.
5. Cooperation with the Association of the Disabled in Burkina Faso. Each month people who have been injured at work in the mining industry come to the mine to talk about the circumstances and causes of their injuries. They make a significant contribution to implementing accident prevention programmes, as their example shows the consequences of non-compliance with production rules and instructions.

Through implementing these initiatives, Taparko has significantly reduced accidents. Continuing to work with people, who are the most valuable part of Nordgold, will be necessary to achieve Taparko's health and safety goals.

Education and trainings



We provide trainings, including ICAM as an incident investigation methodology and Take 5 as a personal risk assessment tool with the mine site HSE audit case study.

To ensure safe performance, including meeting all statutory requirements, the Group uses in-house training by HSE and by supervisors, as well as external providers if required.

We select the problem areas to focus on in the training activity: behaviour safety audits, employee safety training and tuition, rewards for ideas on safe behaviour, holding safety forums for management, efforts to recruit the best HSE professionals, and visual propaganda.

Safe production as a key priority



We are on the path of continual improvement in safety performance – in both injury frequency and severity.

Reporting and monitoring injury frequency rates occurs for all BUs. We use national law requirements for reporting, recording and notifying workplace accidents in each BU. All data are collected and consolidated within one day to fully represent the current situation regarding health and safety issues at Nordgold.

A systematic reporting process is in place, in order to ensure executive and senior management are immediately informed about any serious incident.

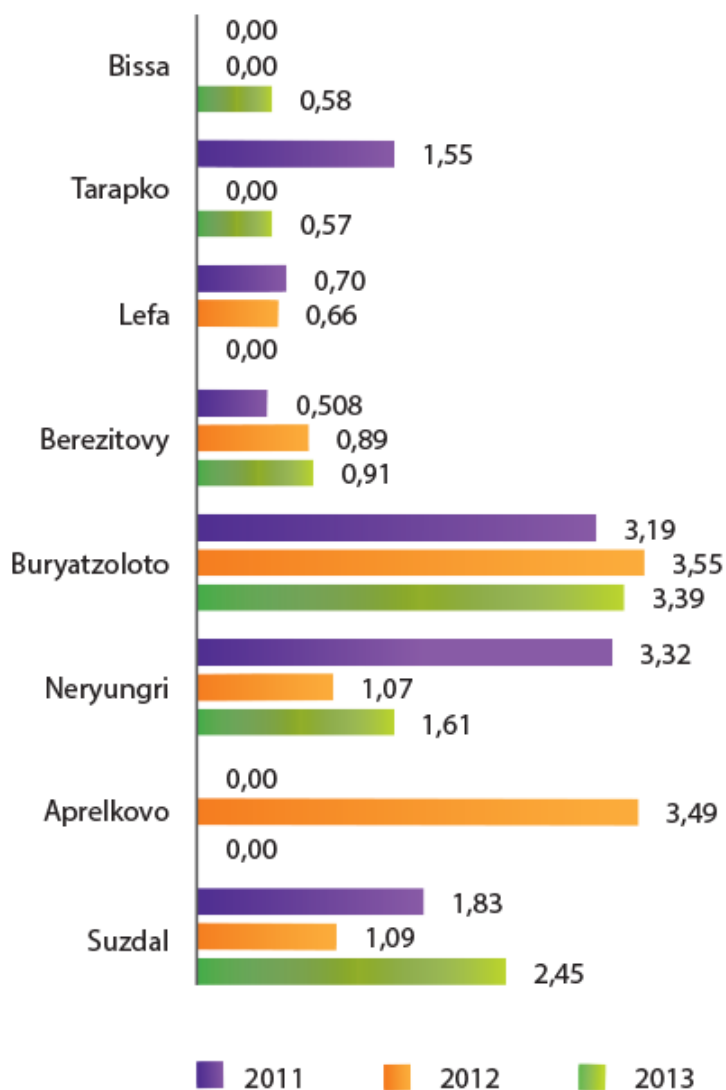
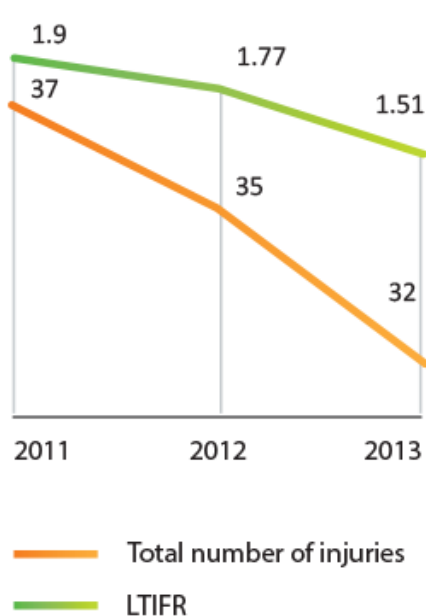
Our target is to achieve a 10% year-on-year improvement in the Lost Time Injury Frequency Rate (LTIFR). In 2013 we had a target LTIFR of 1.51, which we achieved. The Aprelkovo and Lefa mines have performed this year without any lost time injuries.

LTIFR targets for 2013 have not been met by the Neryungri, Suzdal and Buryatzoloto mines, while the newly acquired Bissa mine is demonstrating excellent results.

In the last three years Nordgold has demonstrated a reduction in LTIFR and number of injuries.

The Group reports a 15% improvement in 2013 LTIFR (1.51 compared to a LTIFR of 1.77 in 2012), and a decrease in the number of injuries by 9% (32 in 2013 compared to 35 in 2012).

We plan to achieve an LTIFR of 1.36 in 2014.



LTIFR

We continue to work to improve safety conditions at our mines in order to ensure that safety remains the number one priority for everyone at Nordgold.

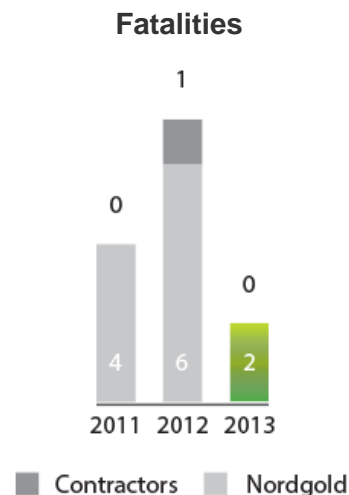
An on-going challenge

The well-being of our employees is of paramount importance to us. We do our utmost to ensure that our workers return safely from each shift.

Our target is zero fatalities at all Nordgold mines and operations. The number of fatalities at Nordgold operations fell from seven (six employees and one contractor) in 2012 to two (all men) in 2013. Nordgold management at all levels deeply sympathises with the families and friends.

We continue to work diligently to implement improved and more effective health and safety management systems and programmes.

All cases in the reporting period have been thoroughly investigated and measures have been taken to prevent such accidents occurring in the future.



Root causes

The application of root-cause analysis procedures to identify the causes of incidents has enabled us to impose appropriate preventative and corrective measures in the wake of all incidents.

All Nordgold operations are required to review the details of each incident and identify the root causes. Based on such a thorough analysis, the root causes are classified into five main groups: working conditions, equipment, non-use of PPE, employee actions, and non-compliance with safety instructions. The most common causes of incidents are working conditions and employee actions.

We recognise that we operate in a hazardous environment and we are committed to guaranteeing safe working conditions for our personnel and to ensuring that all personnel behave and act appropriately when performing their work. We have placed special focus on the behavioural aspects of safety to prevent injury.

Vehicular accidents

As a mining company, Nordgold uses vehicles for a variety of tasks. As an equipment operation, driving constitute a large part of day-to-day activities. In order to reduce the number of vehicular accidents, Nordgold will focus its efforts in this area by increasing employee awareness in relation to unsafe driving conditions and safe operating requirements.

Employee health – Malaria control at African mines

The main employee health challenge in African sites is the prevention and treatment of malaria. Commonly, the disease is transmitted via a bite from an infected mosquito. The risk of spreading the disease is high at all Nordgold's African mines in Guinea and Burkina Faso: Bissa, Lefa and Taparko. At each mine the Group carries out a comprehensive set of measures to ensure the health of employees and local communities.

Bissa

The mine has conducted awareness-raising and information campaigns. All arriving foreign workers and guests from other countries are given special prophylactic kits, which include medicines and instructions on measures that should be taken in case of possible infection. The department of environmental protection conducts the fumigation of territories with a special Curtis Dyna-Fog device twice a week during the rainy season. Every week insecticide Dimilin is sprayed manually in enterprise premises to combat the proliferation of mosquitoes. The same measures are taken at all water reservoirs to exterminate insect larvae.

Lefa

Nordgold developed a programme which has helped reduce incidences of malaria in the nearest settlements. This involved work between the key stakeholders of Lefa and local residents, employees and public authorities. The main success of the programme was to increase the number of visits to clinics in the case of illness. The key measure was conducting about 20 informational seminars each month. In total, 6,450 people took part in these seminars. In addition, 3,235 people used house repellents and nets for mosquito control.

Taparko

The problem of reducing the incidence of malaria is in the area of competence of the environmental protection department, HR and clinics. In addition to explanatory work with employees and local communities, enterprises and near water bodies are being treated with repellent. The mine provides protection against mosquitoes for each employee.

People

We believe that the success of our employees is the success of Nordgold.

Uniting our diverse workforce, located thousands of miles apart, in achieving common goals and shared success while fostering talent and creating extensive professional development opportunities, is the focal point of the Group's HR policy. Our activities in the field of HR management, both at headquarters and at all business units, are based on the following principles:

- Cultural integration
- Productivity
- Performance focus
- Stability and capability
- Availability

The comprehensive and continual improvement of HR processes and procedures are our top priority. A multi-dimensional HR management process focuses on the following major fields:



Building a Corporate Culture

Operating across diverse geographies and cultural environments, Nordgold strives to ensure a unified approach to HR management in all its operations, while expecting consistent standards of conduct from its employees.

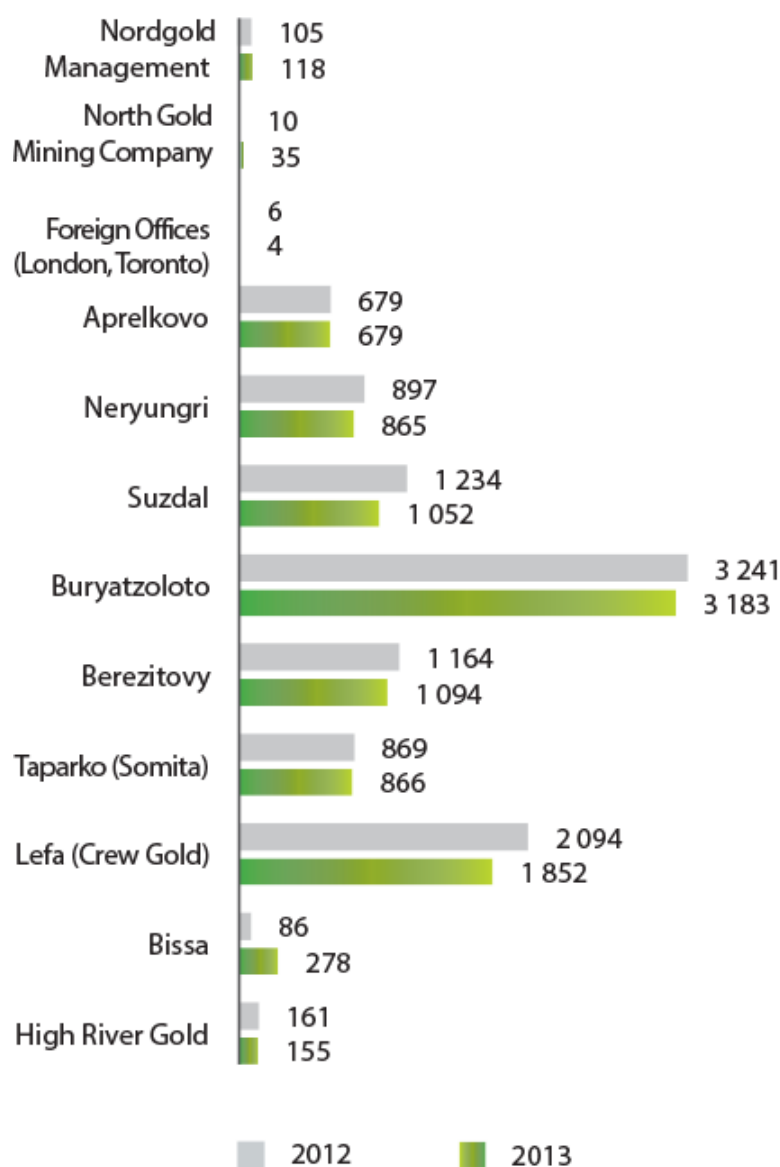
Nordgold's corporate culture is based on the principle that all our people, regardless of which operation they are engaged in, should identify with each other as being part of a team that is welded together with a common purpose. A strong corporate culture is vital for ensuring the successful and sustainable development of the Group and to make Nordgold an employer of choice.



In 2013 Nordgold adopted a Corporate Code of Ethics and Business Conduct Standard, which apply to all operations and employees and provide thorough guidance in relation to employees' expected conduct and the responses to possible unethical behaviour. The Ethics Committee is guided by these two basic documents and allows the Group to obtain information concerning violations of the law of the countries where it operates or corporate standards of conduct. The committee's functions include dealing with employee appeals and taking further decisions. The committee is comprised of the Company's top management and chaired by Nikolai Zelenski, CEO. The topics covered in the documents include:

- conflicts of interest
- compliance with laws, regulations and instructions
- partner relationships
- discrimination prevention and safety at work

Number of employees by BUs, 2012-2013



Nordgold seeks to transform the organisational culture through aligning around a shared moral basis – common values (see Mission and Values section) – to ensure employee engagement and to support changes introduced by Nordgold.

An all-encompassing communications campaign was launched to increase employee awareness and receptivity.

These values are to be integrated in all HR processes across the Group. However, Nordgold has no intention of resting on its laurels.

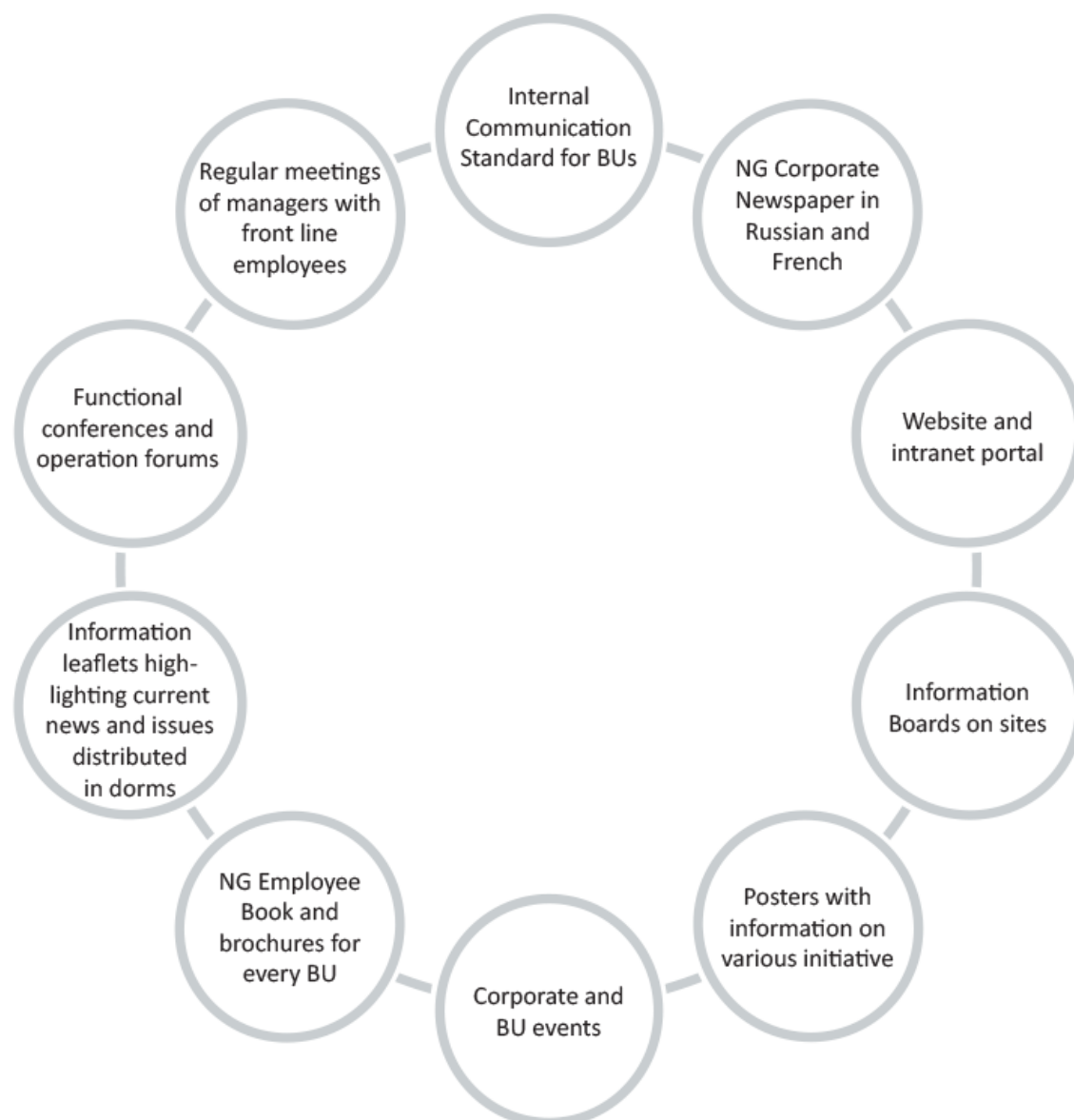
Planned next steps include:

- Wide communication campaigns through the corporate newspaper, employee meetings, and corporate events (to be continued in 2014)
- Publishing and extensive communication of the Nordgold Code of Values and Behavioral Standards
- Complete Values & Leadership training for African mines
- Integrating value-based competency assessments into recruitment and target dialogue
- Continuing the assessment of a value-based alignment of BU management team members
- Encourage employee alignment with the new Nordgold Code of Values and Behavioral Standards

The following methods are used to keep employees informed and to acquire feedback.

Grievance mechanism





Nordgold collects feedback on an ongoing basis through various means, including holding dialogues with personnel, focus-groups, hotlines and regular opinion surveys. Hotlines exist at various levels (e.g. the Board and BUs) and functions (e.g. HR, Security, and Ethics Committee). Each case is addressed and reviewed by a corresponding working group and appropriate measures are identified. Employees are then informed about their implementation through our corporate newspaper as well as other information materials.

Improving Productivity

In the reporting period Nordgold initiated the **Organisational Efficiency Project**, whose main goal is to increase BU productivity through rightsizing the labour force. Affected areas include the elimination of functionality duplication and unnecessary hierarchy layers, and the standardisation and simplification of organisational structures.

The first wave of the project began in December 2013 and involved Berezitovy, Neryungri Metallic and Aprelkovo. This will be followed in the second wave in January–July 2014 by Buryatzoloto and Suzdal.

The annual effect already achieved via optimisations completed in 2013 is US\$7 million.

Although reducing headcount is a sensitive issue, it will not only improve productivity and efficiency but will also make salary levels more competitive and provide better working conditions.

Performance and Reward Management

Nordgold Compensation Policy

The last couple of years have witnessed serious changes in Nordgold's approach to employee remuneration. We try to guarantee that across all our operations:

- the compensation policy sets uniform reward and incentivisation rules
- pay is accurately positioned vs. the market and rewards performance results
- a simple, transparent and well-communicated reward system is in place
- quality market data is used in all analyses



The Nordgold compensation policy was approved in 2013, with local BU compensation policies to be developed in line with it.

The process of unifying policies for BUs in Russia and Kazakhstan is in progress, and an expatriate policy for Africa is being finalised.

The new policy for workers and team leaders, which was tested at Aprelkovo during 2013, is based on two indicators for each employee:

- Team KPIs on Gold Doré
- Individual KPIs specific to each production unit.

The new system sets no caps on the size of bonuses based on performance results, giving employees a tangible opportunity to influence their level of remuneration, while at the same time improving efficiency and productivity.

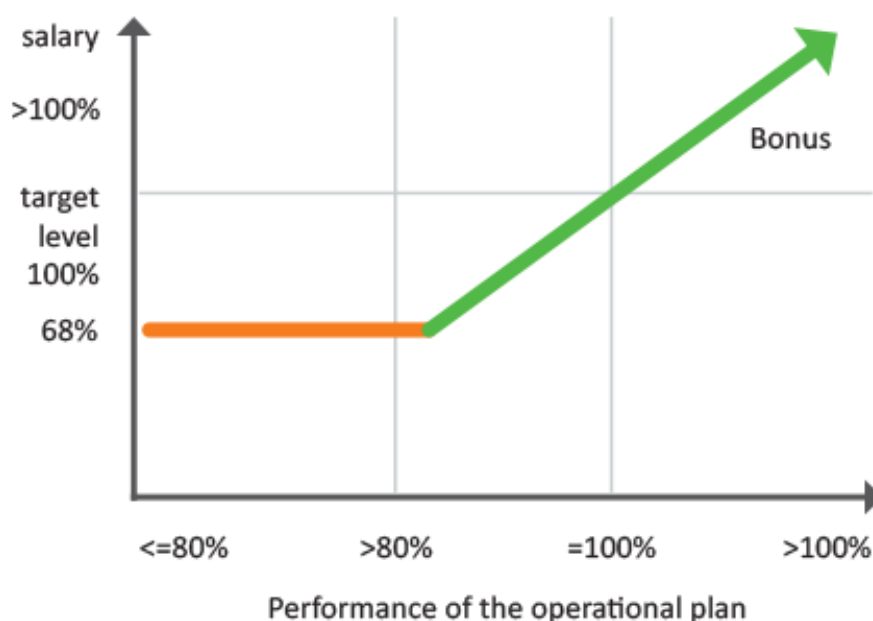


This compensation structure is to become operational across all our Russian open-pit BUs in January 2014.

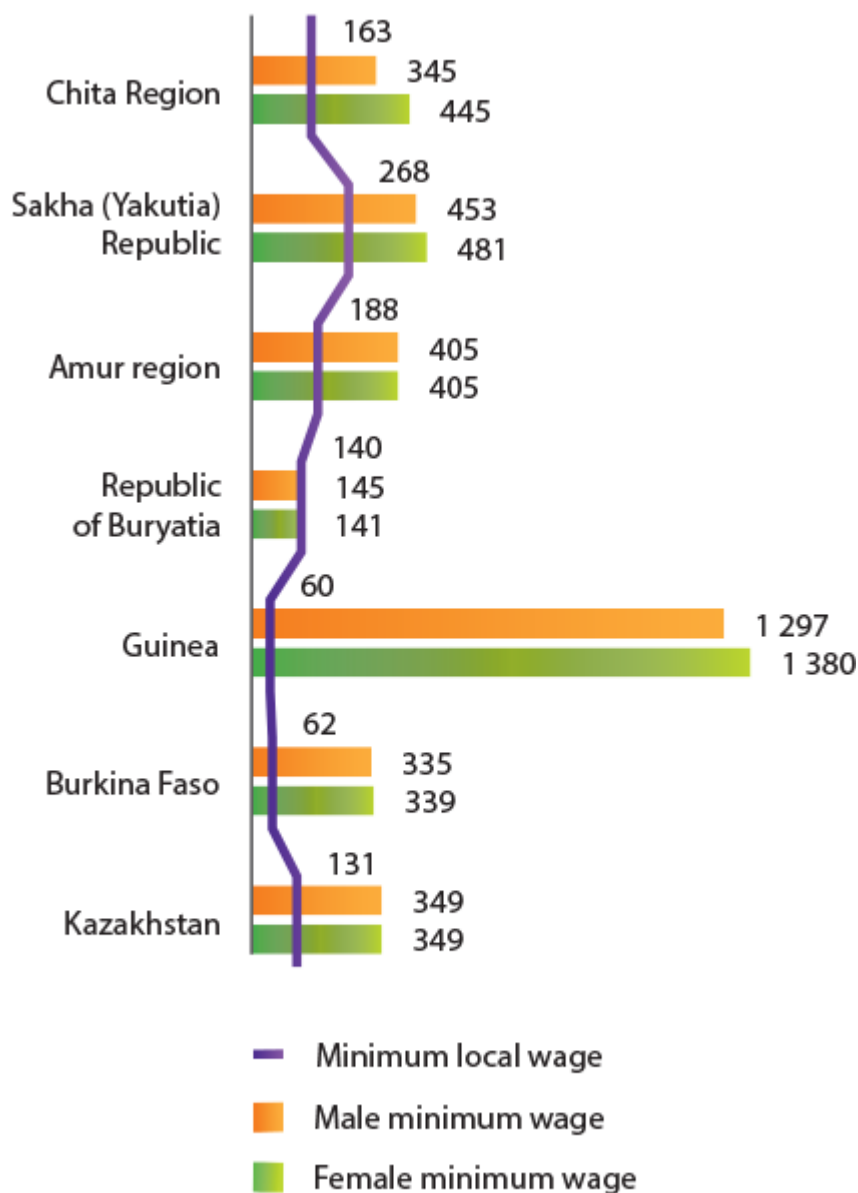
Nordgold introduced market benchmarking analysis to help ensure competitive compensation levels. The grading system, which determines pay ranges and bonus levels, was introduced in Russian and Kazakh BUs. Regular communication sessions are conducted within BUs regarding payout calculations, salary reviews and changes to the reward system.

The next development steps include:

- Communicating the Nordgold compensation policy to BUs
- Implementing local policies across the remainder of Russian and Kazakh BUs
- Reviewing compensation policies in our African operations
- Amending expatriate benefits and the KPI system from January 2014
- Completion of job grading
- Obtaining Africa market data
- Conducting further communication sessions on the rewards system in Bus



Standard entry level wage compared to local minimum wage by significant locations of operation



At all BUs Nordgold strives to provide compensations that are higher than stipulated by law. The Group's salaries and compensation packages are competitive and in line with industry median values.

Talent Management

A performance management process featuring annual performance reviews was introduced in Nordgold in 2012, and its positive effects have been apparent in the improvement of staff capabilities, as well as increased stability of managerial staff.

69% of employees are subject to compulsory performance assessments, and the aim is for this level to increase to 80%.

Talent reviews

Monthly talent reviews of BU management teams and headquarters (HQ) personnel are conducted by a committee consisting of the CEO, Deputy COOs, the CFO, HR Directors and BU General Managers.



The process is cascaded to all BUs to include employees at supervisory level and higher.

The reviews cover performance results, development areas and plans, future strategic directions, strengths, and a succession plan. In 2013 a value-based competency assessment tool was tested at HQ and then improved and rolled out across Russian and Kazakh BUs.

Next steps include:

- Utilisation of all talent tools at BUs
- Finalising the value-based competency assessment tool for Africa
- Developing key technical competencies

Management Development Programme

The modular management development Programme, “More than Gold”, with a target audience of 400 top managers, was launched in 2012 and is to be continued throughout 2014.

Five modules were planned under the Programme:

N	Programme name	Status
1	Production and Finance	Finished
2	Values, leadership and change management	Finished
3	Corporate personnel management tools	Finished
4	Operational efficiency	In progress
5	Effective team work	In progress

Next steps planned for 2014:

- Additional round of modules 1-4 for newcomers and successors
- Programme cascading down to next hierarchical level

Professional Training

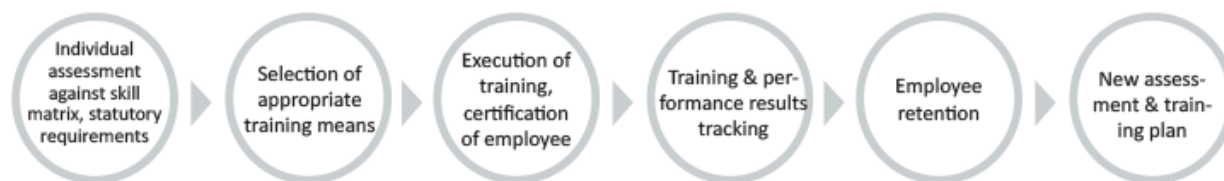
We consider the professional training of employees to be one of the most important factors in the success of the Group. We aim to elaborate a uniform approach to professional training across Nordgold, while at the same time achieving productivity improvement through the execution of production operations by increasingly qualified staff.

Nordgold Professional Training Areas



In 2013 a new conceptual approach to training and capability assessment matrixes for front-line personnel was developed. A pilot project is to be tested at Berezitovy in 2014, featuring the following process:

Process



The approach is agreed, being piloted at Berezitovy, execution to start in 2014

A similar scheme is already up and running at Taparko.

Succession planning

Nordgold focuses on developing and promoting promising employees within the Group, through identifying and nurturing talent. The talent pool and successors to the HQ management board and BU management team are identified via talent reviews. In the reporting period, 63 employees were selected for the BU and HQ management talent pools, and 132 employees for the talent pool of BU supervisory level positions. The average preparation period for candidates is two years. However for more than 50% of key positions at HQ and Bus, successors have not yet been identified yet.

Further activities include:

- New succession process to be put in place in 2014
- Targeted internal and external selections, assessments, trainings, and career planning for successors

- Making successors with less than one-year preparation available for all Nordgold Management Board & BU Management Team positions

Recruitment and Onboarding

Attracting and retaining the right people is vital to the success of the Group. Nordgold tries to make our interviewing and evaluation processes fully objective and transparent for all participants.

Wherever possible, we strive to employ local people. This is both good business practice and also helps to develop the skills base and economies of the regions where we operate. We employ expatriates where they have the best skills and are able to train our people and pass on their knowledge.

Nordgold is aiming to optimise and simplify its recruitment process, making it more convenient both for recruiters and potential employees. The Nordgold Recruitment Policy was drafted in the reporting period, with formalised process, database and search tools available and Internet resources actively utilised (including the Nordgold home-page in Russian job search databases and on social media websites such as Facebook and LinkedIn).

New Employee On-boarding

1. Information materials

- New employee book
- Nordgold video presentation for newcomers
- HR presentation

2. E-courses

- Welcome to Nordgold
- Gold Mining Basics

3. Probationary period management

- Probationary period assessment tool
- 30-60-90 day feedbacks to new employees

4. Safety and on-the-job instruction for workers

The following measures are under way or planned for 2014:

- A single, company-wide candidate database
- Detailed employer information on the Nordgold website
- Setting KPIs for recruiters
- Information transparency to the media on HR topics
- Reduction of agency utilisation to achieve lower costs per hire

One of the things which sets Nordgold apart is the emphasis that we place on our people. We recognise that value is created by, above all, the professionalism and dedication of our team: the efforts of our 10,000-strong workforce form the core of our success.

Employee Satisfaction Survey

Nordgold conducts annual employee satisfaction surveys, which make it possible to hear the opinion of employees, to analyse their attitude to management and the Group, the level of loyalty, any demotivating factors, the staff's readiness to accept changes, and to identify existing micro-groups and subcultures.

According to the recent survey 27% of employees consider Nordgold a modern, internationally recognised company; 32% a growing company; and 28% a stable company.



Overall, staff loyalty is quite high: 75% of employees would like to stay with the Group if there is no significant deterioration in working conditions.

Among the most appreciated factors of working at Nordgold are the regular payment of wages, excellent team spirit, convenient working schedules, and good living conditions.

70% of BU employees believe Nordgold genuinely cares about safety issues. 58% consider safety the key value of the Group.

The survey also covers some aspects of employee diversity. For example, the survey conducted among 420 Berezitovy employees indicated that:

- 33.8% of employees are residents of the same region
- 80% are male
- 61.5% are married and 73.9% have children
- 18.6% have a higher and 41.6% a vocational secondary education

Corporate events, competitions and awards

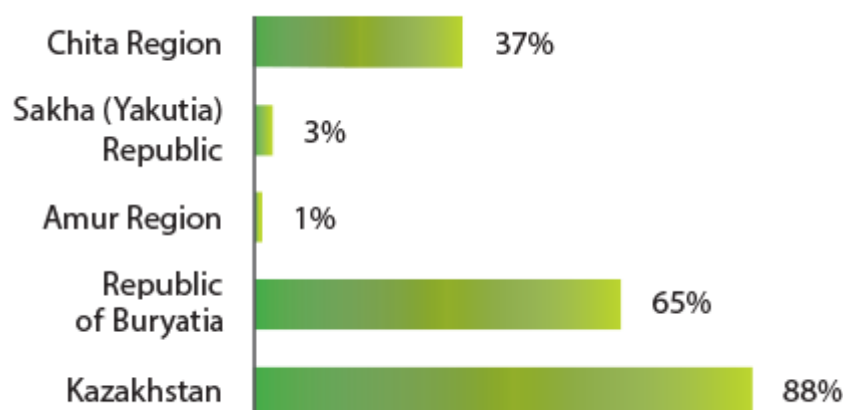
In order to foster corporate culture and team spirit and to encourage the sharing of experience, Nordgold regularly organises various corporate events and rewards. Among the most popular of these are:

- Golden Employee – a Group-wide award for outstanding performance given to employees who have demonstrated role-model qualities to others. In 2013 42 employees were awarded with this honourable title and premium.
- The Best Idea competition is a great opportunity for employees to showcase their talents and for the Group to constantly upgrade its operational and production processes. Winning ideas are implemented at the Group's operations and innovators receive a monetary reward. For more details see 4.1.

- The winners of both competitions are honoured in the corporate newspaper and congratulated at the Company Day celebration. Company Day is a memorable annual event that brings together employees from the Company's diverse operations and features a reception, sports tournaments, and team building games.
- Nordgold also organises functional conferences that enable the heads of respective functions in BUs to become better acquainted, build relations, and exchange experience in informal surroundings. For example, in April 2013 the second HR conference was held in Moscow, which brought together HR managers from all the Group's operations (except Kazakhstan).
- This year witnessed a corporate mini-football championship, which gathered together 10 teams from Russia, Kazakhstan, Burkina Faso and Guinea. For three days people of different professions – Nordgold employees from different corners of the world, speaking different languages, became part of a celebration of sports and team spirit. The final matches were held during Company Day and ended with Suzdal emerging as victors.

Each BU holds its own corporate events & parties, including intellectual, arts and sports competitions, as well as the Best in H&S awards.

Proportion of senior management hired from local community at significant location of operation

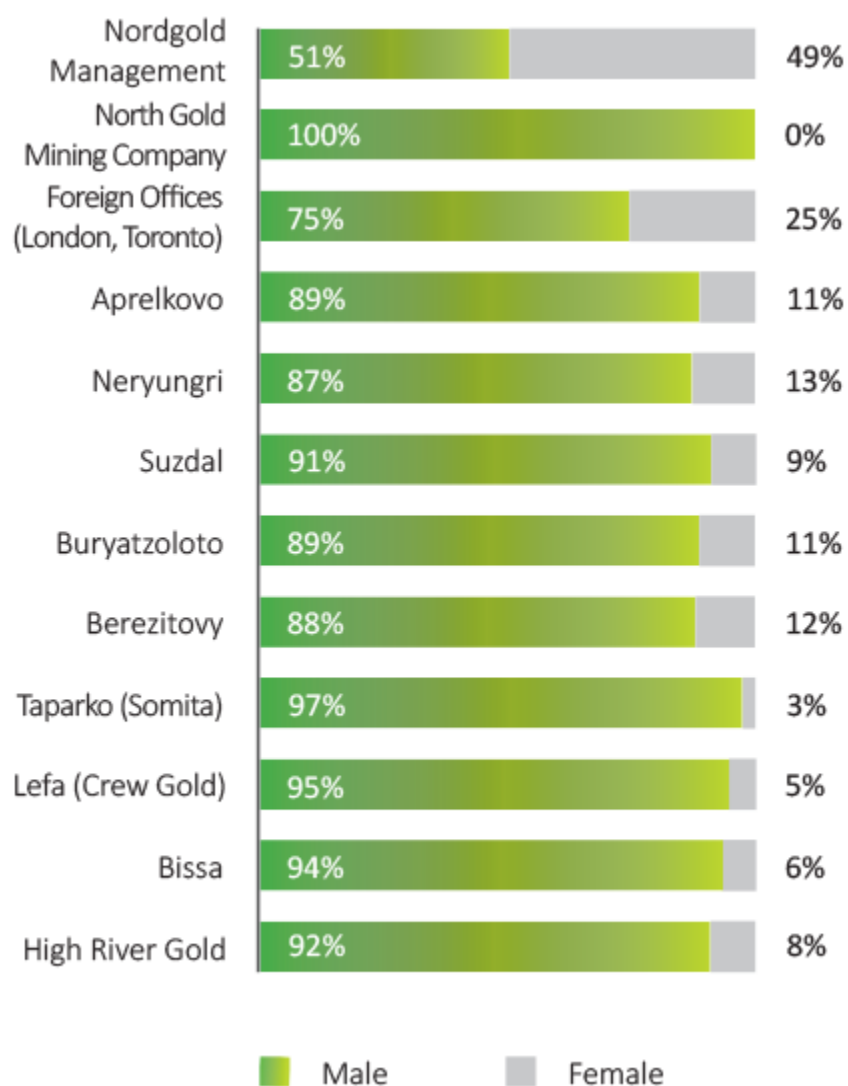


The rate of senior management hired from local communities is insignificant at some BUs due to the lack of appropriately qualified employees among local residents. It can also be explained by employees' mobility within the Group with specialists from one region being appointed to positions in another.

It can also be explained by employees' mobility within the Company with specialists from one region being appointed to positions in another.

Due to specifics of Nordgold's operations with physically demanding and harsh working conditions the majority of employees are male with female mostly employed at administrative positions.

Rate of employees by gender at significant location of operation



Community Engagement

Our approach to interacting with communities

Community engagement is an important part of the Nordgold business. It enables collaboration between different stakeholders and the Group, which improves the process of finding optimal solutions to the challenges we face and of understanding and addressing the right issues.

Nordgold strives to be a trusted partner to stakeholders in each country in which it operates, making positive contributions to local communities. Our business creates permanent employment for hundreds of local people, and provides long-lasting and significant revenue for local governments. We bring in electricity, water, infrastructure and transport. In many areas we help local communities gain access to education and health services. Nordgold is focused on fostering mutual respect and on holding a constructive dialogue with local communities and government organisations. Our approach to community engagement focuses on three key priorities: education, health and economic empowerment.



Education	Health, safety and sport	Economic empowerment
<ul style="list-style-type: none"> • Building and renovating educational infrastructure • Providing education supplies • Granting scholarships to students • Supporting educational programmes, increasing literacy in communities • Organising social and cultural programmes and events • Popularising of the geological profession through educational initiatives of women and the youth in professional trades 	<ul style="list-style-type: none"> • Building and renovating medical infrastructure • Improving medical equipment, ambulance and sanitation facilities • Activities aimed at the prevention of dangerous diseases (e.g. malaria) • Supporting sports programmes and events • Providing support after the occurrence of natural disasters 	<ul style="list-style-type: none"> • Employing local people at all levels of the Group's operations • Basic-needs programmes • Distributing financial support • Promoting opportunities to launch and manage successful enterprises • Combating poverty by supporting farming and ranching • Working with international and local NGOs • Ensuring a fresh and clean supply of drinking water

In the reporting period we continued to develop a comprehensive framework for managing our social performance across the Group. For instance, in 2013 in order to budget and control the Group's social projects more effectively we have created a corporate sponsorship and charity

register, which allow us to prolong all mine-related payments in accordance with internal corporate procedures (to learn more go to the Corporate governance, ABC Policy).

Our management approach to community engagement depends on the region of our operations – as the special features of and community needs in Africa, Russia and Kazakhstan differs. In each of Nordgold's regions we have an established community relations management position that allows the mine administration to implement and monitor the Group's social activities.

In order to conduct more effective dialogue with local communities and to deepen the level of positive contributions to the community we take into account regional specifics while developing each of our social projects. In order to organise an effective decision-making process at a local level, we have set up special Community Committees, which include mines employees and representatives from each village and local authority. The regular work of these committees includes the mandatory monitoring of the efficiency of all implemented projects, involving communities and developing future plans.



Another method of providing and ensuring a positive contribution to developing local communities is through implementing agreements on socio-economic partnerships and cooperation with local administrations. For instance, Neryungri, Aprelkovo and Suzdal implement various programmes under such agreements to facilitate the long-term socio-economic development of local territories and communities, including indigenous people (the "Tyanya" aboriginal tribal community) and to provide appropriate conditions for the operational and financial growth of the mines. Thus, in 2013 Nordgold spent approximately US\$155 thousand on improving social conditions, developing operational potential, and supporting social, communal and sports infrastructure in regions covered by the agreements.

Our financial contribution

As a major employer, with operations in a number of remote communities, Nordgold has a powerful economic role to play in driving the distribution of wealth.

As at December 2013, Nordgold employed a total of 10,577 people, not including contractors and local supply chains serving each of our operations. Our wage bill was US\$212 million, which was 15% higher than in 2012. In addition, the Group's own payments in 2013 stood at over US\$82 million in Group taxes, royalties and indirect taxes, which made a significant contribution to the social infrastructure of our host countries. In Nordgold wages and taxes, charity and other social expenses all play a key role as fundamental building blocks in healthy community relationships.

Communities and social development in Africa

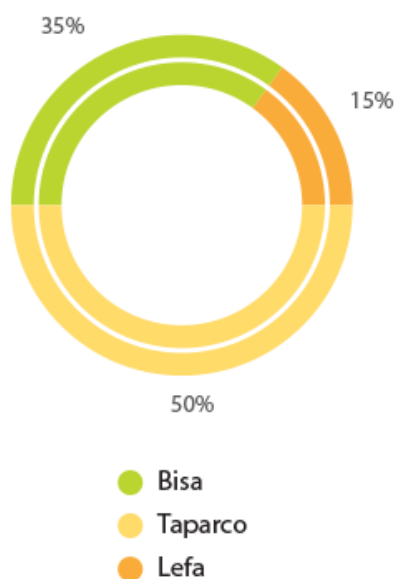
Africa continues to be a challenging region in which to do business. The Group's African mines located in Burkina Faso and the Republic of Guinea currently operate in difficult economic and social circumstances. Such challenge requires a synergy of action, by strengthening the capacities of those involved in the field and, coordinating programmes with effective monitoring via dynamic partnerships and the mobilisation of resources, with stakeholders at all levels making a collective effort.

Nordgold's community developing programmes implemented in African countries are chiefly focused on helping local communities to meet their basic life needs such as health care and access to water. Hence, we pay special attention to programmes aimed at increasing the well-being and educational level of the local population. We also help local people deal with extreme natural events which impact their livelihood, such as floods and poor crop yields. We have a long-term community development programme in place in Africa that enables each of our African mines to have their own plans and budgets for social purposes.

In 2013 the Group's community investing in Africa amounted US\$482.5 thousand and included social activities and programmes performed in connection with the operations of our three African mines: Bissa, Taparko and Lefa.

In 2014 we expect some decrease in the volume of funds allocated by the Group to community investments programmes, which will as a result total to US\$393.4 thousand. Social initiatives related to the Bissa and Taparko mines in Burkina Faso will account for the largest share: 35% and 50%, respectively, of funds in 2014, respectively. It is also expected that 15% of these funds will be spent on the Lefa mine located in Guinea. The greater level of support for Bissa and Taparko is explained by the high number of settlements in close proximity to the mines.

Structure of charity budget in Africa, 2014, %



Dynamics of charity budget in Africa, 2013 and 2014 (plan)



Social investment programmes at Bissa (Burkina Faso)

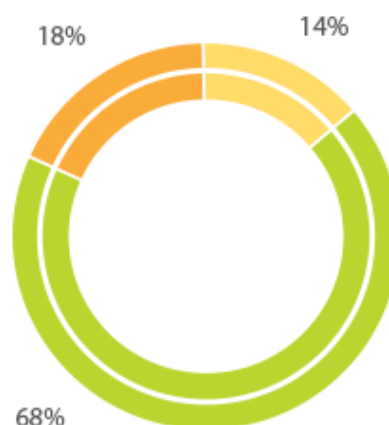
In 2013 the Group spent US\$160.3 thousand on social development programmes for local communities affected by operations at the Bissa mine. Based on a breakdown of key areas of support to local communities, 89% of these funds were allocated to economic empowerment, including such projects and initiatives as a market gardening project, saponification, sponsorship and patronage initiatives, and the granting of micro-credits to the local population. Significant financing was allocated to providing different types of education and training for local communities representatives (11%).

In line with the sustainable development programmes for 2013-2015 in 2014 we plan to spend US\$137.6 thousand on local community needs in the Bissa area. The structure of social investments will change: most funds will be allocated to economic empowerment (68%), spending on education will increase considerably (18%), and health, safety and sport will account for 14%, including sponsoring a national football championship match.

**Focus areas of social programmes
in Bissa, 2013, %**



**Focus areas of social programmes
in Bissa, 2014, %**



- Economic empowerment
- Education and culture
- Health and safety and sport

Social investment programmes at Taparko (Burkina Faso)

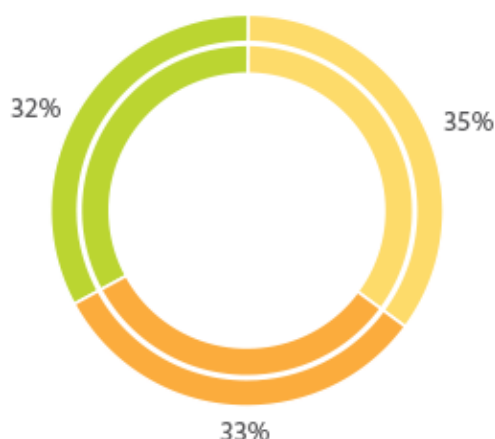
In 2013 the Taparko mine allocated US\$138.0 thousand to social actions aimed at developing local communities.

Furthermore, 35% and 33% of this amount was spent on areas such as health and education – primarily to construct two modern houses for nurses at a hospital in Taparko, and two modern houses for the teachers of a school in the city. During the reporting year the Group also

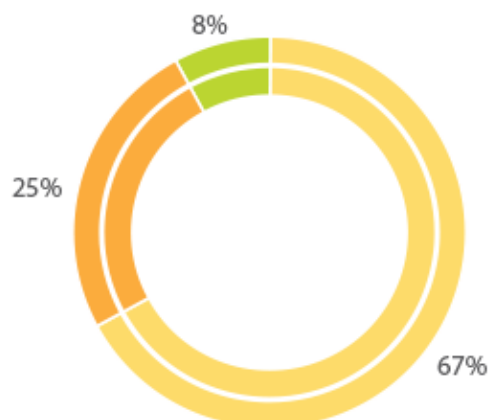
cooperated with various regional NGOs, and supported women in the region of Taparko's operations (economic empowerment made up 32% of the above amount).

In 2014 there will be significant changes to the structure of funds for the development of local communities. Taparko's social programmes in health, safety and sport will account the largest share, 67%. The total amount of allocated funds will comprise US\$195 thousand.

Focus areas of social programmes in Taparko, 2013, %



Focus areas of social programmes in Taparko, 2014, %



- Economic empowerment
- Education and culture
- Health and safety, sport

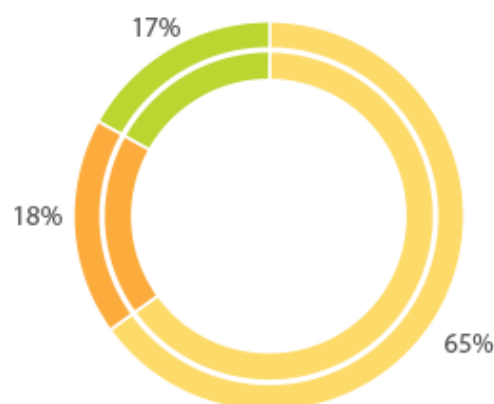
Social investment programs at Lefa (Guinea)

In 2013 the Group allocated US\$227.0 thousand through the Lefa mine in Guinea to social development projects for local communities. Out of this sum, 52% was allocated to watering activities in the region, while 17% was invested in developing the local education system through activities performed on an annual basis.

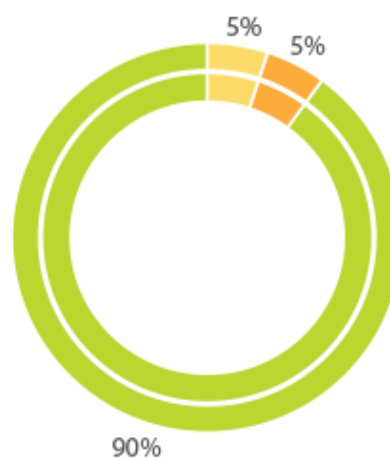
The socio-economic development of local communities is additionally supported by the Lefa mine through a local tax paid to Committees of Prefectural Development (CPD). 2013 payments to CPD Dinguiraye and Siguiri totalled US\$1315.2 thousand. These funds were used by local administrations to finance basic social infrastructure items (schools, health posts), crossing structures, village hydraulics, income generating activities, and sporting and cultural activities.

In 2014, as part of the Lefa mine development, we plan to allocate approximately US\$60.8 thousand to develop neighbouring areas through social actions. Furthermore, almost 90% of these funds will be spent on various economic empowerment projects, for example related to groundnut and rice growing.

Focus areas of social programmes in Lefa, 2013, %



Focus areas of social programmes in Lefa, 2014, %



- Economic empowerment
- Education and culture
- Health and safety, sport

Social performance results in Africa, 2013

Below we present a list of the social development activities performed by the Bissa, Taparko, and Lefa mines in 2013. This list is a testament to our commitment to resolving the various issues facing the communities around these mines:

Economic empowerment:

- Relocation of communities (affecting around 300 families) and compensation for lost agricultural land, at a cost of over US\$ 4 thousand, including: the creation of a Bissa relocation committee (containing 17 representatives from civil society groups, residents, and one Group representative) and the construction of two new villages for the relocated communities.
- Implementation and delivery of to assist the people in growing produce for the market in the Lefa and Bissa regions. In 2013, they received significant technical support.
- Donation of 25 sheep to the Bissa Women's Committee and 100 sheep to the Taparko Women's Committee, to bring about for them sustainable economic activity.

Education:

- Donation of solar panels and renovation of the schools in Bissa (three schools), and construction of a new school in Taparko.
- Donation of school supplies to over 1,000 children in four schools located in the area of the project, and launching motivational programmes to encourage children to attend school (Bissa).

- Donating tables and chairs to the Gorbalé, Mané and Sabcé villages, and constructing a canteen to feed schoolchildren (Bissa).
- Developing the education system in Lefa: scholarships, training for teachers, organising national exams.
- Training in better gardening techniques for the local people in the Lefa area.

Health, safety and sport:

- Construction of two modern houses to assist nurses with finding accommodation, and a new health clinic in Taparko. Renovation of the old clinic, and provision of new supplies and equipment.
- Repair and renovation of the main drinking water well in Bissa village, and repair of a potable water fountain for a school in Taparko.
- Donation of a motorcycle ambulance to the community.
- Construction of a vaccination area and modern abattoir for the people of Sabcé village (Bissa).
- Anti-malarial activities in Bissa, Taparko and Lefa, including fumigation, manual pulverisation, free medical consultations for the community, etc.
- Distributions of food to local communities following a poor agricultural season in 2009 (Bissa).
- Programmes to prevent the illegal extraction of ore and awareness programmes to maintain peaceful relations with the community. With the assistance of the local authorities, illegal miners were transferred out of the Lefa and Taparko areas.
- Provision of financial support to local communities hit by flooding in 2009–2012 (Bissa, Taparko, Lefa).

African case studies

Soap manufacturing (Bissa, Taparko, Lefa)

Over the past few years, the Group has been implementing a saponification (soap-production) project, with the key objective of creating income-generating activities for the women who live in the area of the Bissa, Taparko and Lefa mines and of supporting local communities, and in particular women, in their efforts to improve their living conditions.

During the pilot phase of the project, 135 women from Sabce village, which is located in the Bissa area, were trained in the process of how to manufacture soap. 75 more women from the Taparko and Lefa areas were involved in this project in 2013.

An integral part of any community development process – including this project – is stakeholder engagement. By involving all of the various stakeholders, the programme team has been able to place more emphasis on vulnerable family groups and the village's women, who are most affected by the lack of job opportunities in the region.

We expect to see significant results coming from the project in 2014, meaning that the local women will be able to manufacture the soap without our further involvement. We consider this to be a significant contribution to the economic development of the local community.

Market Gardening (Bissa)

Subsistence farming in Burkina Faso is typical for farmers who are at the mercy of the weather. This is one of the reasons why Nordgold decided to initiate a market gardening project in the areas of the Bissa mine. This kind of activity can not only be financially profitable for communities, but can also significantly improve the life chances and social situation of those living in the local community.

Our mission through this project is to provide consultative and technical assistance to local farmers, including:

- Identifying favourable sites for the creation of market garden areas
- Equipping and supplying producers
- Training producers in market garden production techniques
- Setting up, training, and supporting an area management committee

Livestock (Bissa)

Nordgold also took part in developing poultry production in Burkina Faso, where it has very considerable socio-economic importance. Existing farming methods are not very efficient, and we could see that the situation was ripe for improvements. In order to increase the profitability of local poultry production, we developed ways to improve breeding programmes and introduced a new breed of bird.

This pilot project involved 60 producers and an investment of over US\$20 thousand provided through training programmes, the construction of chicken coops, food supplies, and improvements to production and sales channels.

Malaria prevention activities in Nordgold (Bissa, Taparko, Lefa)

Malaria is one of the most dangerous and widespread diseases in Africa. It poses a great threat to our people in Guinea and Burkina Faso, and we are running a multifaceted programme to protect our people from malaria at the Bissa, Lefa and Taparko mines, as our employees, so the local population.

Bissa

At the Bissa mine, we run awareness campaigns for the staff and provide workers and visitors from overseas with packages containing all of the relevant medication they might need along with information booklets on this disease. Moreover, the Environmental Department regularly fumigates the industrial area and the camp.

Lefa

The Lefa mine has also developed a work programme to prevent malaria, helping to reduce the number of people affected in the areas of the mine. The programme's initiatives included introduction seminars and awareness workshops for our employees and the local population. During the reporting period, 6,450 people attended introduction seminars run by the Group. One of the positive impacts the programme had was an increase in the number

of people who visited clinics if they were feeling unwell.

Taparko

In Taparko, we run regular awareness activities for our staff and the local population, and fumigate the industrial area and water. The mine's management ensures that every worker has mosquito protection equipment. In addition, in August 2013 and in combination with the Saphyto-Association of Plant and Insect Sanitary Protection, the mine's management held a conference on outdoor residual spraying issues.

Community and social development in Russia and Kazakhstan

Community engagement in Russia and Kazakhstan requires a different approach to that used in African countries, and includes a range of programmes aimed at developing community capacity in these regions.

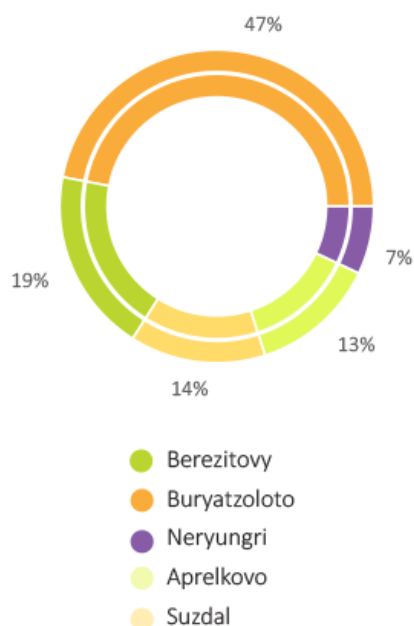
In addition, our social activities here are not related to any particular administrative unit (city or town), because our mines are located far away from residential territories.

Therefore, Nordgold's sponsorship and charity activities differs in these countries, being more focused on the regions in total.

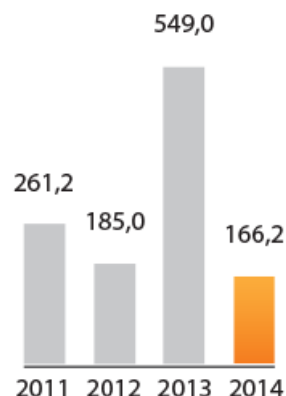
In 2013 the Group's charity budget totalled US\$549.0 thousand (including US\$350.4 thousand spent on repairing works of the Russian State Geological Prospecting University), which was almost three times more than in 2012.

Buryatzoloto and Berezitovy accounted for the largest shares, of 15% and 9%, respectively. In 2014, in the regions just mentioned, we plan to spend at least US\$166.2 thousand on community investments programmes.

Charity budget in Russia and Kazakhstan, 2014, %



Dynamics of charity budget in Russia and Kazakhstan, 2011-2014



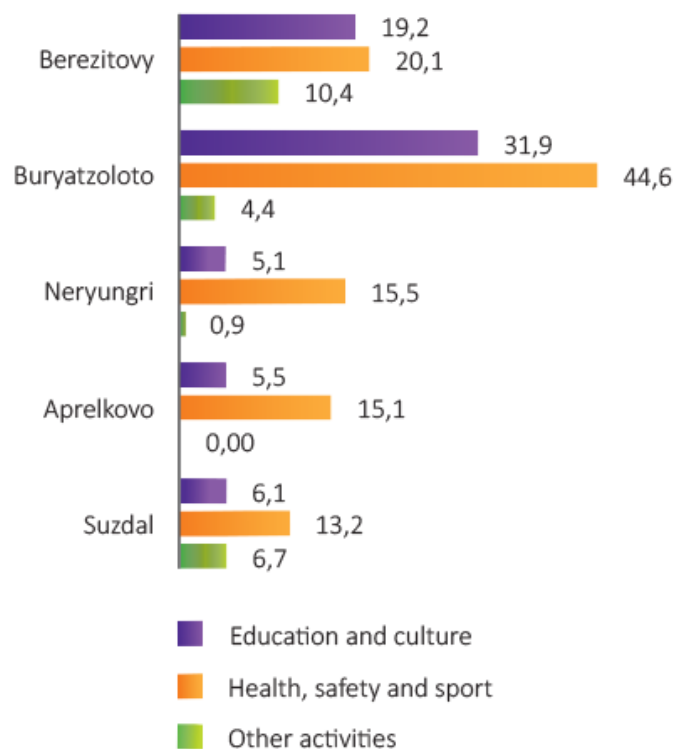
Charitable initiatives performed in connection with the operations of Buryatzoloto account for the largest share (47%), with 19% of charitable funds in 2014 to be spent on supporting local communities in the areas adjacent to Berezitovy mine.

It is planned that 14% of charity funds will be spent on the Suzdal mine in Kazakhstan.

The main areas for the Group's charitable activities in Russia and Kazakhstan are education and culture (US\$68 thousand), and health, safety and sport (US\$109 thousand).

Berezitovy mine invested the largest amount in the fields of education and culture and health, safety and sport, allocating US\$31.9 thousand and US\$44.6 thousand to these goals respectively in 2013.

Charity budget's structure broken down by mine, Russia and Kazakhstan, 2013, thousands of US dollars



Social investment results in Russia and Kazakhstan, 2013

Education and culture:

Berezitovy

- Purchasing of building materials for the 2012–2013 academic year in order to repair several local schools following an earthquake. A project called “Hello, School”, which purchased and transferred school supplies to local schoolchildren who were going to school for the first time.
- Support of indigenous people: A national dance competition for 13 dance troupes, called the 'Iken Togolin competition', in which the dancers from Gudyai Dunne from Amur Ust-Nyukzha took third place.
- The Ninth All-Russian Open Field Olympiad for Young Geologists. Holding of a creative week during the 4th International Talent Competition Festival in the city of Shenyang (China).

Neryungri

- Scholarships for best students of the Tyansky National Agricultural Community of the Olyokminsky region in Sakha Republic (Yakutia).
- Social support for the Evenki indigenous people of the Chara-Ologo Kalarsky region in Zabaykalsky District.

Aprelkovo

- Improving education-related facilities and equipment, acquiring new computers for schools.
- Increasing the physical health of all children, and promoting very healthy lifestyles for those children interested in sport. Acquiring sports equipment.
- Facilitating the education and development of students who want to work in the mining industry through the holding of competitions.

Buryatzoloto

- Assisting the Buryat State Philharmonic Society with holding events dedicated to the 90th anniversary of the Republic of Buryatia.

Nordgold Management

- Supporting the renovation of a hostel for students from the Sergo Ordzhonikidze Russian State Geological Prospecting University. The Company plans on spending US\$350.4 thousand in total on carrying out the repair work. This university is the only professional university in Moscow that prepares people to work in geology and is thus a high priority for Nordgold.
- In 2013, Nordgold also took part in an annual gala-evening in honour of Geologists' Day, a professional holiday celebrated in Russia for the last 40 years.



Health, safety and sport:

Neryungri

- Provision of materials to children from socially deprived families in the Kalarsky region of Zabaykalsky District

Suzdal

- Supporting the Toktamys Children's Rehabilitation Centre
- Providing charitable assistance to repair the Istok Children and Youth Centre of Creativity

Buryatzoloto

- Financial support for an International Sambo tournament
- Sponsoring the Federation of Thai boxing

In 2013 the Group actively participated in helping the Russian regions deal with the effects and consequences of natural disasters. As one example, the charity which was set up to help the victims of the floods in the summer of 2013 in Amur Oblast received personal donations from Nordgold's employees of more than US\$9 thousand. Employees at Berezitovy also collected a consignment of warm clothes and soft toys for the children who suffered as victims of the disaster.

Russia and Kazakhstan case studies

Support and protection of children (Aprelkovo, Berezitovy, Suzdal)

Aprelkovo

At the end of spring 2013, the Aprelkovo Mine's management held an exhibition of childrens' drawings and handicrafts entitled "The world through the eyes of children". The exhibition's participants received gift certificates enabling them to visit a local entertainment centre with their parents or guardians.

Berezitovy

The Berezitovy Mine, in partnership with local authority and the Amur branch of the Russian Children's Fund, carried out a project called 'Social troopers' in the villages in Skovorodinsky District, to help children that have encountered difficulties in their lives. 163 children have received medical, psychological and social support as a result of this. Meetings were held with representatives from the department for health care and education in order to discuss plans for further cooperation.

Suzdal

Employees at the Suzdal mine voluntarily organised a project to help children in local orphanages. The proceeds collected were used to purchase for the orphanages the necessities that they lacked, and also gifts for special occasions were provided.

Indigenous people support (Neryungri)

During stakeholder public hearings in August 2013, we held discussions on Project Gross with residents of Olyokminsky region in Sakha Republic (Yakutia). We also considered the potential impact of the project on local life, with the results of the project's environmental impact assessment being submitted during discussions. The result was that permissible levels of

impact on the local community were identified, along with discussions on the specific nature of the project.

Based on the results of the discussions, it was decided that the project could go ahead. A long-term socio-economic cooperation agreement was concluded between Nordgold and the district authorities, with the key purpose being supporting the indigenous peoples of that region, subject to further consideration of all the constructive proposals and observations submitted during the public discussions, as well as compliance with all legislative norms and requirements.

Environmental overview

Our approach

Mining is an invasive activity that consumes power, produces waste and involves a variety of chemical and physical processes, and we understand that all mines inevitably have some impacts on the environment. At Nordgold we are committed to minimising these impacts.

We adopt a comprehensive approach to reducing our environmental footprint which includes several priority areas that the Group builds its environmental initiatives around:

- Identifying, assessing, and managing significant environmental risks
- Establishing clear environmental objectives aimed at improving performance
- Implementing, maintaining and regularly testing emergency response plans
- Compliance with all applicable laws and regulations
- Implementing formal environmental management systems at all operations and ensuring these align with international standards
- Compliance with the International Cyanide Management Code

Nordgold adheres to international standards, such as ISO 14001, and has established the Environmental Management Programme, which serves as the foundation for the systematic evaluation and control of significant environmental issues. The programme looks at all potential impacts and risks associated with our operations – these include areas such as water management, waste and chemicals, land and energy use, and biodiversity.



We have tailored the Environmental Management Programme to our operations. Internal regulatory procedures and information-gathering systems comply with applicable local regulations. There are six areas in which each operational unit is responsible for consolidating and keeping information on the environmental impacts it has on the region.

Land management and biodiversity

Land use management is an important environmental issue for the Group, as we understand that mining can significantly change the use of land in a region. We strive to minimise our environmental impact on local flora. Each year we initiate the replanting of thousands of trees, shrubs and other vegetation to help the land recover and return as near as possible to its original condition.

Desertification

One of the most pressing challenges facing Burkina Faso – a region where our mines are located – is the desertification of the local area. Accordingly, enterprises participate actively in measures to support the biodiversity of the local area and to reduce the environmental impact of mines on the region.

In order to help resolve the challenge of desertification, in 2013 our Taparko business provided financial and technical support to a revegetation and tree-planting project. In total 6,200 plants were planted.

In order to replenish the green area, our Bissa business planted 15,000 trees in adjoining villages. Approximately 300 people participated in this campaign, which was supported by the Minister of the Environment and Sustainable Development and the heads of local authorities. It is our hope that these plans will not only continue and expand, but that the new green areas will create a habitat for new birds and animals.

Reducing waste

Both surface and underground mining produces significant amounts of waste. We manage mining waste by using expensive waste removal technology and we strive to ensure that all mining waste is disposed of in an environmentally responsible way.

In addition to managing mining waste we are also concerned about general waste, such as plastic, food waste, cans and paper. Our short-term target is to eliminate the use of plastic bottles. In 2013 we began replacing plastic bottles onsite with treated-water coolers and personal, reusable drinking containers.

Improving energy efficiency

The mining industry is a major energy user and as a gold mining company we are increasingly focusing on both energy efficiency measures and cost-effective ways of generating power. We continue to run the Countdown-to-Five energy efficiency programme at the Lefa mine, which is aimed at reducing the number of fossil fuel electrical generators used at the site from eight to five. We have made significant progress in reducing fossil fuel consumption and in improving energy efficiency.

Managing dangerous substances

In the gold industry, mine pits and underground workings, overburden piles, tailings impoundments and spent leach piles are all potential sources of environmental contamination.

That is why the thorough management of dangerous substances is one of our priorities. Our short-term target is to achieve compliance with the International Cyanide Management Code.

Every year we strive to reduce our impacts on the environment.

Suzdal CIL – New automatic measurement and dosing of cyanide equipment installed in 2013

Taparko CIL, Neryngri HL and Aprelkovo HL – Management initiated a cyanide consumption improvement programme by end of 2013

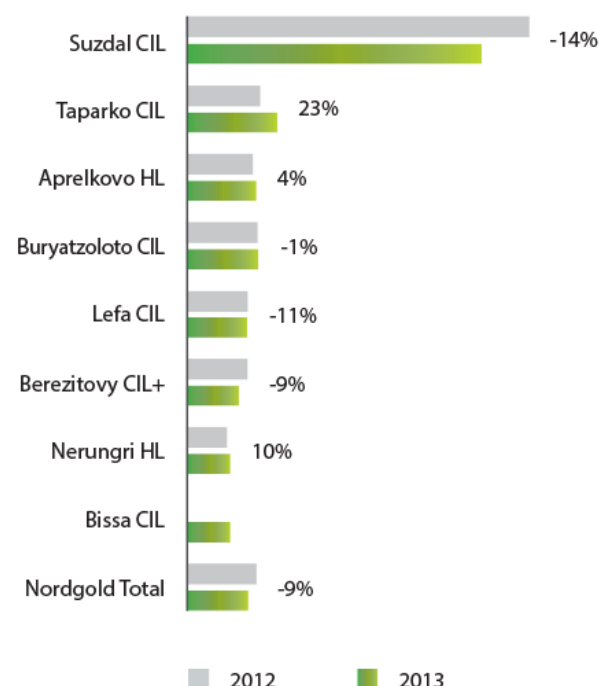
Buryatzoloto CIL and Berezitovy CIL – In 2013 controls were improved over the cyanide-dosing process; new automatic measurement and dosing equipment will be installed in 2014

Lefa CIL – In 2013 we improved controls over the cyanide-dosing process and installed new automatic measurement and dosing equipment – this allowed us to increase the efficiency of gold-leaching processing and to decrease the number of cyanide dumps with tailings

Bissa CIL – demonstrated relatively low cyanide consumption at new plant

In total, Nordgold has decreased the special consumption of cyanide and its emissions in 2013 are lower than in 2012 by 9%

Cyanide Management



Nordgold employs several methods to manage dangerous substances and to clean emissions discharged into the atmosphere during the working process.

- In laboratories and crushing systems we remove 95% of dust in the air in suction systems using cyclone machines and treating the air within the suction systems themselves.
- Our scrubbers are 95% effective in treating hydrocyanic acid, hydrogen chloride, and alkalis. During the treatment process caustic soda absorbs 5-10% of gas, and then needle punched filter felt absorbs prussiate products.
- Cyclone machines in bunkers, laboratories and the gold processing plant's main campuses treat the air from ore dust and absorb carbon with a 95% efficiency rate.

Managing water

Water is both one of the main resources for our industry and also an important consideration in environmental protection. We use a closed water circulation method in all our operations, and we do not discharge water into local rivers or canals. Instead, we recycle water from our gold processing plants. Clean, fresh water is only used to compensate for water that has evaporated. We monitor compliance with applicable regulations at:

- The sources of pollution
- Borders with residential areas

Nordgold continues to carry out initiatives in Russia and Kazakhstan, where we are upgrading the sewage-treatment processes, and installing new treatment systems and surge and precipitation tanks.

Our approach to water management goes beyond the in-house water management programmes. We also seek to make a positive impact on local communities, where the issue of water can be of the highest importance. In our African regions, water is a scarce resource. Taparko and Lefa are located in a semi-desert zone – which means that for some people there, water has more value than gold. We support communities by providing water basins in local areas during particularly dry times of the year.

Bissa

At our Bissa mine we built a new dam, which has helped local farmers increase the quality and volume of their harvest. We also negotiated with a local catering company that it would buy all the quality food grown by farmers – this enabled farmers to increase their profit from harvests.

Ecological investments and payments

Our goal is to have zero major environmental incidents where we are required to notify the authorities. Nordgold strives to continuously improve its processes and equipment, leading to improved environmental performance results and risk management. In 2013 we made no payments related to ecological infringements.



Appendix

Independent Auditor's Report

To: the shareholders of Nord Gold N.V.

We have audited the accompanying financial statements 2013 of Nord Gold N.V., Amsterdam. The financial statements include the consolidated financial statements and the company only financial statements. The consolidated financial statements comprise the consolidated statement of financial position as per December 31, 2013, the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as per December 31, 2013 the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Nord Gold N.V. as per December 31, 2013 and of its result and its cashflows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company only financial statements give a true and fair view of the financial position of Nord Gold N.V. as per December 31, 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Rotterdam, April 18, 2014

Deloitte Accountants B.V.
K.G. Auw Yang

Financial statements

Consolidated Statement of Profit or Loss for the Year Ended 31 December 2013

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

	Year ended 31 December	
	2013	2012
Sales	1,271,253	1,197,869
Cost of sales	(939,953)	(849,580)
Gross profit	331,300	348,289
General and administrative expenses	(66,941)	(68,267)
Taxes other than income tax	(75,237)	(78,638)
Impairment loss of non-current assets	(363,521)	(47,767)
Other operating (expenses)/income, net	(6,885)	8,856
(Loss)/profit from operations	(181,284)	162,473
Finance income	18,275	14,496
Finance costs	(69,414)	(46,558)
(Loss)/profit before income tax	(232,423)	130,411
Income tax benefit/(expense)	62,461	(54,423)
(Loss)/profit for the year	(169,962)	75,988
Attributable to:		
Shareholders of the Company	(189,285)	19,360
Non-controlling interests	19,323	56,628
Weighted average number of shares outstanding during the year (millions of shares) – basic and diluted	378.109	360.572
(Loss)/earnings per share		
Basic and diluted (loss)/earnings per share (US dollars)	(0.50)	0.05

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2013

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

	Year ended 31 December	
	2013	2012
(Loss)/profit for the year	(169,962)	75,988
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange differences	(70,845)	29,704
Change in fair value of cash flow hedges	(4,541)	2,169
Revaluation of available-for-sale financial assets	(63,010)	(4,531)
Deferred tax on revaluation of available-for-sale financial assets	8,144	952
Items that will not be reclassified subsequently to profit or loss:		
Foreign exchange differences	(2,477)	8,441
Other comprehensive (loss)/income for the year, net of tax	(132,729)	36,735
Total comprehensive (loss)/income for the year	(302,691)	112,723
Attributable to:		
Shareholders of the Company	(319,406)	46,945
Non-controlling interests	16,715	65,778

Consolidated Statement of Financial Position as at 31 December 2013

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

	31 December 2013	31 December 2012
ASSETS		
Current assets		
Cash and cash equivalents	244,042	44,991
Accounts receivable	51,787	85,064
Inventories	489,369	501,027
VAT receivable	82,656	88,516
Short-term financial investments	-	18,502
Income tax receivable	10,854	11,028
Total current assets	878,708	749,128
Non-current assets		
Property, plant and equipment	816,356	861,327
Intangible assets	906,000	1,215,068
Long-term financial investments	16,534	81,313
Investment in joint venture	3,105	4,582
Restricted cash	6,496	5,052
Deferred tax assets	26,466	5,324
Other non-current assets	32,968	12,627
Total non-current assets	1,807,925	2,185,293
TOTAL ASSETS	2,686,633	2,934,421
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	326,678	261,905
Accounts payable	203,143	195,958
Income tax payable	44,196	22,947
Provisions	19,655	21,782
Total current liabilities	593,672	502,592
Non-current liabilities		
Long-term borrowings	641,279	463,594
Provisions	67,608	79,282
Deferred tax liabilities	71,191	181,520
Other non-current liabilities	18,736	16,131
Total non-current liabilities	798,814	740,527
Total liabilities	1,392,486	1,243,119
Equity		

	31 December 2013	31 December 2012
Share capital	1,307,121	1,306,900
Additional paid-in capital	894,352	894,292
Foreign exchange differences	(114,152)	(43,307)
Accumulated losses	(869,489)	(606,710)
Revaluation reserve	(2,759)	55,544
Total equity attributable to shareholders of the Company	1,215,073	1,606,719
Non-controlling interests	79,074	84,583
Total equity	1,294,147	1,691,302
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,686,633	2,934,421

Consolidated Statement of Cash Flows for the Year Ended 31 December 2013

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

	Year ended 31 December	
	2013	2012
Operating activities		
(Loss)/profit for the year	(169,962)	75,988
Adjustments for non-cash movements:		
Finance income	(18,275)	(14,496)
Finance costs	69,414	46,558
Income tax (benefit)/expense	(62,461)	54,423
Depreciation and amortisation	219,497	232,188
Impairment of non-current assets	363,521	47,767
Net loss from joint ventures	1,152	473
Impairment of work-in-progress	22,813	-
Loss on disposal of property, plant and equipment	2,166	1,484
Movements in provisions for receivables and other provisions	(7,095)	11,933
	420,770	456,318
Changes in operating assets and liabilities:		
Accounts receivable	15,126	(7,317)
Inventories	(33,126)	(145,782)
VAT receivable	804	(34,465)
Accounts payable	7,826	(405)
Other changes in operating assets and liabilities, net	(14,343)	3,834
Cash flows from operations	397,057	272,183
Interest paid	(52,165)	(68,774)
Income tax paid	(34,182)	(80,602)
Cash generated from operating activities	310,710	122,807
Investing activities		
Acquisition of property, plant and equipment	(162,334)	(325,475)
Acquisition of exploration and evaluation assets	(85,181)	(130,224)
Additions to financial investments	(5,733)	(14,102)
Proceeds from disposal of property, plant and equipment	158	124
Proceeds from disposal of financial investments	19,133	400
Interest received	3,310	2,481
Cash used in investing activities	(230,647)	(466,796)
Financing activities		

	Year ended 31 December	
	2013	2012
Proceeds from borrowings	579,695	730,918
Repayment of borrowings	(347,893)	(380,939)
Acquisition of non-controlling interest in subsidiary	(24,040)	(177,211)
Finance and equity transaction costs paid	(8,328)	-
Dividends paid	(70,830)	(2,173)
Bank charges paid	(954)	(1,207)
Cash generated from financing activities	127,650	169,388
Net increase/(decrease) in cash and cash equivalents	207,713	(174,601)
Cash and cash equivalents at beginning of the year	44,991	217,133
Effect of exchange rates fluctuations on cash and cash equivalents	(8,662)	2,459
Cash and cash equivalents at end of the year	244,042	44,991

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2013

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

	Attributable to shareholders of the Company						Non-controlling interests	Total
	Share capital	Additional paid-in capital	Foreign exchange differences	Accumulated losses	Revaluation reserve	Total		
Balance at 1 January 2012	1,244,501	862,340	(73,011)	(562,002)	43,635	1,515,463	240,764	1,756,227
Profit for the year	-	-	-	19,360	-	19,360	56,628	75,988
Other comprehensive income for the year, net of tax	-	-	29,704	-	(2,119)	27,585	9,150	36,735
Total comprehensive income for the year						46,945	65,778	112,723
Shares issue	62,399	31,952	-	-	-	94,351	-	94,351
Dividends	-	-	-	-	-	-	(2,173)	(2,173)
Acquisitions of non-controlling interests	-	-	-	(64,068)	14,028	(50,040)	(219,786)	(269,826)
Balance at 31 December 2012	1,306,900	894,292	(43,307)	(606,710)	55,544	1,606,719	84,583	1,691,302
(Loss)/profit for the year	-	-	-	(189,285)	-	(189,285)	19,323	(169,962)
Other comprehensive loss for the year, net of tax	-	-	(70,845)	-	(59,276)	(130,121)	(2,608)	(132,729)
Total comprehensive (loss)/income for the year						(319,406)	16,715	(302,691)
Shares issue	221	60	-	-	-	281	-	281
Dividends	-	-	-	(68,950)	-	(68,950)	(1,889)	(70,839)
Acquisition of non-controlling interests	-	-	-	(4,544)	973	(3,571)	(20,335)	(23,906)
Balance at 31 December 2013	1,307,121	894,352	(114,152)	(869,489)	(2,759)	1,215,073	79,074	1,294,147

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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

1. Operations

Nord Gold N.V. (the “Company”) is a Dutch public limited liability company as defined in the Netherlands Civil Code. The Company’s registered office is Luna ArenA, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, the Netherlands.

As at 31 December 2012 and 2013, the immediate parent company of the Company was Canway Holding B.V. (“the Parent Company”), registered in the Netherlands, and the Company’s ultimate controlling party was Mr. Alexey A. Mordashov.

The principal activity of the Company and its subsidiaries (together referred to as the “Group”) 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 Transbaikalia region of the Russian Federation, Kazakhstan.

A list of the Group’s significant subsidiaries and voting power held by the Group is presented in Note 25.

Economic environment

A significant part of the Group’s operations are based in the Russian Federation and is consequently exposed to the economic and political effects of the policies adopted by the Russian government. Operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets and its impact on the Russian economy has further increased the level of economic uncertainty in the environment.

The Group also conducts business in Kazakhstan, Burkina Faso and Guinea. Each of these countries are subject to significant economic, political and social risks. These risks include matters arising from the policies of the government, economic conditions, the imposition of, or changes to, taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights.

The consolidated financial statements reflect management’s assessment of the impact of the Russian, Kazakhstan, Burkina Faso and Guinean business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

2. Basis for preparation of the consolidated financial statements

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (“IFRSs EU”) and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code. As the financial data of Nord Gold N.V. (the parent company) are included in the consolidated financial statements, the income statement in the company only financial statements is presented in condensed form (in accordance with section 402, Book 2 of the Netherlands Civil Code).

Management is responsible for the preparation of these consolidated financial statements in accordance with IFRSs EU. The responsibility of management includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2012, except that the Group has adopted new and revised standards mandatory for financial annual periods beginning on 1 January 2013 in the European Union as described below.

Amendments to IAS 1 *Presentation of Financial Statements*

The Group has adopted the amendments to IAS 1 *Presentation of Financial Statements* *Presentation of Items of Other Comprehensive Income*. Statement of comprehensive income has been renamed to the statement of profit or loss and other comprehensive income, and the income statement to the statement of profit or loss. The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate consecutive statements. However, the amendments require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss, and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Application of IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

Starting from 1 January 2013, the Group applies IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* for accounting of stripping costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs").

The adoption of this interpretation did not have a significant impact on the Group's consolidated financial statements.

The Group separates two different types of stripping costs that are incurred in surface mining activities during the production phase:

- Stripping activity asset; and
- Current production stripping costs.

Production stripping costs incurred in order to improve access to further quantities of mineral ore that will be mined in future periods should be capitalised as stripping activity asset.

A stripping activity asset should be recognised if, and only if, all of the following are met:

- It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
- The entity can identify the component of the ore body for which access has been improved; and
- The costs relating to the stripping activity associated with that component can be measured reliably.

Production stripping costs which do not meet the criteria for stripping activity asset recognition are accounted for as current production stripping costs in accordance with the principles of *IAS 2 Inventories*. The Group assessed that adoption of IFRIC 20 did not result in the changes to the Group accounting policies in respect of accounting for stripping costs.

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments, financial investments classified as available-for-sale, which are stated at fair value, and certain types of inventories stated at net realisable value.

Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires Group management to make estimates and assumptions that affect the amounts of assets, liabilities and contingent liabilities at the date of the financial statements, and amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The most significant areas where management applied judgment or developed estimates are discussed below.

Useful economic lives of property, plant and equipment and intangible assets

The Group assesses the remaining useful lives of items of property, plant and equipment and intangible assets at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and intangible assets and on depreciation and amortisation expense for the period.

During 2013, the Group revised the useful lives of certain mineral rights which was accounted for as a change in accounting estimate. This change resulted in an increase in amortisation expense of US\$ 61.3 million.

Mineral reserves

The Group assesses its mineral reserves on the basis of approved feasibility and technical reports. Mineral reserves are used in the determination of the fair value of exploration and evaluation assets and mineral rights acquired in business combinations, and in the calculation of future cash flows for assets impairment testing.

Assets impairment

The Group considers both external and internal sources of information in assessing whether there are any indications that its tangible and intangible assets are impaired.

External sources of information considered by the Group include changes in the market economic and legal environment in which the Group operates that are not within its control.

Internal sources of information considered by the Group include the manner in which mining properties, plant and equipment are being used or expected to be used and actual and forecasted expectations of economic performance of such assets.

In determining the recoverable amounts of the Group's tangible and intangible assets, Group management determines the fair value less costs to sell by estimating the discounted future after-tax cash flows expected to be derived from the Group's properties, costs to sell the properties and the appropriate post-tax discount rate.

Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable reserves and resources and/or adverse current economic conditions can result in a write-down of the carrying amounts of the Group's tangible and intangible assets.

In making the assessment for impairment, assets that do not generate independent cash inflows are allocated to an appropriate cash-generating unit. Management applies judgement in allocating assets that do not generate independent cash inflows to cash-generating units, and also in estimating the timing and value of underlying cash flows within the value-in-use calculation. Changes to the cash-generating unit allocations or to the timing of cash flows could impact the carrying value of the respective assets.

Management's judgment is involved in the determination of whether the expenditures which are capitalised as exploration and evaluation assets may be recouped by future exploitation or sale or should be impaired. Determining this, management estimates the possibility of finding recoverable ore reserves related to a particular area of interest. However, these estimates are subject to significant uncertainties. The Group is involved in exploration and evaluation activities, and some of its licensed properties contain gold resources under the definition of internationally recognised mineral resource reporting methodologies. A number of licensed properties have no mineral resource delineation. Many of the factors, assumptions and variables involved in estimating resources are beyond the Group's control and may prove to be incorrect over time. Subsequent changes in gold resources estimates could impact the carrying value of exploration and evaluation assets.

An impairment loss of non-current assets (including exploration and evaluation assets) of US\$ 363.5 million was recognised in 2013 (see Note 17).

Environmental provision

The Group reviews its environmental provision at each reporting date. The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligation at the reporting date based on the requirements of the current legislation of the country where the respective operating assets are located. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Considerable judgment is required in forecasting future site restoration costs. Future events that may affect the amount required to settle an obligation are reflected in the amount of provision when there is sufficient objective evidence that they will occur.

Metallurgical recovery percentage

The Group assesses the metallurgical recovery percentage based on the applicable processing method. This assessment is used for measurement of gold-in-process.

Valuation of inventories

The Group creates an allowance for obsolete and slow-moving raw materials and spare parts. Gold-in-process and ore stockpiles are carried at the lower of cost or net realisable value. Estimates of net realisable value of gold inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the reporting date to the extent that such events confirm conditions existing at the end of the period.

Litigations

The Group exercises judgment in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement,

mediation, arbitration or government regulation, as well as other contingent liabilities. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or liability will arise, and in quantifying the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists or with the support of outside consultants. Revisions to estimates may significantly affect future operating results.

Fair value of derivative financial instruments

The value of the derivative financial instruments depends on interest rates, foreign exchange rates average gold prices and volume production forecasts.

Deferred income taxes

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgments based on the expected performance. Various factors are considered in the assessment of the probability of the future utilisation of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from estimates or if these estimates are adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected.

The operations of the Group performed in Kazakhstan are subject to corporate income tax, consisting of a fixed component and a variable component – excess profit tax. Deferred tax assets and liabilities are measured at each reporting date using average income tax rates expected for the future periods when the asset (liability) is realised (settled), based on planned performance and forecasted gold prices.

Functional and presentation currency

The presentation currency of these consolidated financial statements is the US dollar.

The functional currency of each of the Group's entities is determined separately.

For all Russian entities, the functional currency is the Russian rouble. The functional currency of the Group's entities located in Kazakhstan is the Tenge, the functional currency for Burkina Faso entities is the Communauté Financière Africaine Franc and the functional currency for Guinea is the US Dollar.

The translation into the presentation currency is made as follows:

- All assets and liabilities, both monetary and non-monetary, are translated at the closing exchange rates at the dates of each statement of financial position presented;
- All income and expenses in each statement of profit or loss are translated at the average exchange rates for the periods presented; and
- All resulting exchange differences are recognised as a separate component in other comprehensive income.

Any conversion of amounts into US Dollars should not be interpreted as a representation that such amounts have been, could be, or will be in the future, convertible into US dollars at the exchange rates used, or any other exchange rate.

New accounting pronouncements

A number of new Standards and amendments to Standards were not yet effective in the European Union for the year ended 31 December 2013, and have not been applied in these consolidated financial statements.

Standards and amendments	Effective for annual periods beginning on or after
IAS 27 (Amended) <i>Separate Financial Statements</i>	1 January 2014
IAS 28 (Amended) <i>Investments in Associates</i>	1 January 2014
IAS 32 (Amended) <i>Financial Instruments: Presentation</i>	1 January 2014
IFRS 9 (Amended) <i>Financial Instruments</i>	1 January 2018
IFRS 10 <i>Consolidated Financial Statements</i>	1 January 2014
IFRS 11 <i>Joint Agreements</i>	1 January 2014
IFRS 12 <i>Disclosure of Interest in Other Entities</i>	1 January 2014
Amendments to IFRS 9 and IFRS 7 <i>Mandatory Effective Date of IFRS 9 and Transition Disclosures</i>	1 January 2018
Amendments to IFRS 10, IFRS 12 and IAS 27 <i>Investment Entities</i>	1 January 2014

Management is currently considering the potential impact of the adoption of these Standards and amendments. However, it is not practicable to provide a reasonable estimate of their effect until a detailed review has been completed.

The amended standard IAS 27 *Separate Financial Statements* carries forward the existing accounting and disclosure requirements of IAS 27 for separate financial statements with some clarifications.

The requirements of IAS 28 and IAS 31 for separate financial statements have been incorporated into IAS 27.

The amended standard IAS 28 *Investments in Associates and Joint Ventures* combines the requirements in IAS 28 and IAS 31 that were carried forward but not incorporated into IFRS 11 and IFRS 12.

Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application.

IFRS 9 *Financial Instruments* is to be issued in several phases and is intended to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*.

The first and second phases of IFRS 9 relate to the recognition and measurement of financial assets and liabilities. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.

IFRS 10 *Consolidated Financial Statements* supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12. Consolidation procedures are carried forward from IAS 27. When the adoption of IFRS 10 does not result a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial

application. When the adoption results a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period.

IFRS 11 *Joint Arrangements* supersedes IAS 31 *Interests in Joint Ventures* and introduces a classification of all joint arrangements either as joint operations, which are consolidated on a proportionate basis, or as joint ventures, for which the equity method is applied.

IFRS 12 *Disclosures of interests in other entities* requires extended disclosures for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

3. Summary of significant accounting policies

The following significant accounting policies have been consistently applied to all periods presented in preparing these consolidated financial statements throughout the Group.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing these consolidated financial statements; unrealised losses are also eliminated unless the transaction provides an evidence of impairment of the asset transferred.

Acquisition of additional interest in subsidiaries

No goodwill is recognised where the Group acquires additional interests in subsidiaries. The difference between the share of net assets acquired and the cost of investment is recognised directly in equity.

Interests in joint ventures

A joint venture is a contractual agreement whereby the Group and other parties undertake an economic activity when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in its financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on the accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the equity method of accounting whereby an interest in jointly controlled entities is initially recorded at cost and adjusted thereafter for post-acquisition changes in the Group's share of net assets of the joint venture. The consolidated statement of profit or loss reflects the Group's share of the results of operations of the joint venture.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the joint venture; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill in respect of subsidiaries is disclosed as an intangible asset.

Where goodwill forms part of a cash generating unit and part of the operations within that unit is disposed of, the goodwill associated with that operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of each entity at the foreign exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency of each entity at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency of the entity at the foreign exchange rate ruling at the date of the transaction. Foreign exchange gains and losses arising on the translation are recognised in the consolidated statement of profit or loss.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses or at fair value when acquired as part of a business combination. Cost includes expenditure that is directly attributable to the acquisition of the asset and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. In the case of assets constructed by the Group, related works and direct project overheads are included in cost. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. Repair and maintenance expenses are charged to the statement of profit or loss as incurred. Gains or losses on disposals of property, plant and equipment are recognised in the statement of profit or loss.

Capital expenditures for mine development works (pit opening, construction of capital mine workings and stripping costs) are accounted for as buildings and construction.

Depreciation is provided so as to write off property, plant and equipment over its expected useful life. Depreciation is calculated using the straight-line method. The estimated useful lives of assets are reviewed regularly and revised when necessary.

The principal periods over which assets are depreciated are as follows:

Buildings and constructions

5-50 years

Plant and equipment	5-20 years
Other assets	1-20 years

For assets of acquired entities the periods for depreciation are determined in accordance with the terms above taking into consideration the period of previous usage.

Intangible assets (excluding goodwill)

Recognition and amortisation

Intangible assets acquired by the Group are measured on initial recognition at cost or at fair value when acquired as part of a business combination. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised over the estimated useful lives using the straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Mineral rights

Mineral rights are recorded as intangible assets when acquired as part of a business combination or when reclassified from exploration and evaluation assets.

Mineral rights are amortised on a straight-line basis over their useful life. The useful life is assessed on the basis of terms set up by the mineral licence (contract) and estimated mineral reserves and resources subject to such licence (contract).

Based on current mineral licences (contracts) terms and available estimations of mineral reserves and resources useful lives of the Group's mineral rights vary from 3 to 11 years.

Amortisation of mineral rights is charged to cost of sales for the period.

Exploration and evaluation assets

Recognition and measurement

Exploration and evaluation assets are generated during exploration and evaluation works aimed to search for new mineral deposits at new or existing licence (contract) areas (for extension of the mineral basis) after the Group may obtain the right to extract these new deposits.

An exploration and evaluation asset is no longer treated as such when the technical feasibility and commercial viability of extracting a new mineral deposit are demonstrable and the Group may extract these resources according to the local governmental procedures. The carrying amount of such exploration and evaluation asset is reclassified into mineral rights. An exploration and evaluation asset is assessed for impairment and if any, an impairment loss is recognised before reclassification.

The Group measures exploration and evaluation assets on initial recognition at cost or at fair value when acquired as part of a business combination. Following initial recognition, they are carried at cost less accumulated impairment losses.

The following expenditures comprise the cost of exploration and evaluation assets:

- Obtaining the rights to explore and evaluate mineral reserves and resources including costs directly related to this acquisition;
- Researching and analysing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and/or
- Compiling prefeasibility and feasibility studies.

Administration and other overhead costs are charged to the cost of exploration and evaluation assets only if directly related to an exploration and evaluation project.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The following facts and circumstances, among other, indicate that exploration and evaluation assets must be tested for impairment:

- The exploration licence in the specific area has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of gold resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of gold resources in the specific area have not led to the discovery of commercially viable quantities of gold resources and the decision was made to discontinue such activities in the specific area;
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For the purpose of assessing exploration and evaluation assets for impairment, such assets are allocated to cash-generating units, being exploration licence areas.

Any impairment loss is recognised as an expense in accordance with the policy on impairment of assets set out below.

Impairment of assets

The carrying amount of goodwill is tested for impairment annually. In respect of other tangible and intangible assets at each reporting date the Group assesses whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Calculation of recoverable amount

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and its recoverable amount that is the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For other assets the recoverable amount is the greater of the fair value less cost to sale and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment

An impairment loss in respect of a held-to-maturity investment, loan or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average principle and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition.

Inventories include materials and consumables, work-in-progress and finished goods.

Materials and consumables are valued at cost less allowances for slow-moving and obsolete items.

Work-in-progress consists of ore stockpiles and gold-in-process (including dore alloy).

Ore stockpiles represent mined ore before processing and are measured by the number of tonnes mined.

Gold in ore involved in processing (crushing, milling, leaching and other operations for recovery of gold in the form of Dore alloy) is accounted for as gold-in-process. Gold-in-process is measured on the basis of tonnes and grade of ore removed from stockpiles into the processing and estimated metallurgical recovery percentage based on the expected processing method.

Work-in-progress is valued at production costs incurred at the relevant stage of the production process. Production costs include materials and consumables, labour costs, mining and other services, refining costs, amortisation and depreciation of operating assets, adjustments for deferred stripping costs capitalised, etc.

Production costs incurred during mining development works are charged to the cost of ore as follows:

- For underground mining – in proportion to the quantity of the extracted ore;
- For open-pit mining – on the basis of an average stripping ratio.

The average stripping ratio is calculated as a number of cubic metres of waste material removed per ton of ore mined. It is revised annually on the basis of the technical and production parameters of the open pit. Changes in the average stripping ratio are accounted for prospectively as change in accounting estimates.

Refined gold represents the Group's finished goods, and is valued on the basis of total production cost.

Financial instruments

Non-derivative financial instruments

Financial assets

Financial assets include cash and cash equivalents, investments, and loans and receivables.

Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Financial assets are classified into the following specified categories: 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the carrying value of a financial asset held at amortised cost and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables are reviewed and subsequently assessed for impairment on an individual basis. Objective evidence of impairment for an individual account receivable could include: significant financial difficulty of the issuer or counterparty; or breach of contract, such as default or delinquency in payments; or it becoming probable that the counterparty will enter bankruptcy or financial re-organisation.

AFS financial assets

AFS financial assets are those non-derivative financial assets that are not classified as held-to-maturity or loans and receivables and are stated at fair value. Listed shares that are traded in an active market are stated at their market value. Investments in unlisted shares that do not have a quoted market price in an active market are measured at management's estimate of fair value. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income with the exception of impairment losses, which are recognised directly in the statement of profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the statement of profit or loss for the period.

If after the initial recognition of an AFS financial asset objective evidence indicating a loss event occurs and that loss event has a negative effect on the estimated future cash flows of that asset, the AFS financial asset is impaired.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant (in excess of 20 percent) or prolonged (for the period more than nine months) decline in the fair value below cost is objective evidence of impairment.

Impairment losses are recognised in the statement of profit or loss, computed as the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

Dividends on AFS equity instruments are recognised in the statement of profit or loss when the Group's right to receive the dividends is established.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method, with interest expense recognised in the statement of profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The fair value of derivative financial instruments is classified as a non-current asset or long-term debt if the remaining maturity of the derivative financial instrument is more than 12 months and as a current asset or liability if the remaining maturity of the derivative financial instrument is less than 12 months after the reporting date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised liability (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The ineffective part is recognised immediately in the statement of profit or loss. If a hedging relationship is terminated and the derivative financial instrument is not sold, future changes in its fair value are recognised in the statement of profit or loss.

The effective part of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective part is recognised in the statement of profit or loss within finance income or costs. Amounts accumulated in equity are reclassified to the statement of profit or loss in the same periods the hedged item affects profit or loss. The gain or loss relating to the effective part of derivative financial instruments is recognised in the statement of profit or loss within the line where the result from the hedged transaction is recognised.

When a hedging instrument matures or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged transaction is ultimately recognised in the statement of profit or loss. When a hedged transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred to the statement of profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Income tax

Income tax comprises current and deferred tax and is recognised in the statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax expense is calculated by each entity on a pre-tax profit determined in accordance with the tax law of the country, in which the entity is incorporated, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting and taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which these assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is not recognised in respect of the following:

- Investments in subsidiaries where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future;
- If it arises from the initial recognition of an asset or liability that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss;
- Initial recognition of goodwill.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Environmental provision

The Group has environmental obligations related to restoration of soil and other related works, which are due upon the closures of certain of its production sites.

Provision for each production site is estimated case-by-case based on available information, taking into account applicable local legal requirements. The estimation is made using existing technology, at current prices, and discounted using a real discount rate.

Future costs, discounted to net present value, are recognised in the period, in which the environmental disturbance occurs.

Costs are capitalised if environmental disturbance occurred during the construction of property, plant and equipment or charged to production costs for the period if the environmental disturbance occurred as part of the operating production process.

The unwinding of the environmental provisions is included in the consolidated statement of profit or loss as interest expense.

Share capital

Share capital comprises ordinary shares. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of tax effects.

Revenue

Revenue from the sale of gold is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Other expenses

Lease payments

Payments made under operating leases are recognised in the statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in the statement of profit or loss as incurred.

Finance income and costs

Finance income comprises interest income on funds invested, dividend income, and net foreign currency gains. Interest income is recognised as it accrues in the statement of profit or loss, using the effective interest method. Dividend income is recognised in the statement of profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, net foreign currency losses and impairment losses recognised on financial assets. All borrowing costs are recognised in the statement of profit or loss using the effective interest method except borrowing costs capitalised as part of qualifying assets.

Foreign currency gains and losses are reported on a net basis.

Earnings per share

The Group's basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment may engage in business activities for which it has yet to earn revenues, for example, entities on the exploration and evaluation stage.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker ("CODM"), the Group's Chief Executive Officer ("CEO"). The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

Reclassifications

In prior periods bank charges were presented within general and administrative expenses and in 2013 the Group presented bank charges as a part of finance costs. Comparative information for the year ended 31 December 2012 has been reclassified to achieve consistency in presentation. Management believes that such presentation better reflects the substance of bank charges.

	Before reclassification	After reclassification	Effect
General and administrative expenses	69,474	68,267	(1,207)
Finance costs	45,351	46,558	1,207
	114,825	114,825	-

In prior periods the revaluation of available-for-sale investments acquired on acquisition of subsidiaries was partially presented within accumulated losses and partially in foreign exchange differences. In 2013 management decided to make appropriate reclassifications to correct the presentation. Comparative information as at 1 January and 31 December 2012 has been reclassified accordingly to achieve consistency in presentation. Management believes that such presentation better reflects the substance of accumulated revaluation.

	Before reclassification	After reclassification	Effect
As at 1 January 2012			
Revaluation reserve	30,342	43,635	13,293
Foreign exchange differences	(71,367)	(73,011)	(1,644)
Accumulated losses	(550,353)	(562,002)	(11,649)
	(591,378)	(591,378)	-
As at 31 December 2012			
Revaluation reserve	27,068	55,544	28,476
Foreign exchange differences	(40,508)	(43,307)	(2,799)
Accumulated losses	(581,033)	(606,710)	(25,677)
	(594,473)	(594,473)	-

4. Segment reporting

The Group has nine reportable segments, as described below, representing the Group's strategic business units. Each strategic business unit is managed separately with relevant results regularly reviewed by the Group's CEO. The following summary describes the operations of each reportable segment (list of the subsidiaries within each reportable segment is presented in Note 25):

- *Neryungri and Aprelkovo*. The segment includes gold mining activities in the Republic of Yakutia and the Chitinskaya region of the Russian Federation, including open-pit operating mines with the heap-leaching technology for gold processing Tabornoye and Pogromnoye and Gross gold exploration project.
- *Suzdal and Balazhal*. Includes the Suzdal underground gold mine located in Kazakhstan with the flotation, bio-oxidation and carbon-in-leach ("CIL") technology for gold processing and the Balazhal gold deposit in Kazakhstan.
- *Buryatzoloto*. Includes two underground gold mines located in the Republic of Buryatia of the Russian Federation: Zun-Holba with the gravity, flotation and carbon-in-pulp ("CIP") technology for gold processing and Irokinda with gravity and flotation technology for gold processing.
- *Berezitovy*. An open-pit gold mine located in the Amur region of the Russian Federation with the CIP technology for gold processing.
- *Taparko*. An open-pit gold mine located in Burkina Faso, West Africa with the CIL technology for gold processing.
- *Lefa*. Includes the Lefa open-pit gold mine located in Guinea, West Africa with the CIP technology for gold processing.
- *Bissa*. An open-pit gold mine located in Burkina Faso, West Africa with the CIL technology for gold processing.
- *Burkina Faso Greenfields*. Includes a number of gold deposits at exploration and evaluation stage located in Burkina Faso, West Africa.
- *Russian Greenfields*. Includes a number of gold deposits at exploration and evaluation stage located in the Russian Federation.

The accounting policies of the reportable segments are the same as described in Note 3.

Operations of the holding company and subsidiaries involved in non-core activities are disclosed as "Other companies", none of which meet the criteria for separate reporting.

The Group's CEO uses normalised EBITDA in assessing each segment's performance and allocating resources. Normalised EBITDA represents (loss)/profit for the year adjusted to exclude income tax (expense)/benefit, finance income, finance costs, depreciation and amortisation, impairment of non-current assets, net loss on disposal of property, plant and equipment, impairment of work-in progress, stripping cost write-off due to change in assumptions, and other (expenses)/income, net.

Business segment assets and liabilities are not reviewed by the CODM and therefore are not disclosed in these consolidated financial statements.

Segment financial performance

The following is an analysis of the Group's sales, normalised EBITDA and capital expenditures by segment:

	Year ended 31 December	
	2013	2012
Sales		
Neryungri and Aprelkovo	133,094	171,262

Suzdal and Balazhal	110,088	152,637
Buryatzoloto	135,998	181,343
Berezitovy	164,742	193,582
Taparko	151,855	211,993
Lefa	225,684	287,052
Bissa	349,792	-
Burkina Faso Greenfields	-	-
Russian Greenfields	-	-
Total	1,271,253	1,197,869

Year ended 31 December

	2013	2012
Normalised EBITDA by segment		
Neryungri and Aprelkovo	39,083	76,506
Suzdal and Balazhal	46,636	54,401
Buryatzoloto	27,698	80,702
Berezitovy	63,913	114,368
Taparko	55,096	124,131
Lefa	(4,575)	75,840
Bissa	227,451	-
Burkina Faso Greenfields	-	-
Russian Greenfields	(319)	(253)
Total normalised EBITDA for reportable segments	454,983	525,695
Normalised EBITDA for other companies	(34,358)	(31,143)
Total	420,625	494,552

Year ended 31 December

	2013	2012
Segment capital expenditures		
Neryungri and Aprelkovo	53,883	77,764
Suzdal and Balazhal	14,180	14,325
Buryatzoloto	34,487	32,368
Berezitovy	7,980	13,011
Taparko	37,438	27,648
Lefa	26,422	51,828
Bissa	31,465	-
Burkina Faso Greenfields	13,772	238,748
Russian Greenfields	18,133	18,676
Total capital expenditures for reportable segments	237,760	474,368

Other companies and IFRS adjustments	6,241	-
Total	244,001	474,368

The reconciliation of (loss)/profit for the year to normalised EBITDA:

	Year ended 31 December	
	2013	2012
(Loss)/profit for the year	(169,962)	75,988
Income tax (benefit)/expense	(62,461)	54,423
Finance income	(18,275)	(14,496)
Finance costs	69,414	46,558
Depreciation and amortisation	219,497	232,188
Impairment of non-current assets	363,521	47,767
Net loss on disposal of property, plant and equipment	2,166	1,484
Impairment of work-in-progress	22,813	-
Stripping cost write-off due to change in assumptions	-	42,189
Other (income)/expenses	(6,088)	8,451
Normalised EBITDA for the year	420,625	494,552

Geographical information

The following is a summary of property, plant and equipment and intangible assets:

	31 December	
	2013	2012
Russian Federation	612,360	651,365
Burkina-Faso	557,184	543,194
Guinea	453,412	691,611
Kazakhstan	99,352	190,195
Other	48	30
Total	1,722,356	2,076,395

The following is a summary of the Group's sales:

	Year ended 31 December	
	2013	2012
Burkina Faso	501,647	211,993
Russia	433,834	546,187
Guinea	225,684	287,052
Kazakhstan	110,088	152,637
Total	1,271,253	1,197,869

5. Sales

	Year ended 31 December	
	2013	2012
By product		
Gold	1,264,217	1,189,509
Silver	7,036	8,360
Total	1,271,253	1,197,869

	Year ended 31 December	
	2013	2012
By customer		
Switzerland: Metalor Technologies S.A.	611,736	340,910
Switzerland: MKS Finance S.A.	225,684	287,052
Russia: NOMOS bank	179,521	241,255
Russia: VTB	164,742	193,582
Russia: Sberbank	89,570	111,350
Switzerland: Standard Bank	-	23,720
Total	1,271,253	1,197,869

6. General and administrative expenses

	Year ended 31 December	
	2013	2012
Wages and salaries	34,399	27,816
Professional services	21,639	26,333
Social security costs	4,291	4,414
Materials and consumables	1,413	1,307
Other	5,199	8,397
Total	66,941	68,267

7. Staff costs

	Year ended 31 December	
	2013	2012
Wages and salaries	212,445	195,219
Social security costs	36,356	27,994
	248,801	223,213
Less capitalised amounts:		

Wages and salaries	(10,261)	(19,987)
Social security costs	(1,544)	(416)
Total	236,996	202,810

For the year ended 31 December 2013 key management's remuneration amounted to US\$ 9.4 million (2012: US\$ 7.2 million) representing short-term employee benefits.

8. Finance income and costs

	Year ended 31 December	
	2013	2012
Interest income	2,567	3,718
Foreign exchange gain	15,708	10,778
Finance income	18,275	14,496
Interest expense	56,332	37,422
Other borrowing costs	3,239	-
Other	9,843	9,136
Finance costs	69,414	46,558

In 2013 other finance costs include US\$ 6.7 million of royalties related to Bissa operations. In 2012 other finance costs mainly comprised costs related to acquisition of non-controlling interests in the High River Gold Mines Ltd.

9. Income tax

	Year ended 31 December	
	2013	2012
Current tax charge	(53,197)	(66,906)
Adjustment in respect of prior years	(3,912)	(11,026)
Deferred tax benefit	119,570	23,509
Income tax benefit/(expense)	62,461	(54,423)

The Group's production operations are taxable at 20% in the Russian Federation and Kazakhstan, 17.5% in Burkina-Faso and 30% in Guinea.

The income tax recorded in the consolidated financial statements differs from the theoretical amount that would arise by applying the weighted average tax rate to profit before tax and is reconciled as follows:

	31 December			
	2013		2012	
(Loss)/profit before income tax benefit/(expense)	(232,423)		130,411	
Tax charge at rates applicable to the profits in the respective countries	64,549	28%	(31,428)	24%

Adjustments in respect of prior years	(3,912)	(2%)	(11,026)	9%
Tax effect of permanent differences	(6,502)	(3%)	(8,424)	6%
Effect of intragroup dividend received	22,814	10%	-	0%
Changes in unrecognised deferred tax assets	(18,241)	(8%)	(7,371)	6%
Effect of changes in tax rate	3,753	2%	3,826	(3%)
Income tax benefit/(expense)	62,461	27%	(54,423)	42%

The weighted average applicable tax rate was 27% (2012: 42%). The following factors affected the decrease of the effective tax rate in 2013:

- Increase of Bissa profit share in 2013. Bissa profit is taxable at 17.5% which is lower than the average tax rate for the Group;
- Effect of changes in unrecognised deferred tax assets on tax losses carried forward related to certain Group entities;
- Increase of Nord Gold N.V. loss share in 2013. Nord Gold N.V. loss is not deductible for tax purposes;
- Decrease of adjustments in respect of prior years.

Certain deferred tax assets and liabilities were offset in accordance with the Group's accounting policies.

The movement in the net deferred tax liabilities was as follows:

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Reclassifications	Foreign exchange difference	Closing balance
2013						
Deferred tax assets/(liabilities) related to:						
Property, plant and equipment	23,292	(1,672)	-	-	445	22,065
Intangible assets	(200,796)	83,188	-	-	4	(117,604)
Inventories	(20,813)	(1,821)	-	-	1,694	(20,940)
Accounts receivable	(3)	(3)	-	-	22	16
Financial investments	234	-	8,144	-	(533)	7,845
Accounts payable	5,584	-	-	-	-	5,584
Provisions	12,325	526	-	-	(800)	12,051
Other	(1,710)	76	-	2,820	526	1,712
Tax-loss carry forwards	5,691	39,276	-	-	(421)	44,546

Total	(176,196)	119,570	8,144	2,820	937	(44,725)
	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Reclassifications	Foreign exchange difference	Closing balance
2012						
Deferred tax assets/(liabilities) related to:						
Property, plant and equipment	35,034	(11,434)	-	-	(308)	23,292
Intangible assets	(231,494)	33,236	-	-	(2,538)	(200,796)
Inventories	(17,083)	(2,818)	-	-	(912)	(20,813)
Accounts receivable	8	9	-	-	(20)	(3)
Financial investments	(1,005)	117	952	-	170	234
Lease liability and debt finance	354	-	-	-	(354)	-
Accounts payable	5,584	-	-	-	-	5,584
Provisions	10,279	1,375	-	-	671	12,325
Other	(3,341)	1,138	-	-	493	(1,710)
Tax-loss carry forwards	3,339	1,886	-	-	466	5 691
Total	(198,325)	23,509	952	-	(2,332)	(176,196)

Taxable differences related to investments in subsidiaries where the Group is able to control the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future, amounted to US\$ 130 million at 31 December 2013 (31 December 2012: US\$ 401 million).

The Group has not recognised deferred tax assets on tax losses carried forward related to certain Group entities where management assesses that it is not probable that these entities will have sufficient taxable profits against which deferred tax assets can be utilised.

The cumulative amounts of unrecognised tax losses with related expiry dates were the following (stated in millions of US dollars):

	31 December	
	2013	2012
Within one year	-	2.1
Between one and five years	6.3	4.9
Between five and ten years	136.7	78.2

Between ten and twenty years	13.5	13.5
No expiry date	41.3	54.0
Total	197.8	152.7

10. Related party transactions and balances

Transactions with entities under common control were the following:

	Year ended 31 December	
	2013	2012
Purchases:		
Operating expenses	10,631	5,702
Capital expenditures	3,952	13
Interest expense	49	5,655

In 2012 the Group repaid its outstanding debt financing to the Severstal Group of US\$ 358.4 million.

There were no transactions or balances with the joint venture Prognoz Serebro LLC or with the Parent Company during the years ended 31 December 2013 and 2012.

As at 31 December 2013, balances with entities under common control included accounts payable in the amount US\$ 5.3 million (31 December 2012: US\$ 1.3 million).

All outstanding balances with related parties are to be settled in cash.

11. Cash and cash equivalents

	31 December	
	2013	2012
Cash at bank	186,756	37,294
Short-term bank deposits	57,116	7,606
Petty cash	170	91
Total	244,042	44,991
Restricted cash in Non-current assets	6,496	5,052

The Group's exposure to risks associated with cash and cash equivalents is disclosed in Note 26.

12. Accounts receivable

	31 December	
	2013	2012
Accounts receivable – gross		
Advances paid and prepayments	47,115	59,288
Trade accounts receivable	643	16,664
Taxes receivable other than income tax	519	675

Other receivables	9,867	11,867
Accounts receivable – allowance for doubtful debts		
Advances paid and prepayments	(4,457)	(1,306)
Trade accounts receivable	(619)	(631)
Other receivables	(1,281)	(1,493)
Total accounts receivable	51,787	85,064

The Group's exposure to risks arising from accounts receivable and policies on creating an allowance for doubtful debts are disclosed in Note 26.

13. Inventories

	31 December	
	2013	2012
Materials and consumables	292,452	256,122
Work-in-progress	196,282	244,538
Finished goods	635	367
Total	489,369	501,027

The cost of inventories included in cost of sales during 2013 amounted to US\$ 402.2 million (2012: US\$ 338.1 million).

As at 31 December 2013, the inventories were presented net of an obsolescence and net realisable value provision of US\$ 58.8 million (31 December 2012: US\$ 38.3 million).

14. Long-term financial investments

The Group's long-term financial investments include available-for-sale investments in listed equity securities. As at 31 December 2013, the Group's Canadian subsidiary held a 2.6% equity interest in Detour Gold Corporation, valued at US\$ 11.9 million (31 December 2012: 2.6% valued at US\$ 77.3 million). Other individually immaterial investments of US\$ 4.6 million (31 December 2012: US\$ 4.0 million) were represented by a number of holdings in gold exploration and mining companies.

15. Property, plant and equipment

	Land, buildings and constructions	Plant and equipment	Other assets	Construction in progress	Total
Cost					
Balance at 1 January 2012	254,067	352,442	14,816	204,682	826,007
Reclassifications to intangible assets	-	-	(553)	-	(553)
Additions	-	-	-	353,764	353,764
Change in	3,748	-	-	6,462	10,210

environmental provisions					
Transfers	42,720	194,943	1,167	(238,830)	-
Disposals	(343)	(2,293)	(168)	(934)	(3,738)
Foreign exchange differences	10,085	12,324	284	11,528	34,221
Balance at 31 December 2012	310,277	557,416	15,546	336,672	1,219,911
Reclassifications to intangible assets and inventories	-	(3,003)	(10,933)	552	(13,384)
Additions	2,529	6,692	81	149,332	158,634
Change in environmental provisions	(5,940)	-	-	(1,584)	(7,524)
Transfers	280,702	58,265	9,200	(348,167)	-
Disposals	(2,270)	(11,520)	(428)	(321)	(14,539)
Foreign exchange differences	(6,321)	(7,089)	(120)	(1,402)	(14,932)
Balance at 31 December 2013	578,977	600,761	13,346	135,082	1,328,166
Depreciation and impairment					
Balance at 1 January 2012	(92,770)	(138,909)	(7,779)	(11,718)	(251,176)
Depreciation for the year	(42,779)	(56,665)	(2,622)	-	(102,066)
Disposals	313	1,686	131	-	2,130
Reversal of impairment (Note 17)	(56)	-	-	1,945	1,889
Foreign exchange differences	(4,506)	(4,736)	(142)	23	(9,361)
Balance at 31 December 2012	(139,798)	(198,624)	(10,412)	(9,750)	(358,584)
Reclassifications to intangible assets	60	(879)	1,606	819	1,606
Depreciation for the year	(70,418)	(85,797)	(3,601)	-	(159,816)
Disposals	918	10,879	418	-	12,215
Impairment (Note 17)	(7,654)	(10,467)	(169)	(633)	(18,923)
Foreign exchange differences	4,066	7,525	70	31	11,692
Balance at 31 December 2013	(212,826)	(277,363)	(12,088)	(9,533)	(511,810)
Net book value					

Balance at 1 January 2012	161,297	213,533	7,037	192,964	574,831
Balance at 31 December 2012	170,479	358,792	5,134	326,922	861,327
Balance at 31 December 2013	366,151	323,398	1,258	125,549	816,356

16. Intangible assets

	Goodwill	Mineral rights	Exploration and evaluation assets	Other intangible assets	Total
Cost					
Balance at 1 January 2012	35,190	996,074	431,576	2,579	1,465,419
Reclassifications from property, plant and equipment	-	-	-	553	553
Additions	-	-	120,317	287	120,604
Transfers	-	20,972	(20,972)	-	-
Foreign exchange differences	(587)	6,724	24,624	38	30,799
Balance at 31 December 2012	34,603	1,023,770	555,545	3,457	1,617,375
Reclassifications from property, plant and equipment	-	-	-	2,040	2,040
Additions	-	-	81,362	4,005	85,367
Transfers	-	17,260	(17,260)	-	-
Foreign exchange differences	(696)	(5,239)	(25,760)	(109)	(31,804)
Balance at 31 December 2013	33,907	1,035,791	593,887	9,393	1,672,978
Amortisation and impairment					
Balance at 1 January 2012	-	(216,896)	(4,363)	(1,340)	(222,599)
Amortisation for the year	-	(130,850)	-	(799)	(131,649)
Impairment (Note 17)	(34,676)	-	(10,838)	-	(45,514)
Foreign exchange differences	73	(2,404)	(155)	(59)	(2,545)
Balance at 31 December 2012	(34,603)	(350,150)	(15,356)	(2,198)	(402,307)
Reclassifications from property, plant and	-	-	-	(1,606)	(1,606)

equipment					
Amortisation for the year	-	(59,062)	-	(546)	(59,608)
Impairment (Note 17)	-	(265,053)	(44,035)	(104)	(309,192)
Foreign exchange differences	696	4,112	876	51	5,735
Balance at 31 December 2013	(33,907)	(670,153)	(58,515)	(4,403)	(766,978)
Net book value					
Balance at 1 January 2012	35,190	779,178	427,213	1,239	1,242,820
Balance at 31 December 2012	-	673,620	540,189	1,259	1,215,068
Balance at 31 December 2013	-	365,638	535,372	4,990	906,000

The movements in mineral rights by segments were as follows:

	Mineral rights							
	Neryung ri and Aprelko vo	Buryatz oloto	Berezitov y	Suzdal and Balazhal	Taparko	Bissa	Lefa	Total
Cost								
Balance at 1 January 2012	58,556	9,699	6,649	147,900	82,173	29,951	661,146	996,074
Transfers	-	20,516	-	456	-	-	-	20,972
Foreign exchange differences	3,508	481	399	(2,305)	3,482	1,159	-	6,724
Balance at 31 December 2012	62,064	30,696	7,048	146,051	85,655	31,110	661,146	1,023,770
Transfers	-	-	-	-	-	-	17,260	17,260
Foreign exchange differences	(4,471)	(2,210)	(507)	(2,727)	3,542	1,134	-	(5,239)
Balance at 31 December 2013	57,593	28,486	6,541	143,324	89,197	32,244	678,406	1,035,791
Amortisation								
Balance at 1 January 2012	(18,530)	(3,024)	(2,366)	(61,212)	(20,632)	-	(111,132)	(216,896)
Amortisation for the year	(8,048)	(7,233)	(795)	(21,020)	(15,308)	-	(78,446)	(130,850)
Foreign exchange differences	(1,423)	(388)	(160)	1,170	(1,603)	-	-	(2,404)
Balance at 31 December 2012	(28,001)	(10,645)	(3,321)	(81,062)	(37,543)	-	(189,578)	(350,150)
Amortisation for the year	(3,621)	(6,623)	(714)	(5,021)	(9,346)	(3,894)	(29,843)	(59,062)

Impairment (Note 17)	(18,906)	-	-	(47,009)	-	-	(199,138)	(265,053)
Foreign exchange differences	2,493	1,052	262	2,347	(1,903)	(139)	-	4,112
Balance at 31 December 2013	(48,035)	(16,216)	(3,773)	(130,745)	(48,792)	(4,033)	(418,559)	(670,153)
Net book value								
At 1 January 2012	40,026	6,675	4,283	86,688	61,541	29,951	550,014	779,178
At 31 December 2012	34,063	20,051	3,727	64,989	48,112	31,110	471,568	673,620
At 31 December 2013	9,558	12,270	2,768	12,579	40,405	28,211	259,847	365,638

The movements in exploration and evaluation assets by segments were as follows:

Exploration and evaluation assets

	Neryungri and Aprelkovo	Buryat-zoloto	Berezi-tovy	Suzdal and Balazhal	Taparko	Bissa	Lefa	Russian green-fields	Burkina-Faso greenfields	Total
Net book value at 1 January 2012	240,936	29,456	4,903	37,256	4,739	4,104	27,227	33,145	45,447	427,213
Additions	23,504	16,748	3,566	2,542	7,340	7,256	17,244	18,056	24,061	120,317
Transfers to mineral rights	-	(20,516)	-	(456)	-	-	-	-	-	(20,972)
Impairment (Note 17)	-	(2,094)	-	(6,780)	-	-	-	(1,964)	(4)	(10,842)
Foreign exchange differences	15,228	2,413	441	(573)	562	481	-	3,264	2,657	24,473
Net book value at 31 December 2012	279,668	26,007	8,910	31,989	12,641	11,841	44,471	52,501	72,161	540,189
Additions	18,772	14,579	2,513	1,680	3,435	2,279	9,443	14,638	14,023	81,362
Transfers to mineral rights	-	-	-	-	-	-	(17,260)	-	-	(17,260)
Impairment (Note 17)	(10,310)	-	-	(30,746)	-	-	(327)	-	(2,652)	(44,035)
Foreign exchange	(21,014)	(2,198)	(659)	(464)	660	560	-	(4,019)	2,250	(24,884)

differences

Net book value

at 31 December 2013 **267,116** **38,388** **10,764** **2,459** **16,736** **14,680** **36,327** **63,120** **85,782** **535,372**

17. Impairment

The Group assesses the carrying value of its tangible and intangible assets when events or changes in circumstances suggest that indicators of impairment exist. Consideration was given to a range of indicators including the decline in the gold price that occurred during the reporting year and the carrying value of the net assets of the Group which exceeded its market capitalisation. The review resulted in the recognition of impairment losses in the following cash generating units:

	Year ended 31 December	
	2013	2012
Intangible assets		
Lefa	199,464	-
Suzdal	50,444	34,676
Aprelkovo	29,321	-
Zherek & Balazhal	27,310	6,780
African greenfields	2,653	-
Buryatzoloto	-	2,094
North Gold Mining Company	-	1,964
	309,192	45,514
Property, plant and equipment		
Aprelkovo	17,593	-
Suzdal & Balazhal	1,386	(1,945)
Berezitovy	(56)	56
	18,923	(1,889)
Long-term work-in-progress		
Aprelkovo	23,742	-
Taparko	11,240	-
Suzdal & Balazhal	424	4,142
	35,406	4,142
Total impairment of non-current assets recognised in other operating expenses	363,521	47,767
Work-in-progress		
Lefa	19,460	-
Suzdal & Balazhal	2,443	-
Buryatzoloto	484	-
Berezitovy	252	-

Taparko	174	-
Work-in-progress impairment recognised in cost of sales	22,813	-

Key assumptions used by the Group management in determining the value in use of its intangible assets and property, plant and equipment were as follows:

- A long-term gold price of US\$ 1 345/oz (2012: US\$ 1 387/oz), based on the analysts' consensus data;
- Approved mine plans and the Group's strategy;
- After-tax discount rates ranging from 8.5% to 14.7%, based on the Group's weighted average cost of capital and risk factors.

Net realisable value of inventories was based on the forecast gold price over the expected sale period.

Sensitivity analysis

Management performed an analysis as to whether a reasonably possible adverse change to any of the key assumptions would lead to an additional impairment loss.

The following scenarios were considered as reasonably possible and were used for this sensitivity analysis:

1. Gold prices over the life of mine of US\$ 1 300 per ounce;
2. Gold prices over the life of mine of US\$ 1 250 per ounce;
3. Gold prices over the life of mine of US\$ 1 200 per ounce;
4. 10% functional currency strengthening;
5. 1% increase in discount rate applied.

The above scenarios would cause the following aggregate effects compared to the recognised impairment:

1. Additional loss of US\$ 49 million;
2. Additional loss of US\$ 128 million;
3. Additional loss of US\$ 235 million;
4. Additional loss of US\$ 17 million;
5. Additional loss of US\$ 30 million.

Each of the sensitivities above has been determined by assuming that the relevant assumptions move in isolation.

18. Investment in joint venture

As at 31 December 2013, the Group had a 50% investment (31 December 2012: 49%) in LLC Prognoz-Serebro joint venture, an entity engaged in silver exploration activities.

The following is the summarised financial information of LLC Prognoz Serebro:

	31 December	
	2013	2012
Current assets	1,718	4,306
Non-current assets	36,043	32,090

Current liabilities	31,171	16,764
Non-current liabilities	380	10,468
Net assets	6,210	9,164
Group's share of net assets	3,105	4,582

In 2013, the Group recognised a loss from investment in the joint venture of US\$ 1.2 million (2012: US\$ 0.5 million). The loss was accounted for within other operating expenses, net.

19. Other non-current assets

	31 December	
	2013	2012
Non-current portion of work-in-progress	28,513	11,274
Long-term VAT receivable	3,135	-
Long-term receivables	369	378
Other	951	975
Total	32,968	12,627

As at 31 December 2013, the non-current work-in-progress is shown net of US\$ 39.5 million write-down to net realisable value (31 December 2012: US\$ 4.1 million).

20. Borrowings

Short-term borrowings include the following:

	31 December	
	2013	2012
Bank loans	301,015	261,855
Derivative financial instruments	20,749	-
Accrued interest	5,602	1,145
Bank overdrafts	-	258
Unamortised balance of transaction costs	(688)	(1,353)
Total	326,678	261,905

As at 31 December 2013, bank loans were represented by the current portion of loan facilities from Sberbank (see below).

As at 31 December 2012, bank loans comprised the current portion of a loan facility from Sberbank in the amount of US\$ 60.4 million (see below) and a bridge facility coordinated by Societe Generale, Natixis and Sberbank ("Bridge facility") in the amount of US\$ 201.5 million. The Bridge facility was repaid in full in May 2013.

As at 31 December 2013, derivative financial instruments were represented by the cross-currency swaps held by the Group for hedging of currency and interest rate risks attributable to the loan agreements with Sberbank.

Long-term borrowings include the following:

	31 December	
	2013	2012
Notes and bonds issued	500,000	-
Bank loans	132,591	466,431
Derivative financial instruments	13,954	(919)
Unamortised balance of transaction costs	(5,266)	(1,918)
Total	641,279	463,594

Bank loans

In March 2012, the Company received a US\$ 375 million loan facility from Sberbank denominated in Russian roubles maturing in March 2015 with a grace period of 21 months and quarterly repayments thereafter. The loan bears interest at a variable rate of 3-month Mosprime + 3.8% per annum payable on quarterly basis. As at 31 December 2013, the current portion of the loan facility in the amount of US\$ 224.4 million was included into the short-term debt financing (2012: US\$ 60.4 million).

In July 2012, the Company received a US\$ 152 million loan facility from Sberbank denominated in Russian roubles maturing in July 2015 with a grace period of 21 months and quarterly repayments thereafter. The loan bears interest at a variable rate of 3-month Mosprime + 3.3% per annum payable on quarterly basis. As at 31 December 2013, the current portion of the loan facility in the amount of US\$ 76.6 million was included into the short-term debt financing.

Notes issued

In May 2013, the Company issued US\$ 500 million unsecured notes with the proceeds used to refinance the Bridge facility. The notes are denominated in US Dollars, mature in May 2018, and bear interest of 6.375% per annum payable semi-annually in May and November, commencing November 2013. The notes are unconditionally and irrevocably guaranteed by certain Group's subsidiaries.

As at 31 December 2013, bank loans included a long-term portion of loan from Sberbank.

As at 31 December 2013, loan facilities from Sberbank were secured by 50.0% +1 share of the Group's ownership in High River Gold Mines Ltd (31 December 2012: 51.07%+1 share). The carrying value of the pledged entities' net assets amounted to US\$ 1 149 million (31 December 2012: US\$ 1 026 million).

As at 31 December 2013 and 2012, derivative financial instruments represented cross-currency swaps held by the Group for hedging of currency and interest rate risks attributable to the loan agreements with Sberbank, recorded at fair value.

The fair value of debt instruments approximated their carrying value at 31 December 2013, except for the fair value of notes which had a market value of US\$ 474.7 million.

The Group's debt was nominated in the following currencies:

	31 December	
	2013	2012
Russian Rubles (RUB)	468,261	525,759
US Dollars (USD)	499,696	199,483
Other currencies	-	257
Total	967,957	725,499

Interest rates for the debt financing were the following:

	31 December	
	2013	2012
Notes and bonds issued:		
Nord Gold N.V. – USD bonds	6.375%	n/a
Bank and other credit organisations financing:		
Nord Gold N.V. – credit agreement with Sberbank of Russia (RUB)	3-months Mosprime + 3.8%	3-months Mosprime + 3.8%
Nord Gold N.V. – credit agreement with Sberbank of Russia (RUB)	3-months Mosprime + 3.3%	3-months Mosprime + 3.3%

21. Accounts payable

	31 December	
	2013	2012
Trade accounts payable	114,159	115,159
Amounts payable to employees	32,826	28,547
Other taxes payable	22,126	23,130
Accrued expenses	3,801	10,045
Dividends payable	1,112	-
Advances received	553	51
Other payables	28,566	19,026
Total	203,143	195,958

The Group's exposure to risks arising from trade and other payables is disclosed in Note 26.

22. Provisions

	Legal and tax claims	Environmental provision	Other	Total
Balance at 1 January 2012	22,749	61,283	1,789	85,821
Additions	6,845	17,682	-	24,527
Change in assumptions	(967)	(5,491)	6	(6,452)
Unwinding of discount and change in discount rate	-	3,467	-	3,467
Provisions used	(9,000)	-	-	(9,000)
Foreign exchange differences	360	2,341	-	2,701
Balance at 31 December 2012	19,987	79,282	1,795	101,064
Additions	4,200	5,109	-	9,309
Change in assumptions	(1,808)	(13,747)	102	(15,453)
Unwinding of discount and change in discount rate	-	12	-	12
Provisions used	(4,781)	-	-	(4,781)

Foreign exchange differences	160	(3,048)	-	(2,888)
Balance at 31 December 2013	17,758	67,608	1,897	87,263

The current and non-current portions of provisions were as follows:

	Legal and tax claims	Environmental provision	Other	Total
Current	19,987	-	1,795	21,782
Non-current	-	79,282	-	79,282
Balance at 31 December 2012	19,987	79,282	1,795	101,064
Current	17,758	-	1,897	19,655
Non-current	-	67,608	-	67,608
Balance at 31 December 2013	17,758	67,608	1,897	87,263

The Group has environmental liabilities related to the restoration of soil and other related works, which are due upon the closures of mines and production facilities. These costs are expected to be incurred between 2015–2027. The present value of expected cash outflows were estimated using existing technology and discounted using the following real discount rate:

	Year ended 31 December	
	2013	2012
Russia	2.14-3.47%	(0.20)-1.20%
Kazakhstan	(0.61)-0.19%	1.03-1.08%
Burkina-Faso	(0.5)-1%	(1.58)-(2.82)%
Guinea	0.6%	(0.76)%

23. Capital and reserves

Share capital

At 31 December 2013 and 2012, the authorised share capital amounted to 4 484 927 250 Euros and consisted of 1 793 970 900 ordinary shares with a nominal value of 2.50 Euro each. The issued and fully paid share capital comprised of 378 121 955 ordinary shares amounting to US\$ 1 307 121 thousand at 31 December 2013 (2012: US\$ 1 306 900 thousand).

In March 2013, the Company issued 68 996 ordinary shares with par value of 2.5 Euro for the purpose of funding the acquisition of the remaining outstanding shares of High River Gold Mines Ltd.

The holders of ordinary shares are entitled to receive dividends as declared at General meetings and are entitled to one vote per share at meetings of the Company.

Additional capital

Additional capital consists of the excess of consideration received over the par value of shares and GDRs issued by the Company, and the effects of transactions under common control in course of the Group formation.

During the year ended 31 December 2012, additional capital was increased by US\$ 32.0 million related to the issuance of GDRs by the Company in exchange for outstanding shares in High River Gold Mines Ltd.

Foreign currency exchange

Foreign exchange differences represent the currency translation reserve in equity.

Revaluation reserve

The revaluation reserve comprise the cumulative net change in the fair value of available-for-sale investments and cash-flow hedge instruments, net of the related tax effects.

24. (Loss)/earnings per share

Basic loss per share in 2013 was based on the loss attributable to shareholders of the Company of US\$ 189.3 million (2012: profit of US\$ 19.4 million) and a weighted average number of ordinary shares outstanding of 378.1 million (31 December 2012: 360.6 million), calculated as per below (in million of shares):

	Issued shares	Shares with effect of share split and reverse share split	Weighted average number of shares
1 January 2012	358.794	358.794	358.794
Shares issued in November 2012	18.892	18.892	1.755
Shares issued in December 2012	0.367	0.367	0.023
31 December 2012		-	360.572
1 January 2013	378.053	-	378.053
Shares issued in March 2013	0.069		0.056
31 December 2013			378.109

25. Subsidiaries

The following is a list of the Group's significant subsidiaries and the effective ownership holdings therein:

Subsidiaries	31 December 2013	31 December 2012	Location	Activity
Neryungri and Aprelkovo segment				
OOO Neryungri-Metallik	100.0%	100.0%	Russia	Gold mining
ZAO Mine Aprelkovo	100.0%	100.0%	Russia	Gold mining
Suzdal and Balazhal segment				
Celtic Resources Holdings Ltd	100.0%	100.0%	Ireland	Holding company
Celtic Resources (Central Asia)	100.0%	100.0%	United Kingdom	Holding company
JSC FIC Alel	100.0%	100.0%	Kazakhstan	Gold mining
Zherek LLP	100.0%	100.0%	Kazakhstan	Gold mining
Opeloak Ltd	100.0%	100.0%	United Kingdom	Gold sales

Semgeo LLP	100.0%	100.0%	Kazakhstan	Gold exploration
Buraytzoloto segment				
OJSC Buryatzoloto (*)	84.9%	83.2%	Russia	Gold mining
Berezitovy segment				
LLC Berezitovy Rudnik	99.9%	97.8%	Russia	Gold mining
Taparko segment				
Societe Des Mines de Taparko (*)	90.0%	88.1%	Burkina Faso	Gold mining
Lefa segment				
Crew Gold Corporation	100.0%	100.0%	Canada	Holding company
Societe Miniere de Dinguiraye	100.0%	100.0%	Guinea	Gold mining
Bissa and Burkina Faso Greenfields segment				
High River Gold Mines (West Africa) Ltd	100.0%	97.9%	Cayman Islands	Holding company
Bissa Gold SA (*)	90.0%	88.1%	Burkina Faso	Gold mining
High River Gold Exploration Burkina SARL (*)	100.0%	97.9%	Burkina Faso	Gold exploration
Jilbey Burkina, SARL (*)	100.0%	97.9%	Burkina Faso	Gold exploration
Russian Greenfields segment				
North Gold Mining Company	100.0%	100.0%	Russia	Gold exploration
Other companies				
Nordgold Management LLC	100.0%	100.0%	Russia	Management services
Centroferve Limited	100.0%	100.0%	Cyprus	Holding company
Castleway Limited	100.0%	100.0%	Cyprus	Holding company
High River Gold Mines Ltd	100.0%	97.9%	Canada	Holding company

(*) Represents a subsidiary of High River Gold Mines Ltd.

Acquisition of non-controlling interests

In March 2013, the Group acquired an additional 2.09% interest in High River Gold Mines Ltd. in exchange for 68 996 of the Company's GDRs and Canadian \$ 24.2 million (equivalent of US\$ 23.6 million) in cash, increasing the Company's ownership interest to 100%.

26. Financial risk management

Overview

The Group's activities expose it to the following risks:

- Credit risk;
- Liquidity risk;
- Market risk;
- Currency risk;
- Interest rate risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Group has established comprehensive risk management policies 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 Board of Directors monitors 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

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position, as detailed in the table below, and arises principally from the Group's cash and cash equivalents, trade and other receivables, loans given and available-for-sale investments:

	31 December	
	2013	2012
Cash and cash equivalents	244,042	44,991
Restricted cash	6,496	5,052
Trade and other receivables	8,610	26,407
Short-term financial investments	-	18,502
Long-term financial investments	16,534	81,313
Total	275,682	176,265

Management of the Group believes that credit risk is limited based on the following:

- Due to arrangements with banks purchasing produced gold, the Group does not have material outstanding trade accounts receivable;
- The Group does not provide significant loans to third parties;
- The majority of the Group's cash and cash equivalents are placed in reputable banks that have credit ratings of at least B from Moody's credit rating agency.

Analysis of trade and other receivables

The aging of trade and other receivables:

	31 December 2013		31 December 2012	
	Gross amount	Allowance	Gross amount	Allowance
Not past due	8,052	-	22,548	-
Past due 0-90 days	289	(59)	3,163	-
Past due 91-180 days	332	(9)	154	(61)
Past due 181-365 days	36	(32)	993	(807)
More than one year	1,801	(1,800)	1,673	(1,256)
Total	10,510	(1,900)	28,531	(2,124)

The movement in the bad debt allowance in respect of trade and other receivables was as follows:

	Year ended 31 December	
	2013	2012
Balance at beginning of the year	(2,124)	(1,909)
Allowance recognised	(227)	(1,171)
Allowance reversed	28	15
Allowance used	331	1,011
Foreign exchange difference	92	(70)
Balance at end of the year	(1,900)	(2,124)

Concentration of credit risk

At 31 December 2013, the Group had a concentration of cash and bank deposits with Sberbank, TD Canada Trust, Citibank and HSBC in the amount of US\$ 104.2 million, US\$ 43.1 million, US\$ 69.8 million and US\$ 14.6 million, respectively.

At 31 December 2013, the Group had a concentration of investments available-for sale with Detour Gold Corporation represented by its shares of 2.6% in the amount of US\$ 11.9 million (2012: 2.6% in the amount of US\$ 77.3 million).

Liquidity risk

Ultimate responsibility for liquidity risk management rests with management, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium-, and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities.

The following table details the contractual maturity of the Group's financial liabilities as at 31 December 2013, including both principal and interest cash flows:

Carrying amount	Future contractual	Less than 1 year	1-2 years	2-5 years	After 5 years
-----------------	--------------------	------------------	-----------	-----------	---------------

cash flows

Non-derivative financial liabilities						
Notes and bonds issued	500,000	(643,460)	(31,880)	(31,880)	(579,700)	-
Bank and other credit organizations financing	433,254	(468,341)	(321,800)	(146,541)	-	-
Trade and other payables	199,200	(201,862)	(186,528)	(3,496)	(7,825)	(4,013)
	1,132,454	(1,313,663)	(540,208)	(181,917)	(587,525)	(4,013)
Hedge derivatives						
Cash-flow hedges	34,703	(16,380)	(10,740)	(5,640)	-	-
Net exposure	1,167,157	(1,330,043)	(550,948)	(187,557)	(587,525)	(4,013)

Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Commodity price risk

The Group is exposed to a gold price risk. Market prices of gold to be sold in future influence the Group's future profitability and the recoverability of assets. The Group does not use derivatives to mitigate its exposure to commodity price risk. The Group monitors gold price trends and regulates sales policy accordingly.

Currency risk

Currency risk arises when a Group entity enters into transactions and balances not denominated in its functional currency. The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

The Group's exposure to foreign currency risk was as follows based on notional amounts:

Balance at 31 December 2013	USD	RUB	KZT	CAD	NOK	CFA (XOF)	GBP	Other
Cash and cash equivalents	122,558	50	-	-	43	123	31	65

Trade and other receivables	53,809	322	-	-	-	38,038	31	53
Financial investments	220,389	9,452	62,490	8,380	(1)	110,417	21,072	6,661
Borrowings	(353,970)	(433,989)	-	(117,100)	-	-	(1,421)	(6,762)
Trade and other payables	(18,786)	(1,380)	-	(287)	-	-	(817)	(2,399)
Net exposure	24,000	(425,545)	62,490	(109,007)	42	148,578	18,896	(2,382)
Balance at 31 December 2012	USD	RUB	KZT	CAD	NOK	CFA (XOF)	GBP	Other
Cash and cash equivalents	13,810	220	-	-	9	-	38	702
Trade and other receivables	67,270	-	-	-	-	20,509	-	1,600
Financial investments	302,154	15,869	61,892	-	-	-	19,663	5,017
Borrowings	(470,354)	(525,587)	-	(89,935)	(63,081)	-	(8,612)	(5,224)
Trade and other payables	(22,102)	(697)	-	(569)	-	(66)	(2,169)	(15,059)
Net exposure	(109,222)	(510,195)	61,892	(90,504)	(63,072)	20,443	8,920	(12,964)

* Including Group's intercompany balances and interest

** Including interest

Sensitivity analysis

A 10% strengthening of the following currencies against each entities functional currency at 31 December 2013 and 2012 would have increased/(decreased) profit and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. Foreign currency differences, arising on translation into the presentation currency are not included.

	31 December	31 December
	2013	2012
USD	416	(8,694)
RUB	(47,494)	(57,034)
KZT	5,396	5,401
CAD	(9,994)	(10,044)
NOK	3	(7,008)
CFA (XOF)	13,253	2,274
GBP	1,602	654
Other	(370)	(1,245)

Total	(37,188)	(75,696)
--------------	-----------------	-----------------

A 10% weakening of these currencies against the entities' functional currencies would have increased/(decreased) profit and equity by the amounts shown below, on the basis that all other variables remain constant.

	31 December	31 December
	2013	2012
USD	(340)	7,113
RUB	38,859	46,664
KZT	(4,415)	(4,419)
CAD	8,177	8,218
NOK	(3)	5,734
CFA (XOF)	(10,844)	(1,860)
GBP	(1,310)	(535)
Other	302	1,019
Total	30,426	61,934

Hedge accounting

Since April 2012, the Group has designated certain derivatives as hedges of the risk associated with the exposure to variability in cash flows associated with recognised debt financing. The Group's hedging strategy is designed to reduce the variability of cash flows associated with debt financing from third parties denominated in foreign currencies and/or issued on terms of variable interest rates. The list of potential hedging counterparties includes major large and stable banks; the credit risk associated with these counterparties is considered to be very low.

Sensitivity analysis on the Group's cash-flow hedges currency risk relating to the Group's loan agreements with Sberbank yields the following results assuming an instantaneous 10% decline of the Russian rouble against the US dollar from its levels as at 31 December 2013:

	Equity / Net profit	
	10% RUB strengthening	10% RUB weakening
Balance at 31 December 2013		
Change in RUB/USD rate	50,108	(40,996)
Balance at 31 December 2012		
Change in RUB/USD rate	64,130	(52,470)

Interest rate risk

Interest rates on the Group's debt finance are either fixed or variable at a fixed spread over LIBOR or Mosprime for the duration of the contract, or variable depending upon fluctuations in gold price and production volumes. Changes in interest rates impact loans and borrowings by changing their fair value (fixed rate debt) or future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. When raising new financing, management uses its judgment to decide whether fixed or variable rate would be more favourable over the expected period until maturity.

The Group's interest-bearing financial instruments at variable rates:

	31 December 2013	31 December 2012
Financial liabilities – interest with fixed spread over Libor	-	(200,402)
Financial liabilities – interest with fixed spread over Mosprime	(433,638)	(525,759)
Financial liabilities – interest dependant on gold price and production volumes	(11,035)	(14,015)
Cash-flow hedge instruments	(34,703)	919
Net position	(479,376)	(739,257)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in variable interest rates would have increased/(decreased) profit and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Net profit	
	100 BP increase	100 BP decrease
Balance at 31 December 2013		
Cash flow sensitivity for financial liabilities	(5,024)	5,024
Balance at 31 December 2012		
Cash flow sensitivity for financial liabilities	(3,274)	3,274

A sensitivity analysis on the cash-flow hedges secured interest rate risk attributable to the loan agreements with Sberbank yields the following results assuming an instantaneous 100 basis points increase of the Russian rouble variable interest rates from its levels as at 31 December 2013:

	Equity / Net profit	
	100 BP increase	100 BP decrease
Balance at 31 December 2013		
Change in RUB interest rate	3,401	(3,401)
Balance at 31 December 2012		
Change in RUB interest rate	9,026	(9,026)

A 10% change in gold prices or production volumes would have increased/(decreased) profit and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Net profit	
	10% price increase	10% price decrease
Balance at 31 December 2013		
Cash flow sensitivity for financial liabilities	(874)	874
Balance at 31 December 2012		
Cash flow sensitivity for financial liabilities	(1,057)	1,057

	Net profit	
	10% increase of production volumes	10% decrease of production volumes
Balance at 31 December 2013		
Cash flow sensitivity for financial liabilities	(874)	874
Balance at 31 December 2012		
Cash flow sensitivity for financial liabilities	(1,057)	1,057

Fair value hierarchy

The table below analyses financial instruments carried at fair value, except financial instruments measured at amortised cost, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Balance at 31 December 2013				
Available-for-sale financial assets	16,534	-	-	16,534
Cash flow hedge instruments	-	(34,703)	-	(34,703)
Balance at 31 December 2012				
Available-for-sale financial assets	81,313	-	-	81,313
Cash flow hedge instruments	-	919	-	919

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. This policy includes compliance with certain externally imposed minimum capital requirements. The Group's management constantly monitors profitability and leverage ratios and compliance with the minimum capital requirements. The Group uses the return on assets ratio which is defined as profit from operations divided by total assets (averaged over the measurement period) and the leverage ratio calculated as net debt, comprising of long-term and short-term indebtedness less cash, cash equivalents and short-term bank deposits, divided by shareholder's equity.

27. Commitments and contingencies

Capital commitments

As at 31 December 2013, the Group had contractual capital commitments of US\$ 18.3 million (2012: US\$ 65.0 million).

Tax contingencies

The taxation system and regulatory environment of the Russian Federation, Kazakhstan, Burkina Faso and Guinea are relatively new and characterised by frequently changing legislation, which is often unclear, contradictory and subject to varying interpretations between the differing regulatory authorities and jurisdictions. Events during recent years suggest that the regulatory authorities within these countries are adopting a more assertive stance regarding the interpretation and enforcement of legislation. This situation creates substantial tax and regulatory risks.

Russian Federation

At 31 December 2013, management assessed the total amount of potential claims from Russian tax authorities in respect of mineral extraction tax at US\$ 9.3 million, of which US\$ 5.5 million related to Buryatzoloto, and US\$ 3.8 million to Rudnik Aprelkovo.

Kazakhstan

Management considers that the Group's subsidiary in Kazakhstan may be subject to additional corporate taxes of US\$ 5.3 million. As at 31 December 2013, the Group created a provision of US\$ 4.1 million where management considers it probable that additional tax will be payable.

The ecological and tax legislation of Kazakhstan is not explicitly clear regarding the treatment of certain ecological tax rules. In December 2012, JSC FIC Alel went through a compliance review with the authorities and no violations of ecological legislation were found. As at 31 December 2013, JSC FIC Alel was subject to a tax audit. The Group's management believes that Alel is fully compliant with ecological legislation and related ecological tax rules and estimates the unfavourable outcome of the review as being remote.

Burkina-Faso

The VAT exemption rules in Burkina Faso are complicated and not always clear. In case of non-compliance with the documentation requirements in relation to input VAT, tax authorities may challenge the Group's right to a VAT exemption related to certain transactions. The exposure as at 31 December 2013 was assessed by management at US\$ 1.9 million.

In February 2013, Societe Des Mines de Taparko ("Taparko") received a notification from the Burkina Faso tax authorities on results of a tax audit claiming additional taxes and penalties of US\$ 6.1 million, of which US\$ 1.7 million was paid in 2013 and the remaining amount of US\$ 4.4 million was accrued in these consolidated financial statements. Taparko plans to appeal the results of the tax review.

Guinea

The total amount of tax risks of Société Minière de Dinguiraye ("SMD") located in Guinea is estimated at US\$ 14.3 million, of which US\$ 6.5 million was accrued in these condensed consolidated financial statements.

In September 2011, the Republic of Guinea issued a new mining code which is intended to repeal and replace the existing mining code.

The government has begun applying the provisions of the new code and has indicated that re-negotiation of existing mining concessions and increased economic interest in existing mining companies may be appropriate. The new code entitles the Republic of Guinea to a free 15% interest in the share capital of a company to which it has granted title and the right to acquire an additional 20% in the share capital of the mining company on terms to be negotiated with each company. The new code also includes a new fiscal

and customs regime applicable to mining activities and provides for the renegotiation of existing mining concessions.

Given the uncertainty as to the application and interpretation of the new mining code, its impact on to the Group's ownership of Société Minière de Dinguiraye (SMD), which holds the LEFA mining concession, to the mining concession itself and to the Group's activities in Guinea and the introduction of the new fiscal and customs regime, there can be no assurance that the actions of the Government of Guinea, or the impact of the new legislation, will not have a significant negative impact on the Group's ownership interest in SMD, or result in an increase in taxation or the costs of doing business in Guinea, any of which could have a material adverse effect on the Group's business, results of operations and financial condition.

Other jurisdictions

A number of High River Gold Ltd. subsidiaries are exposed to a risk of additional taxes of US\$ 4.6 million, of which US\$ 4.1 million was accrued in these consolidated financial statements.

Guinor, a subsidiary of the Group, which is a Canadian tax resident, is exposed to tax risks up to US\$ 15.4 million. Management assesses the probability of unfavourable outcome of this risk as medium.

Litigation

In 2013, Taparko received a number of claims from its former employees. Management fully provided for these claims in the amount of US\$ 1.7 million.

28. Events after the reporting period

Option agreement

In March 2014, the Company executed the definitive option agreement with Columbus Gold Corporation contemplated in the binding letter of intent signed in September 2013 under which the Company has been granted the right to earn a 50.01% interest in certain licenses at Columbus Gold's 100% owned Paul Isnard gold project in French Guiana.

Borrowings

In March 2014, the Company received a US\$ 500 million non-revolving loan facility from Sberbank denominated in US dollars maturing in March 2019. The loan bears interest at a variable rate of 3-month LIBOR + 2.95% per annum payable on a quarterly basis.

Dividends

In February 2014, the Board of Directors of the Company approved an interim dividend of 1.43 US\$ cents per share or per Global Depositary Receipt, in respect of the three months ended 31 December 2013. Total amount of dividends payable to the shareholders is US\$ 5.4 million.

Company only financial statements for the year ended 31 December 2013

Company balance sheet as at 31 December 2013

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

	31 December, 2013	31 December, 2012
Fixed assets		
Financial fixed assets	2,206,053	2,345,334
Total fixed assets	2,206,053	2,345,334
Current assets		
Cash and cash equivalents	1,393	1,303
Trade and other receivables	42	67
Total current assets	1,435	1,370
Total assets	2,207,488	2,346,704
Shareholders' equity		
Issued share capital	1,301,481	1,249,283
Share premium	32,162	32,102
Revaluation reserve	(2,759)	55,544
Foreign currency translation reserve	(129,961)	(7,139)
Retained earnings	203,435	257,569
Unappropriated result	(189,285)	19,360
Total equity	1,215,073	1,606,719
Non-current liabilities	648,092	468,728
Current liabilities	344,323	271,257
Total equity and liabilities	2,207,488	2,346,704

Company income statement for the year ended 31 December 2013

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

	Year ended 31 December, 2013	Year ended 31 December, 2012
Share in results from participating interests, after taxation	(143,275)	50,739
Other result after taxation	(46,010)	(31,379)
Net result	(189,285)	19,360

Notes to the Company financial statements for the year ended 31 December 2013

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

1. General

The company financial statements are part of the 2013 financial statements of Nord Gold N.V. (the 'Company').

With reference to the income statement of the Company, use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

2. Principles for the measurement of assets and liabilities and the determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, the Company makes use of the option provided in section 2:362 (8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of the Company are the same as those applied for the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRSs EU"). Subsidiaries and participating interests, over which significant influence is exercised, are stated on the basis of the equity method. Please refer to Note 2 in the consolidated financial statements for a description of these principles.

The share in the result of participating interests consists of the share of the Company in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are not incorporated insofar as they can be deemed to be unrealised.

3. Functional and presentation currency

The functional currency of the Company and presentation currency of the financial statements is the US dollar.

Reclassifications

In prior periods, several items of equity statement were presented inconsistently:

- the revaluation of available-for-sale investments acquired on acquisition of subsidiaries was partially presented within "Retained earnings";
- the revaluation of available-for-sale investments was partially recorded in "Foreign currency translation differences"; and
- the issued share capital was presented at historical exchange rates and therefore was partially recorded in "Foreign currency translation differences".

In 2013, management made a decision to make appropriate reclassifications to correct the presentation. Comparative information as at 1 January and 31 December 2012 has been reclassified accordingly to achieve consistency in presentation. Management believes that such presentation better reflects the substance of accumulated revaluation.

	Before reclassification	After reclassification	Effect
As at 1 January 2012			
Revaluation reserve	30,342	43,635	13,293
Foreign currency translation difference	(92,816)	(94,460)	(1,644)
Retained earnings	164,357	152,708	(11,649)
	101,883	101,883	-
As at 31 December 2012			
Issued share capital	1,306,900	1,249,283	(57,617)
Revaluation reserve	27,068	55,544	28,476
Foreign currency translation difference	(61,957)	(7,139)	54,818
Retained earnings	283,246	257,569	(25,677)
Total	248,357	248,357	-

4. Financial fixed assets

	31 December, 2013	31 December, 2012
Participating interests in group companies	1,625,352	2,110,330
Loans receivable from group companies	577,489	234,278
Other investments	3,212	726
Total financial fixed assets	2,206,053	2,345,334

The movements of the financial fixed assets can be shown as follows:

	Participating interests in group companies	Loans provided	Other investments	Total
Balance at 1 January 2013	2,110,330	234,278	726	2,345,334
Changes:				
- Change in fair value	-	-	2,486	2,486
- Loans receivable from group companies	-	343,211	-	343,211
- Additional investments	83,585	-	-	83,585
- Share in result of	(143,275)	-	-	(143,275)

participating interests

- Other reserves of participating interests	(122,746)			(122,746)
- Other equity settled transaction	(302,542)	-	-	(302,542)
Balance at 31 December 2013	1,625,352	577,489	3,212	2,206,053

As at 31 December 2013 loans receivable from group companies represent following loans:

	Amount	Currency	Interest rate, %	Repayment date
OOO Neryungri-Metallik	46,210	USD	6.4	31 December 2015
principal	43,519			
interest	2,691			
ZAO Mine Aprelkovo	36,332	USD	6.4	31 March 2015
principal	32,627			
interest	3,705			
Delta Gold Mining Ltd	87,769	USD	6.0	31 December 2015
principal	83,000			
interest	4,769			
Delta Gold Mining Ltd	405,003	USD	3m LIBOR + 7%	31 December 2015
principal	400,000			
interest	5,003			
Societe Miniere de Dinguiraye	2,175	USD	6.4	31 March 2015
principal	1,975			
interest	200			

The interest rates are equal to effective interest rates. There are no specific covenants agreed with regard to these loans.

The Company, with its statutory seat in Amsterdam, is the holding company and has the following financial interests:

	Location	Share in issued capital %
Direct investments in group companies		
OOO Neryungri-Metallik	Russia	100%
ZAO Mine Aprelkovo	Russia	100%
High River Gold Mines Ltd	Canada	100%

Centroferve Limited	Cyprus	100%
Semgeo LLP	Kazakhstan	100%
Severnaya Zolotorudnaya Kompaniya LLC	Russia	100%
Nordgold Management LLC	Russia	100%
Crew Gold Corporation	Canada	100%
Nord Gold (Yukon) Inc.	Canada	100%
Other investments		
Sacre-Couer Minerals Limited	Canada	8%
Columbus Gold	French Guiana	8%

With regard to full list of the Group's significant subsidiaries and joint venture and the effective ownership holdings therein reference is made to Note 25 of the consolidated financial statements.

5. Shareholders' equity

	Issued share capital	Share premium	Legal reserves		Retained earnings	Unappropri- ated result	Total equity
			Revaluation reserves	Foreign currency translation reserve			
Balance at 1 January 2012	1,244,501	150	30,342	(92,816)	164,357	168,929	1,515,463
Appropriation of result	-	-	-	-	168,929	(168,929)	-
Total recognised income and expense	-	-	-	-	-	19,360	19,360
Issue of ordinary shares	62,399	31,952	-	-	-	-	94,351
Change in fair value of cash flow hedges	-	-	3,217	-	-	-	3,217
Revaluation of available for sale financial assets	-	-	(5,336)	-	-	-	(5,336)
Acquisitions of non-controlling interest without a change in control	-	-	14,028	-	(64,068)	-	(50,040)
Foreign currency translation differences	(57,617)	-	-	87,321	-	-	29,704
Balance at 31 December 2012	1,249,283	32,102	55,544	(7,139)	257,569	19,360	1,606,719
Appropriation of result	-	-	-	-	19,360	(19,360)	-
Total recognised income and expense	-	-	-	-	-	(189,285)	(189,285)
Issue of ordinary shares	221	60	-	-	-	-	281
Dividends to equity holders	-	-	-	-	(68,950)	-	(68,950)
Change in fair value of cash flow hedges	-	-	3,603	-	-	-	3,603
Revaluation of available for sale financial assets	-	-	(62,879)	-	-	-	(62,879)
Acquisitions of non-controlling interest without a change in	-	-	973	-	(4,544)	-	(3,571)

control

Foreign currency translation differences	51,977	-	-	(122,822)	-	-	(70,845)
Balance at 31 December 2013	1,301,481	32,162	(2,759)	(129,961)	203,435	(189,285)	1,215,073

Ordinary shares

	2013	2012
On issue at 1 January	1,249,283	1,244,501
Issued in exchange of investments in subsidiaries	221	62,399
Issued in exchange of investments in subsidiaries	51,977	(57,617)
On issue at 31 December	1,301,481	1,249,283

At 31 December 2013 and 2012, the authorised share capital amounted to 4,484,927,250 Euros and consisted of 1,793,970,900 ordinary shares with a nominal value of 2.50 Euro each. The issued and fully paid share capital comprised of 378,121,955 ordinary shares amounting US\$ 1,301,481 thousand at 31 December 2013 (2012: US\$ 1,249,283 thousand). In March 2013, the Company issued 68,996 ordinary shares with par value of 2.5 Euro for the purpose of funding the acquisition of the remaining outstanding shares of High River Gold Mines Ltd. The holders of ordinary shares are entitled to receive dividends as declared at General meetings and are entitled to one vote per share at meetings of the Company.

Additional capital

Additional capital consists of the excess of consideration received over the par value of shares and GDRs issued by the Company, and the effects of transactions under common control in course of the Group formation. During the year ended 31 December 2012, additional capital was increased by US\$ 32.0 million related to the issuance of GDRs by the Company in exchange for outstanding shares in High River Gold Mines Ltd.

Foreign currency exchange

Foreign currency translation differences represent the currency translation reserve in equity.

Revaluation reserve

The revaluation reserve comprise the cumulative net change in the fair value of available-for-sale investments and cash-flow hedge instruments, net of the related tax effects.

6. Non-current liabilities

	31 December, 2013	31 December, 2012
Notes and bonds issued	500,000	-
Debts to credit institutions	132,591	463,594
Derivative financial instruments	13,954	-
Debts to group companies	6,813	5,134
Unamortized balance of transaction costs	(5,266)	-
Total non-current liabilities	648,092	468,728

With regard to disclosure for the non-current liabilities and terms and conditions of debts to credit institutions reference is made to Note 20 of the consolidated financial statements.

As at 31 December 2013 debts to group companies represent loans given by OOO Neryungri-Metallik to finance Company's operating activities. The loans given by OOO Neryungri-Metallik are denominated in Euro and USD and given for the period up to 31 December 2014 and 13 December 2014 but may be also repaid before this date. The interest rates are 6.4% and 6.5% per annum; it is equal to effective interest rate. There are no specific covenants agreed with regard to these loans.

7. Current liabilities

	31 December, 2013	31 December, 2012
Debts to credit institutions	301,015	261,646
Derivative financial instruments	20,749	-
Debts to group companies	14,003	-
Accruals	9,244	7,090
Unamortized balance of transaction costs	(688)	2,521
Total current liabilities	344,323	271,257

With regard to disclosure for the current liabilities and terms and conditions of debts to credit institutions reference is made to Note 20 of the consolidated financial statements.

As at 31 December 2013 debts to group companies represent loan by High River Gold Mines Ltd. to finance Company's operating activities. The loan is denominated in USD and given for the period up to 31 December 2014.

8. Taxation

Tax is calculated by applying the current corporate income tax rate of 25.5% (2012 - 25.5%) to the result for the financial year, taking into account carry-forward tax losses, tax exempt profit and adding back any non-deductible expenses.

9. Off-balance sheet commitments

Several liability and guarantees

The Company has no off-balance sheet commitments. Reference is made to note 20 of the consolidated financial statements.

Fiscal entity

The Company does not have a fiscal unity for tax purposes.

10. Share in results from participating interests

For the year ended 31 December 2013 an amount of US\$ 143.3 million of share in results from participating interests relates to the group companies (for the year ended 31 December 2011: US\$ 50.7 million).

11. Fees of the auditor

With reference to Section 2:382a(1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged by Deloitte Accountants B.V. to the Company, its subsidiaries and other consolidated entities (2012: KPMG Accountants N.V.):

	2012		
	KPMG Accountants N.V.	Other KPMG member firms and affiliates	Total KPMG
Statutory audit of annual accounts	96	702	798
Other assurance services	90	427	517
Tax advisory services	-	59	59
Other non-audit services	121	424	545
Total	307	1,612	1,919
	2013		
	Deloitte Accountants B.V.	Other Deloitte member firms and affiliates	Total Deloitte
Statutory audit of annual accounts	40	555	595
Other assurance services	10	83	93
Tax advisory services	-	185	185
Total	50	823	873

12. Related parties

Parent and ultimate controlling party

As at 31 December 2012 and 2013, the immediate parent company of the Company was Canway Holding B.V. ("the Parent Company"), registered in the Netherlands, and the Company's ultimate controlling party was Mr. Alexey A. Mordashov.

Transactions with key management personnel

Loans to directors

There are no loans to Company's directors.

Key management personnel and director transactions

As at 31 December 2013 Company's directors directly and indirectly control 85.1% of the voting shares of the Company (as at 31 December 2012: 85.1%).

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Other related party transactions

Reference is made to Note 10 in the consolidated financial statements.

13. Emoluments of directors and supervisory directors

The emoluments, including pension obligations as intended in Section 2:383(1) of the Netherlands Civil Code, which were charged in the financial year to the Company and group companies, amounted to the gross amount of US\$ 0.9 million (2012: US\$ 1.4 million) for directors and former directors (including supervisory directors). This includes a crisis levy in The Netherlands of USD 49 thousand (2012: USD 52 thousand) following the Budget Agreement 2013 Tax Measures Implementation Act that was extended in the 2014 Tax Plan.

There are no loans, prepayments and guarantees granted to the Company's directors and the Company's supervisory directors.

There is no option programme set up for members of the Executive and Supervisory Boards.

14. Staff costs

The social security expenses over 2013 as disclosed in Note 7 to the consolidated financial statements include an amount of US\$21.7 million for pension charges (2012: US\$15.5 million).

Other information

Provisions in the Articles of Association governing the appropriation of profit

According to article 23 of the company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate the profit wholly or partly to the general or specific reserve funds.

The Company can only make payments to the shareholders and other parties entitled to the distributable profit for the amount the shareholders' equity is greater than the paid-up and called-up part of the capital plus the legally required reserves.

Appropriation of result

In February 2014, the Board of Directors of the Company approved an interim dividend of 1.43 US\$ cents per share or per Global Depositary Receipt, in respect of the three months ended 31 December 2013. Total amount of dividends payable to the shareholders is US\$ 5.4 million. It is proposed to charge the net loss for the year of US\$ 189.3 million against retained earnings. The financial statement do not yet reflect this proposal.

Subsequent events

In March 2014, the Company executed the definitive option agreement with Columbus Gold Corporation contemplated in the binding letter of intent signed in September 2013 under which the Company has been granted the right to earn a 50.01% interest in certain licenses at Columbus Gold's 100% owned Paul Isnard gold project in French Guiana.

In March 2014, the Company received a US\$ 500 million non-revolving loan facility from Sberbank denominated in US dollars maturing in March 2019. The loan bears interest at a variable rate of 3-month LIBOR + 2.95% per annum payable on a quarterly basis.

Subsidiaries

The Company has subsidiaries in Guinea, Burkina Faso, Russia, Kazakhstan, Canada and Cyprus. With regard to full list of the Group's significant subsidiaries and joint venture and its location reference is made to Note 26 of the consolidated financial statements

Auditor's report

The auditor's report with respect to the financial statements is set out on Financial statements Independent auditor's report section.



GRI Index

Application Level

Core		– fully disclosed
		– partially disclosed
Additional	n/a	– not applicable

Profile Disclosure	Disclosure	Level of reporting	Location of disclosure
--------------------	------------	--------------------	------------------------

1. Strategy and Analysis

1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy.		Message from Chairman Message from CEO
1.2	Description of key impacts, risks, and opportunities.		Risk management

2. Organizational Profile











2.1	Name of the organization.		Business review
2.2	Primary brands, products, and/or services.		Business review
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.		Business review
2.4	Location of organization's headquarters.		Business review
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.		Business review
2.6	Nature of ownership and legal form.		Business review
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).		Business review Market review
2.8	Scale of the reporting organization.		Business review Total headcount in 2013 was 10 181 compared to 10 546 in 2012.
2.9	Significant changes during the reporting period regarding size, structure, or ownership.		Business review

2.10	Awards received in the reporting period.	●	In the reporting period the Group did not receive any external awards.
			For information on corporate awards see Health & Safety and People

3. Report Parameters

3.1	Reporting period for information provided.	●	About this report
3.2	Date of most recent previous report (if any).	●	About this report
3.3	Reporting cycle (annual, biennial, etc.)	●	About this report
3.4	Contact point for questions regarding the report or its contents.	●	About this report
3.5	Process for defining report content.	●	About this report
3.6	Boundary of the report.	●	About this report
3.7	State any specific limitations on the scope or boundary of the report.	●	Under the current reporting system it is not always possible to provide data broken down by gender or age group.
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	●	About this report
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	●	About this report Data measurement techniques and the bases of calculations comply with the relevant guidelines and Nordgold internal measurement requirements.
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	●	About this report
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	●	About this report
3.12	Table identifying the location of the Standard Disclosures in the report.	●	GRI Content Index

3.13	Policy and current practice with regard to seeking external assurance for the report.	●	About this report
4. Governance, Commitments, and Engagement			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	●	Governance
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	●	Governance
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or Non-Executive members.	●	Governance
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	●	Governance
4.5	Linkage between compensation for members of the highest governance body, senior managers, and the organization's performance (including social and environmental performance).	●	Governance
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●	Governance
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	●	Governance
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	●	Mission and values Sustainability review People Governance

4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.		Governance
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.		Governance
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.		The precautionary approach is not applied by the Group. The Group's approach to risk management is described in "Corporate Governance"
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.		About the report
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations.		Stakeholder engagement
4.14	List of stakeholder groups engaged by the organization.		Stakeholder engagement
4.15	Basis for identification and selection of stakeholders with whom to engage.		Stakeholder engagement
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.		Stakeholder engagement
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.		Stakeholder engagement
Economic Performance Indicators			
EC1 _{COMM}	Direct economic value generated and distributed, including revenues, operating costs, employee		Performance results Financial statements

	compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.		
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	●	The Group did not assess the potential risks due to climate change and their financial implications.
EC3	Coverage of the organization's defined benefit plan obligations.	●	The Group does not have corporate retirement programmes but strictly complies with the respective legal requirements.
EC4	Significant financial assistance received from government.	●	None
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	~	People The Group's salary and compensation packages are competitive and in line with industry median values.
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	①	Contractors involved in exploration projects provide drilling, laboratory and fuel-supply services. The Group also requires vehicle suppliers, and contractors for dozer and backhoe work. There is also a number of local craftsmen and suppliers of goods for daily operations in the field and in the office. The leverage of investment in exploration can directly influence the prosperity of the people who work in the mine, as well as suppliers.
EC7_{COMM}	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	①	People Preference is given to local residents when skill sets are equal.
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	●	Community Engagement
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	①	Community Engagement

Environmental Performance Indicators

EN1	Materials used by weight or volume.	1	Other than ore, the primary materials used in significant quantities are cyanide, hydrochloric acid, lime, fuel, lubricants and cement.
EN2 _{COMM}	Percentage of materials used that are recycled input materials.	n/a	The Group does not use recycled input materials due to the nature of operations, extracting metals from rock that is subsequently treated and cast into a doré bar.
EN3	Direct energy consumption by primary energy source.	●	Such information is not consolidated at the Group level within the current reporting systems.
EN4	Indirect energy consumption by primary source.	●	Such information is not consolidated at the Group level within the current reporting systems.
EN5	Energy saved due to conservation and efficiency improvements.	●	Such information is not consolidated at the Group level within the current reporting systems.
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	n/a	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	●	Such information is not consolidated at the Group level within the current reporting systems.
EN8	Total water withdrawal by source.	1	Most of the water used by our operations is raw surface water, with minor volumes from potable water sources.
EN9	Water sources significantly affected by withdrawal of water.	1	Most of the water used by our operations is raw surface water, with minor volumes from potable water sources
EN10	Percentage and total volume of water recycled and reused.	●	Such information is not consolidated at the Group level within the current reporting systems.
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	●	The Group does not operate in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.

EN12_{COMM}	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	●	The Group does not operate in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.
MM1	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated.	●	Nordgold did not disturb new habitats during the reporting period at its existing operations.
EN13_{COMM}	Habitats protected or restored.	●	Nordgold did not disturb habitats during the reporting period at its existing operations.
EN14_{COMM}	Strategies, current actions, and future plans for managing impacts on biodiversity.	●	Biodiversity is not significantly impacted by Nordgold operations.
MM2	The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place.	●	Biodiversity is not significantly impacted by Nordgold operations.
EN16	Total direct and indirect greenhouse gas emissions by weight.	●	Such information is not consolidated at the Group level within the current reporting systems.
EN17	Other relevant indirect greenhouse gas emissions by weight.	●	Such information is not consolidated at the Group level within the current reporting systems.
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	●	Such information is not consolidated at the Group level within the current reporting systems.
EN19	Emissions of ozone-depleting substances by weight.	●	There are no emissions of ozone-depleting substances at the Group's operations.
EN20_{COMM}	NO, SO, and other significant air emissions by type and weight.	●	Such information is not consolidated at the Group level within the current reporting systems; however, our emissions meet all regulatory requirements.
EN21	Total water discharge by quality and destination.	●	Such information is not consolidated at the Group level within the current reporting systems however, our effluents meet all regulatory requirements.
EN22_{COMM}	Total weight of waste by type and disposal method.	●	Such information is not consolidated at the Group level within the current

			reporting systems.
MM3	Total amounts of overburden, rock, tailings, and sludges and their associated risks.	●	Such information is not consolidated at the Group level within the current reporting systems.
EN23_{COMM}	Total number and volume of significant spills.	●	There were no spills in the reporting period.
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	●	Such information is not consolidated at the Group level within the current reporting systems.
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	●	There are no bodies of water or related habitats significantly affected by discharges of water and runoff from our operations.
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	n/a	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	n/a	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	●	There were significant fines or non-monetary sanctions for noncompliance with environmental laws and regulations in the reporting period.
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	●	Such information is not consolidated at the Group level within the current reporting systems.
EN30	Total environmental protection expenditures and investments by type.	●	Such information is not consolidated at the Group level within the current reporting systems.

Labour Practices and Decent Work Performance Indicators

LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	●	People Given the industry specifics, gender indicators are not relevant to the Group.
LA2	Total number and rate of new employee hires and employee	●	2 406 (23,6%) new employees were

turnover by age group, gender, and region.

hired during the reporting period.

Average turnover:

Africa BUs – 5%,

Russia BUs – 32%,

Kazakhstan – 20%.

The target turnover – 15%.

Management stability rate (managers working for Nordgold for more than three years) – 38% with the target value – 50%.

Given the industry features, gender indicators are not applicable to the Group.

LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	1	<p>The same benefits are provided to full-time and temporary or part-time employees.</p> <p>Benefits vary across BUs due to differences in legal requirements and collective agreements.</p>
LA4	Percentage of employees covered by collective bargaining agreements.	●	<p>36,2% of employees are covered by collective bargaining agreements. In 2013 trade unions and collective bargaining agreements were in place in Kazakhstan and at Aprelkovo, Lefa and Taparko.</p>
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	●	<p>All minimum notice periods comply with the respective legal requirements.</p>
LA7 _{COMM}	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	1	<p>Health and Safety</p> <p>Given the industry specifics, gender indicators are not relevant to the Group.</p>
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	1	<p>Health & Safety</p>

LA9	Health and safety topics covered in formal agreements with trade unions.	●	There are collective bargaining agreements in Suzdal (Kazakhstan) and at Aprelkovo (Russia), Lefa (Guinea) and Taparko (Burkina-Faso) . They cover such topics as health and safety policy, working hours and using PPE.
LA10	Average hours of training per year per employee by gender, and by employee category.	●	8,6 hours of training per full-time employee. Given the industry specifics, gender indicators are not relevant to the Group.
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	●	People
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	●	People 69% of employees are subjects to obligatory performance assessment with the target value of 80%. Given the industry specifics, gender indicators are not relevant to the Group.
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	●	Governance
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	●	The Group does not accept any form of discrimination and provides equal remuneration for the same scope and quality of labour regardless of employee gender.
MM4	Number of strikes and lock-outs exceeding one week's duration, by country.	●	There were no strikes or lock-outs exceeding one week's duration in the reporting period.
Human Rights Performance Indicators			
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns,	●	Nordgold regards any violation of the rights of its employees and other stakeholders as unacceptable. This stance applies to the Group and to

	or that have undergone human rights screening.		partners and contractors before entering into contracts with them.
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	●	No special screening is conducted.
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	●	All new employees go through an on-boarding process during which they are familiarized with Nordgold values, corporate culture and key documents, which cover various aspects of human rights protection.
HR4	Total number of incidents of discrimination and corrective actions taken.	●	No incidents of discrimination were identified during the reporting period.
HR5_{COMM}	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	●	Nordgold respects its employees and their right to exercise freedom of association and collective bargaining at all its operations.
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	●	Nordgold considers using child labour totally unacceptable at all its operations.
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	●	Nordgold respects its employees and does not use forced or compulsory labour at any of its operations.
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	●	There were no incidents of violations involving rights of indigenous people in the reporting period.
MM5	Total number of operations taking place in or adjacent to Indigenous Peoples' territories, and number and percentage of operations or sites where there are formal agreements with Indigenous Peoples' communities.	●	<p>Formal agreements with Indigenous Peoples' communities:</p> <p>Neryungri concluded an agreement with three administrative territories, population of which includes indigenous peoples (Olyokminsky municipal region, Tyansky National Agricultural Community, Aboriginal tribal community "Tyan").</p>

			Total investments under the agreement - US\$125 (Neryungri).
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	●	People No grievances related to human rights were filed through formal grievance mechanisms in 2013.
Society Performance Indicators			
SO1_{COMM}	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	●	Community Engagement
MM7	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and Indigenous Peoples, and the outcomes.	●	
MM8	Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks.	●	One of our most significant community issues related to the safety of people in Africa is the practice of artisanal mining on Group property and leases.
MM9	Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process.	●	Community Engagement
MM10	Number and percentage of operations with closure plans.	●	All operations have a conceptual closure plan.
SO2	Percentage and total number of business units analyzed for risks related to corruption.	●	100% Nordgold Anti-corruption and bribery Programme is applicable for all Business Units and all employees.
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	●	100% (Directors and management) Anti-corruption and bribery Policy and key elements (Hotline, registers of gifts, sponsorship and donations were communicated among all employees (by e-mails, newspapers, posters, verbal communications, etc.).
SO4	Actions taken in response to incidents of corruption.	●	Consideration by Nordgold Ethics Committee and disciplinary actions. Preventive control improvement.
SO5	Public policy positions and	●	Stakeholder Engagement

	participation in public policy development and lobbying.		
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	●	Nordgold did not make any contributions to political parties, politicians and related institutions in the reporting period.
SO8 _{COMM}	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	●	For detailed information see Commitments and contingencies Section 27 of Financial Statement
Product Responsibility Performance Indicators			
MM11	Programs and progress relating to materials stewardship.	n/a	An effective and conscientious approach to materials stewardship is not required for this type of products.
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	n/a	The Group's products do not have life cycle stages at which significant health and safety impacts are possible.
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	n/a	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	n/a	There are no such information requirements for the Group's products.
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	n/a	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	n/a	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	n/a	Marketing communications are not generally used to sell the Group's products.

PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	n/a
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	n/a
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	n/a

Glossary

AISC	All-in sustaining costs
AGM	Annual General Meeting
BSN	Business System of Nordgold
BU	Business unit
CCD	Counter-current decantation
CFO	Chief Financial Officer
CEO	Chief Executive Officer
Company	Nord Gold N.V.
COO	Chief Operating Officer
CIL	Carbon in leach
Dutch Code	Dutch corporate governance Code
FCF	Free cash flow
GDP	Gross domestic product
GDR	Global Depositary Receipt
GRI	Global Reporting Initiative – Global Reporting Initiative in the area of sustainable development
Group	Nordgold, the Company with its subsidiaries
GTS	Global Technology System
HL	Heap-leach
HR	Human resources
HS	Health and Safety
HSE	Health, safety, environment
IFRS	International Financial Reporting Standards
IRR	Internal rate of return
ISO 14001	International Standard for the establishment of an Environmental Management System
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves produced by the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
KPI	Key performance indicator
LSE	London Stock Exchange
LTIFR	Lost Time Injury Frequency Rate
LTIP	Long-term incentive plan
M&A	Mergers and Acquisitions

NGO	Non-Government Organisation
OCF	Operating cash flow
PPE	Personal Protective Equipment
S&SD	Safety and Sustainable Development
TCC	Total cash costs
UK Code	UK corporate governance Code
WGC	World Gold Council
YoY	Year-on-year
Metric conversion	grams x 31.10348 = troy ounces
	grams per tonne x 34.28600 = troy ounces per short ton
	tonnes x 0.00045 = pounds
	tonnes x 0.90718 = tons
	metres x 0.30480 = feet
	kilometres x 1.60930 = miles
	hectares x 0.40468 = acres
g/t	Gram per tonne
Koz	Thousand ounces
Ktpy	Thousand tonnes per year
Kt	Thousand tonnes
Moz	Million ounces
Mt	Million tonnes
Mtpy	Million tonnes per year
Oz or oz	Troy ounce (31.1035g)
Tonne	Metric ton

Definitions

Bacterial oxidation (BIOX)

A process in which a combination of three bacteria are used to break down the sulphide mineral matrix in the ore being treated, thus freeing occluded gold for subsequent cyanidation. The bacteria attach themselves to the metal sulphide surfaces in the ore, resulting in the accelerated oxidation of the sulphides. During the bacterial oxidation process, elements like iron, sulphur and arsenic are dissolved.

Carbon in leach (CIL)

A method of recovering gold and silver, in which a slurry of gold/silver-bearing ore, carbon, and cyanide are mixed together. The cyanide dissolves the gold, which is subsequently absorbed by the activated carbon whose base is usually ground coconut shells.

Carbon in pulp (CIP)

A technique in which granular activated carbon particles much larger than the ground ore particles are added to a cyanide pulp which is already impregnated with the gold particles. The activated carbon and pulp are agitated together to enable the solubilised precious metals to become adsorbed onto the activated carbon.

CIM Standards

The Canadian Institute of Mining, Metallurgy and Petroleum definitions standards in Mineral Resources and Mineral Reserves.

Crushing

Breaking of ore from the size delivered from the mine into smaller and more uniform fragments to be then fed to grinding mills or to a leach pad.

Doré

Semi-pure alloy of gold and silver produced at the mine site which is then transported to a refinery for further purification.

Drilling

Core: a drilling method that uses a rotating barrel and an annular-shaped, diamond impregnated rock-cutting bit to produce cylindrical rock cores and lift such cores to the surface, where they may be collected, examined and assayed.

Reverse circulation: a drilling method that uses a rotating cutting bit within a double-walled drill pipe and produces rock chips rather than core. Air or water is circulated down to the bit between the inner and outer wall of the drill pipe. The chips are forced to the surface through the centre of the drill pipe and are collected, examined and assayed.

Conventional rotary: a drilling method that produces rock chips similar to reverse circulation except that the sample is collected using a single-walled drill pipe. Air or water circulates down through the centre of the drill pipe and returns chips to the surface around the outside of the pipe.

In-fill: the collection of additional samples between existing samples, used to provide greater geological detail and to provide more closely spaced assay data.

Exploration

Prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore.

Flotation

A milling process in which valuable mineral particles are induced to become attached to bubbles and float as others sink.

Grade

The amount of metal in each tonne of ore, expressed as troy ounces per tonne or grams per tonne for precious metals and as a percentage for most other metals.

Grinding (milling)

The powdering or pulverising of ore, by pressure or abrasion, to liberate valuable minerals for further metallurgical processing.

Indicated resource

That part of a resource for which tonnage, grade and content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

Inferred resource

That part of a resource for which tonnage, grade and content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

JORC Code

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves produced by the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

Measured resource

That part of a resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Open-pit mine

A mine that is entirely on the surface. Also referred to as open-cut or opencast mine.

Ore

A mixture of ore minerals and gangue from which at least one of the metals can be extracted at a profit.

Probable reserves

The economically mineable part of an indicated (and in some cases measured) resource which has a lower level of confidence than proved reserves but is of sufficient quality to serve as the basis for a decision on the development of the deposit.

Proved resources

The economically mineable part of a measured resource that represents the highest confidence category of reserve estimate. The style of mineralisation or other factors could mean that proved reserves are not achievable in some deposits.

Reclamation

The restoration of a site after mining or exploration activity is complete.

Recovery rate

The percentage of valuable metal in the ore that is recovered by metallurgical treatment.

Refining

The final stage of metal production in which impurities are removed from the molten metal.

Reserves

The economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Reserves are sub-divided in order of increasing confidence into probable reserves and proved reserves.

Resources

A concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of resources are known, estimated or interpreted from specific geological evidence and knowledge. Resources are subdivided, in order of increasing geological confidence, into inferred, indicated and measured categories.

Tailings

Material rejected from a mill after most of the recoverable valuable minerals have been extracted.