Optimising our potential

nordgold
more than gold

Annual Report and Accounts 2012

Nordgold is an emerging market pure-play gold producer with a business that spans from Africa to the Russian far east. Guided by a strategy focused on finding, developing, and optimising assets, we have a proven track record of creating value for shareholders. Nordgold's geography is undoubtedly unique to the gold mining industry, and our deep expertise is complemented by our broad geographic scope.

Contents

www.nordgold.com

Financial highlights

Gold produced (Koz)

716.9Koz

(754Koz: 2011)

Ore mined (Kt)

16,032Kt

(15,250Kt: 2011)

Revenue (US$million)

US$1,197.9m

(US$1,182m: 2011)

Gross profit (US$million)

US$348m

(US$509m: 2011)

EBITDA (unaudited) (US$million)

US$493m

(US$574m: 2011)

EBITDA margin (unaudited) (%)

41%

(49%: 2011)

Profit/loss (US$million)

US$75.9m

(US$252m: 2011)

Cash flow from operating activity (US$million)

US$121.6m

(US$398m: 2011)

LTIFR (lost-time injury frequency rate)

1.77

(1.9: 2011)

LTI (lost-time incidents)

34

(36: 2011)

Operational highlights

Group

- The 5% decline in the company's gold production to 716.9 Koz in 2012 was primarily due to mechanical 'bottlenecks' at a number of our assets, resulting from historical challenges arising prior to purchase by Nordgold.
- The rapid action we took saw production levels rise in the second half of the year to exceed those of 12 months before, leading us to anticipate important dividends in the long term.
- The volumes of ore mined grew by 5% to 16 Mt in 2012, while the average grade of ore milled improved by 1% to 1.86 g/t.
- We successfully completed construction of Bissa, our ninth mine, on budget and ahead of schedule.
- We reduced lost-time injury frequency rates (LTIFR) by 7% to 1.77. While this was encouraging, with six employee fatalities and one contractor fatality, safety remains our absolute priority and we still have much to achieve.

Russia and CIS

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- The launch of the Nordgold Business System at Berezitovy, Suzdal and Aprelkovo contributed to strong production increases at all these mines.
- The record production level of 116.3 Koz and the 18% increase in ore milled that we achieved at Berezitovy were particularly impressive following a slow start to the year.
- We also achieved record production of 35.9 Koz at Aprelkovo, thanks largely to a 67% surge in the average grade of the ore milled. We expect that this will in future balance out reduced recovery of transitional and sulphide ores.
- The year also saw a 12% increase in production at Suzdal, due to improved head grade and recovery. We recorded a historic high recovery rate in the third quarter, which was only prevented from continuing to the end of the year by abnormally cold weather conditions.

West Africa

See page 41

- The completion of our new Bissa mine, on budget and ahead of schedule, enabled its first gold to be poured in January 2013. Construction of the modern 4 Mt plant took just 15 months and with an exemplary safety record, which is an exceptional achievement particularly in a land-locked, non-industrialised country.
- Head grade at Lefa increased by 7% and overall gold production by 18% in the fourth quarter of 2012, the result of many steps taken to optimise the mine's performance. Costs are falling too, and preparatory measures have prevented the heavy wet season from impacting on productivity.
- Taparko delivered a record safety performance with no lost-time injuries during 2012. It also addressed falling recovery rates by installing a regrind mill and two leach tanks during the year; it has successfully cut costs by using a mobile crusher instead of contractor facilities.

Our business model and operating regions

Russia and CIS

Nordgold has many years of experience and success in Russia and CIS through our former parent company, Severstal, one of the world's leading steel companies. Since the Company's inception in 2007, we have built on our shared Russian heritage to develop a mature network of productive mines. Now, particularly with the Gross development project at an advanced stage, our Russian and CIS portfolio is well balanced for the future.

Our business model enables us to optimise our potential across two key operating regions...

Nordgold's strength in emerging markets is a fundamental building block of our growth strategy, making our presence in two of the world's most significant gold-producing regions a valuable Company asset.

Our strategic aim to operate in regions with geological potential that offer scope for current and future production growth is fundamental to our business model, which involves:

- Obtaining gold reserves through acquisition and exploration
- Investing in mines to maximise production efficiency
- Processing ore to extract gold
- Refining and storing extracted gold for sale
- Selling bullion on the spot market through banks
- Returning profits to shareholders.

West Africa

Countries like Burkina Faso and Guinea where we already have a strong and growing presence remain in part underexplored, giving Nordgold significant opportunities to find high-quality resources for future production. Our successful development of the Bissa mine, from scratch to production ahead of schedule, within budget and with an exemplary safety record, underlines our ability to match the performance of even the most established mining companies.

Berezitovy

In production since 2007, this open-pit gold mine set new production records in 2012 following the introduction of new plant and equipment.

116.3Koz
production

Buryatzoloto

Comprising the two underground gold mines of Irokinda and Zun-Holba, Buryatzoloto is undergoing extensive development to enable access to new ore blocks.

108.9Koz
production

Neryungri

Growing production levels in the second half of 2012 at this open-pit gold mine were based on the year's substantial mining-fleet improvements.

66.3Koz
production

Aprelkovo

We expect 2012's record production levels at this open-pit mine to remain flat in 2013, based on the processing of higher-grade ores.

35.9Koz
production

Suzdal

This underground mine in Kazakhstan delivered a 12% rise in production during 2012; it would have been even higher but for abnormally cold winter weather.

90.9Koz
production

Gross (development project)

With the potential to become the largest mine in the Group once design is finalised in late 2013, Gross's deposit indicates an outstanding gold ore resource.

Taparko

Significant improvements made at Taparko in 2012 led to indications of increasing production levels in the second half of the year.

126.7Koz
production

Lefa

Our focus on stripping out production bottlenecks during 2012 paid dividends later in the year with an 18% quarter-on-quarter increase in production.

171.9Koz
production

Bissa

Our new Bissa mine entered production in January 2013 following a highly successful development completed within schedule and budget, and with an exemplary safety record.

See overleaf for more information on our business model and how we are applying it across our two key regions

Russia and CIS

Gross

Driving growth in overall production capacity

Gross, whose location close to our existing Neryungri mine maximises potential operating efficiencies, will add significant production capacity to our operations when it goes live in 2013.

3.6Moz
proven and probable gold reserves

1 Obtain gold reserves

Obtaining mineable gold reserves is the first stage in our business model. We do this through acquiring assets (including working mines and development projects) or through our own exploration efforts, which allows us to identify gold resources and turn them into reserves.

Our geological expertise and knowledge of our regions allow us to identify gold deposits that are financially attractive to mine. Successful exploration and development requires skilled and experienced people and uses techniques such as 3D modelling of underground structures, drilling for samples and laboratory analysis to assess the scale and quality of the gold resources.

West Africa

Bissa

Golden performance enables early extraction

Live from January 2013, this major new asset was brought to production ahead of schedule to bring us a key new source of profitability several months earlier than expected.

4Mt
annual processing capacity

Suzdal

Underground improvements increase gold production

Important recent upgrades to the mining fleet at Suzdal alongside expansion of its underground capacities made a major contribution to 2012's 12% production increase at the mine.

16%
year-on-year head-grade improvement

2 Invest in plant and operate mine efficiently

Operational optimisation is a fundamental part of Nordgold's strategy. This includes:

- focusing on health and safety
- ensuring we have an optimal headcount
- achieving the right balance between local employees and expatriates
- maintaining good employee relations
- training and development
- making sure assets are properly configured
- investing in mining and processing technology
- ensuring we have the right suppliers and developing strong relations with them

The scale and quality of the processing facilities at a mine can significantly influence the amount of gold we produce each year. We, therefore, invest in new facilities and improve the quality of existing facilities to improve efficiency, recover more gold from the ore we mine, and expand capacity when it is required.

Lefa

Swift management action delivers performance upgrade

Some fundamental production bottlenecks were compromising mine performance. The decisive action we took midway through the year, including a new mining model, contributed to a major production improvement in the fourth quarter of 2012.

18%
quarter-on-quarter production growth

Berezitovy

Investments drive record-breaking performance

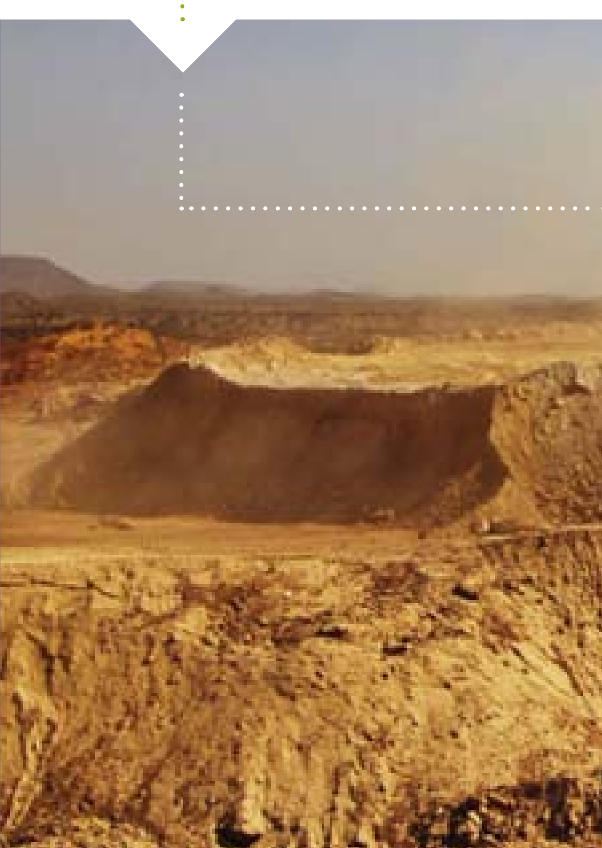
The installation of a new crusher and pinion midway through 2012 contributed to the year's increase in gold production, which sets a new record for this key strategic asset of the Company.

18%
increase in ore milled

3 Processing ore to extract gold

The ore we mine is crushed and ground to a finer consistency so that we can process it to extract the gold. We use a range of methods to do this, which vary in complexity. In common with the rest of the industry, most of these methods use cyanide to draw gold out of powdered ore, and then use further chemical processes to separate the gold from other elements.

Gold is extracted from this solution on to metal cathode bars. We then melt these down and pour them into doré bars, which predominantly contain gold but can also contain a small amount of silver or copper.



Taparko

An important focus for ongoing improvement

Important investments aimed at improving the stability and predictability of the mine's recovery rates showed early signs of success in 2012, providing a core focus in 2013 as we aim to drive rates to over 85%.

70%
above the design capacity

Nordgold in Russia/CIS

Leveraging value through bullion sales

Nordgold's sales of gold were worth close to US$1.2 billion in 2012. Of this, 58% was produced by our Russia and CIS operations, making a major contribution to our ability to pay attractive dividends.

25%
of net profits paid as dividends

4 Refine extracted gold into bullion and store it

We securely store the doré bars at mines until we have collected a sufficient amount. The doré bars are then boxed and transported, via secure trucks, helicopters or aircraft, to a third-party refinery, where they are refined into gold bullion bars. The refiner provides insurance against all risks while the gold doré bars are in transit to the refinery. The gold bullion is then transferred to safe storage at a bank, which holds it on our behalf until we decide to sell it on the spot market.

5 Sell bullion on the spot market

Most of our gold sales are currently at the spot price and are typically made at least every quarter. Our decision to sell depends on the market environment.

6 Return profits to shareholders

After retaining sufficient profit to reinvest in the business, we return profits to our shareholders.

Read about how we will optimise our performance through implementing our Business System on page 34

Nordgold in Africa

An increasing contribution to Company performance

With our new Bissa mine going live right at the beginning of 2013, we expect the contribution of our West African assets to the Company's total bullion sales to increase significantly in the years to come.

Focusing on Russia's largest growth project

Nordgold's largest current development project is the massive, recently discovered Gross deposit in Yakutiya. As a heap-leach project, Gross offers major economic advantages; its close proximity to our operational Neryungri mine provides important additional infrastructural synergies.

We expect to stockpile the first ore extracted from the Gross mine at Neryungri before the end of 2013. We anticipate that the new mine's full annual capacity will reach around 12 Mt of ore.

Performance highlights

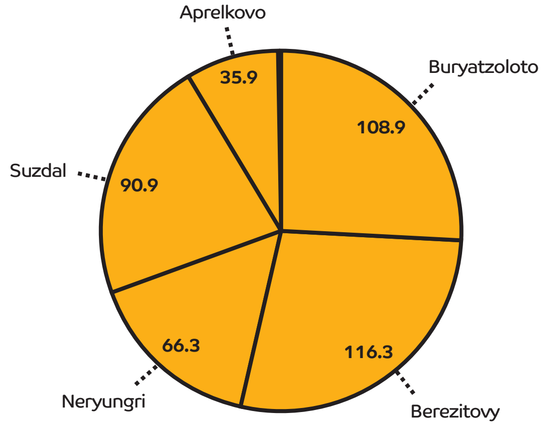
418.3Koz
2012 production

6,217Koz
proven and probable gold reserves

8,197Koz
measured and indicated resources

11,534Koz
inferred resources

Production contribution by mine (Koz)



Market review

Russia and other CIS countries including Kazakhstan comprise one of the world's most important gold-production regions, still mainly based on mines built on deposits discovered by large State-run exploration and development programmes in the mid-20th century.

This centrally planned approach means that huge areas are still significantly underexplored. Nordgold's major find at Gross, just five kilometres from our mature Neryungri mine, indicates the great potential for further new discoveries.

According to data from the Russian Gold Mining Union, the amount of primary gold refined in Russia during 2012 grew by 7% to 199.8 tonnes (6,424 Koz). Ore mining accounted for over 68% of this gold, with the balance provided from alluvial sources.

During 2012, the combined gold output of Nordgold's five Russian mines – Berezitovy, Irokinda and Zun-Holba (Buryatzoloto), Neryungri and Aprelkovo – totalled 327.4 Koz, making the Company the fifth largest producer in the country.

Outlook

The Gold Mining Union expects that primary gold production in Russia will increase by 4% to 209 tonnes (6,687 Koz) in 2013, while the share of production from ore mining will grow to represent more than 71% of primary gold production.

However, longer-term prospects are threatened by the exhaustion of the country's mineral resource base, due to a lack of exploration work. One possible solution being discussed by the government is the cancellation of the existing tax on mineral extraction (6% of revenues) for all gold, coal, iron ore and copper projects located in the far east of Russia, with companies obliged to spend savings on exploring this remote and undeveloped region.

Our mines in the far eastern Amursk region and Yakutiya republic accounted for about 25% of our overall production in 2012. In 2013, we aim to focus on developing Gross in Yakutiya, as well as continuing to improve our existing operational assets. We expect to pour up to 15 Koz (467 kg) of gold in Q4 2013 from the ore mined at Gross, with further growth anticipated in 2014.

German Aleksandrov, head of drilling and blasting operations area, Aprelkovo

Aprelkovo mine (and above)

Berezitovy: optimising our potential by sharing best practice

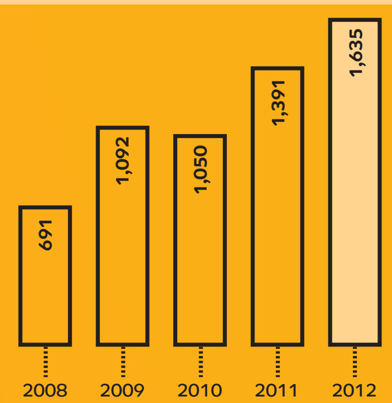
Encouraging new behaviours
The rigorous and highly successful management action that helped to revolutionise performance at our Berezitovy mine in 2012 began in January with a total shut-down of the site to enable the complete modernisation of the site's processing plant.

While further investments in plant and machinery followed, including the installation of a second crusher and a new pinion, the key contributions which saw a 9% increase in gold production and 18% growth in ore milled have as much to do with enhanced behaviours as with new equipment.

Among the factors that most pleased management about the improved performance was the implementation of a number of initiatives from the Nordgold Business System, including standardised loading practices, disciplined interaction between loaders and trucks, streamlined shift changes and more.

The mine management is committed to sharing the lessons learned during the improvement exercise, including the importance of training and commitment to improving process efficiency. The team is now sharing their best practice experience with colleagues throughout the organisation so that all may benefit across the Group.

Ore milled (Kt)



Executing highly successful projects

We officially launched our Bissa mine in Burkina Faso on 17 January 2013, following its successful completion to the most advanced engineering and safety standards in just 15 months and at a cost of US$250 million.

Once in full production Bissa will be one of Nordgold's largest mines, with designed capacity levels of 4 million tonnes of ore and production of above 170 Koz of gold. Based on current estimates, its life of mine will be over 10 years.

Performance highlights

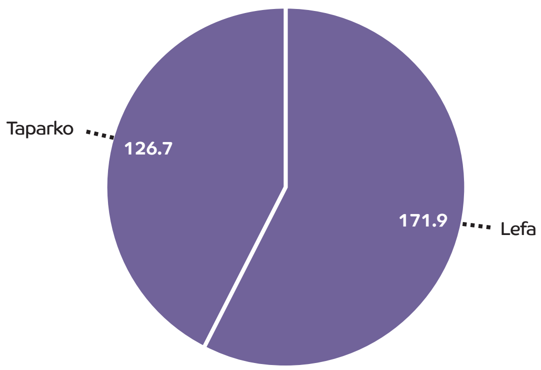
298.6 Koz
2012 production

6,425 Koz
proven and probable gold reserves

9,740 Koz
measured and indicated resources

5,194 Koz
inferred resources

Production contribution by mine (Koz)



Market review

Nordgold is strongly positioned to take advantage of the excellent opportunities available in West Africa, with our operational Taparko and Bissa mines in Burkina Faso and Lefa in Guinea.

We are the only company to operate more than one mine in Burkina Faso, a country that in recent years has successfully revised its mining laws to encourage foreign investment in the form of a total of seven modern industrial gold mines. As a result, gold production has risen from 1.4 tonnes in 2005 to nearly 40 tonnes in 2012, a substantial increase over the 32 tonnes achieved in 2011.

When our Taparko mine started production in 2007, it was the first modern gold mine in the country; it produced 126.7 Koz (3.9 tonnes) in 2012. The first gold was poured at Bissa in January 2013.

Guinea's gold production has remained relatively stable in recent years, growing by 2% in 2012 to 519 Koz. With a total of 172 Koz in 2012, our Lefa mine is the second largest producer in the country.

Outlook

Africa still remains largely unexplored, which means that significant opportunities still exist. According to the US Geological Survey, gold mining is expected to grow in Africa by an average of about 6% per year between 2010 and 2017; the majority of this increase is likely to occur in West Africa.

The Fraser Institute of Canada's 2011/2012 Survey of Mining Companies ranked Burkina Faso second in Africa and 13th globally for its current mineral potential; its mineral resources are still significantly underdeveloped when compared to countries like Ghana and Mali. It is expected that once our Bissa mine has been fully ramped up, the contribution of gold mining to the country's GDP will increase from the current 12% to 13-14%. Bissa's peak annual production is estimated at over 170 Koz, with production of up to 100 Koz planned for 2013.

Guinea's overall gold production is not expected to change significantly in future. At Nordgold, improving Lefa's performance is a key priority for the short term. We are confident that Lefa offers excellent potential for significantly increased production in 2013 and subsequent years. The mine's highest grade ore is not yet fully exposed, providing us with future opportunities for increased production and profitability.

Launch of the Bissa mine

Bissa: optimising our potential by delivering more for less

Entering a new peer group
When our new Bissa mine entered production in January 2013, it was both the culmination of a highly successful development project and a coming of age for Nordgold.

Having taken this major project from conception to completion, along with all the issues involved in working in a land-locked, non-industrialised country, we have now entered a new peer group of gold companies – those that have successfully developed their own operations from scratch.

The scale of the initiative was immense, involving the development of several open pits along a 5.5 km arc, requiring an on-site team of around 1,500 workers to create the foundations of our mining operations, processing plant and the supporting infrastructure. In the long term, there will be 700 permanent jobs at our Bissa mine.

Working only with the best available people from Burkina Faso and around the world, and concentrating on developing close and constructive community relationships through best-practice engagement and support activities, we have created more than a valuable new Company asset; we have also demonstrated our ability to deliver large-scale construction projects inside schedule and within budget.

Bissa: Key statistics

Total construction time:	15 months
Production start:	January 2013
Processing capacity:	4.0 Mt of ore per annum
Production volume:	170 Koz
Mine type:	Open pit
Technology:	Crushing, milling (SAG and ball mills), CIL
Number of workers:	About 750 (starting from 2013)
Life of mine:	Over 10 years

Opening of the Bissa mine

Philip Baum
Chairman of the Board

In 2012, the management team addressed a number of operational bottlenecks and systemic challenges. This success demonstrates the growing maturity of Nordgold's approach to business.

Following four consecutive years of strong growth, Nordgold's revenues were stable in 2012 as the Company's youthful management team successfully focused on eliminating a number of systemic challenges faced by the business. Once the bottlenecks that these caused had been removed, production regained a positive momentum.

The work in 2012, which demonstrates the growing maturity of Nordgold's management approach, was a fundamental part of our strategic commitment to optimising existing operations. The same strategy underlies our programme to support operational and management best practice at all sites via the Nordgold Business System, targeting cost-savings of US$83 million in 2013.

The second strand of our Company strategy is to expand and develop our resource base. Since 2009, we have tripled our annual exploration budget to US$115 million, driving major gains in our resources to create significant value in the business at a cost of just over US$10 an ounce. Building on the impressive gains of 2011, the Wardell Armstrong assessment of our exploration activities in 2012 shows a stability of our gold reserves, 7% growth in measured and indicated gold resources and 31% growth in inferred resources.

In the Company's third strategic area of mergers and acquisitions, our team built on the strong M&A capabilities it has already shown at all points of the market cycle by successfully executing the High River Gold acquisition. This provides important re-rating potential for our enlarged Group, and I would like to take this opportunity to welcome the former minority shareholders in High River Gold for whom our focus is on delivering their value expectations.

Governance

Throughout Nordgold's short life, we have consistently aimed to operate as a seamless team, regardless of individuals' location or level, and to achieve the highest levels of governance and behaviour. Even before there was any legal requirement to do so, we have always worked to FTSE standards of transparency and behaviour, with Board meetings, Committees and annual and quarterly reporting procedures.

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Turning to our mining operations, Bissa's successful completion, three months early, within its US$250 million budget and importantly with an exemplary safety record, was a particularly pleasing outcome for the first end-to-end construction project executed entirely by the Nordgold team. We must now continue the momentum we have gained at Bissa into Gross, our next big capital project, where pre-feasibility work is well advanced. We will report before the end of 2013 on our progress in bringing Gross to production. At Lefa, in 2012 we delivered the technical work and enhanced leadership required to overcome the site's cost-structure challenges and to begin to fulfil its potential.

Our approach to governance in unstinting. It supports our commitment to ever-improving safety standards as our prime objective, which sees safety as the first agenda item under discussion at every Board and business meeting. During 2012 we saw LTIFR decrease by 7%. A standard which each of our nine mines aim for throughout 2013 and beyond is to work completely incident-free. Our Taparko mine has already shown such performance in 2012. We were particularly pleased that the Bissa construction project, undertaken by people with little or no previous experience of such ventures, was completed with just one minor lost-time incident.

These improvements did not prevent the year from being marred by six employee fatalities and one contractor fatality in 2012. We extend our deepest sympathies to the families, colleagues and friends of those who lost their lives.

Even one such tragedy would be entirely unacceptable, and our target of achieving no fatalities anywhere in our organisation remains paramount in our thinking. In each case, these incidents resulted from people being in the vicinity of dangerous situations with a high potential for injuries; our primary focus is therefore to seek new ways of operating that remove the need for our people ever again to be exposed to unnecessary risk.

Such tragedies highlight the need for every person in our business and our industry to take responsibility for their own safety and that of others. Board members visit our locations annually and share views on operations and safety issues.

As an important member of the communities where we operate, we also take our wider social responsibilities to heart. Please see pages 50 to 59 of this report for information on some of our CSR-related activities of 2012, most of which spring from the spontaneous response of our local management teams to the issues affecting each community.

Finally, on behalf of the Board, I would like to thank everyone connected with Nordgold in 2012, from our CEO Nikolay Zelenskiy and all members of our management team, to every employee and contractor, for the contribution their hard work has made to our Company's continuing progress.

Philip Baum
Chairman of the Board
Nordgold

'Our approach to governance is unstinting.'

Nikolay Zelenskiy
Chief Executive Officer

Overall, 2012 was a year in which Nordgold gained a new maturity via our focus on enhanced operational efficiency, the construction and design of new assets, verifying our resources, conducting successful exploration and bringing about positive cultural change.

Until 2012, Nordgold had experienced strong growth year-on-year and despite a number of inefficiencies in our existing mines that prevented achievement of our full production potential. In 2012, therefore, we took strong action to counter these issues and enable us to fully realise that potential in the medium term. In particular, during the second half of the year we addressed a number of production bottlenecks that were caused by new mining conditions due to deeper excavation in some of our mines. Operating at a greater depth drives up the costs of production, and our action aims to counter this by introducing new efficiencies.

As a result of this focus, in 2012 our growth in production, sales, revenue, EBITDA and profit did not match that of preceding years. We have also adjusted our production target for 2013 while we continue to focus on maximising efficiency through the proper execution of the design phase at a number of our most important mines, including the strategically vital operations at Lefa in Guinea and Gross in Russia.

The adjusted 2013 target of 770-850 Koz is therefore the result of a more focused and considered management approach to delivering long-term growth and profitability. Our portfolio remains extremely robust, and our previously announced production target for 2015-2016 of 1 Moz remains in place.

While such activities have of necessity slowed down our push for rapid production growth, the early signs are that our decision to focus on efficiency improvements and exploration will be fully justified by future sustainable growth in all key parameters. We expect the results of our work to become clear later in 2013, and in the final quarter of 2012 we began to see encouraging indications of rising production levels.

Driving organic growth

Indeed, 2012 was an encouraging year in many ways. The completion of the Bissa mine, early, with first class safety performance and within budget, was powerful testament to our ability to achieve sustainable organic growth. We will begin to see Bissa deliver new profitability to the Company during the first half of 2013.

The much improved efficiencies that we have enabled at Lefa are also set to have an important positive impact upon our future financial results. And we have progressed well at Gross, with positive ore-extraction metallurgical trials; this will be the largest mine in the Group once its design is finalised and we can progress to full production.

Most important of all, a very strong exploration performance in the years 2011-2012 saw our reserves rise by 50% from our June 2011 estimate, significantly extending our existing life of mine. We have also identified three possible new mining projects, one in Russia and two in West Africa, which represent an important opportunity to substantially grow the size of our operations.

Safety and efficiency

During 2013, our focus on continuous improvement will be more intense than ever before to ensure that we achieve our full potential by applying operational excellence and best practices. An important aspect of this work will be the continued implementation throughout all our sites of the Nordgold Business System, a new approach to management that involves all our people in improving safety and efficiency in the workplace.

Ensuring the safety of our people is Nordgold's number one priority, and we were enormously saddened by the deaths of six Nordgold employees and one contractor that took place early in the year. We are dedicated to eliminating injuries through a focused programme that introduces technical changes and new equipment needed to create safer workplaces. More challenging is the requirement to introduce cultural change and bring about an environment where workers accept ultimate responsibility for their own safety by following the guidance designed to protect them.

While it is encouraging that our safety performance in Africa was truly world-class in 2012, with just three lost-time incidents, we are targeting substantial improvements in our Russian operations. I am, however, optimistic that our work of 2012 and into 2013 will support the cultural changes required to mitigate the risk of injury.

Mitigating risk

Other risks that affect Nordgold include potential price volatility, and although we can exercise little control in this area we have an optimistic long-term view of the strength of gold.

We can, however, address the geological risk inherent in estimating the level of our resources and reserves. In 2012, we revisited and rebuilt the majority of our geological models, updating all life-of-mine information to reassure ourselves and our investors that all our data on ore grades and yields is as close to reality as possible. In addition, we consistently aim to reduce the risk of making inappropriate spending decisions by ensuring that all appropriate design and trialling work is complete before new-mine construction begins.

A balanced portfolio

It has always been part of Nordgold's development strategy to operate in regions with geological potential and that offer scope for current and future production growth. As our exploration activities of 2012 have proved, our presence in Africa and Russia presents opportunities to find the resources required for profitable mines in both regions.

While this geographical diversity is important in making us a strong and effective gold producer, it also presents a substantial management challenge. We respond to this by only employing the outstanding candidate for every post at all our sites, which is a key element of our unwavering commitment to building the best available local, national and international teams at every level.

This approach enabled us to build a new mine from scratch in 2012, when our commitment to bringing in the best expertise we could find from Burkina Faso as well as from across the world paid off handsomely. In fact, completing the Bissa project within a limited budget and on time was a particularly impressive achievement considering some of the issues involved in managing a major construction project in a land-locked West African country. We also substantially strengthened the management at Lefa during the year, to build a team capable of fully delivering and leveraging new efficiencies at the mine during 2013 and beyond.

Driving shareholder value

The full integration of High River Gold into the Nordgold operation during 2012 successfully increased the free float in the Company as promised. This is evidence of our commitment to providing further scope for existing and new shareholders, and we plan to continue expanding the potential for their further involvement as attractive opportunities emerge.

Ever since Nordgold's inception, we have consistently maintained a sufficient level of assets within the Company both to support its organic growth and to return cash to our shareholders. We are, therefore, continuing our policy of returning 25% of net profits to our shareholders, and the inaugural dividend payout will take place in June.

Overall, 2012 was a year in which Nordgold gained a new maturity via our focus on enhanced operational efficiency, the construction and design of new assets, verifying our resources, conducting successful exploration and bringing about positive cultural change. I believe it will come to be seen as a critical moment for the Company, as the efforts of our remarkable people saw us substantially strengthen our platform for profitable growth and enhanced shareholder value.

Nikolay Zelenskiy
Chief Executive Officer
Nordgold

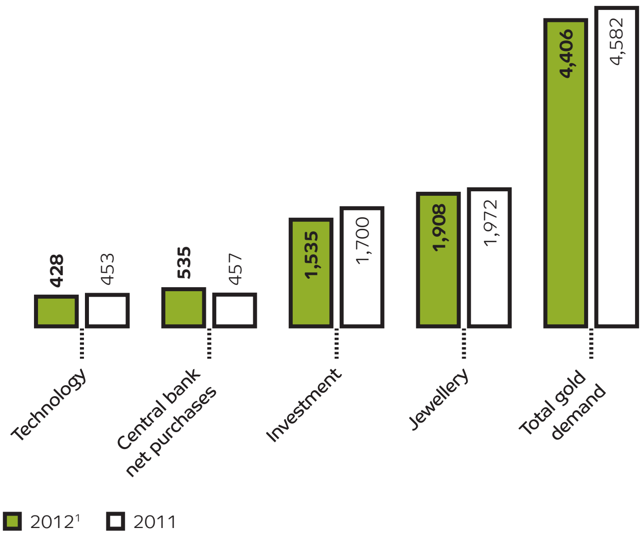
Gold demand

Increasing investment demand over the last decade has led to total gold demand reaching a record value of US$236.4 billion in 2012.

Whilst total demand for gold reached a record value of US$236.4 billion in 2012, according to the World Gold Council (WGC), there was, however, a 4% fall on a tonnage basis from 2011's 4,582 tonnes to approximately 4,406 tonnes as increasing demand from institutional investors and central banks only partially offset a decline in consumer demand.

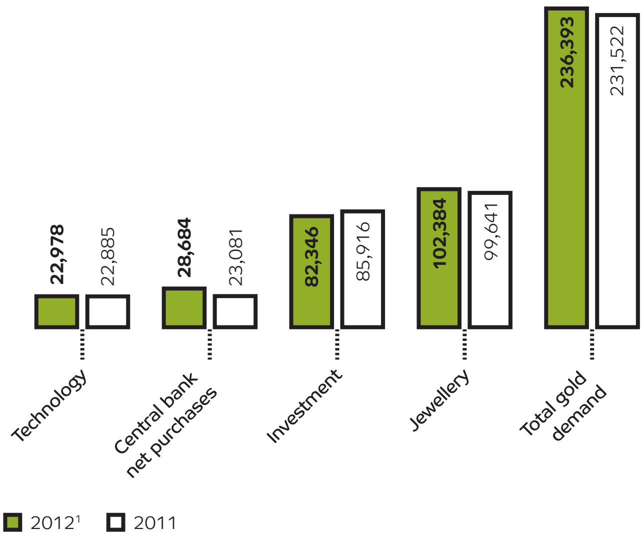
Historically, jewellery has accounted for the majority of demand for gold. However, jewellery volumes fell by 3% in 2012 (mainly due to a decrease in Indian demand) to account for just 43% of the total. Increasing appetite for gold over the last decade is primarily attributed to growing investment demand, which has increased as a percentage of total demand from 11% in 2002 to 47% in 2012. This is mostly the result of investors turning to gold as a safe haven during times of financial uncertainty.

2012 Gold demand (tonnes)



Source: LBMA, Thomson Reuters GFMS, World Gold Council
1 Provisional data

2012 Gold demand value (US$ million)



Source: LBMA, Thomson Reuters GFMS, World Gold Council
1 Provisional data

Net investment in gold fell in 2012 by 4% from 2,157 tonnes in 2011 to around 2,069 tonnes. Over the last few years, a number of more liquid and readily accessible gold investment vehicles, including exchange traded funds or ETFs, have facilitated further investment in gold in addition to physical bullion purchases. Purchases by central banks have gradually increased, to reach 535 tonnes in 2012, the highest for almost 50 years, which accounted for 12% of total gold demand (up from 10% in 2011).

As a result of higher gold prices, demand from industrial and medical users decreased by 4% in 2012 from 2011. The combined demand of jewellery, industrial and medical users continues to be an important component of total demand, however, representing 53% of total global demand in 2012.

As stated above, 2012's central bank demand for 535 tonnes was the highest since 1964, as more countries including Brazil, Paraguay, Iraq and Venezuela added to their gold reserves. Russia continued to pursue its long-term buying programme, adding approximately 75 tonnes to its reserve holdings during the year by purchasing domestically produced gold. The country's gold reserves, the seventh largest in the world, now approach 1,000 tonnes and slightly less than 10% of the country's total reserves. Latin American central banks were active in adding to their reserves during 2012, with Brazil and Paraguay making purchases of 34 tonnes and 7.5 tonnes respectively, adding to the net 19 tonnes bought by Mexico. Iraq also joined the ranks of net purchasers of gold, adding 24 tonnes to its reserves between August and November. South Korea and the Philippines were again the dominant Asia Pacific figures, adding 30 and 34 tonnes respectively during the course of the year to bring their gold reserves to 84 tonnes (South Korea) and 193 tonnes (Philippines).

Official gold holdings

		Tonnes	% of reserves
1	United States	8,133.5	76%
2	Germany	3,391.3	73%
3	IMF	2,814.0	–
4	Italy	2,451.8	72%
5	France	2,435.4	71%
6	China	1,054.1	2%
7	Switzerland	1,040.1	11%
8	Russia	957.8	9%

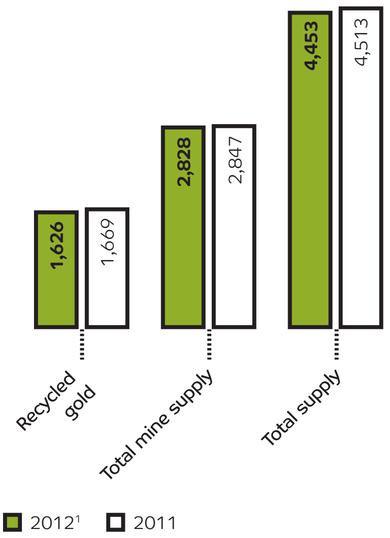
Source: IMF, World Gold Council

Gold supply

The supply of gold is made up of new production from mining, recycled gold scrap and releases from existing bullion stocks. Mine production represents the most important source of supply, although it has been steadily falling since 2001 and reached a low of 2,409 tonnes in 2008. This was due to lower grades and lack of investment during periods of low gold prices, which more than offset production from new mines. The trend was reversed in 2009, when production increased by 145 tonnes (up by 6% over 2008) driven by strong growth from a number of new projects and operating mines.

In 2012, the global supply of gold totalled approximately 4,453 tonnes (compared to 4,515 tonnes in 2011). Total mine supply contributed 2,828 tonnes of the 2012 figure, comprising 2,848 tonnes, mine production net of -20 tonnes producer hedging; supply from scrap was 1,626 tonnes.

2012 Gold supply (tonnes)



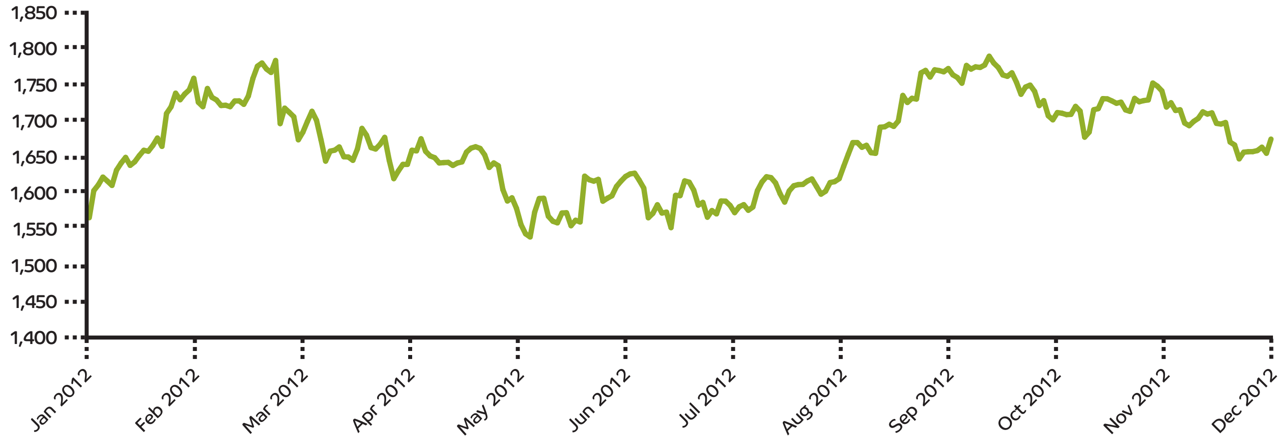
Source: LBMA, Thomson Reuters GFMS, World Gold Council
1 Provisional data

The modest growth achieved in 2012 was a result of unforeseen delays at a number of mines, together with widespread labour unrest in South Africa, which decreased the anticipated impact of new projects. China and Russia were among the countries recording an increase in annual production, while South Africa and Indonesia saw the largest absolute declines.

Despite some volatile supply levels over the past year, scrap consistently represented the second largest source of gold supply, although it declined by 3% year-on-year to 1,626 tonnes in 2012 despite an increase in average gold prices.

A combination of factors, including depletion of old gold stock volumes and changes in future expectations of price growth, led to a decrease in supply from existing gold holdings, particularly in industrialised countries. India was a notable exception to this trend, generating considerably higher levels of supply in 2012. This was in response partly to record local prices and partly to government legislation relating to loans for gold jewellery, which encouraged consumers to sell old jewellery to fund a lending shortfall.

2012 Gold price (US$)



Source: Bloomberg

Gold price

The market for gold is relatively liquid compared to other commodity markets, with London being the world's largest gold-trading market. Gold is also actively traded via futures and forward contracts.

Gold is not consumed like most commodities, and most above-ground stocks can return to the market. As a result, variations in new gold output from mines in any given time period may not have an immediate material impact on the gold price, as the amount of gold produced in any single year represents only a small proportion of the total potential supply of gold available for sale. This means that the price of gold has historically been less volatile than that of most other commodities. However, rising investment demand, including demand from the public sector, combined with relatively flat supply has resulted in a steadily increasing gold price over recent years.

The price (and expectations for its growth) of gold have historically been significantly influenced by macroeconomic factors such as inflation, exchange rates, reserve policy and global political and economic events. Gold is often purchased as a safe haven in periods of price inflation and weakening currency.

In particular, investment demand for gold was driven in 2012 by ongoing concerns over the European debt crisis, the so-called "fiscal cliff" in the United States, further softening of central banks' monetary policy and the latest round of quantitative easing ("QE3") in the United States.

The resulting increase in investment demand drove the gold price upwards in 2012. It reached an annual high of US$1,792 per ounce on 4 October 2012, 95% of the all-time high of US$1,895 reached on 5 September 2011 and 7% above the average gold price for 2012 of US$1,669 per ounce.

According to the London Bullion Market Association (LBMA), analysts expect the average gold price for 2013 to be 5.3% higher than the price that was recorded in the first week of January 2013 (US$1,665). They are forecasting that gold will trade in a range between US$1,529 and US$1,914 per ounce, with an average forecast price of US$1,753 per ounce. They also argue that factors which could push the gold price towards the upper end of the range include the expansion of the US balance sheet through the third round of quantitative easing (QE3) launched in September 2012, continued weakness of the US dollar, an expected increase in physical demand from China and India, muted growth in the supply of gold and an expected increase in net official sector purchases. On the downside, analysts cite a strengthening of the US dollar, an increase in global real interest rates and a reduction in physical demand, particularly from India and ETFs, as factors that could push the price towards the bottom end of the range.

Commodity price forecast

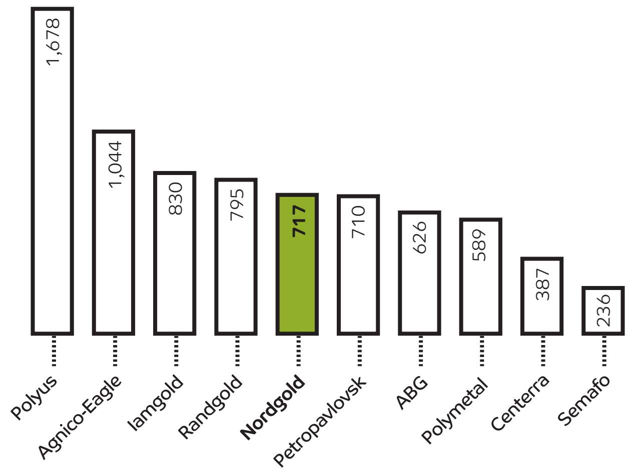
Metal	1st week January 2013 (2nd – 10th)	Average 2013 forecast	2012 year average
Gold	$1,665	$1,753	$1,669
Silver	$30.36	$33.21	$31.15
Platinum	$1,575	$1,682	$1,552
Palladium	$689.64	$744.03	$664.33

Source: LMBA

Nordgold's position in the global market

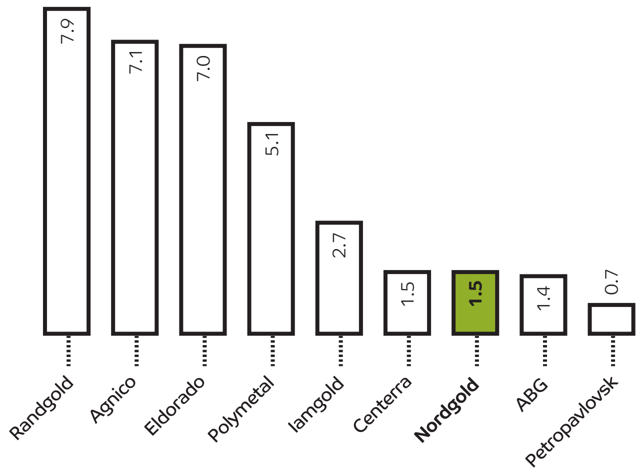
Nordgold has evolved into a competitive gold producer with a significant growth profile and impressive margins. The Company also has significant further growth potential as a result of its relatively low market capitalisation.

Gold only production 2012 (Koz)



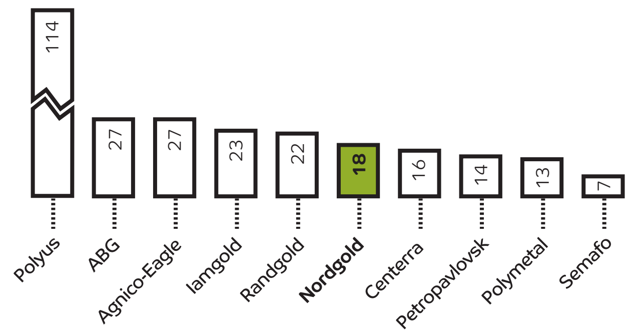
Source: Company filings

Market capitalisation as at 22 March 2013 (US$ billion)



Source: Company filings

Measured and indicated resources (Gold only, Moz, latest available figures)



Source: Company filings

Delivering our strategy

At Nordgold, there is a clear and dynamic relationship between our strategy, our Business System and our operational activities.

During 2012 as in every year, our strategy determines the overall direction and primary activities of the company. The Nordgold Business System, which was largely introduced and implemented during 2012, enables all our employees to be directly involved in delivering the improvements that spring from the strategy. And our operations aim to bring the strategic vision of ever-increasing levels of production and profit to reality over the medium to longer term.

Nordgold's strategy is both straightforward and strong, providing the Company with a stable platform on which to base sustainable and profitable growth for the long term. It helps us to achieve this by focusing on three distinct pillars that support increasing levels of gold production over the medium-term future:

Operational optimisation
To optimise our existing mining operations by improving the productivity of our mines. We aim to achieve this by investing in appropriate technologies and infrastructure, as well as positively promoting new behaviours among our people that stimulate responsibility and enhance efficiency.

Organic expansion and development
To expand the scope of our operations, lengthening the lives of our existing mines through expanding reserves there, and to extend our resources by identifying and developing new projects.

Value-accretive acquisitions
To acquire mines, development projects and mining companies whose performance we believe gives us scope to add value by implementing operational improvements and leveraging our expertise and other assets.

During 2012, our overriding focus was on Pillar 1. This was a year of consolidation for the Company, in which our dominant priority was to optimise our existing operations by addressing a number of issues that were restricting our production potential at mines in both Russia and West Africa. We expect that the second half of 2013 will see the results of this work become clearly visible. These will take the form of improved operational performance and strengthening production growth from these mines building on the early signs of enhanced productivity that emerged before the end of 2012.

The highlight of the year was the completion of construction at our Bissa mine; production here has already started to contribute to our profits in 2013, although we do not anticipate reaching full production at Bissa until 2014. Completing this major project early, with excellent safety performance and within budget was an achievement of which everybody involved can be proud, on a par with the finest accomplishments of the largest and most established gold mining companies.

During 2013, we will continue to focus upon the ongoing improvements at our Lefa mine in Guinea, West Africa, and upon the development of Gross in Russia. Alongside Bissa, these are the projects that currently show the greatest potential, and we are looking for positive indications from them before the end of 2013.

Turning to our exploration activities in 2012, under Pillar 2 of the Nordgold strategy, we are confident that we have successfully identified three potential new projects, one in Russia and two in West Africa. It currently appears that these might be developed into new mines for the Company, significantly adding to our annual production capacity. This is an exceptional outcome of the year's work, based on our geological expertise and knowledge of the regions where we operate.

During 2012, we did not focus on merger and acquisitions activity beyond largely completing the restructuring exercise that has formally integrated the former High River Gold company into Nordgold. While we do not plan to undertake any further M&A activities in the months to come, we would certainly respond positively should the right opportunity present itself.

See p28 for how we have performed against our KPIs.

Operational optimisation

2012 results

- The Business System Nordgold projects started at Berezitovy, Taparko, Buryatzoloto and Suzdal, and pilot project on cost reduction begun at Lefa with the total effect on EBITDA exceeding US$17 million
- At Lefa the milling circuit has been stabilised and the mining fleet expanded
- At Taparko, mining productivity has been significantly increased; 2 CIL tanks, a pack of hydrocyclones and a regrind mill have been installed in order to increase leaching period and the grinding rate
- At Berezitovy, record annual production and milling productivity has been achieved
- At Neryungri we increased productivity and availability of the mining fleet by the introduction of four new dump trucks, an excavator and a mobile crusher
- Measures implemented at Suzdal with the help of consultants from Proudfoot led to increased recovery

2013 targets

- Start of the Business System Nordgold projects at the Lefa, Aprelkovo and Neryungri mines
- To increase the efficiency of mining operations and recovery rate at Lefa
- To expand the mining fleet and to increase recovery rate by modernising the processing plant at Taparko
- To continue efficiency improvement programmes and implementation of best operating practices at Berezitovy, Neryungri and Aprelkovo
- To introduce new geological models to Buryatzoloto's Irokinda and Zun-Holba mines
- To sustain high recovery rates at Suzdal

Organic expansion and development

2012 results

- The most active phase of the Bissa mine construction finished on budget and ahead of schedule
- A pre-feasibility study confirming the economic attractiveness of the Gross project was completed at the end of 2012

2013 targets

- To successfully ramp up the Bissa mine and to expand Taparko operations to process large volumes of oxidised ore from Bouroum
- To further improve Gross's projected KPIs in H2 2013 with the first ore from the deposit to be treated towards the end of 2013; to complete a pre-feasibility study of the potential CIL plant construction at Aprelkovo

Value-accretive acquisitions

2012 results

- The successful offer to the HRG shareholders that allowed Nordgold to consolidate 100% of HRG in Q1 2013, optimising administration scheme and increasing Nordgold's free float to 15%

2013 targets

- To continue monitoring the market in order to find potentially value-adding opportunities around the globe

A sustainable pipeline

We currently have one development project, four advanced exploration projects and thirteen early exploration projects in West Africa, Russia and Kazakhstan. These are expected to yield significant increases in our resource base and production profile.

	Production projects	Development projects	Advanced exploration projects	Early exploration projects
Russia and CIS	**Russia** ▶ Neryungri (2002) ▶ Aprelkovo (2006) ▶ Berezitovy (2007) ▶ Irokinda (1985) ▶ Zun-Holba (1986) **Kazakhstan** ▶ Suzdal (1999)	**Russia** ▶ Gross (2013)	**Russia** ▶ Uryakh ▶ Nerchinsk	**Russia** ▶ Vitimkan ▶ Uzhno-Uguyskaya Pl.
	▶ production in progress	▶ delineated resource ▶ feasibility underway or completed	▶ significant drilling performed ▶ scoping underway	▶ potential resource identified ▶ target delineation
West Africa	▶ Taparko (2007) ▶ Lefa (2008) ▶ Bissa (2013)		▶ Bouly ▶ Wayin	**Standalone** ▶ Yimiougou ▶ Noungou ▶ Labola **Taparko satellites** ▶ Yeou ▶ Nayiri ▶ Ankouma ▶ Nongo-Fayere ▶ Baola **Bissa satellites** ▶ Gargo ▶ Yargo ▶ Sakou

Development projects

Gross

Gross is an important development project in Yakutia, adjacent to the well-established Neryungri open pit heap leach operation. The deposit consists of an outstanding gold ore resource with further significant growth potential, and there are intensive additional exploration works being carried out in the area.

An extensive historical drilling programme has identified a large-tonnage, low-grade resource which requires further infill drilling to define previously-discovered high-grade pay shoots. The Feasability Study for Gross is expected to be completed during 2013.

The pre-feasibility study completed at the end of 2012 demonstrates the economic attractiveness of the project. The engineering design phase also commenced in 2012, with further improvements in project KPIs expected to be announced in H2 2013.

The proximity of Neryungri greatly enhances the Gross project's viability, with infrastructure earthworks and site preparations launched in 2012. We expect to launch the pilot project by the end of 2013, with Gross expected to contribute up to 15 Koz of gold production in 2013.

Exploration projects

Bouly

Bouly (Namtenga permit) is located close to Bissa, our new operating mine in Burkina Faso and represents a large low-grade gold mineralisation. While Bouly ore is low-grade, the preliminary metallurgical test work indicates very good potential for heap leach operations. In view of a significant footprint at the Bouly deposit, exploration is aimed at assessing deep-level and further flanks' resource potential. Exploration to expand resources is progressing in 2013. Further metallurgical testing is planned for mid-2013 in order to continue development of the Bouly permit area with a view to developing it into a commercially minable deposit. These tests will be part of an in-house scoping study on the project, which we will complete before deciding on a further pre-feasibility study in 2014.

Gougré

Gougré (Gougré permit) lies about 7 km south of the Bissa mine and is considered to be a supplement to the operating Bissa mine.

The 2012 exploration programme at Gougré consisted of trenching only, but in early 2012 many assay results were received of the gold samples sent for testing in 2011. This data has revealed a significant increase in Gougré's resources.

Hydrological and geotechnical studies, as well as metallurgical tests, were carried out during 2012 to complete the pre-feasibility study necessary to transfer Gougré's permit from the exploration to the mining stage.

Wayin

The Wayin prospect is situated 55 km east of Ouagadougou, where a large copper-gold anomaly was discovered in the area in the 1970s. Nordgold began systematic exploration work in the area in 2011. Since then, 160 core and reverse circulation holes, with a total of 20,000 metres have been drilled. Inferred gold and copper resources as at January 2013 were estimated by WAI. 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.

Uryakh

Uryakh is located in the Irkutsk region of Russia, 60 km from the Baikal-Amur main line railway. This is the result of successful early exploration work conducted in 2010-2011 on a highly prospective ore field with resource potential associated with quartz veins, gold-bearing stockworks and other types of mineralisation. Over the past years, an intensive drilling programme was focused on several high-grade quartz veins and adjacent gold mineralised zones which still remain open along the strike and in depth. Exploration results imply the potential for a large-scale open-pit and/or underground mineable resource.

In 2012, the drilling programme was primarily aimed at delineating strike and down-dip extensions of discovered mineralised systems. Exploration works were focused mainly on the central and north-western parts of the Uryakh ore field with a less intense study conducted in the south-eastern part. As a result of these works several previously discovered high-grade quartz veins (2,9,12) were drilled on 50-metre centres and traced along strike. No thinning of gold mineralisation was observed, thus there is potential for an increase in resource along strike and in depth during 2013.

During 2012 the mining potential of well-explored parts of the Uryakh ore field was confirmed, and new areas identified where mineralisation might be in place. A full set of results for the 2012 exploration is expected to be provided later in 2013.

Nerchinsk

Nerchinsk is a greenfield exploration project located 10 km east of the Aprelkovo mine and it is considered a potential source of ore for the existing operations. At the Nerchinsk licence area, the first inferred resource of 24 Koz has been declared based on the results of the 2011 drilling programme.

In 2012 Nordgold prospected in the Yuzhny, Perevozny and Zaslonny areas of Nerchinsk. At Yuzhny, oxidised and sulphide ore samples were taken for technology tests, and the mineralogy and petrography of rock and ore from both Yuzhny and Zaslonny were studied. As a result of these activities, we defined the structure of the ore bodies and developed a preliminary model for the central part of the Yuzhny area. Trenches at Zaslonny and Bishiginsky areas enabled us to trace ore bodies along strike, though further drilling will be required to assess the resource potential at deeper levels.

In 2013 we plan to explore the oxidised zone of the Yuzhny area and to conduct a number of metallurgical tests.

Vitimkan

At the Vitimkan site (Baunt district of Buryatiya) 2,700 metres of trenching and 8,800 metres of diamond drilling were completed in 2012. These activities were located at the Karaftit, Kreschenskii, Snezhnyi and Davyksha prospects. In addition, 50 km^2 of the Levoberezhny prospect had an IP gradient survey and soil sampling conducted. The main achievement of these activities the discovery of large gold anomalies (three anomalies of more than 3-5 km^2) in soils at the Levoberezhny prospect which are a continuation of previously found anomalies at the Kreschenskii prospect. DD drilling and trenching of the already-known gold soil anomalies at the Kreschenskii prospect also yielded very encouraging results. The IP gradient survey recognised high gold grades occurring in brecciated altered Paleozoic sandstones with small amounts of pyrite impregnation. This is evidence of potential to outline significant zones of gold mineralisation at the adjacent Kreschenskii and Levoberezhny prospects.

Prognoz

Prognoz is a remote silver project situated in the Verkhoyanskiy District in Yakutia, approximately 444 km north of the capital city, Yakutsk. It is one of the largest and highest-grade undeveloped primary silver projects in the world. The site is situated in an area of gently rolling terrain with elevations ranging from 300 metres to 1,100 metres above sea level, with the property covering 56 km^2.

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 ('Argentum'). In January 2012, the Company was informed that Argentum had applied to the Arbitration Court of the City of Moscow to commence official bankruptcy proceedings for Prognoz Silver. In order to protect its rights, OJSC Buryatzoloto (a subsidiary of Nordgold) also filed an application to enter into the bankruptcy proceedings in the capacity of creditor. The court proceedings were suspended in June 2012, with the grounds for the suspension of the bankruptcy case having been eliminated. It is expected that the case will soon be resumed and that Prognoz Silver LLC and its creditors will withdraw their applications to commence bankruptcy proceedings through debts restructuring. Nordgold plans to start developing the Prognoz project after the resolution of these legal proceedings.

Continued investment in R&D

We have made innovation the main focus of our extended research and development (R&D) activities, since we believe it is one of the keys to our future success and to production growth. Our primary focus in this respect is on developing solutions and technologies with high potential for process optimisation.

Innovation is one of the most important drivers of Nordgold's ongoing success and continuing production growth. This is why we have placed it at the heart of our extended research and development (R&D) activities, on which we spend more than US$3 million each year excluding exploration sample processing. Our primary focus for 2012 and onwards is on developing new technologies and solutions which offer clear potential for improving our processes.

To this end, we are now concentrating our R&D efforts on solving the specific issues at our Taparko, Suzdal, Buryatzoloto, Berezitovy and Gross operations that will deliver the greatest returns in terms of production and efficiency. Across the business, we are also closely examining the potential for recovering gold from existing tailings and waste rock, and are expending much effort on improving the drilling and blasting technologies we use in our open-pit and underground mines alike.

Our research programme at Taparko, which has the overall aim of improving gold recovery levels, includes testing a range of reacting substances to decrease the negative influence of the ore's graphite content on recovery rates. We are also analysing the impact that the size of ore particles after milling has on the recovery rate, and are increasing the front of the carbon in leach (CIL) process.

We are already achieving excellent recovery rates at our Suzdal operation, which have improved from 62-65% to 72% thanks to the use of innovative technologies including an ultra-fine ore-grinding process. Projects currently underway include optimising the flotation circuit for better recovery levels and seeking a new way of decreasing the concentration of rhodanides in tailings waste water so that it can be used in the BIOX cycle, thus creating cost savings through waste reduction and improving the sustainability of the process.

At Buryatzoloto, we have already received the recommendations of an independent audit by Caroline Engineering into improving overall plant performance, and we intend to take the actions required to improve efficiency during 2013. A research programme is also underway at Berezitovy to help us extract base metals more effectively from the plant's dry tailings stock.

At Lefa, we conducted a series of tests regarding the potential effect of the conversion of CIP tanks to CIL, and investigated what the influence on recovery rate will be if we use an oxygen plant to increase the speed of the absorption process. A programme is also underway to review a number of the developments which will help the plant to work with more hard rock feed, with less soft saprolite present.

We are also carrying out intensive research and design activities at Gross, covering both the mine and the plant, and are working with Irgiridmet on developing the technical requirements for the prospective CIL plant at our Aprelkovo mine.

Operational and financial KPIs

The tables below provides a summary of the KPIs of the Company broken down by mine (with the exception of Buryatzoloto, the segment that comprises the Irokinda and Zun-Holba mines, where both mines are presented collectively in one column).

Production

	Neryungri-Metallik and Aprelkovo		Celtic and Semgeo		Buryatzoloto	Berezitovy	Somita	Lefa	Total
	Neryungri	Aprelkovo	Suzdal	Other	Irokinda and Zun-Holba	Berezitovy	Taparko	Lefa	
Volume mined (Kt)									
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**
2011	2,475.4	1,628.0	400.0	211.7	659.5	1,757.8	1,456.9	6,660.4	**15,249.7**
2010	2,208.9	1,601.5	348.1	207.2	629.5	1,839.3	1,349.4	2,327.0	**10,510.9**
Volume milled (Kt)									
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**
2011	2,622.4	2,577.0	509.3	233.8	679.5	1,391.2	1,421.3	6,127.6	**15,562.1**
2010	2,201.1	1,626.8	333.9	339.5	660.8	1,049.6	1,273.7	2,185.5	**9,671.0**
Head grade (g/t)									
2012	1.0	1.4	7.6	1.7	5.0	2.5	3.1	1.1	**1.9**
2011	1.2	0.8	6.8	1.8	6.5	2.6	3.3	1.1	**1.8**
2010	1.3	1.2	9.4	1.6	6.9	2.2	3.5	1.2	**2.5**
Mill recovery (%)									
2012	75.0	47.7	65.3	50.0	93.3	90.2	82.1	84.1	**79.2**
2011	75.0	60.0	60.9	0.0	92.9	89.8	84.4	85.5	**80.8**
2010	75.0	60.0	70.8	0.0	91.7	89.2	90.2	88.4	**81.0**
Gold produced (Koz)									
2012	66.3	35.9	87.3	3.6	108.9	116.3	126.7	171.9	**716.9**
2011	73.0	30.3	76.6	4.9	134.3	107.1	132.5	195.7	**754.5**
2010	58.9	35.0	74.1	13.2	136.1	71.4	127.2	73.3	**589.1**
Gold sold (Koz)									
2012	66.7	35.8	n/a	90.9	108.9	116.4	126.8	171.9	**717.3**
2011	73.0	30.4	n/a	81.5	134.4	107.0	132.5	195.7	**754.5**
2010	62.8	35.4	n/a	87.3	143.8	73.0	127.2	73.3	**602.7**

Financial

	Neryungri-Metallik and Aprelkovo		Celtic and Semgeo		Buryatzoloto	Berezitovy	Somita	Lefa	Others	Total
	Neryungri	Aprelkovo	Suzdal	Other	Irokinda and Zun-Holba	Berezitovy	Taparko	Lefa		
Sales (external) (US$million)										
2012	111.4	60.0	n/a	152.6	181.3	193.6	212.0	287.1	–	**1,197.9**
2011	118.0	49.1	n/a	129.5	210.0	166.2	205.3	304.1	–	**1,182.1**
2010	79.5	44.3	0.0	106.7	177.6	90.1	157.3	98.6	–	**754.2**
Total cash cost per ounce produced (US$/oz) (unaudited)										
2012	766.8	864.6	802.7	n/a	812.9	625.7	611.4	1,183.3	–	**836.3**
2011	611.0	654.5	779.6	n/a	672.1	591.1	476.5	870.5	–	**687.8**
2010	555.2	627.9	510.5	n/a	521.9	713.1	393.1	860.2	–	**567.6**
Cash flows from operating activity (US$million)										
2012	19.1	9.0	48.0	(0.7)	30.9	30.0	67.7	(70.1)	(12.4)	**121.6**
2011	40.8	10.7	13.6	14.8	114.0	60.4	95.2	56.0	(7.9)	**397.6**
2010	26.8	14.2	19.5	10.3	76.0	20.5	83.3	4.1	5.6	**249.1**
EBITDA (US$million) (unaudited)										
2012	52.7	23.7	58.6	(4.6)	80.6	114.3	124.0	75.3	(31.6)	**493.0**
2011	57.8	21.7	55.1	(1.6)	126.5	90.9	135.2	108.0	(19.3)	**574.3**
2010	37.4	16.4	51.9	16.1	90.7	32.4	105.7	25.7	(6.6)	**369.7**
Capital expenditures less capitalised costs for environmental provisions (US$million)										
2012	66.5	11.2	14.3	0.1	32.4	13.0	27.6	51.8	265.4	**474.3**
2011	49.7	12.3	20.5	2.1	37.1	16.9	11.2	58.9	110.7	**319.4**
2010	24.2	5.8	38.1	2.8	27.5	22.5	6.7	15.3	24.8	**167.5**

Assessing risks and uncertainties

Nordgold has the necessary policies and procedures in place to allow our senior management and Board to identify, assess and control the risks we face, and thus create and preserve value.

Our senior management provides assurance that the subsidiaries of Nord Gold N.V. take all reasonable and cost effective steps in the identification, analysis and economic control of risks that could threaten the assets, earning capacity or business objectives of our organisation.

We have established internal controls to manage our risks. This helps 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 appropriate internal controls. We promptly address any weaknesses we find in our risk management or internal controls. Nordgold's 2012 self-assessment of the effectiveness of the Company's risk and control processes was conducted by management in October 2012. The major controls are in place and work at a satisfactory level. Management plans to establish additional mitigating controls in 2013. This means that all key controls will be adequately developed and effective.

In reviewing the effectiveness of our risk management, the Board considers the results of our monitoring and reporting process, and 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 our 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 control throughout Nordgold.

Risks

We face a number of risks that are typical of our industry, as well as those relating to our operations and the markets in which we operate. These include, but are not limited to, those set out in the tables on page 35. The following are our categories of principal risks:

Mining industry risks

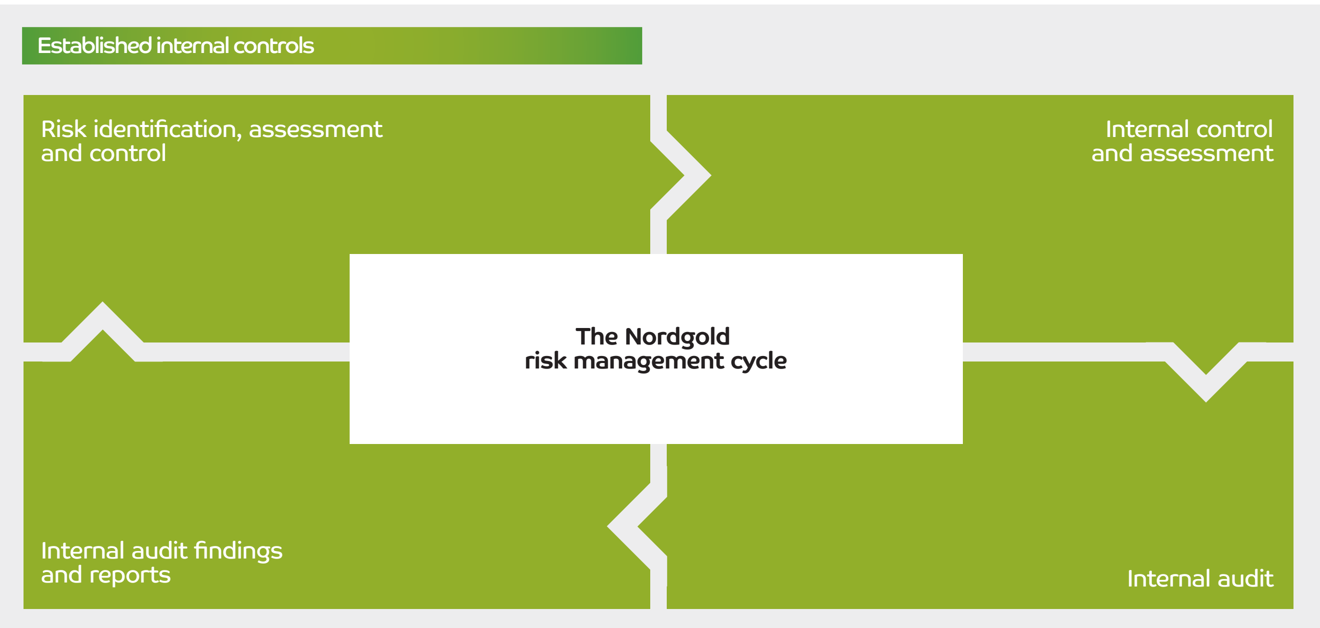
The market price for gold can change significantly, driven – for example – by inflation expectations, movement in the US dollar, speculation, investment demand, and political events.

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 CIS, together with increased legal and compliance regulations and a special focus on sustainable development and long-term relationships with local communities and governments.



Principal risks

Mining industry risks

Risk	Mitigation
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.	We monitor the gold price, market, and other indicators related to risk: inflation, US dollar rates, analyst forecasts, etc.
Our reserves and production could decline materially over time if we fail to acquire and/or develop additional reserves. 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 control the cost of exploration and regularly review established KPIs and benchmarks.
We incur costs 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.
Gold mining, and the processes 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 health and safety policies and procedures are in place at the Company. The Safety and Sustainable Development Committee reviews management actions on established controls.

Operational risks

Risk	Mitigation
Developing gold reserves, converting resources, and acquiring machinery and equipment involves substantial capital expenditure; sometimes there may be a shortage of capital.	Nordgold is soundly financed. We monitor our liquidity and carefully manage our cash flow and balance sheet to ensure we always have the financial capacity we need.
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 good relations with our workforce.	Nordgold aims to be a best-in-class employer, offering attractive career opportunities and remuneration.
The cost of electricity, which is our single largest operating expense, can be unstable.	We have long-term contracts with suppliers and electricity-saving programmes in place.

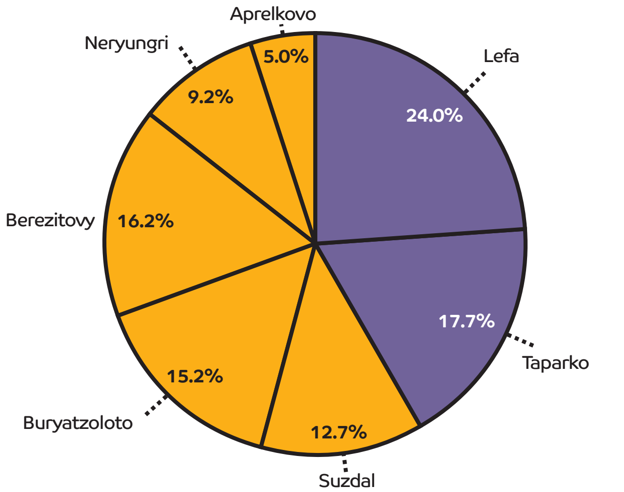
Emerging market risks

Risk	Mitigation
The legal and tax frameworks in emerging markets are not always fully developed.	Our tax, legal, and accounting departments ensure compliance with applicable tax and statutory legislation.
Political and social conflicts, instability, crime and corruption could create an uncertain operating environment.	We closely monitor the political and social situation. We have stable and good relationships with local communities and governments.
We may be subject to arbitrary government action, a challenge being made to our ownership of assets, or a review of our licences.	We would be able to mount an effective and robust legal defence with the help of our highly professional legal department.
Inflation and government efforts to combat it may contribute significantly to economic uncertainty.	We have strong cost control and continuing operational efficiency programmes in place.

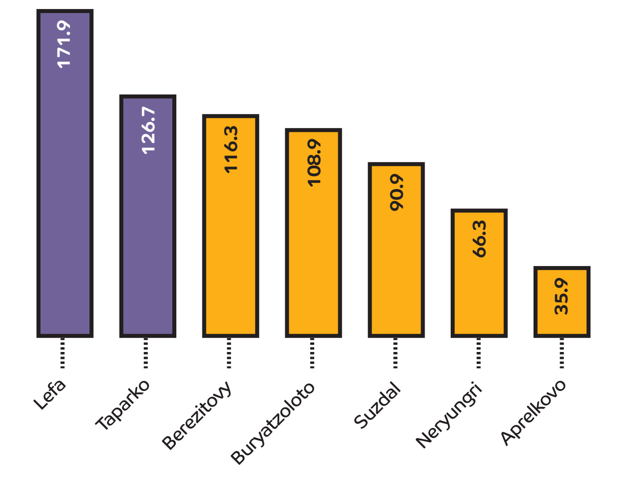
Performance

The vital operational measures we took at many of our mines in 2012 will streamline production and reduce costs for the medium and long-term future.

Gold production (%)



Gold production (Koz)



Maintaining momentum through our Business System

We are continuing to embed the system ever more deeply within the Company, and anticipate that the success of its launch will be reflected later in 2013.

The Nordgold Business System, which is based on the highly influential approach taken by our former parent company JSC Severstal, is a management methodology that encourages the involvement of every employee in driving continuous improvement throughout the organisation.

This makes it a key means of enabling us to deliver the first pillar of our Company-wide strategy: to optimise our operations by improving the efficiency and productivity of our mines.

Under the system, we look to all our people from the Board downwards for their ideas on improving safety, increasing efficiency and reducing costs, as we recognise that nobody is more highly motivated to find the most effective solutions in every area. We also seek expert support from outside the business where we believe a situation requires specialist expertise that we do not have in-house. In addition, the system is sufficiently flexible to allow the main priorities that are specific to each mine to be addressed individually.

After a year of development during 2011, we launched the system throughout all our operations in April 2012, with a series of intensive communications and training initiatives that are now evolving into permanent features of Nordgold's working practices.

Since launch, the system has been playing an increasingly important role across six major aspects of how we work, which between them support the fundamental strengths of our operations (see below).

We are continuing to embed the system ever more deeply within the Company, and anticipate that the success of its launch will be reflected later in 2013 under our three primary measurement parameters: production; behaviour and other social factors; and cost.

Production

Measurement will focus on tracking improvements in the productivity and volumes achieved by our mines, as well as on enhanced performance in other parameters across the value chain. After an initial dip in production while streamlining works were being carried out at some of our mines in early to mid-2012, the year's fourth quarter saw an encouraging 8% rise in production levels over the previous three months.

Safety

Encouraging a culture in which everybody takes ultimate responsibility for their own safety, using the technology and equipment provided by the Company, abiding by its safety advice and contributing ideas on improving safety

See page 37

Continuous improvement

Enhancing productivity throughout the business through greater efficiency and highly effective sustainable processes

See page 38

Cost control

Implementing initiatives that reduce the costs of production and overheads in our mines

See page 36

We have been particularly impressed by the success of a project at our mines in Burkina Faso, where more efficient hand-over between shifts has resulted in a 16% increase in the number of truck journeys.

Social factors and behaviour

Bringing about positive, sustained changes in behaviour is a long-term and challenging commitment for the Company; measuring our progress is vital to achieving success, and we are very active in asking employees to rate the value of changes and how their behaviour has been affected.

Naturally, the most important social measurement is that relating to safety. While we were pleased to see a substantial decline in LTI frequency during the first months of 2013, we understand that the journey towards achieving a zero-harm environment can never be fully completed. Every day will present its own challenges. In addition, mining – particularly the use of underground mines – is a hazardous occupation, and none of us at any level of the Company can ever relax our vigilance.

Our measurement initiatives show that daily safety discussions at all our mines and an intensified health and safety training regime are making a strong contribution to a growing awareness of safety issues throughout our operations. In addition, we have increased the number of regular underground safety inspections and launched a new department, Industrial Control, which is exclusively dedicated to safety matters. We also thoroughly investigate the cause of every accident, and are enforcing more rigorously than ever before rules on the careful handling and maintenance of all equipment.

During 2012, we introduced the principles of Kaizen as a key means of driving continuous improvement across Nordgold, with a particular emphasis on monitoring the results of change and adjusting processes accordingly for further improvement. This approach gives managers and workers alike full visibility of their own performance, so they can easily tell if they are on track to meet their personal targets or need to apply greater effort.

Cost control

Constant communication with the general management of all our mines ensures that we are always familiar with all day-to-day running costs and well positioned to take action to reduce them as necessary. Tight control remains a high priority for 2013, with an intensive focus on minimising costs at our new Bissa mine, from the moment that we launch production.

Sharing and communicating best practice

The future success of the Nordgold Business System will depend on the quality of communications between the Company's mining operations and head office teams, which will dictate the speed and efficiency with which best practice can be learned and shared across the Company. Already there are many success stories throughout the business which are highlighted in this report; as the impact of the system gains weight through the organisation, we expect to see tangible improvements emerge more strongly from late 2013 onwards.

People and teamwork

Consistently improving working conditions across the Company and communicating our values to encourage co-operation and commitment to achieving our objectives

See page 52

Shared respect

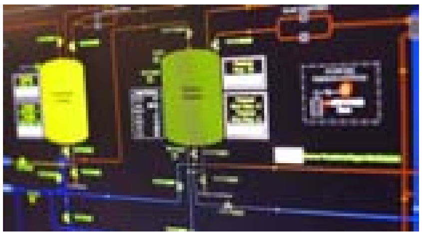
Treating colleagues within the organisation as clients who deserve a high-quality service, and consistently aiming to improve the satisfaction levels of external clients

See page 53

Technology

Leveraging the Company's Global Technology System (GTS) to ensure the use of the most advanced and appropriate technologies for all purposes, from production to communication, construction to geological modelling.

See page 41



Berezitovy

The mine delivered an excellent all-round performance in 2012, increasing gold production and the amount of ore milled.

Key operating statistics – Berezitovy[1]

	2011	2012	% change
Ore mined (Kt)	1,758	**1,990**	13
Ore milled (Kt)	1,391	**1,635**	18
Grade (g/t)	2.62	**2.5**	(5)
Recovery (%)	89.80	**90.20**	0.4pp
Gold production (Koz)[2]	107.1	**116.3**	9
Gold sold (Koz)[2]	107	**116.4**	9
Cash costs/ounce produced (US$/oz)	591	**626**	

(1) The Group held a 75.0 % indirect effective economic interest in Berezitovy in 2011 and most of 2012 due to minority interests in High River Gold and its subsidiaries through which it owns Berezitovy.
(2) This amount includes the gold equivalent of silver produced at the mine.

Key future activities

- Seeking new reserves within our mining and exploration licences
- Acquiring and exploring promising licences near the mine
- Maintaining the high productivity levels achieved in 2012.

Overview

Nordgold's Berezitovy mine is strategically located in the Amur region of the Russian Federation, accessible via an all-season road and just 50 km from the Trans-Siberian railway.

The mine, which is 99% owned by High River Gold, first entered production in 2007. It has a single open pit, alongside a processing plant that includes crushing, SAG and ball milling and CIP circuits and a complete water and waste-management infrastructure. It also includes a modern camp capable of housing well over 1,000 people.

2012 performance

During 2012, Berezitovy built on its excellence performance in 2011 to increase the amount of ore milled by an impressive 18%, from 1,391 kt to 1,635 kt. Such growth was matched in terms of actual gold production, with the third and fourth quarters of the year setting successive quarterly production volumes of 37.1 Koz and 33.4 Koz respectively.

This was an excellent all-round performance for a mine that experienced a relatively slow start to the year.

Halfway through 2012 we successfully installed a second crusher and a new pinion, which are already supporting higher production levels and an improved cost performance. We expect these to enhance significantly future performance at Berezitovy.

Buryatzoloto

A decline in gold production during 2012 is the driving force behind our intensive preparation work to access new ore blocks.

Key operating statistics – Irokinda and Zun-Holba[1]

	2011	**2012**	% change
Ore mined (Kt)	659.5	**686.3**	4
Ore milled (Kt)	679.5	**695.1**	2
Grade (g/t)	6.48	**5.04**	(22)
Recovery (%)	92.90	**93.30**	0.4pp
Gold production (Koz)[2]	134.3	**108.9**	(19)
Gold sold (Koz)[2]	134.4	**108.9**	(19)
Cash costs/ounce produced (US$/oz)	672	**813**	

(1) The Group consolidated the results of Buryatzoloto but had held a 63.8 % indirect effective economic interest in Buryatzoloto in 2011 and most of 2012 due to minority interests in High River Gold and its subsidiaries through which it owns Buryatzoloto.
(2) This amount includes the gold equivalent of silver produced at the mine.

Key future activities

- Extending the operation's reserves base
- Improving efficiency and safety at the Irokinda mine through streamlined infrastructure
- Containing and reducing costs by:
  - Implementing new mining, transportation and processing technologies
  - Using technology to eliminate duplication and reduce losses
  - Upgrading the gravitational processes at all plants
  - Decreasing the consumption of reagents.

Overview

With production having started as long ago as 1985, the Buryatzoloto gold mining business in the Russian Federation's Republic of Buryatia is the oldest asset in Nordgold's portfolio. It is made up of two underground mines – Irokinda and Zun-Holba – both owned through Nordgold's 100% subsidiary High River Gold, which has an 85.54 stake in Buryatzoloto.

The mines both contain processing plants, each with crushing, grinding, gravity and flotation circuits. The Zun-Holba plant also contains a CIL circuit and related facilities, and a drilling programme aimed at increasing production at Zun-Holba was launched in 2009. The mines' poor safety record, which reflects the greater risks of underground versus open-pit mining, makes improving industrial safety the overriding priority for management at both sites.

2012 performance

During the year, our milled-ore volumes and recovery rates at the two mines were slightly up on 2011. There was, however, a marked reduction in head grade (down by 22% year-on-year) due to higher dilution and a geological ore grade that was lower than expected. This in turn brought about a 19% decline in gold production.

In response, we are further intensifying our preparation works to gain access to new ore blocks at the mines. We are also currently working on a new geological model for both mines, which we believe will give us better visibility of the shapes of ore bodies and their grade distribution.

The complex geology at Buryatzoloto means, however, that we will be unable to apply the new model to mine planning before the end of the first half of 2013; until then, head grades at the mines will remain difficult to predict.

Neryungri

We anticipate that the higher mining volumes and productivity we delivered in the second half of 2012 will continue into 2013.

Key operating statistics – Neryungri[1]

	2011	**2012**	% change
Ore mined (Kt)	2,475	**2,092**	(15)
Ore milled (Kt)	2,622	**3,084**	18
Grade (g/t)	1.16	**1.02**	(12)
Recovery (%)	75.00	**75.00**	0pp
Gold production (Koz)	73	**66.3**	(9)
Gold sold (Koz)	73	**66.7**	(9)
Cash costs/ounce produced (US$/oz)	611	**767**	

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

Key future activities

- Improving all aspects of the mining infrastructure
- Containing and reducing costs through:
  - Improving the efficiency of the dump truck fleet
  - Increasing the active life of all equipment used
  - Enhancing all logistics for transporting cargo
- Development of infrastructure required for the Gross project.

Overview

Nordgold bought Neryungri – an open-pit gold mine in the Siberian republic of Yakutiya – in 2007. It is around 200 km from the town of Chara and is accessible throughout the year via an all-season road that was completed in 2011.

Its processing plant uses both crushing and leach-extraction capabilities. When it comes to leach-extraction, the mine uses the simplest method possible due to the high oxidisation of its low-grade ore. During 2011, Nordgold substantially upgraded the entire mining fleet, expanded the metallurgical plant by 50% and extended the period of active leaching to nine months of the year.

2012 performance

It is usual with heap-leach gold mines in Russia that the warmer months see an increase in the quantities of gold produced. This was the case in 2012, when production peaked in the second and third quarters before an anticipated slight decline in the final three months of the year.

While Neryungri's overall gold production fell by 9% in 2012 over the preceding year, we achieved higher mining volumes and productivity in the second half, complemented by a lower stripping ratio.

We anticipate that the additional improvements we made to the mining fleet in 2012, with the arrival of four new dump trucks, an excavator and a mobile crusher, will see these improvements continue into 2013.

Aprelkovo

We anticipate that production levels in 2013 will largely match the record total of 35.9 Koz we achieved at the mine in 2012.

Key operating statistics – Aprelkovo[1]

	2011	2012	% change
Ore mined (Kt)	1,628	**2,461**	51
Ore milled (Kt)	2,577	**1,465**	(43)
Grade (g/t)	0.81	**1.35**	67
Recovery (%)	60.00	**47.70**	(12.3pp)
Gold production (Koz)	30.3	**35.9**	18
Gold sold (Koz)	30.4	**35.8**	18
Cash costs/ounce produced (US$/oz)	655	**865**	

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

Key future activities

- Exploring for and estimating reserves in the nearby Nerchinskaya area
- Building a new gold-recovery plant
- Optimising the productivity and cost-efficiency of current technology.

Overview

It was in 2007 that Nordgold acquired Aprelkovo, an open-pit mine in Russia's Transbaikal region.

The mine's processing plant includes both crushing and heap-leach extraction capabilities. During 2011, we significantly upgraded the entire mining fleet, doubled the capacity of the site's metallurgical plant and installed crushers to reduce ore sizes from 15mm to 5mm.

2012 performance

In 2012, the Aprelkovo mine delivered a record gold-production total, up by 18% over 2011 to reach 35.9 Koz.

During the year, we reduced the volumes extracted from the Run of Mine (RoM) stockpile at the site to focus more attention on mining ore from the pit. We anticipate that the processing of higher-grade ores will continue to more than balance the reduction in recoveries from transitional and sulphide ores.

We expect production volumes to run at similar levels in 2013. We are currently awaiting a decision from the PFS, expected in late 2013, on the construction of a new CIL plant at the mine. This conclusion will help us to define the renewed long-term future of the mine.

Suzdal

Improving head grades and recovery rates both contributed to the 12% rise in gold production recorded in 2012.

Key operating statistics – Suzdal[1]

	2011	**2012**	% change
Ore mined (Kt)	400	**431.1**	8
Ore milled (Kt)	509.3	**490.9**	(4)
Grade (g/t)	6.79	**7.61**	12
Recovery (%)	60.90	**65.30**	4.4pp
Gold production (Koz)[2,3]	81.5	**90.9**	12
Gold sold (Koz) [2,3]	81.5	**90.9**	12
Cash costs/ounce produced (US$/oz)	780	**803**	

(1) The Group held a 100 % interest in Suzdal in each of the periods presented.
(2) Based on gold content in doré.
(3) W/O Zherek.

Key future activities

- Implementing our risk-management strategy
- Achieving improved quality in explored reserves and adding new reserves
- Finding and processing external sulphide concentrates
- Containing and reducing costs through:
  - Improving the maintenance and usage of underground equipment
  - Reducing the qualities of reagents consumed at the plant
  - Optimising the water supply system.

Overview

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

The site includes a processing plant with crushing, grinding, flotation, BIOX and CIL circuits. These contain some of the most technologically advanced facilities in Nordgold, including the first BIOX processing circuit to be used anywhere in Eurasia.

Improvement works in 2011 included upgrades to the underground mining fleet, a significant expansion of underground and metallurgy capacities, and the establishment of long-term access to medium-grade ores.

2012 performance

These improvements had an important positive impact in 2012, when Nordgold achieved a 12% rise in gold production at Suzdal. This was due to an increase in head grade, although an improved recovery rate also had an important role to play, which grew by over 5% in the second half of the year as a result of the improvements made to the metallurgy plant, which included optimised flotation, CIL configuration and bio-leaching parameters.

Abnormally cold winter weather in late 2012, down to as low as -50˚ Celsius, had a negative impact on the efficiency of the metallurgy plant. Management is now targeting improvements with the aim of achieving recovery rates of around 70%. We are also optimistic that the head grade improvements achieved in 2012's fourth quarter (up by 16% year-on-year to 7.88 g/t) will continue into 2013.

Operating review: West Africa

Lefa

Rising production towards the end of 2012 resulted from several optimisation projects undertaken in the first half of the year.

Key operating statistics – Lefa[1]

	2011	2012	% change
Ore mined (Kt)	6,660	**6,312**	(5)
Ore milled (Kt)	6,128	**5,932**	(3)
Grade (g/t)	1.13	**1.07**	(5)
Recovery (%)	84.40	**82.10**	(2.3pp)
Gold production (Koz)	195.7	**171.9**	(12)
Gold sold (Koz)	195.7	**171.9**	(12)
Cash costs/ounce produced (US$/oz)	871	**1,184**	

(1) The Group held a 100% interest in Lefa in each of the periods presented.

Key future activities

- Modernising the processing plant in response to the changing ore mix
- Delivering the Lefa turnaround programme, including:
  - Cost-reduction initiatives
  - Improving operational practices
  - Increasing the availability of key mining and milling equipment
  - Improving business processes
  - Implementing the Nordgold Business System
- Commencing operations in the Kankarta, Lero and Fififirini areas
- Continuing operations in the Fayalala saprolite area.

Overview

Our Lefa mine is some 700 km north east of Canakry, Guinea's capital and largest city. It entered production in 2008 and was bought by Nordgold as part of the Crew Gold acquisition.

Lefa is made up of two main open pits and a number of smaller pits, alongside a processing plant comprising a crushing circuit, two SAG mills, two ball mills and a CIP circuit as well as waste facilities and a water management system.

2012 performance

The production total of 171.9 Koz achieved during 2012 was below our target for the year and showed a 12% fall from the equivalent figure in 2011. This was due to lower than expected head grades and throughput volumes, which suffered in the short term during the implementation phase of several projects aimed at eradicating bottlenecks and increasing production in the medium and longer terms.

The improvements made in 2012 include the introduction of a new mining model, the construction of a pebble crusher, together with new screening systems and the implementation of WENCO systems.

These changes made a substantial difference to the mine's productivity in the second half of the year: for example, the fourth quarter saw a quarter-on-quarter 7% improvement in the head grade and an 18% increase in overall gold production.

We have also been successful in stripping out costs at Lefa: these are usually a lagging performance indicator, but we could already see a 6% quarter-on-quarter cash cost reduction at the end of 2012. In addition, the preparatory measures taken in 2011 to lessen the impact of the wet season on our operations proved to be highly successful in 2012.

We believe that there is great potential in the Lefa mine, which will begin to bear fruit during 2013.

Taparko

The significant improvements we made during 2012 drove the increased recovery rates we delivered in the second half of the year.

Key operating statistics – Taparko[1]

	2011	2012	% Change
Ore mined (Kt)	1,457	**1,835**	26
Ore milled (Kt)	1,421	**1,580**	11
Grade (g/t)	3.27	**3.09**	(5)
Recovery (%)	84.40	**82.10**	(2.3pp)
Gold production (Koz)[2]	132.5	**126.7**	(4)
Gold sold (Koz)[2]	133	**126.8**	(5)
Cash costs/ounce produced (US$/oz)	477	**611**	

(1) The Group held a 67.6% indirect effective economic interest in Taparko in 2011 and in most of 2012 due to minority interests in High River Gold and its subsidiaries through which it owns Taparko.
(2) This amount includes the gold equivalent of silver produced at the mine.

Key future activities

- Improving the recovery rate
- Beginning expansion in the Bouroum area to compensate for the increased stripping ratio at Taparko
- Extending the life of mine through active exploration works
- Cost-containment and reduction initiatives
- Implementing the Nordgold Business System.

Overview

The Taparko mine is in the Namantenga province of Burkina Faso. Production began there in 2007, operated by SOMITA SA, a company 90% owned by Nordgold's subsidiary High River Gold. The Burkina Faso government owns a 10% carried interest in the mine.

At the beginning of 2012, the mine comprised three open pits alongside a processing plant operating crushing, ball milling and CIL circuits.

2012 performance

While production at Taparko fell by 4% during 2012, there were encouraging signs of improvement in the third and fourth quarters resulting from the significant improvements we made to the mine during the year.

These included the installation of a regrind mill and two leach tanks in August, aimed at increasing recovery ratios and enabling more stable and predictable recovery rates into the future. Although productivity fell during the installation phase, recoveries started to improve from below 80% in the second quarter of the year to reach 83% in the third and 82% in the fourth quarters. These results are still below the target level of 85%, and management continues to concentrate on achieving further improvements.

Despite such challenges, Taparko remains a low-cost producer; during the year, we further reduced its running costs by installing a new mobile crusher and upgrading the mining fleet, which has enabled us to reduce total cash costs by 26% quarter-on-quarter.

We are currently focused on exploration works around Taparko's flanks to expand its reserves further.

Reserves and resources

Delivering organic growth through the development of our reserves and resources represents one of the three pillars of our strategy. Between 2009 and 2012 we have invested more than US$300 million in exploration and evaluation.

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**

Lefa

In 2012 exploration was focused near the Lefa mine, mainly East of the Fayalala pit, as well as on the areas adjacent to our current operations. The top priority was to increase the resources and reserves of saprolites, which is easier to process regarding the technical complexity. This work resulted in the opening of two new pits, Fayalala East and Banco South. Fresh ore exploration at the Kankarta Extension site was still underway. As a result, the increase in resources made up for the mined ore.

In 2013 the exploration focus on saprolites on the adjacent areas will continue for new prospects revealed in 2012, will also continue exploration of Firifirini and Kankarta North for expanding resources already identified and establishing new resources. As for regional exploration, works will be concentrated on central part of mining concession, namely the Diguili area where geochemical surveys have returned very positive results. Targets will be drilled in the middle of 2013.

Taparko

In 2012 the main focus was extending the flanks of the existing pits 3/5, 2N2K, GT, infill drilling of Bouroum pits and drilling of Goengo (3km east of Taparko). The goal of the 2013 exploration programme is to drill the anomaly between 3/5 and 2N2K pits, to continue exploration of Goengo and Nongo-Fayere targets, and the preparation of new targets within a 10km radius, based on recently established extensive geophysical and geochemical data.

Bissa

In 2012 an infill RC programme at a grid of 20 x 20m, to a vertical depth of around 40 metres was completed at the Bissa deposit. This drilling was incorporated in the resource estimation carried out by WAI for the 2012 CPR report. RC Grade control drilling was started in August 2012 to delineate ore blocks in sufficient detail for mining operations to commence (first gold at Bissa was poured in January 2013). Some 40,000 metres of RC grade control drilling was carried to delineate the first 20 vertical metres. Around 10,000 meters of sterilization drilling was carried out towards the end of the year to open-up additional areas for waste dumps.

Neryungri

In 2012 Nordgold undertook a number of measures in order to increase mineable ore reserves at the Neryungri mine (Tabornoe deposit).

We continued to prospect and explore South Uguyskaya property, mainly by core drilling (more than 60,700m). Our efforts were focused on the Gross deposit as well as on areas adjacent to the mineralised zones Yuzhnoye, Vysokoye, Tokkinskoye and Temnoye-Tabornoye. In 2013 Nordgold plans to continue prospecting those areas as well as prospecting and exploring the Gross deposit and Tabornoye flanks.

Berezitovy

The drilling programme at Berezitovy flanks, which targets 14,000 long metres, was continued in 2012. Ongoing mineralisation of southern and northern flanks of the pit yielded positive results. A geochemical survey and well logging in the adjacent area to Berezitovy – the Sergachinskaya area – was also conducted. The likely anomalies will be proven by mining and drilling in 2013. In 2013 we plan to drill closer to the pit flanks.

Aprelkovo

In 2012 we drilled 17,000m near the Aprelkovo mine in order to denser the grid and to get a more detailed description of the intersections previously identified. In 2013 Nordgold will continue to conduct hydrogeological and engineering studies and PFS preparation for the future CIL plant construction.

Silver reserves estimate (1 January 2013) (in accordance with the guidelines of the JORC Code (2004))

				Proven			
Area	Mine	Ore type	Cut-off grade Ag (g/t)	Ore (Kt)	Ag (g/t)	Ag (Kg)	Ag (Koz)
Russia	Gross		0.3	–	–	–	–
Area total							

Contained metal figures may not calculate due to rounding.

Silver resource estimate (1 January 2013) (in accordance with the guidelines of the JORC Code (2004))

				Measured			
						Ag metal	
Deposit		Ore type	Cut-off grade Ag (g/t)	Tonnage (Mt)	Ag grade (g/t)	t	Moz
Russia	Gross	All types	–	17	2.30	40	1
	Prognoz	All types	100.00	–	–	–	–
Area total				**17**	**2.35**	**40**	**1**

Contained metal figures may not calculate due to rounding.

Copper resource estimate (WAI 1 January 2013) (in accordance with the guidelines of the JORC Code (2004))

				Measured		
						Cu metal
	Deposit	Zone	Cut-off grade Cu (g/t)	Tonnage (Kt)	Cu grade (%)	t
Burkina Faso	Wayin	All zones	0.21	–	–	–
Area total				**–**	**–**	**–**

All mineral resources and reserves 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.

Buryatzoloto

At Zun-Holba and Irokinda the main exploration efforts have been aimed to follow main ore zones and veins along the strike. Another goal had been infill drilling to increase categories of the resources. In total more than 100,000 metres of diamond drilling has been completed during campaign of 2012. These efforts have led to the long-awaited increase in resources and reserves. Measured, indicated and inferred resources for two Buryatzoloto's mines totalled 469 Koz, 149 Koz and 93 Koz respectively. Proven and probable reserves have been estimated at 425 Koz and 142 Koz respectively. In 2013 we will continue the drilling programme at both mines.

Suzdal

At Suzdal in 2012 we drilled 9,500m from the surface and 40,000m from the underground workings. The activities are aimed to denser the grid in order to increase the category of the reserves, as well as to enlarge reserves of the major ore bodies at the centre and on north-east flanks of the deposit.

	Probable			
	Ore (Kt)	Ag (g/t)	Ag (Kg)	Ag (Koz)
	200,000	2.50	500,000	16,000
	200,000	**2.50**	**500,000**	**16,000**

	Indicated				Measured + Indicated				Inferred			
	Tonnage	Ag grade	Ag metal		Tonnage	Ag grade	Ag metal		Tonnage	Ag grade	Ag metal	
	(Mt)	(g/t)	t	Moz	(Mt)	(g/t)	t	Moz	(Mt)	(g/t)	t	Moz
	230	2.70	620	20	247	2.67	660	21	500	2.60	1,300	42
	4	704.00	3,165	102	4	704.00	3,165	102	5	659.00	3,209	103
	234	**16.18**	**3785**	**122**	**251**	**15.24**	**3825**	**123**	**505**	**8.93**	**4509**	**145**

	Indicated			Measured + Indicated			Inferred		
	Tonnage	Cu grade	Cu metal	Tonnage	Cu grade	Cu metal	Tonnage	Cu grade	Cu metal
	(Kt)	(g/t)	t	(Kt)	(g/t)	t	(Kt)	(%)	t
	–	–	–	–	–	–	16,043	0.21	33,690
	–	**–**	**–**	**–**	**–**	**–**	**16,043**	**0.21**	**33,690**

Gold reserves estimate (1 January 2013) (in accordance with the guidelines of the JORC Code (2004))

				Proven			
Area	Mine	Ore type	Cut-off grade Au g/t	Ore Kt)	Au (g/t)	Au (Kg)	Au (Koz)
Russia	**Aprelkovo**	Oxide (In-situ)	0.55	–	–	–	–
		Transitional (In-situ)	0.76	1	1.05	1	0.03
		Sulphide (In-situ)	0.58	1,764	1.48	2,612	84
		Stockpile (All types)	0.79	51	1.02	53	2
	Mine total		**–**	**1,817**	**1.47**	**2,665**	**86**
	Berezitovoye	Sulphide (In-situ)	–	5,937	1.88	11,183	360
		Stockpile (All types)	0.96	1,979	1.74	3,446	111
	Mine total		**–**	**7,916**	**1.85**	**14,629**	**470**
	Neryungri	Oxide (In-situ)	0.53	3,700	0.98	3,626	120
		Stockpile	0.5	–	–	–	–
	Mine total		**–**	**3,700**	**0.98**	**3,626**	**120**
	Gross		0.3	–	–	–	–
	Mine total		**–**	**–**	**–**	**–**	**–**
	Zun-Holba		3	761	8.28	6,300	203
	Mine total		**–**	**761**	**8.28**	**6,300**	**203**
	Irokinda		3	458	15.03	6,900	222
	Mine total		**–**	**458**	**15.03**	**6,900**	**222**
Area total				**14,652**	**2.33**	**34,120**	**1,101**
Burkina Faso	**Bissa**	Weathered (In-situ)	–	484	2.20	1,066	34
		Fresh (In-situ)	–	4,817	2.10	10,105	325
		Transitional (In-situ)	–	–	–	–	–
		Stockpile (All types)	0.9	641	1.61	1,030	33.1
	Mine Total		**–**	**5,942**	**2.05**	**12,201**	**392**
	Taparko Mine	Zone 3/5	–	–	–	–	–
		Zone 2N2K	–	–	–	–	–
		Zone GT	–	–	–	–	–
		Stockpiles (All types)	0.98	399	2.44	972	31
	F12	Fresh & Sap (In-situ)	–	–	–	–	–
	Mine Total		**–**	**399**	**2.44**	**972**	**31**
Area total				**6,341**	**2.08**	**13,173**	**424**
Guinea	**Lero Karta**	All types	–	23,478	1.58	37,023	1,190
		Stockpile (All types)	0.6	1,312	0.74	1,090	35
	Fayalala	All types	–	12,363	1.14	14,110	454
		Stockpile (All types)	0.6	5,682	0.80	4,538	146
	Kankarta	All types	–	1,042	1.30	1,356	44
		Stockpile (All types)	0.6	140	0.74	104	3
	Firifirini(3)	All types	–	3,791	1.62	6,141	197
	Toume Toume(3)	All types	–	210	1.41	296	10
	Banko(1)	All types	0.6	80	2.05	164	5
	Banko South Extension(1,2)	All types	0.6	581	1.75	1,016	33
Area total				**48,678**	**1.35**	**65,838**	**2,117**
Kazakhstan	**Suzdal**	Sulphide (In-situ)	4	1,126	11.86	13,400	430
		Stockpile (All types)	–	27	4.86	132	4
	Mine Total		**–**	**1,153**	**11.74**	**13,532**	**434**
Area total			**–**	**1,153**	**12**	**13,532**	**434**
Total – all projects				**70,824**	**1.79**	**126,663**	**4,075**

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(1) Mineral reserves quoted here 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. Where applicable these resource models have been updated by WAI with the current topography and optimised using new optimisation parameters. 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) Also named as Folokadi at the stage of exploration.

(3) Firifirini and Toume Toume reserves are 2012 values.

Probable				Proven+Probable				Pit summary	
Ore (Kt)	Au (g/t)	Au (Kg)	Au (Koz)	Ore (Kt)	Au (g/t)	Au (Kg)	Au (Koz)	Waste (Kt)	Stripping ratio (t/t)
301	1.23	370	12	301	1.23	370	12	–	–
375	0.78	292	9	376	0.78	293	9	–	–
5,749	1.20	6,890	222	7,513	1.26	9,502	305	49,452	6.0
–	–	–	–	51	1.02	53	2	–	–
6,425	**1.18**	**7,552**	**243**	**8,242**	**1.24**	**10,217**	**328**	**49,452**	
5,672	1.89	10,733	345	11,609	1.89	21,916	705	40,666	3.5
–	–	–	–	1,979	1.74	3,446	111	–	–
5,672	**1.89**	**10,733**	**345**	**13,588**	**1.87**	**25,362**	**815**	**40,666**	
2,900	1.22	3,500	110	6,600	1.08	7,126	230	39,840	6.0
1,900	0.50	1,000	30	1,900	0.50	1,000	30	–	–
4,800	**0.93**	**4,500**	**140**	**8,500**	**0.96**	**8,126**	**260**	**39,840**	**–**
200,000	0.56	110,000	3,600	200,000	0.56	110,000	3,600	481,000	2.4
200,000	**0.56**	**110,000**	**3,600**	**200,000**	**0.56**	**110,000**	**3,600**	**481,000**	**–**
219	8.28	1,800	58	980	8.28	8,100	260	–	–
219	**8.28**	**1,800**	**58**	**980**	**8.28**	**8,100**	**260**	**–**	**–**
464	5.55	2,600	84	922	10.37	9,500	305	–	–
464	**5.55**	**2,600**	**84**	**922**	**10.37**	**9,500**	**305**	**–**	**–**
217,580	**0.63**	**137,185**	**4,470**	**232,232**	**0.74**	**171,305**	**5,569**	**610,958**	
11,543	1.69	19,485	626	12,027	1.71	20,551	661	165,508	5.2
15,271	1.67	25,449	818	20,088	1.77	35,554	1,143	–	–
507	1.58	803	26	507	1.58	803	26	–	–
–	–	–	–	641	1.61	1,030	33	–	–
27,321	**1.67**	**45,737**	**1,470**	**33,263**	**1.74**	**57,938**	**1,863**	**165,508**	**–**
3,229	2.78	8,966	288	3,229	2.78	8,966	288	11,490	–
1,178	2.00	2,351	76	1,178	2.00	2,351	76	10,550	–
813	3.76	3,058	98	813	3.76	3,058	98	31,290	–
–	–	–	–	399	2.44	972	31	–	–
3,049	2.13	6,507	209	3,049	2.13	6,507	209	29,365	9.6
8,269	**2.53**	**20,882**	**671**	**8,668**	**2.52**	**21,854**	**703**	**82,695**	**–**
35,590	**1.87**	**66,619**	**2,142**	**41,931**	**1.90**	**79,792**	**2,565**	**248,203**	**–**
11,963	1.77	21,212	682	35,441	1.64	58,235	1,872	137,859	3.9
–	–	–	–	1,312	0.83	1,090	35	–	–
14,754	1.30	19,220	618	27,117	1.23	33,330	1,072	71,689	2.6
–	–	–	–	5,682	0.80	4,538	146	–	–
4,856	1.65	8,005	257	5,898	1.59	9,361	301	37,263	6.3
–	–	–	–	140	0.74	104	3	–	–
1,978	1.44	2,848	92	5,769	1.56	8,990	289	–	–
440	1.35	594	19	650	1.37	890	29	–	–
515	2.74	1,410	45	594	2.65	1,574	51	3,124	5.3
483	1.93	932	30	1,064	1.83	1,948	63	4,215	4.0
34,989	**1.55**	**54,221**	**1,743**	**83,667**	**1.43**	**120,060**	**3,860**	**254,151**	
711	9.37	6,700	214	1,837	10.94	20,100	644	–	–
–	–	–	–	27	4.89	132	4	–	–
711	**9.42**	**6,700**	**214**	**1,864**	**10.85**	**20,232**	**648**	**–**	**–**
711	**9.37**	**6,700**	**214**	**1,864**	**10.85**	**20,232**	**648**	**–**	**–**
288,870	**0.92**	**264,725**	**8,569**	**359,694**	**1.09**	**391,388**	**12,642**	**1,113,312**	

Gold resource estimate (1 January 2013) (in accordance with the guidelines of the JORC Code (2004))

					Measured			
				Cut-off grade Au	Tonnage	Au grade	Au metal	
		Deposit	Zone	(g/t)	(Kt)	(g/t)	Kg	Koz
Russia		Berezitivoye	All zones	0.50	8,182	1.66	13,562	436
		Aprelkovo	All zones	0.50	2,178	1.32	2,873	92
		Gross	All zones	0.30	17,000	0.63	10,495	340
		Neryungri	All zones	0.40	5,900	0.93	5,500	180
		Visokiy	All zones	0.50	–	–	–	–
		Uryakh	All zones	1.00	–	0.62	–	–
		Nerchinsk	All zones	0.50	–		–	–
		Zun-Holba	All zones	3.00	728	9.59	7,000	225
		Irokinda	All zones	3.00	414	18.36	7,600	244
Area total					**34,402**	**1.37**	**47,030**	**1,517**
Burkina Faso	Taparko Bouroum	Zone 3/5	All zones	0.50	–	–	–	–
		6	All zones	0.50	–	–	–	–
		Zone 3/5 South	All zones	0.50	–	–	–	–
		Zone 2N2K	All zones	0.50	–	–	–	–
		Zone GT	All zones	0.50	–	–	–	–
		F12	All zones	0.50	–	–	–	–
		Welcome Stranger	All zones	0.50	–	–	–	–
		Nairy	All zones	0.50	–	–	–	–
		Baola	All zones	0.50	–	–	–	–
		Yeou	All zones	0.50	–	–	–	–
		Ankouma	All zones	0.50	–	–	–	–
		All zones			**–**	**–**	**–**	**–**
	Bissa	Bissa (including Gougre)	All zones	0.50	8,607	1.62	13,943	448
		Liliga	All zones	0.50	–	–	–	–
		Sakou	All zones	0.50	–	–	–	–
		Bouly	All zones	0.60	–	–	–	–
		Bissa Sud	All zones	0.50	–	–	–	–
		Zinigma	All zones	0.50	–	–	–	–
		All zones			**8,607**	**1.62**	**13,943**	**448**
		Wayin	All zones	0.50	–	–	–	–
		Labola	All zones	0.40	–	–	–	–
Area total					**8,607**	**1.62**	**13,943**	**448**
Guinea		Lero Karta	All zones	0.50	26,850	1.54	41,438	1,332
		Fayalala	All zones	0.50	15,123	1.11	16,739	538
		Kankarta	All zones	0.50	1,555	1.17	1,821	59
		Kankarta North	All zones	0.50	–	–	–	–
		Banko	All zones	0.50	109	1.75	190	6
		Banko South Extension	All zones	0.50	618	1.78	1,099	35
		LEFA Corridor – Stockpiles	All zones	0.60	7,134	0.80	5,707	183
		LEFA Corridor – Heapleach	All zones	–	–	–	–	–
		Firifirini(1)	All zones	0.50	4,845	1.41	6,843	220
		Toume Toume(1)	All zones	0.50	268	1.24	342	11
		Banora(1)	All zones	0.80	2,196	1.70	3,701	119
		Dihuili Bougoufe(1)	–	0.80	–	–	–	–
		Dar Salaam(1)	–	0.80	–	–	–	–
		Diguili North(1)	–	0.80	–	–	–	–
		Banora West(1)	–	0.80	–	–	–	–
		Hansaghere(1)	–	0.80	–	–	–	–
		Sikasso(1)	–	0.80	–	–	–	–
		Solabe(1)	–	0.80	–	–	–	–
Area total					**58,698**	**1.33**	**77,880**	**2,503**
Kazakhstan		Balazhal(2)	All zones	1.00	–	–	–	–
		Suzdal	All zones	1.50	1,350	11.27	15,210	489
		Zherek(3)	All zones	0.50	–	–	–	–
Area total					**1,350**	**11.27**	**15,210**	**489**
Total – all projects					**103,057**	**1.49**	**154,063**	**4,957**

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(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.

Indicated				Measured + Indicated				Inferred			
Tonnage (Kt)	Au grade (g/t)	Au metal Kg	Au metal Koz	Tonnage (Kt)	Au grade (g/t)	Au metal Kg	Au metal Koz	Tonnage (Kt)	Au grade (g/t)	Au metal Kg	Au metal Koz
13,749	1.40	19,305	621	21,931	1.50	32,867	1,057	5,102	1.06	5,418	174
13,569	1.00	13,563	436	15,747	1.04	16,436	528	14,433	0.89	12,846	413
230,000	0.57	130,000	4,200	247,000	0.57	140,495	4,540	500,000	0.55	275,000	8,800
9,100	0.91	8,300	270	15,000	0.92	13,800	450	200	0.75	150	4
–	–	–	–	–	–	–	–	1,048	0.96	1,005	32
–	–	–	–	–	–	–	–	18,287	1.61	29,419	946
–	–	–	–	–	–	–	–	2,305	1.10	2,532	81
182	10.46	1,900	61	910	9.76	8,900	286	402	7.21	2,900	93
379	7.13	2,700	87	793	12.99	10,300	331	0	0.00	0	0
266,979	**0.66**	**175,768**	**5,675**	**301,381**	**0.74**	**222,798**	**7,192**	**541,777**	**0.61**	**329,270**	**10,543**
6,727	2.49	16,767	539	6,727	2.49	16,767	539	403	1.81	729	23
247	1.92	475	15	247	1.92	475	15	43	1.97	84	3
66	2.48	164	5	66	2.48	164	5	4	0.88	3	0
1,520	1.87	2,847	92	1,520	1.87	2,847	92	271	1.87	508	16
1,032	3.95	4,081	131	1,032	3.95	4,081	131	17	3.77	64	2
3,489	2.17	7,571	243	3,489	2.17	7,571	243	988	2.13	2,104	68
–	–	–	–	–	–	–	–	216	3.94	851	27
2,690	1.16	3,120	100	2,690	1.16	3,120	100	464	0.97	450	15
532	0.79	420	14	532	0.79	420	14	817	1.12	915	29
–	–	–	–	–	–	–	–	3,259	1.58	5,141	165
–	–	–	–	–	–	–	–	2,217	1.02	2,261	73
16,303	**2.17**	**35,445**	**1,139**	**16,303**	**2.17**	**35,445**	**1,139**	**8,699**	**1.51**	**13,110**	**421**
58,833	1.24	72,702	2,338	67,440	1.28	86,646	2,786	21,631	1.11	24,034	773
–	–	–	–	–	–	–	–	4,155	1.52	6,315	203
–	–	–	–	–	–	–	–	2,232	1.36	3,035	98
9,037	0.84	7,625	245	9,037	0.84	7,625	245	32,150	0.75	24,127	776
–	–	–	–	–	–	–	–	568	0.94	534	17
–	–	–	–	–	–	–	–	3,463	1.51	5,229	168
67,870	**1.18**	**80,327**	**2,583**	**76,477**	**1.23**	**94,271**	**3,031**	**64,199**	**0.99**	**63,274**	**2,035**
–	–	–	–	–	–	–	–	16,043	0.69	11,070	356
–	–	–	–	–	–	–	–	1,231	1.22	1,497	48
84,173	**1.38**	**115,772**	**3,722**	**92,780**	**1.40**	**129,716**	**4,170**	**90,172**	**0.99**	**88,951**	**2,860**
22,513	1.42	32,053	1,031	49,363	1.49	73,491	2,363	15,590	1.36	21,245	683
29,332	1.07	31,462	1,012	44,455	1.08	48,200	1,550	31,625	0.91	28,935	930
14,193	1.21	17,236	554	15,748	1.21	19,057	613	8,741	1.04	9,131	294
2,166	0.94	2,043	66	2,166	0.94	2,043	66	–	–	–	–
950	1.91	1,814	58	1,059	1.89	2,005	64	570	0.97	553	18
909	1.66	1,507	48	1,526	1.71	2,606	84	1,394	1.19	1,663	53
–	–	–	–	7,134	0.80	5,707	183	–	–	–	–
8,812	0.45	3,981	128	8,812	0.45	3,981	128	–	–	–	–
3,083	1.19	3,670	118	7,928	1.32	10,513	338	2,862	1.25	3,577	115
576	1.20	684	22	844	1.21	1,026	33	693	1.19	825	27
598	1.50	902	29	2,794	1.66	4,603	148	330	1.60	529	17
–	–	–	–	–	–	–	–	273	2.10	529	18
–	–	–	–	–	–	–	–	522	1.10	560	18
–	–	–	–	–	–	–	–	1,782	1.40	2,426	78
–	–	–	–	–	–	–	–	432	1.50	653	21
–	–	–	–	–	–	–	–	511	1.10	560	18
–	–	–	–	–	–	–	–	584	1.40	809	26
–	–	–	–	–	–	–	–	371	1.50	560	18
83,132	**1.15**	**95,352**	**3,066**	**141,829**	**1.22**	**173,232**	**5,570**	**66,280**	**1.09**	**72,555**	**2,334**
182	1.54	279	9	182	1.54	279	9	926	3.53	3,266	105
1,193	7.04	8,400	270	2,543	9.28	23,610	759	4,139	4.21	17,410	560
3,644	2.02	7,358	237	3,644	2.02	7,358	237	6,116	1.66	10,126	326
5,019	**3.20**	**16,037**	**516**	**6,369**	**4.91**	**31,247**	**1,005**	**11,181**	**2.75**	**30,802**	**991**
439,303	**0.92**	**402,929**	**12,979**	**542,359**	**1.03**	**556,993**	**17,937**	**709,410**	**0.74**	**521,578**	**16,727**

Sustainability

At Nordgold, we are constantly evolving the ways in which we define and deal with sustainability. While our sustainability focus means we are constantly seeking to measure and mitigate the impact of our business operations on our employees, local societies and the environment, issues such as water quality, energy efficiency, greenhouse gases and community support are growing in importance for us.

Our sustainability framework

People
- Our employees and their safety

Financial
- Economic value added in the areas where we operate
- Financial performance

Environment
- Environmental management
- Land management and biodiversity
- Energy efficiency

Social
- Engaging communities
- Contributing to our neighbouring communities

Our approach

No business in the 21st century can ignore its responsibilities, which is why we are fully committed to living by the principles of sustainability. This section of our 2012 annual report describes some of the measures we have taken to improve our performance in all aspects of our approach to business sustainability.

At the top of the list comes our 'Zero Harm' objective for all employees and contractors. This means we are redoubling our safety efforts in light of the six Nordgold employee fatalities and one contractor fatality that occurred at our facilities during 2012. Mining can present significant health and safety risks, particularly underground, and we view protecting our workforce as the single most important aspect of how we work. Preventing fatal accidents is our highest priority, and the safety of our people will remain our core focus until we achieve a zero-incident rate.

A truly sustainable mining business should also pay special attention to the environmental impact of its operations. Protecting the environment is one of the most significant sustainability challenges facing our industry. Mining activities affect land, water and air and we believe that our approach and initiatives can contribute to mitigating the long-term environmental impacts. We seek to conduct our business in a way that minimises negative impacts on the natural environment, throughout the lifecycle of all our mining operations. In every country where we operate, we comply fully with all local laws and regulations as well as with international standards that are specific to our industry.

We constantly strive to improve the socio-economic conditions of the local communities in which we operate. We invest in a number of social initiatives and community development programmes across our operations. These include the building and on-going support of schools and health clinics, road repairs and infrastructure construction, clean water supply, workforce support programmes, assistance to local farmers, and a range of supportive measures for many of the more vulnerable people in the societies where we operate.

Our people

Fair rewards, career progression opportunities and a safe working environment are some of the fundamental rights that we believe all our people deserve.

Performance highlights

1.77

LTIFR (lost-time injury frequency rate)

35%

Reduction in LTIFR since 2010

People: the key performance areas

At Nordgold, we strive to:

- Communicate and share positive values that support our people in achieving their ambitions
- Recruit and retain the best talent in the mining industry
- Develop our future leaders from within
- Foster and reward high-quality performance
- Always seek wherever possible to employ, train and promote local people
- Continually improve the skills of our management and staff

- Develop educational programmes alongside local universities and colleges
- Implement controls to improve working conditions and minimise risks to health and safety
- Provide all employees with effective protective equipment
- Continually improve personal hygiene facilities.

Nordgold is a complex organisation, spread across diverse geographies and cultural environments. This makes it particularly important that we have a shared set of values, built around shared respect, mutual protection and support, ambition to improve, openness and shared responsibility for the outcomes of our work.

Transparent processes

Buying into these values will help our people to achieve their ambitions with the Company. We provide everything we can to help our employees enjoy successful careers with the Company, starting with our determination not just to recruit but also to retain the best talent in our industry.

We do this first by making our interviewing and evaluation processes fully objective and transparent for all participants. Next, we provide all employees with a comprehensive set of training programmes throughout the organisation that are aimed at maximising the technical skills of our workforce, the knowledge of management and the leadership skills of our most senior executives.

In this way, and through regular meetings to identify the candidates for holding key positions in the Company, we ensure that everybody at Nordgold has the scope to wholly fulfil their potential within the company. To streamline opportunities, we also create an individual development plan for every employee who is identified as having high potential and make it easy for individuals to experience working in different business units. In addition, constant dialogue with senior managers enables every employee to gain direct feedback on their professional development and career progress.

We also seek to ensure that our bonus and remuneration systems are completely fair and successfully encourage our employees to achieve our ambitious production goals. We monitor the level of wages paid in all the regions where we operate to ensure a balanced and competitive rate of pay, and award bonuses and other financial incentives to reward superior performance.

Providing the best we can

Perhaps even more important than providing our people with fair reward, we also strive to give them the best accommodation, food, medical care, protection, public services, transportation and recreational facilities we can.

In some of the areas where we operate, for example, geographic and supply issues can make the assurance of food hygiene difficult to achieve. We take our responsibility to mitigate the risk of gastro-intestinal (GI) illnesses among our employees very seriously, working closely with food preparation staff, providing appropriate training, auditing kitchens and food-preparation activities and improving the maintenance of refrigeration and other vital equipment. We know that eradicating GI infections altogether may not be possible because many employees also consume food offsite, but we have seen infection rates decline substantially.

Another significant challenge that we face in Africa is the prevention and treatment of malaria, which is present in both Guinea and Burkina Faso. In Guinea, in fact, malaria affects 25% of children aged under 15, and the two clinics at Lefa have identified nearly 8,800 cases of the illness.

To this end we have managed initiatives around our mines in both countries, including the provision of insecticides, nets, insect repellent and more, alongside substantial training programmes. Both initiatives are being further strengthened in 2013, providing further measures to reduce the risk of infection.

A focus on safety

Improving safety at work is our leading priority. Applying root-cause analysis procedures to identify the fundamental causes of incidents has enabled us to apply appropriate preventative and corrective measures following all accidents. A systematic reporting process is also in place to ensure executive and senior management are informed of all serious incidents without delay.

We have intensified our efforts to provide industry-leading safety training, safe equipment and operating procedures, to develop and install appropriate safety information and implement stringent safety protocols.

The impact of our activities aimed at reducing incidents may be tracked through our lost-time injury frequency rate (LTIFR). In 2011, our LTIFR was 1.9, compared with 2.74 in 2010 – a 31% decrease year-on-year. In 2012 the LTIFR for Nordgold dropped to 1.77 for a further 7% decrease compared to 2011 and a 35% decrease compared to 2010.

While this progress is encouraging, serious challenges remain; the tragic deaths of six employees and one contractor, and an increase in the number of vehicle accidents in 2012, are causing us to make even greater efforts to identify all safety risks and reduce those dangerous activities that might cause accidents.

Protecting the environment

Mining has an inevitable effect upon the environment, but we aim to minimise the impact of our operations across the entire spectrum of our activities.

Performance highlights

2,500
Trees replanted at Taparko mine

7,203
Tonnes-per-year reduction in CO_2 at Lefa

Environment: the key performance areas

Nordgold's Environmental Management System includes the detailed assessment of our various impacts upon the environment, preventing pollution, reducing the emission of greenhouses gases, the minimisation of waste and the sustainable use of energy and natural resources.

As a result, we strive to:

- Identify, assess and manage our significant environmental risks
- Establish clear environmental objectives aimed at improving our performance
- Implement, maintain and regularly test emergency response plans
- Comply with all applicable national and international laws and regulations
- Implement the formal environmental management practices in place at our operations, ensuring that they are aligned with international standards
- Assess and adapt our internal operating practices to ensure they comply with the International Cyanide Code.

During 2012, we carried out a number of projects in Africa, Russia and Kazakhstan, which aim to minimise the environmental impact of our operations, based on the firm foundations provided by our Environmental Management System.

'We use our own plantations in Guinea and Burkina Faso to stock previously mined land with various native tree species.'

Land management and biodiversity

All our operations must comply with the requirements of their permits regarding the protection and re-establishment of plants and other eco-systems. In Kazakhstan, for example, we gained approval in 2012 for several rehabilitation projects at previously worked sites.

And in Africa, we continued to deliver an extensive environmental action programme at our Taparko mine, where we are carrying out a significant re-vegetation initiative as part of our ongoing mine-regeneration activities. Work to expand operations here required the removal of close to 700 trees, so we replanted a total of 2,500 to replace them. We use our own plantations in Guinea and Burkina Faso to stock previously mined land with various native tree species.

In addition, we are working to re-introduce various animal species that have been disturbed by our operations, and the number and diversity of birds and mammals continues to grow every year.

Reducing waste

In order to comply with Nordgold's policies and standards, we need to manage all our waste streams every day, from the most efficient storage of tailings to ensuring that we dispose of domestic and industrial waste in the most environmentally responsible way.

Plastic, paper and food waste makes up the majority of the volumes we manage; in an effort to tackle the issues involved, in late 2012 we introduced our first onsite water treatment station so that treated water can be dispensed by coolers using reusable drinking containers, so phasing out the use of disposable water bottles.

Managing water

We carried out a range of improvement activities at our assets in Russia and Kazakhstan, including a focus at Berezitovy on achieving zero discharge of water to the environment, by re-using wastewater and upgrading sewage-treatment processes.

We also carried out significant improvements to the water systems at our sites at Buryatzoloto, Neryungri and in Kazakhstan, such as programmes to monitor the health of nearby bodies
of water, new treatment systems, the installation of surge and precipitation tanks, recycling initiatives and the use of waterproof liners to isolate the bottom of tailing ponds.

Improving energy efficiency

At Lefa, we undertook a detailed examination of energy issues at the mine with a view to reducing fuel consumption, costs and CO_2 emissions. As a result, we have implemented an energy-efficiency programme called Countdown-to-Five, which aims to reduce the number of fossil fuel generators in operation at the mine from the current eight to just five. Successful delivery of the initiative is set to reduce the costs of maintenance, fuel and other consumables at the mine by over US$3 million each year. Alongside a parallel initiative to reduce the unnecessary use of lighting, the CO_2 reductions achieved at Lefa amount to 7,203 tonnes per year.

Further successful energy-efficiency projects across the Company in 2012 included a detailed audit of a 101-kilometre 110kV transmission line at Berezitovy, resulting in repairs that are reducing losses and outages. We have deployed an advanced metering infrastructure at Buryatzoloto, while we are currently building an efficient combined cycle plant at Neryungri.

In Kazakhstan, meanwhile, we are implementing a number of innovative R&D-based energy-efficiency programmes alongside a number of effective new energy-saving methods developed by our contractor, GTsE Energo of St Petersburg.

Managing dangerous substances

Also in Africa, at Taparko, we carried out a self-evaluation exercise to ensure that we comply with the International Cyanide Code, which is a voluntary programme that certifies gold-mining companies under its nine main principles and 31 standards of practice for cyanide management. While results were relatively encouraging, the process identified the need to improve certain technical issues and documentation and to update our emergency response plan.

We will be making significant improvements in 2013 to all our operations' environmental, health and safety management systems, which are based on the requirements of international standards such as ISO 14001.

Supporting our communities

Education, health and economic empowerment are the three key focus areas on which we concentrate our main community-engagement activities.

Performance highlights

US$120,000

Expenditure on wells to provide clean drinking water to communities around Lefa mine

US$7m

Expenditure on local infrastructure around Lefa mine

Communities: the key performance areas

It is a fundamental part of Nordgold's business that we engage with and contribute to the communities where we operate. Our approach focuses on the three key priorities of education, health and economic empowerment. As a consequence, we strive to:

- Provide local populations with health and educational support, including new schools and clinics and improved medical facilities and equipment
- Support initiatives to develop farming and ranching
- Encourage local businesses by using local resources and materials
- Provide support to students through our scholarship programme
- Invest in improving local infrastructure
- Support cultural and social events
- Provide financial support to Russian orphanages and war veterans
- Sponsor summer camps and other events for children.

We are currently planning the creation of a comprehensive framework for managing our social performance across the Company, which will not only clearly demonstrate our commitment to social responsibility but also formalise and streamline our activities in this area.

'It is an important priority for Nordgold that wherever possible we employ local people at all levels of our operations.'

Education

During 2012, our education-focused activities have all been in line with the individual national policies of the countries involved. They have included the building of a new school, along with the renovation of an existing school near our Taparko mine, as well as housing for teachers, clean water wells, dining halls and the provision of education supplies and food.

The construction of libraries is underway in two of our main operating sites in Burkina Faso, and in Kazakhstan we are also providing scholarships for the brightest students. In Russia, we have a focus on providing children with a rounded education through summer camps and other social and cultural events.

Health

In Africa, during 2012, we provided the Department of Yalgo in Burkina Faso with a new ambulance and sanitation facilities, as well as extending a number of health centres. Several other projects aimed at benefiting healthcare staff and building medical supplies in rural areas are under development.

We are also actively running programmes aimed at controlling malaria, and are working through education to prevent injuries among local people carrying out illegal mining practices. In some cases, this involves the provision of designated leases where local people can mine in safety and without damaging the environment.

Encouraging enterprise

Staying with the prevention of illegal mining, at our Lefa mine we have introduced alternative sources of income, such as making soap and growing vegetables. We will be expanding this programme during 2013, with a particular emphasis on developing new opportunities for women.

We are also extremely active more widely in promoting opportunities for local people to launch and manage successful enterprises, both by becoming part of the Nordgold supply chain and through the training and funding programmes we provide to encourage entrepreneurship.

For example, we have helped farmers by providing them with training and grants so that they can buy and use water-pumping equipment to help with the irrigation of their land. We have also provided young people and women with training and financial support to help them learn trades – from gardening to caring for cattle and processing plastic waste – that will enable them to generate an income based on their own initiative.

It is an important priority for Nordgold that wherever possible we employ local people at all levels of our operations. We have taken a lead in our industry by appointing talented people from local communities to positions of seniority in roles ranging from human resources, administration and financial management to extraction and geology.

The contributions we make to developing and improving infrastructure in the countries where we are present also help local business prospects, by providing important economic links with other regions. For example, during 2012, our Lefa mine was responsible for maintenance of and improvements made to the 190-kilometre road between Lero and Dinguiraye Bissikirima, at a cost of US$7 million. Similarly, in Kazakhstan, our investments in local infrastructure included repairing roads and building a new water pipeline to serve Znamenka.

General community support

Naturally, Nordgold is also prepared to provide whatever help it can to local communities when they face particular needs, such as the distribution of financial support or food supplies following floods, poor harvests or other natural disasters.

As well as such direct support, we work with international and local non-government organisations (NGOs) to help local communities move from a state of dependency to take full responsibility for their own development. There are many examples of such initiatives in and around our Lefa mine, including the expenditure of over US$120,000 in 2012 to increase the number of wells providing surrounding communities with drinking water.

In addition, the Company supports social and sporting activities, at both a local and a national level. So while on the one hand we engineer sporting opportunities for Russian children, we have also provided significant financial assistance to the Burkina Faso national football team when involved in international competitions such as the Africa Cup of Nations. We were extremely proud of their performance in early 2013 when, against all odds, they reached the final of the competition.

Our financial contribution

As a major employer with operations in a number of remote communities, Nordgold's operations have a powerful economic role to play in driving the distribution of wealth.

Performance highlights

US$2.5m

2013 budget for community development projects at the Bissa mine

As at December 2012, Nordgold employed a total of 10,546 people, not counting the large community of contractors and substantial local supply chains serving each of our operations. Our wage bill at the same time was US$185 million, up substantially on the US$104 million of just two years before, in 2010. The 2012 total also represents close to US$50 million in income tax payments made to various jurisdictions by the Company's employees.

Such figures clearly demonstrate the financial significance to our stakeholders of Nordgold's operations, providing livelihoods to many thousands of individuals and families and enabling wealth to be distributed throughout a number of relatively vulnerable communities.

In addition, the Company's own payments in 2012 stood at over US$81 million in company taxes, royalties and certain indirect taxes, making a significant contribution to the social infrastructure of our host countries – particularly Russia, where the majority of our assets are located.

While wages and taxes are a significant element of licence to operate, charity and other social expenses also have a very important role to play as fundamental building blocks of healthy community relationships through our organisation.

The social value of exploration

For these reasons, the value of our success in finding, extracting and selling gold is very high for our communities. Exploration is therefore recognised as a critical driver of our financial performance and growth in the future, making it an important area for the ongoing investment of funds and effort.

In Burkina Faso, for example, our exploration teams are made up of a total of 150 fulltime employees, the great majority of whom are Burkina nationals. These levels of local employment become even more significant when seasonal workers and field-hands are also taken into account, which could total as many as 400, dependent on the number of drill rigs in operation.

The number of contractors providing our exploration projects with services including drilling, laboratory support and fuel supply is also significant, as well as the various local craftspeople and suppliers of goods and services to support our day-to-day field and office operations.

But all this fades into insignificance when compared with the impact of a successful find. Once we identify a viable project, permanent employment is then assured for many hundreds of people in the surrounding community; this has been proven with the successful launch of the new Bissa mine in Burkina Faso. In addition, such successes mean long-lasting and significant new revenues for government through participation in the venture and the tax revenues they gain. This is why Nordgold is at the forefront of exploration in the countries where we operate.

A focus on Bissa

As well as enabling the financial health of communities through the generation of wages and taxes, we add further value through the provision of substantial sums; for example, the total budgeted for community development projects at Bissa in 2012-13 stands at US$2.5 million.

This spending covers many areas, including an important focus on ensuring that there is no negative impact on local people and communities as a result of the arrival of a new mine in their region. This has involved the construction of an entire new village, including 380 homes, two mosques, two churches with living quarters for the priests, four schools, two community centres and seven drinking water wells.

In addition, we are providing protection to sacred sites and artefacts in old Bissa village, including altars, a sacred hill and the tomb of the area's chief. We have paid financial compensation to all those affected by the loss of fields, homes and trees, including the remaining 60 families impacted by the potential flood area of a new reservoir. We have also bought 24 bicycles that will enable students from local villages affected by the fencing-off of property to ride to school, and a motorised tricycle for use as an emergency vehicle.

As described in the previous chapter on community support, we have also invested in training and facilities to enable local people to launch weaving, soap-making, fabric-dyeing and other businesses. Support for farming ventures includes the creation of a new chicken farm and of premises for the vaccination and slaughter of cattle.

Underlying such ventures is a focus on improving literacy; as well as organising literacy classes for 250 adults from local villages, we have also bought and installed solar panels to enable literacy courses to be taught at night in six classrooms across three villages.

'Once we identify a viable project, permanent employment is then assured for many hundreds of people in the surrounding community.'

Governance

We are fully committed to high standards of transparency and corporate governance, and aim to achieve the same governance standards as a company with a premium listing on the London Stock Exchange. As a company registered in the Netherlands, we strive to comply as far as possible with both Dutch and UK corporate governance codes.

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. We also have a proven senior management team with global industry experience that has developed Nordgold since its creation in 2007.

We consistently endeavour to 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.

Board of Directors

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 33-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 Paleontological 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).

Nikolay Zelenskiy (Chief Executive Officer)

Mr. Zelenskiy joined Severstal in 2004 and, prior to being appointed Chief Executive Officer of the Company, held positions as head of the gold division and head of strategy of Severstal Resources.

Previously, Mr. Zelenskiy was an engagement manager at McKinsey & Company in the mining sector.

Mr. Zelenskiy holds an MS degree from the St 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)

Mr. Zinkovich joined Severstal in 2005 and, prior to being appointed Chief Financial Officer of the Company, held positions as head of the tax department of the mining division of the Severstal Group and served as Chief Financial Officer of the gold division of the Severstal Group.

Previously, 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)

Born in 1965, Alexey Mordashov has worked for Severstal since 1988. He started his career as a senior shop economist, becoming Chief Financial Officer in 1992. In December 1996, he was appointed as Severstal's Chief Executive Officer. In June 2002, Mr. Mordashov was elected Chairman of Severstal's Board of Directors. Since 2002 he has served as Chief Executive Officer of Severstal Group and since December 2006 he has been the Chief Executive Officer of Severstal.

Alexey 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). Alexey was granted an honorary doctorate from the St 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 14 June 2012.

Mr. Noskov worked at the International Moscow Bank between 1989 and 1993. From 1994, he was Trade Finance Director of Crédit 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, and from 2007 to 2008 he was Deputy Chief Executive Officer for Finance and Economics of Severstal.

Mr. Noskov is a graduate of the Moscow Institute of Finance.

Peter Lester (Independent Non-Executive Director)

Mr. Lester joined Nordgold 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, and Chesser Resources 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 of Mining and Metallurgy.

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 of 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, 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.

Since January 2010 he is a member of the Executive Committee of MMG Limited and also serves as a director of a number of subsidiaries of MMG 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).

Senior management team

Nikolay Zelenskiy (Chief Executive Officer)

Please see Nikolay's biography on p62

Sergey Zinkovich (Chief Financial Officer)

Please see Sergey's biography on p62

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.

Vladimir Shvetsov (Director of Geology and Exploration)

Vladimir joined Nordgold in 2007 and has 34 years' experience in the mining industry. Previously he was CEO of InterGeo Consulting and has held management positions at a number of geological enterprises.

Evgeny Tulubensky (Chief Legal Officer, GR)

Evgeny has been CLO of Nordgold since 2008. Previously, Evgeny was a consultant at Ernst & Young and from 2005 to 2008 he worked as a lawyer for Severstal Group's steel division. In 2008 Evgeny was a member of the Board of Directors of High River Gold.

Evgeny earned a degree in Law from St Petersburg State University in 2004 and an Economics degree from St Petersburg State University of Engineering and Economics in 2008.

Yulia Sklar (Human Resources Director)

Yulia joined Nordgold in January 2012 as Human Resources (HR) Director. Before joining Nordgold she served as HR Director at Ferronordic Machines and BP Trading Limited. Yulia has also previously worked for Alfa Bank and PepsiCo.

Yulia studied languages at Krasnoyarsk State Pedagogical Institute and completed the International Executive Program 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 Directors of High River Gold in September 2009.

Previously, Igor was CEO 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.

Alexey Shchedrin (Director of Corporate Communication and Investor Relations)

Alexey joined Nordgold in August 2011. Previously, he served as IR manager for OAO Severstal and as consultant for the financial communication practice at Mikhailov & Partners.

Alexey holds a degree in Economics from the Moscow State University of Instrumental Engineering and Computer Science and completed the MBA programme in Finance at the Finance University under the Government of the Russian Federation.

Ekaterina Yukhanova (Procurement Director)

Ekaterina began working at Nordgold as head of raw materials supply in 2010. Previously, Ekaterina 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 holds degrees in Economics and Technical Science.

Operating management team

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, Aureus Mining.

Martin holds a PhD in Mining Engineering from University of Nottingham.

Oleg Maksimov (Director of Project Management)

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 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 CEO, 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 CEO, 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.

The Annual Report and Accounts for the year ended December 31, 2012, audited by KPMG Accountants N.V., have been prepared in accordance with applicable law and regulations and give a true and fair view of the state of affairs, the profit or loss, of the respective companies and their subsidiaries, joint ventures and associates. The financial statements were prepared using accounting policies which comply with International Financial Reporting Standards.

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 Buryatiya 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 Strategic report on pages 2 to 31 and in the Performance section on pages 32 to 49.

Details of the Group's significant subsidiaries and joint ventures are recorded in Note 26 to the consolidated financial statements on pages 172 and 173.

Results and dividend

The profit for the financial year was US$75.9 million (2011: US$252.0 million).

The Board determined that the profit after tax for the year ended December 31, 2012 in the amount of US$19.4 million, as shown in the Company only financial statements included in the Annual Report and Accounts, shall be reserved and be added to the 'retained earnings' in compliance with article 23 under 3 of the articles of association of the Company to be discussed at the 2013 Annual General Meeting.

Under the dividend policy, the Company intends to declare 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 ratio of approximately 25% of the average net profit calculated in accordance with IFRS, for the relevant period. The Company's ability to pay dividends and to receive dividends from subsidiaries may, however, be restricted by applicable law.

Subject to the adoption of the financial statements 2012, the Board recommended a dividend for the year ended December 31 2012 in the amount of US$44.5 million and therefore a dividend distribution of US$0.118 per share to be proposed to the General Meeting at the 2013 Annual General Meeting. The dividend shall be distributed from the retained earnings reserve, as shown in the Company financial statements.

If the proposed dividend is approved by the General Meeting, the Company's shares will be quoted ex-dividend on Wednesday 12 June 2013. The record date for the dividend will be Friday 14 June 2013. The dividend will be payable on Friday 28 June 2013.

The Board proposes that the General Meeting adopts the financial statements for the financial year 2012 and the final dividend distribution at the 2013 Annual General Meeting.

Principal risks

The Risk management section on pages 30 and 31 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 27 to the consolidated financial statements on pages 173 to 181.

Share capital and significant shareholders

As at 31 December 2012, the Company's authorised share capital was €4,484,927,250, divided into 1,793,970,900 ordinary shares of €2.50 per share. The issued and fully paid-up share capital was €945,132,397, divided into 378,052,959 ordinary shares of €2.50 per share.

On 18 and 27 January 2012, Lybica Holding B.V. by whom the Company was previously wholly owned, exchanged shares in the capital of the Company for JSC Severstal shares and GDRs held by eligible investors. In January 2012, the Company's GDRs, which represent approximately 10.6% of share capital, were listed on the London Stock Exchange (LSE).

The exchange between Lybica and Rayglow Limited, an entity controlled by Alexey Mordashov, of JSC Severstal shares for approximately 89.4% of the Company's shares (Shares) was completed in March 2012 and those Shares were then sold and transferred to Canway Holding B.V.

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, there is no other person who is, directly or indirectly, interested in 3% or more of the Company's issued share capital at the date of this report, or any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company.

In November and December 2012, 18,891,687 and 367,092 ordinary shares respectively were issued in relation to the acquisition of the minority holding of High River Gold. On March 11, 2013, a further 68,996 ordinary shares were issued in relation to the acquisition of the minority holding of High River Gold.

As at the date of this report, 59,062,030 of the Company's GDRs are listed on the LSE, representing approximately 15.62% of the issued share capital.

Employment policies and communications

Details of the Group's employment policies and approach to community engagement can be found in the Sustainability section on pages 50 to 59.

Significant relationships and related-party transactions

Related-party loans

Details of the loan arrangements between Group members and members of the Severstal Group can be found in the related-party balances notes (notes 11 and 12 in the Consolidated Financial Statements and note 13 in the Company Financial Statements). In March 2012, the Group signed a RUB 11.0 billion loan agreement with Sberbank and repaid outstanding debt to related parties.

Other related-party agreements

Under a depositary agreement between the Company and LLC Depositary Algoritm dated 26 November 2009, LLC Depositary Algoritm provides services for securities storage (securities certificates), accounting and securities rights, certification, and transfer of securities rights of the Company's properties by way of opening and maintaining a separate depositary account in the name of the Company, and also of the depositary transactions performed on the basis of the Company or authorised persons' instructions.

Under a consulting services agreement between Mine Aprelkovo CJSC and LLC Depositary Algoritm dated 1 October 2009, LLC Depositary Algoritm provides Mine Aprelkovo CJSC with consulting services regarding bringing the shareholder register and registry system in line with Russian law. These services include the development of accounting methods and methods of rights certification, preparation of obligatory internal documents such as rules for maintaining the shareholder register and rules for document workflow and control, and making recommendations for maintaining the security of documents and data comprising the registry system.

Corporate governance

GDRs of the Company were admitted to trading on the LSE on 19 January 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 on pages 69 to 75.

It is understood that information concerning corporate governance referred to in article 2a of the decree on additional requirements for annual reports (Vaststellingsbesluit nadere voorschriften inhoud jaarverslag) with effect from 1 January 2010 (the 'Decree') includes the information required pursuant to articles 3, 3a and 3b of this Decree:

- information concerning compliance with the Dutch Code;
- information concerning Nordgold's risk management and control frameworks relating to the financial reporting process;
- information regarding the functioning of general meeting of shareholders, and the most important powers and rights of shareholders;
- information regarding the composition and functioning of the Board and its committees; and
- information concerning the inclusion of the information required by the decree Article 10 European Takeover Directive, as required by article 3b of the Decree, is deemed to be included in this Annual Report and Accounts.

Annual General Meeting ('AGM')

The 2013 AGM of the Company will be held on 4 June 2013 at 09.00 am at Strawinskylaan 10, 1077 XZ Amsterdam, The Netherlands. At the 2013 AGM, a review may be given of the progress of the business over the last year. Shareholders and other persons entitled to attend the shareholders' meetings of the Company are encouraged to attend the meeting and ask questions. The business will include the adoption of the Annual Report and Accounts 2013, dividend distribution, release from liability and appointment of Directors, appointment of external auditors, and authorisation for the Board to acquire shares in the Company's capital and to issue shares, to grant rights to acquire shares and to restrict pre-emptive rights. The formal notice of the 2013 AGM is published on the Company's website at www.nordgold.com.

Post balance sheet events

In January 2013, the Bissa gold development project had been completed and commercial production at Bissa was launched. During the acquisition of the Bissa project by High River Gold Mines Ltd. in 2006 certain commitments were agreed with the previous owner to take effect at the start of commercial production at Bissa. According to these commitments Bissa shall pay a production royalty to the previous owner after the start of commercial production. The production royalty is calculated as 10 per cent of the difference between revenue and all the costs, royalties and expenses that are reasonably related to such production, together with the amount of necessary maintenance and exploration capital expenditure. The production royalty shall be reduced by an amount of the costs incurred for development of Bissa, but not more than 50 per cent of each annual production royalty payment.

In January 2013, the Company utilised US$55 million of the US$280 million bridge facility coordinated by Société Générale, Natixis and Sberbank on the same terms and conditions (see Note 21). These proceeds were used to finance the Group's general purposes.

In February 2013, Société des Mines de Taparko ("Taparko") received notification from the Burkina Faso tax authorities subsequent to the tax audit regarding the charging of additional withholding VAT and withholding income tax and penalties for 2010-2011 to a total amount of US$6.3 million. Currently Taparko is assessing the claims and intends to appeal the results of the tax review. A significant part of the claim had already been provided for in these consolidated financial statements. For the outstanding part of the claim the outcome cannot currently be ascertained and so no provision has been made.

In February 2013, the Company approved a statutory plan of arrangement between the Company, High River Gold Mines Ltd. and High River Gold Mines securityholders, whereby the Company acquires all of the remaining 2.09% of the total outstanding common shares of High River Gold Mines Ltd. not yet owned by the Company. In March 2013, the statutory plan of arrangement was completed and 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 in the Company's ownership of High River Gold Mines Ltd. to 100 per cent.

In March 2013, the Company finally utilised remaining US$23.6 million of the US$280 million bridge facility coordinated by Société Générale, Natixis and Sberbank on the same terms and conditions (see Note 21). These proceeds had been used to finance the acquisition of the outstanding shares of High River Gold Mines Ltd. in accordance with the statutory plan of arrangement approved in February 2013.

In March 2013, the Board recommended an additional dividend for the year ended December 31, 2012 in the amount of US$44.5 million to the General Meeting at the 2013 AGM

On March 11, 2013, 68,996 additional ordinary shares with par value of €2.50 per share were issued by the Company in order to pay for the acquisition of the outstanding shares of High River Gold Mines Ltd. in accordance with the statutory plan of arrangement approved in February 2013. That resulted in the total issued and fully paid share capital of the Company in the amount of € 945,304,887.50 (the equivalent of approximately US$1,307.1 million), divided in 378,121,955 ordinary shares of €2.50 per share.

Auditors

KPMG Accountants N.V. has been in office as auditor for the year ended December 31, 2012.

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 issuing institution and the companies jointly included in the consolidation; and
- 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 issuing institution and its associated companies whose information is disclosed in the financial statements, and the principal risks confronting the issuing institution are discussed.

In accordance with article 20 under 5 of the articles of association, the General Meeting of Shareholders has the authority to appoint the external auditor that will conduct the audit of the annual accounts. Following a tender process and review on the planning and execution of the external audit for the financial year ended on 31 December 2012, the Audit Committee has recommended the appointment of Deloitte Accountants B.V. as external auditors of the Company until the annual general meeting of shareholders in 2013. The Board follows this recommendation. The terms and conditions applicable to this re-appointment will be determined by the Board. Reference is made to the Audit Committee report on page 72 of the 'Annual Report and Accounts 2012'.

On the recommendation of the Audit Committee, the Board proposes the appointment of Deloitte Accountants B.V. at the 2013 AGM.

By order of the Board

TMF Corporate Administration Services Limited
Secretary

15 April 2013

Corporate governance statement

Nordgold 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 Codes.

Dutch corporate governance code

The Board has reviewed the Dutch corporate governance code 2008 (the 'Dutch Code') and supports its best practice provisions. The Board 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 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 31 December 2012. 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, while the Board is considering the formulation of a communications policy setting out how the Company communicates with the securityholders (including GDR holders) and for the Board to maintain regular and direct contact with such securityholders. Details of current investor relations activities and the communications policy are detailed on page 193.

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 Directors, excluding the Chairman, should be independent Non-Executive Directors. Only three members of the Board, 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 considers it appropriate that Mr. Mordashov and his associate Mr. Noskov should be members of the Board.
- 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 and management. The Board keeps this under active review.

The Board

The Board is a one-tier Board. Until 1 January 2013, Dutch law did not provide explicitly for a one-tier Board structure consisting of executive and non-executive directors, while it did provide for a two-tier structure, with separate management and supervisory Boards.

Until 1 January 2013, it has been established practice in the Netherlands to have a Board structure that is similar to a one-tier structure. Although all members of the Board were formally managing directors, the articles of association can provide that certain directors be designated as executive directors whilst other directors are designated non-executive directors.

This is the structure adopted and the Company has a single Board rather than separate management and supervisory Boards. 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. On 1 January 2013, the Dutch legislation formalising the one-tier Board model in the Dutch Civil Code became effective and a new provision, Section 2:129a of the Dutch Civil Code, now refers to the one-tier Board consisting of Executive and Non-Executive Directors.

There is a formal schedule of matters reserved for the Board 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, and
- Approving all major capital projects, corporate or related actions and investments with respect to a company in the Group.

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

The Board proposes to make some minor amendments to its articles of association to align the provisions with the applicable legislation and a proposal will be put to the General Meeting at the 2013 AGM.

Board composition

The Board 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 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. The Board 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 following table lists each of the Directors:

Name	Position
Philip Baum	Chairman of the Board and Chairman of the Nomination Committee
Nikolay Zelenskiy	Chief Executive Officer
Sergey Zinkovich	Chief Financial Officer
Aleksey 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

Aleksey Mordashov and Mikhail Noskov were appointed as Directors at the 2012 AGM on 14 June 2012. The Board considers it appropriate that given the current ownership structure of the Company, Aleksey Mordashov and Mikhail Noskov are members of the Board. Vadim Larin and Alexey Kulichenko, who were representatives of the parent company on the Board, resigned at the 2012 AGM on 14 June 2012.

Biographies of each Director can be found on pages 62 to 65.

The Board recommends the resolutions to reappoint each Director at the 2013 AGM.

Board meetings attendance

The following table shows the attendance of Directors at Board meetings for the year ended 31 December 2012.. 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 in order to be represented at such meeting). Attendance is expressed as the number of meetings attended out of the number eligible to attend.

Board Attendance	Date of appointment/ cessation as a Director during the year	Number of meetings held whilst a Director	Number of meetings attended
Members			
Philip Baum		7	7
Nikolay Zelenskiy		7	7
Sergey Zinkovich		7	7
Vadim Larin	Resigned 14 June 2012	4	–
Alexey Kulichenko	Resigned 14 June 2012	4	–
Peter Lester		7	6
Alexey Mordashov	Appointed 14 June 2012	3	2
David Morgan		7	7
Mikhail Noskov	Appointed 14 June 2012	3	3
Michael Nossal		7	7

The majority of Board meetings are held in Amsterdam but one meeting is held once a year in Moscow. Visits to various of the Company's sites were arranged in 2012 to allow the Non-Executive Directors to meet senior managers and allow them to gain a deeper understanding of the business.

Board effectiveness and evaluation

The Chairman, in conjunction with the Company Secretary, leads the process whereby the Board formally assess their own performance, with the aim of helping to improve the effectiveness of the Board and the committees. A review of the effectiveness of the Board and its committees was undertaken in March 2012, based on the completion of questionnaires by directors. The results were subsequently considered fully by the Board at a meeting and an action plan developed.

The Board considers the use of an externally facilitated evaluation process once the Board has been together for three years in order to elicit full value from this process. In accordance with the UK Code, such independent third-party evaluation can be arranged in the future to undertake at least once every three years.

Based on the effectiveness review, the Company believes that the Board functions effectively and collaboratively and with an appropriate level of engagement with management and that the diverse members provides a broad range of skills and perspectives.

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 Nordgold's Board and the Nomination Committee. The Company understands the importance of diversity within our workforce. This goes right through our organisation. A principle of even participation (30% quota for each gender) has been laid down in Section 2:166 of the Dutch Civil Code. Looking at gender diversity, we currently have no female Board members though our current Board members represent four nationalities, all of which bring with them experience from a wide range of international business, professional and operational backgrounds. However, Nordgold 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 2013, the Nomination Committee will look to implement a formal Board's 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 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. Non-Executive Directors are encouraged to visit the Nordgold sites to meet management and senior staff.

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 Nordgold'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 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 appointed by resolution of the then sole shareholder on 11 October 2010, with the exception of Alexey Mordashov and Mikhail Noskov who were appointed as Directors at the 2012 AGM on 14 June 2012.

In accordance with the Regulations Governing the Principles and Practices of the Board of the Company, Board members are appointed until the next AGM and are subject to annual re-election. The Board submits its proposal regarding the appointment or re-election of Board members to the General Meeting, supported by a recommendation by the Nomination Committee, as required by the Dutch Code (Principle III.5.14).

In accordance with the articles of association of the Company, the Board has a Chairman, who ensures the proper composition and functioning of the Board as a whole. The Chairman must be a Non-Executive Director and may not be a former Executive Director of the Company, under the Dutch Code (Principle III.8.1). The Board 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. 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.

Upon his appointment as Director, Alexey Mordashov indirectly held 320,897,867 ordinary shares. After the sale of 1,837,942 ordinary shares on 29 June 2012, Alexey Mordashov indirectly holds 319,059,925 ordinary shares up to 31 December 2012. Nikolay Zelenski acquired indirectly 2,511,559 GDRs on 29 June 2012, which were indirectly held by him on 31 December 2012. Philip Baum acquired 90,000 GDRs, representing approximately 0.02% of the total issued share capital, on 4 October 2012, which GDRs were held by him on 31 December 2012. Upon his appointment as Director, Mikhail Noskov held 200,000 GDRs which he held until 31 December 2012.

Full details of the remuneration paid to each of the Directors can be found in the Remuneration Report on pages 78 to 81.

Conflicts of interest

Until 14 June 2012, Mr. Larin and Mr. Kulichenko were Non-Executive Directors appointed by the Company's former parent company JSC Severstal. Their directorships of other members of the Severstal Group and positions gave rise to situations in which these Directors could have had a direct or indirect interest that conflicted, or may have conflicted, with the Company's interests prior to the separation of the Company from Severstal in March 2012. Post the separation (completed in March 2012) these situations can no longer occur. Since 14 June 2012, Alexey Mordashov and Mikhail Noskov are Non-Executive Directors.

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 view of the recent change to Dutch Civil Code that was enacted with effect from 1 January 2013, the Board proposes to amend the articles of association in relation to the conflict of interest provisions which will be put to the General Meeting at the 2013 AGM.

Internal control/risk management

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

The Board and the Audit Committee are responsible for the overall supervision of the Group's internal control system and risk management function. The Board 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.

Code of Business Conduct and Ethics

A Code of Business Conduct and Ethics was prepared by the Board 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 in 2012. The details of its arrangements for whistleblowers 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

In 2013, the Board is considering a communications policy setting out how the Company will communicate with shareholders and to ensure that Board members develop an understanding of the views of major 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 production results and other important announcements and corporate governance documents concerning the Company are published on the Nordgold website: www.nordgold.com.

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

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. The Company's articles of association were entirely amended on 1 December 2011 to make the changes required for the admission to trading of the Company's GDRs. In connection with the acquisition of the minority holding of High River Gold by the Company, a further amendment was made by deed of partial amendment of the articles of association executed on 15 October 2012 to authorise the Board to perform legal acts relating to non-cash contributions on shares and other legal acts as mentioned in Section 2:94 of the Dutch Civil Code, without prior approval of the General Meeting. On 1 January 2013, the transitional provision of article 34 which provided that article 14 paragraph 2 about the suspension of Executive Directors by the Board would only enter into effect per the moment of the legislation which became effective on 1 January 2013, ceased to exist.

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 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'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 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. The articles of association provide that the claims of shareholders for distribution of dividends shall lapse after five years.

Issue of shares

The General Meeting of shareholders is authorised to issue shares or grant rights to subscribe for shares, and the Board 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 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 as the competent corporate body requires an absolute majority of the votes cast. A resolution designating the Board 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 14 June 2012 at the 2012 AGM, the Board 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 2012 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 13 December 2013. The authority given to the Board has been utilised for the issue of 18,891687 and 367,092 new shares in November and December 2012, respectively, in relation to the acquisition of the minority holding of High River Gold (and also in March 2013).

A resolution to renew such authority will be proposed at the 2013 AGM. Further details of the proposed resolution can be found 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:

(i) To employees of the Company or another member of its Group.

(ii) Against payment in kind (contribution other than in cash).

(iii) 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 as the corporate body competent to resolve upon the limitation or exclusion of the pre-emptive rights if the Board 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 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 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 14 June 2012 at the 2012 AGM, the Board was designated by the General Meeting as the corporate body competent to limit or exclude the pre-emptive rights, subject to the limited authority the Board has in respect of the issue of shares and granting of rights to subscribe for shares. A resolution to renew such authority will be proposed at the 2013 AGM .

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, 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 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 14 June 2012 at the 2012 AGM, the Board 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 13 December 2013. The authority given to the Board has not been utilised at the date of this report and a resolution to renew such authority will be proposed at the 2013 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

Procedures contained within the articles of association and the Regulations Governing the Principles and Practices of the Board regarding the appointment and dismissal of Board members are detailed on page 72. 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.

Amendment of articles of association

The General Meeting may resolve to amend the articles of association, upon a proposal of the Board. 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's members from liability, reduction of the issued share capital and dissolution of the Company, upon a proposal of the Board.

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:
  - (i) Restrictions on the transfer of, or in respect of, the voting rights of the Company.
  - (ii) Agreements, known to the Company, between shareholders which may result in restrictions over the transfer of shares and/or voting rights.
  - (iii) Special rights with regard to control of the Company attaching to any such shares.
- Details of the controlling shareholder are shown on page 62.
- 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.

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 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 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, and
- Reviewing the effectiveness of the Group's internal controls.

The Committee operates under terms of reference approved by the Board 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 is satisfied that David Morgan has recent and relevant financial experience. The Board appoints Audit Committee members

David Morgan (Chairman, Audit Committee)

on the recommendation of the Nomination Committee and in consultation with the Audit Committee Chairman.

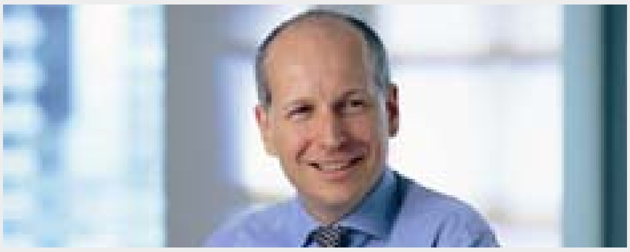
The number of meetings by the Audit Committee held during the year ended 31 December 2012 and its members attendance are detailed below:

Members	Date of Committee appointment/ cessation during the year	Number of meetings held whilst a Committee member	Number of meetings attended
Peter Lester	n/a	4	4
David Morgan	n/a	4	4
Michael Nossal	n/a	4	4

Remuneration Committee

The responsibilities and composition of the Remuneration Committee are set out in the Remuneration Report on pages 78 to 81 together with the number of meetings held during the year ended 31 December and the members' attendance.

The UK Code recommends that all Remuneration Committee members be independent Non-Executive Directors. The Dutch Code requires that all members be Non-Executive Directors and that all but one is independent. The Company did not comply with the UK Code throughout 2012, because the Remuneration Committee contained one non-independent Non-Executive Director. Since the resignation of Mr. Kulichenko and the appointment of Mr. Lester as a member of the Committee, the composition of the



Michael Nossal (Chairman, Remuneration Committee)

Remuneration Committee complies with both the Dutch and the UK Codes.

Nomination Committee

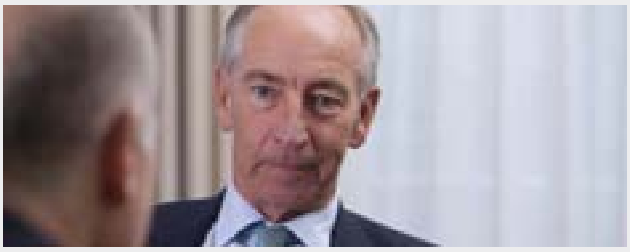
The Nomination Committee helps the Board to determine its composition. It is also responsible for:

- Periodically reviewing the Board's structure
- Identifying potential candidates to be Directors, and
- Determining succession plans for the Chairman and Chief Executive Officer.

The Committee operates under terms of reference approved by the Board 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. The Nomination Committee meets when appropriate. It helps the Board determine its composition. It is also responsible for periodically reviewing the Board's structure and identifying candidates to be appointed as Directors, when the need arises.

The number of meetings by the Nomination Committee held during the year ended 31 December 2012 and its members attendance are detailed below:



Philip Baum (Chairman, Nomination Committee)

The UK Code recommends that a majority of Nomination Committee members be independent Non-Executive Directors. The Dutch Code requires that all members be Non-Executive Directors and that all but one be independent. The Company complies with the UK Code, as the Committee contains two independent Non-Executive Directors. The Company complies with the Dutch Code because, for purposes of the Dutch Code, Mr. Baum is considered independent and the Committee therefore contains only independent Non-Executive Directors.

Members	Date of Committee appointment/ cessation during the year	Number of meetings held whilst a Committee member	Number of meetings attended
Philip Baum	n/a	1	1
Peter Lester	n/a	1	1
David Morgan	n/a	1	1

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.

The number of meetings by the S&SD Committee held during the year ended 31 December 2012 and its members attendance are detailed below:

Peter Lester (Chairman, S&SD Committee)

The UK Code and the Dutch Code do not contain any recommendations concerning an S&SD committee.

Members	Date of Committee appointment/ cessation during the year	Number of meetings held whilst a Committee member	Number of meetings attended
Vadim Larin	Resigned 16 May 2012	2	–
Philip Baum	n/a	4	4
Peter Lester	n/a	4	4
David Morgan	Appointed 16 May 2012	2	2

Remuneration Committee

The Company has a formal Remuneration Committee under the Board of Directors. The Remuneration Committee's responsibilities are to:

- Determine and agree with the Board the framework and policies for executive and Directors' remuneration
- Recommend and monitor senior management remuneration
- Set, review, and approve corporate and individual executive performance goals
- Produce an annual remuneration report to be approved by shareholders at the Annual General Meeting
- Review Nordgold's Remuneration Policy annually for its ongoing appropriateness and relevance
- Determine criteria for the selection, apartment and terms for any remuneration consultants who advise the Committee, and obtaining reliable up to date information about the remuneration of the Company's peers.

The Remuneration Committee is chaired by Michael Nossal, with David Morgan and Peter Lester as the other members. Members of the Remuneration Committee are appointed by the Board on the recommendation of the Nomination Committee and in consultation with the chairman of the Remuneration Committee.

The Remuneration Committee normally meets at least twice a year. In 2012, Committee met four times.

Director	Designation	Number of formal meetings attended
Michael Nossal	Chairman	4
David Morgan	Member	4
Alexey Kulichenko	Member until 16 May 2012	0
Peter Lester	Member from 16 May 2012	2

Remuneration policy

The Company has a remuneration policy in place in respect of the Board members and executives as established by the Company's General Meeting of shareholders on 8 October 2010.

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 of Nordgold Shareholders determines the remuneration policy of the Nordgold Board. With due observance of the remuneration policy, the Nordgold Board determines the remuneration of each individual member of the Nordgold Board, in accordance with the relevant provisions under Dutch law. Prior to determining the remuneration of the directors, analyses were made of the potential outcomes of the variable remuneration components of the directors' remuneration package and how these could affect the remuneration of the individual directors. Level and structure of the remuneration of directors 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.

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 is based on EBITDA criterion, which is the core indicator of the company's overall performance and strategic goals to increase production 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 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 first grant has been made for the coming 2-5 years on July 1, 2012
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 of performance and non-performance remuneration. 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)	Non-performance-related pay (Base salary, benefits)
CEO	97%	3%
Level 1 Executive Team Members	96%	4%
Level 2 Executive Team Members	100%	0%

The table illustrates that a significant proportion of Executive Officers' pay is performance-related.

The remuneration of the non-executive Board members is comprised of (a) base salary; and (b) special bonus for re-election.

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 utilised in 2012 included the following FTSE listed mining companies with the market capitalisation (12 month average) above £1 billion: Aquarius Platinum Limited plc, New World Resource Corp., Centamin Egypt Limited, Kenmare Resources plc, Petropavlovsk plc, Bumi plc, Hochschild Mining plc, African Barrick Gold plc and Lonmin plc. 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 2012 has been linked to EBITDA. EBITDA results from operating activities adjusted for income tax expense, finance income and costs, depreciation and amortisation charges, impairment of non-current assets, other operating expenses and income, negative goodwill and the net result from the disposal of property, plant and equipment. The fact of meeting the EBITDA criterion 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.

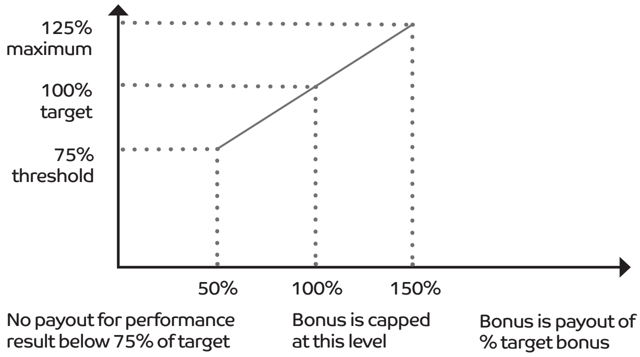
Target awards for the Named Executive Officers are as follows:

Job title	Annual performance bonus, as % of annual base salary
CEO	100%
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 finalised for the completed operational year.

Annual Performance Bonus awards for the financial year 2012 will be paid in 2013 based on the principles and performance criteria described above.

Long-term incentive plan (LTIP)

On May 15, 2012, the Board of Directors 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 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:

Job title	Long-term incentive plan, % of annual base salary
CEO	250%
Level 1 Executive Team members	200%
Level 2 Executive Team members	100%

Upon the LTIP program launch on 1 July 2012, Named Executive Officers received the grants based on the absolute share price measure.

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.

As of 15th of April 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 perform operational 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 division 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 review, the remuneration system provides higher salary increases for high performers.

Remuneration in 2012

Remuneration of Board members for the year 2012 is presented below:

Actual Board members' gross remuneration paid for the period January 2012 to December 2012 in US dollars[(1)]:

		US$
Philip Baum	Chairman and Independent Non-Executive Director	**713,041**[(2)]
Peter Lester	Independent Non-Executive Director	**158,453**
Alexey Mordashov	Non-Executive Director	**–**
David Morgan	Independent Non-Executive Director	**174,299**
Mikhail Noskov	Non-Executive Director	**–**
Michael Nossal	Independent Non-Executive Director	**158,453**
Nikolay Zelenskiy	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 £0.6311/US$1.00, being the average GBP/US$ exchange rate for the period from January to December 2012.
(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.

The total cost incurred by Nordgold in 2012 in relation to the senior management team remuneration amounts to US$5,576,589. All compensation is paid to the senior management team in Russian rubles. The value has been converted to US dollars at a rate of 31.09 Russian rubles/1.00 US dollar, being the annual average RUB/USD exchange rate for the period from January to December 2012.

Financials

Despite a challenging year, we have consistently maintained a sufficient level of assets within the Company both to support organic growth and to return cash to our shareholders. We are therefore continuing our policy of returning 25% of net profits to our shareholders.

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 in the 'Financial' section and elsewhere in the Annual Report.

Financial review

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 2012 and 2011. The financial information as at and for the year ended 31 December 2012 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 means net profit/(loss) for the period, after adding back/(subtracting) income tax expense/(benefit), finance income, finance costs, depreciation and amortisation, impairment/(reversal of impairment) of non-current assets, net loss/(gain) from disposal of property, plant and equipment, negative goodwill, equity remeasurement loss/(gain), social expenses and charity donations and net loss/(gain) on disposal of subsidiaries. Normalised EBITDA means EBITDA, after adding back/(subtracting) other non-cash exceptional items and items of a one-off or non-recurring nature. 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.

Total cash costs

Total cash costs, or TCC, 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, fair value adjustments for work-in-progress and finished goods, 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. Cash costs are measured against total ounces of gold produced.

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 2012 and 2011. Non-IFRS measures are unaudited.

	Year ended 31 December	
	2012	2011
Gold production (Koz)	**711.73**	747.3
Silver production (gold equivalent) (Koz)	**5.2**	7.1
EBITDA (US$000)[1]	**493,063**	574,255
EBITDA margin (%)[1]	**41.2**	48.6
Total cash costs per ounce produced (US$/oz)[2]	**836.3**	687.8
Net debt (US$000)[3]	**680,508**	183,257
Capital expenditure (US$000)	**474,368**	319,437

(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 2012 and 2011 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".

Reconciliation of consolidated profit to EBITDA

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

	2012 US$000	2011 US$000
Sales	**1,197,869**	1,182,129
Profit for the period	**75,988**	252,046
Income tax expense	**54,423**	72,158
Finance income	**(14,496)**	(5,439)
Finance costs	**45,351**	63,150
Depreciation and amortisation	**232,188**	184,169
Impairment and reversal of impairment of tangible and intangible assets	**43,569**	6,413
Other expenses	**1,801**	610
Negative goodwill	**–**	–
Equity remeasurement gain	**–**	–
Stripping cost write-off due to change in assumptions	**42,189**	–
Ore in leaching heaps write-off	**1,442**	–
Loss from disposal of property, plant and equipment	**1,608**	1,148
EBITDA[1]	**493,063**	574,255
EBITDA margin	**41.2%**	48.6%

(1) Normalised EBITDA.

Total cash costs

The table below presents a reconciliation of the Group's total cash costs per ounce of gold produced for the years ended 31 December 2012 and 2011.

	2012 US$000	2011 US$000
Cost of sales	**849,580**	672,630
(Less)/plus items in income statement:		
Profit for the period	**75,988**	252,046
Depreciation and amortisation	**(231,236)**	(183,334)
Provision for asset retirement obligations	**(5,944)**	(4,561)
Allowance for slow-moving and obsolete inventories	**(7,568)**	(7,498)
Work-in-progress and finished goods fair value adjustment	**(6)**	(519)
Unused vacation	**(15,969)**	(10,782)
Employees' bonuses	**(6,779)**	(4,612)
Exceptional items	**(77,450)**	(32,612)
Change in finished goods (less items above capitalised in finished goods)	**322**	(121)
Revenue of by-products	**(8,450)**	(11,287)
Cost of production	**496,500**	417,304
General and administrative expenses	**69,431**	37,550
(Less)/plus items in income statement:		
Depreciation and amortisation	**(952)**	(836)
Corporate overheads	**(37,709)**	(26,360)
Change in bad debt allowance	**(691)**	15,707
Unused vacation	**(1,004)**	(901)
Employees' bonuses	**(905)**	(506)
Exceptional items	**(5,387)**	(712)
Mining administrative expenses	**22,784**	23,942
Taxes other than income tax	**78,638**	76,473
(Less):		
Corporate overheads	**(1,479)**	(1,266)
Exceptional items	**(1,225)**	(2,459)
Taxes other than income tax	**75,934**	72,748
Total cash cost[1]	**595,218**	513,994
Total gold produced, oz (not including gold equivalent of silver)	**711,702**	747,315
Total cash cost produced, US$/oz	**836.3**	687.8

(1) 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	2011	**2012**	2011	**2012**
Taparko	Open pit	CIL	132.5	**126.7**	476.5	**611.4**
LEFA	Open pit	CIP	195.7	**171.9**	870.5	**1,183.3**
Suzdal	Underground	Flotation, BIOX, CIL	76.6	**87.3**	779.6	**802.7**
Berezitovy	Open pit	CIP	107.1	**116.3**	591.1	**625.7**
Buryatzoloto[2]	Underground	Gravity, flotation, CIP	134.3	**108.9**	672.1	**812.9**
Neryungri	Open pit	Heap leach	73.0	**66.3**	611.0	**766.8**
Aprelkovo	Open pit	Heap leach	30.3	**35.9**	654.5	**864.6**
Bissa	–	–	–	**–**	–	**—**
Gross	–	–	–	**–**	–	**—**
Other	–	–	4.9[3]	**3.6[3]**	–	
Total			754.5[4]	**716.9[5]**	687.8	**836.3**

(1) Unaudited.
(2) Comprises the Irokinda and Zun-Holba mines.
(3) Includes the Zherek mine and Balazhal deposit.
(4) Includes 7.1 Koz gold equivalent of silver.
(5) Includes 5.2 Koz gold equivalent of silver.

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 licences located across West Africa in Guinea and Burkina Faso, Kazakhstan and the Russian Federation.

Since undertaking its operations in 2007, Nordgold has grown both by acquisitions and organically, increasing its production (including gold equivalent ounces of silver) from approximately 21 Koz in 2007 to 716.9 Koz in 2012. Between 2007 and 2012, Nordgold's CAGR was 103%, against a CAGR of 39% between 2008 and 2012.

In 2011 and 2012 the Group generated revenue of US$1,182.1 million and US$1,197.9 million, respectively, and EBITDA of US$574.2 million and US$493.0 million, respectively, reflecting margins of 48.6 per cent and 41.2 per cent, respectively. In 2011 the Group's total cash costs of gold production per ounce sold were US$687.8 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, 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, on the date control was passed to the Severstal Group. The consolidated financial statements of the Company included in this Annual Report have been prepared in accordance with IFRS and properly reflect the financial history of the Group. This includes all acquired entities that are consolidated in the financial statements. On 29 September 2011, the Company's name was changed from Severstal Gold N.V. to Nord Gold N.V.

Segment reporting

The Group has eight 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. In a post-financial-crisis environment of quantitative easing, perceived potential impact on inflation and the weaker US dollar, the gold price reached a record high in 2009 of US$1,212.5 per ounce. The gold price ranged from US$1,316.0 to US$1,896.5 in 2011 and from US$1,537.5 to US$1,791.8 in 2012, with an average market price of US$1,571.5 per ounce in 2011 and US$1,669.0 in 2012. The gold price reached a new historic high of US$1,896.5 per ounce on 5 September 2011. 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$)
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 necessary 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 55.9 per cent of the Group's cost of sales in 2012 and 59.3 per cent in 2011. 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 in pages 89 and 90.

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 ceases to use 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 fluctuate depending on the level of production at the mines as much 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 relationships 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 as affects 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 volatility has a less significant impact 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 has 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 per kWh. In Kazakhstan, electricity is provided from the national electric grid at a tariff of approximately US$.04 per kWh. 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 euros, which was the Company's functional currency before April 1, 2012. With effect from April 1, 2012 the Company changed its functional currency from the euros to US dollars. While gold is typically priced by reference to US dollars, most of the Group's costs in the periods under review were paid in the Russian rouble, the tenge, CFA francs and Guinean francs 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 27 to the consolidated financial statements for the year ended 31 December 2012 for details of foreign currency exposure in respect of the periods covered by the historical financial information.

The Group generally converts its US dollar-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 incurring 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 amounted approximately to 0.035 – 0.05 per cent in 2012 for Russian entities and nil for sales from Burkina Faso, Guinea and Kazakhstan. In 2012, 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 acting in the capacity of 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 in 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 relates 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 included in the categories above.

Change in obsolete provisions relates to the provision for slow-moving and obsolete inventories, which comprise 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 six per cent of the volume of gold produced per month, multiplied by the average gold sales price for each month. In Kazakhstan, the mining tax is calculated every quarter based on five per cent of total gold multiplied by the market price of gold for the quarter. In Burkina Faso at the Taparko operations, the Group pays a favourable mining tax rate of three per cent of total gold sales, a discount from the five per cent rate which is the standard rate of mining tax in Burkina Faso. In Guinea, the mining tax rate is five per cent, plus an additional 0.4 per cent payable to the local municipality, calculated on the basis of total sales.

Other operating expenses, net

Other operating expenses, net includes impairment of goodwill, impairment of exploration and evaluation assets, net loss from inventory write-off, gain from VAT recovered previously written off, gain from depositary receipt programme agreement and other items – see note 8 to the consolidated financial statements for the year ended 31 December 2012.

Finance income and costs

Finance income and finance costs include interest income and expenses and foreign exchange gains and losses, as well as impairment of available-for-sale investments.

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 securityholders of High River Gold, which impacts the Berezitovy, Buryatzoloto, Taparko and Development West Africa segments and other entities of High River Gold which are not considered as a reporting segment. In February 2013, securityholders of High River Gold Mines Ltd. approved a statutory plan of arrangement between the Company, High River Gold Mines Ltd. and its securityholders whereby the Company acquired all of the remaining 2.09% of the total outstanding common shares of High River Gold Mines Ltd. not yet owned by the Company. In March 2013, the statutory plan of arrangement was completed and 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 in 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 December, 31	
	2012 US$000	2011 US$000
Sales	**1,197,869**	1,182,129
Cost of sales	**(849,580)**	(672,630)
Gross profit	**348,289**	509,499
General and administrative expenses	**(69,474)**	(37,550)
Taxes other than income tax	**(78,638)**	(76,473)
Other operating expenses, net	**(38,911)**	(13,561)
Profit from operations	**161,266**	381,915
Finance income	**14,496**	5,439
Finance costs	**(45,351)**	(63,150)
Profit before income tax	**130,411**	324,204
Income tax expense	**(54,423)**	(72,158)
Profit for the period	**75,988**	252,046
Attributable to:		
Shareholders of the Company	**19,360**	168,929
Non-controlling interest	**56,628**	83,117
Weighted average number of shares outstanding during the period (millions of shares)	**360.572**	358.794
Earnings per share		
Basic and diluted earnings per share (US dollars)	**0.05**	0.47

Results of operations for 2012 and 2011

Overview

KPIs

The table below provides a summary of the KPIs of the Group broken down 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 2012 and 2011. Where the name of segments differs from the names of their mines, the segment name appears above the mine name.

		Neryungri-Metallik and Aprelkovo		Celtic & Semgeo		Buryat-zoloto				
		Neryungri	Aprelkovo	Suzdal[4]	Other[1]	Irokinda and Zun-Holba	Berezitovy	Taparko	Crew Gold	Total
Production										
Volume mined (Kt)	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
	2011	2,475.4	1,628.0	400.0	211.7	659.5	1,757.8	1,456.9	6,660.4	15,249.7
	% change	(15.5)%	51.2%	7.8%	6.2%	4.1%	13.2%	25.9%	(5.2)%	5.1%
Volume milled (Kt)	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
	2011	2,622.4	2,577.0	509.3	233.8	679.5	1,391.2	1,421.3	6,127.6	15,562.1
	% change	17.6%	(43.1)%	(3.6)%	11.0%	2.3%	17.5%	11.2%	(3.2)%	(2.7)%
Head grade (g/t)	2012	1.0	1.4	7.6	1.7	5.0	2.5	3.1	1.1	1.9
	2011	1.2	0.8	6.8	1.8	6.5	2.6	3.3	1.1	1.8
	% change	(15.3)%	69.2%	11.9%	(5.6)%	(22.5)%	(3.9)%	(6.3)%	(2.4)%	3.2%
Mill recovery (%)	2012	75.0%	47.7%	65.3%	50.0%	93.3%	90.2%	82.1%	84.1%	79.2%
	2011	75.0%	60.0%	60.9%	–	92.9%	89.8%	84.4%	85.5%	80.8%
	% change	–	–	(20.4)%	7.2%	100.0%	0.4%	0.5%	(2.8)%	(2.0)%
Gold produced (Koz)[2]	2012	66.3	35.9	87.3[4]	3.6	108.9	116.3	126.7	171.9	716.9
	2011	73.0	30.3	76.6[4]	4.9	134.3	107.1	132.5	195.7	754.5
	% change	(9.2)%	18.3%	14.0%	(26.5)%	(18.9)%	8.6%	(4.4)%	(12.2)%	(5.0)%
Gold sold (Koz)[3]	2012	66.7	35.8	n/a[5]	90.9	108.9	116.4	126.8	171.9	717.3
	2011	73.0	30.4	n/a[5]	81.5	134.4	107.0	132.5	195.7	754.5
	% change	(8.6)%	17.6%	n/a	11.5%	(19.0)%	8.8%	(4.3)%	(12.2)%	(4.9)%

(1) Other includes the Zherek mine and the Balazhal deposit and other entities in the segment.
(2) Amounts for 2011 and 2012 include the gold equivalent of silver produced at the mine.
(3) Amounts for 2011 and 2012 include the gold equivalent of silver sold.
(4) 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 Celtic and Semgeo segment.

		Neryungri-Metallik and Aprelkovo		Celtic & Semgeo		Buryat-zoloto					
		Neryungri	Aprelkovo	Suzdal	Other[1]	Irokinda and Zun-Holba	Berezitovy	Taparko	Crew Gold	Other[2]	Total
Financial											
Sales (external) (US$m)	2012	111.4	60.0	–[3]	152.6	181.3	193.6	212.0	287.1	–	1,197.9
	2011	118.0	49.1	–[3]	129.5	210.0	166.2	205.3	304.1	–	1,182.1
	% change (2012 -2011)	(5.6)%	22.2%	–	17.8%	(13.7)%	16.5%	3.3%	(5.6)%	–	1.3%
Total cash cost per ounce produced (US$/oz) (unaudited)	2012	766.8	864.6	802.7[4]	–	812.9	625.7	611.4	1,183.3	–	836.3
	2011	611.0	654.5	779.6[4]	–	672.1	591.1	476.5	870.5	–	687.8
	% change (2012 -2011)	25.5%	32.1%	3.0%	–	20.9%	5.9%	28.3%	35.9%	–	21.6%
Cash flows from operating activity (US$m)	2012	19.1	9.0	48.0	(0.7)	30.9	30.0	67.7	(70.1)	(12.4)	121.6
	2011	40.8	10.7	13.6	14.8	114.0	60.4	95.2	56.0	(7.9)	397.6
	% change (2012 -2011)	(53.2)%	(15.9)%	252.9%	(104.7)%	(72.9)%	(50.3)%	(28.9)%	(225.2)%	(57.0)%	(69.4)%
EBITDA[5] (US$m) (unaudited)	2012	52.7	23.7	58.6	(4.6)	80.6	114.3	124.0	75.3	(31.6)	493.0
	2011	57.8	21.7	55.1	(1.6)	126.5	90.9	135.2	108.0	(19.3)	574.3
	% change (2012 -2011)	(8.8)%	9.2%	6.4%	(187.5)%	(36.3)%	25.7%	(8.3)%	(30.3)%	(63.7)%	(14.2)%
Capital expenditures less capitalised costs for environmental provisions (US$m)	2012	66.5	11.2	14.3	0.1	32.4	13.0	27.6	51.8	257.5	474.4
	2011	49.7	12.3	20.5	2.1	37.1	16.9	11.2	58.9	110.7	319.4
	% change (2012 -2011)	33.8%	(8.9)%	(30.2)%	(95.2)%	(12.7)%	(23.1)%	146.4%	(12.1)%	132.6%	48.5%

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 for 2012.

Revenue

Revenue increased to US$1,197.9 million in 2012 from US$1,182.1 million in 2011. This increase was the result of a higher average sales price, which was US$1,670 per ounce in 2012 and US$1,567 per ounce in 2011. Sales volumes in 2012 were marginally lower compared to the same period in 2011 and were 716.9 Koz and 754.5 Koz respectively.

Cost of sales

Cost of sales for 2012 amounted to US$849.6 million, US$177.0 million higher than cost of sales for 2011 (2011: US$672.6 million). The increase was due to higher consumables prices, increased staff costs and higher volumes of use of main production consumables, such as materials, spares and fuel and energy.

Consolidated cost of sales for 2012 and 2011

	Year ended 31 December		Change, US$000	Per cent change
	2012 US$000	2011 US$000	2012 – 2011	
Personnel costs	**180,651**	151,161	29,490	19.5%
Materials	**143,476**	125,485	17,991	14.3%
Fuel and energy	**150,381**	122,439	27,942	22.8%
Spare parts	**93,223**	62,254	30,969	49.7%
External services	**59,372**	58,977	395	0.7%
Other expenses	**36,672**	31,127	5,545	17.8%
Change in inventories	**(45,431)**	(62,147)	16,716	(26.9)%
Direct mining costs	**618,344**	489,296	129,048	26.4%
Depreciation and amortisation	**231,236**	183,334	47,902	26.1%
Cost of sales	**849,580**	672,630	176,950	26.3%

Personnel costs increased by US$29.5 million, from US$151.2 million in 2011 to US$180.7 million in 2012. This increase was driven mainly by a greater average number of employees together with a growth in average salaries.

The cost of materials increased by US$18.0 million, from US$125.5 million in 2011 to US$143.5 million in 2012. This was mainly due to inflation and higher volumes of consumables used.

Fuel and energy costs rose by US$27.9 million, from US$122.4 million in 2011 to US$150.4 million in 2012, while spare part costs were US$93.2 million in 2012 compared to US$62.3 million in 2011. These increases were mostly driven by higher prices.

The cost of external services remained broadly on the same level in 2012 and 2011, amounting to US$59.4 million in 2012 and US$59.0 million in 2011.

Other expenses increased by US$5.5 million, from US$31.1 in 2011 to US$36.7 million in 2012 mainly due to greater amount of change in obsolete provision.

For detailed analysis of changes in elements of cost of sales for the years ended 2012 and 2011 please refer to “Financial performance by segment”.

Total cash costs for the Group for 2012 and 2011

	Year ended 31 December		Per cent change
	2012 US$000	2011 US$000	2012 – 2011
Cost of sales	**849,580**	672,630	26.3%
(Less)/plus items in income statement:			
Depreciation and amortisation	**(231,236)**	(183,334)	
Provision for asset retirement of obligations	**(5,944)**	(4,561)	
Allowance for slow-moving and obsolete inventories	**(7,568)**	(7,498)	
Work-in-progress and finished goods fair value adjustment	**(6)**	(519)	
Unused vacation	**(15,969)**	(10,782)	
Employees’ bonuses	**(6,779)**	(4,612)	
Exceptional items	**(77,450)**	(32,612)	
Change in finished goods (less items above capitalised in finished goods)	**322**	(121)	
Revenue of by-products	**(8,450)**	(11,287)	
Cost of production	**496,500**	417,304	19.0%
General and administrative expenses	**69,431**	37,550	84.9%
(less)/plus items in income statement:			
Depreciation and amortisation	**(952)**	(836)	
Corporate overheads	**(37,709)**	(26,360)	
Allowance for bad debts	**(691)**	15,707	
Unused vacation	**(1,004)**	(901)	
Employees’ bonuses	**(905)**	(506)	
Exceptional items	**(5,387)**	(712)	
Mining administrative expenses	**22,783**	23,942	(4.8)%
Taxes other than income tax	**78,638**	76,473	2.8%
(Less):			
Corporate overheads	**(1,480)**	(1,266)	
Exceptional items	**(1,225)**	(2,459)	
Taxes other than income tax	**75,933**	72,748	4.4%
Total cash costs[(1)]	**595,216**	513,994	15.8%
Total gold produced, oz[(2)]	**711,702**	747,315	(4.8)%
Total cash cost produced, US$/oz	**836.3**	687.8	21.6%

(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”.

(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 2012 and 2011.

Group general and administrative expenses for 2012 and 2011

	Year ended 31 December		Change, US$000	Per cent change
	2012 US$000	2011 US$000	2012 – 2011	
Wages and salaries	**27,816**	22,593	5,223	23%
Services	**27,540**	22,367	5,173	23%
Social security costs	**4,414**	2,029	2,385	118%
Change in bad debt allowance	**1,883**	(15,707)	17,590	(112)%
Materials and consumables	**1,307**	1,154	153	13%
Depreciation and amortisation	**952**	835	117	14%
Other expenses	**5,562**	4,279	1,283	30%
Total	**69,474**	37,550	31,924	85%

General and administrative expenses increased by US$31.9 million from US$37.6 million in for the year ended December 31, 2011 to US$69.5 million in 2012. The increase was primarily due to income from the reversal of a bad debt allowance in the first half of 2011 and increased staff costs in 2012.

Taxes other than income tax

The table below presents a breakdown of taxes other than income tax for the Group for 2012 and 2011.

Group taxes other than income tax for 2012 and 2011

	Year ended 31 December		Change, US$000	Per cent change
	2012 US$000	2011 US$000	2012 – 2011	
Mining tax	**65,901**	65,434	467	0.7%
Property tax	**3,761**	4,422	(661)	(14.9)%
Other taxes	**8,976**	6,617	2,359	35.7%
Total	**78,638**	76,473	2,165	2.8%

Taxes other than income taxes for 2012 amounted to US$78.6 million, US$2.2 million higher than in 2011. The most significant part of the amount discussed relates to the mining tax which is directly dependent on production, sales and sales price levels. The higher level of average selling price together with different levels of production and sales volumes are the main reasons for the deviation.

Finance income/(costs)

Finance income in 2012 increased by US$9.1 million in comparison to 2011 (2012: US$14.5 million; 2011: US$5.4 million). The increase was due to a foreign exchange gain of US$10.8 million in 2012 and a loss of US$11.6 million in 2011. Finance cost amounted to US$45.4 million in 2012, that is US$17.8 million lower than in 2011. The decrease was mainly due to US$15.7 million of equity transaction costs in 2011 together with foreign currency exchange results deviations described above.

The table below presents a breakdown of interest expense by type of borrower of the Group for 2012 and 2011.

	Year ended 31 December		Change, US$000	Per cent change
	2012 US$000	2011 US$000	2012 – 2011	
Interest expense on related party debt financing	**5,655**	23,876	(18,221)	(76.3)%
Interest expense on third-party debt financing	**31,767**	12,047	19,720	163.7%
Total	**37,422**	35,923	1,499	4.2%

Income tax expense
In 2012, the Group had an income tax expense of US$54.4 million, as compared to an income tax expense of US$72.2 million in 2011. This decrease in income tax expense was primarily the result of profit before income tax in the amount of US$130.4 million in 2012, compared to US$324.2 million in 2011.

Profit for the period
As a result of the factors discussed above, the Group had a net profit for the period of US$76.0 million in 2012 and a profit for the period of US$252.0 million in 2011.

Profit attributable to non-controlling interest
Profit attributable to non-controlling interest increased to US$56.6 million in 2012 compared to US$83.2 million in 2011, while profit attributable to shareholders of the Company decreased to US$19.4 million from US$169.0 million in 2011. The main reason for this deviation relates to the lower profitability of those Nordgold segments which were 100%-owned by Nordgold in 2012 compared to 2011, partly offset by the effect of the acquisition in 2012 of non-controlling interest without change in control related to the buy-out of a non-controlling interest in High River Gold Mines. The details are given in the Segment reporting disclosure (note 4) in the Consolidated Financial Statements for the year ended December 31, 2012. For more details, see “Financial performance by segment” below.

FINANCIAL PERFORMANCE BY SEGMENT

A comparison of the mines of the Neryungri-Metallik and Aprelkovo, Celtic and Semgeo, Taparko, Buryatzoloto, Berezitovy and Crew Gold segments, which constitute the mines the Group owned and operated during the periods under review, is shown below.

Neryungri-Metallik and Aprelkovo
The Neryungri-Metallik 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 2012 and 2011.

Neryungri – KPIs for 2012 and 2011(1)

	Year ended 31 December		Change, US$000	Per cent change
	2012 US$000	2011 US$000	2012 – 2011	
Ore mined (Kt)	**2,092.2**	2,475.4	(383.2)	(15.5)%
Ore milled (Kt)	**3,083.6**	2,622.4	461.2	17.6%
Head grade (g/t)	**1.0**	1.2	(0.2)	(15.3)%
Mill recovery (%)	**75.0%**	75.0%	0.0	0.0%
Gold ounces produced (Koz)	**66.3**	73.0	(6.7)	(9.2)%
Gold ounces sold (Koz)	**66.7**	73.0	(6.3)	(8.6)%
Revenue (US$m)	**111.4**	118.0	(6.6)	(5.6)%
EBITDA (US$m)(2)	**52.7**	57.8	(5.1)	(8.8)%
Cash costs/ounce produced (US$/oz)(2)	**766.8**	611.0	155.8	25.5%

(1) The Group held a 100 per cent interest in Neryungri in each of the periods presented.
(2) Not audited.

Ore mined decreased by 383.2 kt to 2,092.2 kt due to more difficult geological conditions. Ore milled increased by 461.2 kt, from 2,622.4 kt in 2011 to 3,084.6 kt in 2012 due to the recovery of mineralised ore from waste mined in 2012 and 2011.

Head grade declined by 0.2 g/t to 1.0 g/t, primarily due to the inclusion of off-balance ore with an average grade of 0.5 g/t to the processing phase. Mill recovery in 2012 was 75.0% and remained unchanged from 2011.

Gold ounces produced decreased by 6.7 Koz, from 73.0 Koz in 2011 to 66.3 Koz in 2012, due to lower mining volumes, and lower head grade of ore milled.

Revenue decreased by 5.6% from US$118.0 million in 2011 to US$111.4 million in 2012, as a result of lower sales volumes, partially compensated by higher gold prices. EBITDA decreased by 8.8% from US$57.8 million in 2011 to US$52.7 million in 2012, due to a number of factors including lower sales volumes and higher costs.

Cash costs per ounce produced increased to US$766.8 per ounce in 2012, from US$611.0 in 2011 primarily as a result of lower head grade, increasing volumes of waste, higher fuel, energy and spare parts costs and inflation.

The table below presents the breakdown of cost of sales for the Neryungri mine for 2012 and 2011.

Neryungri cost of sales for 2012 and 2011

	Year ended 31 December		Change, US$$000	Per cent change
	2012 US$000	2011 US$000	2012 – 2011	
Personnel costs	**19,248**	13,915	5,333	38.3%
Materials	**9,850**	9,609	241	2.5%
Fuel and energy	**15,391**	12,786	2,605	20.4%
Spare parts	**6,858**	4,205	2,653	63.1%
External services	**2,051**	2,143	(92)	(4.3)%
Change in obsolescence provision	**1,391**	2,000	(609)	(30.5)%
Other expenses	**6,524**	3,561	2,963	83.2%
Change in inventories	**(12,176)**	(6,189)	(5,987)	96.7%
Direct mining costs	**49,137**	42,030	7,107	16.9%
Depreciation and amortisation	**11,613**	9,505	2,108	22.2%
Cost of sales	**60,750**	51,535	9,215	17.9%

Personnel costs increased by US$5.2 million, from US$13.9 million in 2011 to US$19.3 million in 2012 due to average salary growth.

The cost of materials remained broadly the same and amounted to US$9.9 million in 2012 and to US$9.6 million in 2011. As a result of inflation, fuel and energy costs increased by US$2.6 million, from US$12.8 million in 2011 to US$15.4 million in 2012. Cost of spare parts rose by US$2.7 million, from US$4.2 million in 2011 to US$6.9 million in 2012. External services costs remained broadly the same and amounted to US$2.1 in 2011 and US$2.1 million in 2012.

The change in obsolescence provision represents expenses related to the change in the allowance for obsolete inventory (in relation to raw materials). Neryungri accrued provision for absolute inventory in accordance with the Group's accounting policy in 2012 and 2011.

Other expenses increased by US$3 million, from US$3.6 million in 2011 to US$6.5 million in 2012 due to inflation and production increase. Deviations of change in inventory across the period were the result of varying levels of gold sold and gold produced throughout the periods.

The increase in depreciation and amortisation expenses by US$2.1 million from US$9.5 million in 2011 to US$11.6 million in 2012 was mainly due to acquisition of new items of property, plant and equipment and change of estimation of the mineral right useful life with effect from January 1, 2012.

Substantially all of the costs of sales of Neryungri for 2012 were denominated in roubles. Insignificant amounts were denominated in US dollars.

The table below presents the total cash costs for the Neryungri mine for 2012 and 2011.

Neryungri total cash costs for 2012 and 2011

	Year ended 31 December		Per cent change
	2012 US$000	2011 US$000	2012 – 2011
Cost of sales	**60,750**	51,535	17.9%
(Less)/plus items in income statement:			
Depreciation and amortisation	**(11,613)**	(9,505)	
Provision for asset retirement obligations	**(2,718)**	(2,506)	
Allowance for slow-moving and obsolete inventories	**(875)**	(1,726)	
Work-in-progress and finished goods fair value adjustment	**–**	–	
Unused vacation	**(2,890)**	(2,132)	
Employees' bonuses	**(940)**	(733)	
Exceptional items	**(112)**	(105)	
Change in finished goods (less items above capitalised in finished goods)	**132**	247	
Revenue of by-products	**(199)**	(407)	
Cost of production	**41,535**	34,668	19.8%
General and administrative expenses	**5,805**	4,356	33.3%
(Less)/plus items in income statement:			
Depreciation and amortisation	**(71)**	(131)	
Corporate overheads	**(3,578)**	(2,228)	
Allowance for bad debts	**–**	–	
Unused vacation	**(228)**	(112)	
Employees' bonuses	**(88)**	(65)	
Exceptional items	**–**	–	
Mining administrative expenses	**1,840**	1,820	1.1%
Taxes other than income tax	**7,388**	7,955	(7.1)%
Total cash cost[(1)]	**50,763**	44,443	14.2%
Total gold produced, oz[(2)]	**66,202**	72,739	(9.0)%
Total cash cost produced, US$/oz	**766.8**	611.0	25.5%

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

Increased production and inflation led to an increase in cash costs of US$155.8 per ounce produced, from US$611.0 in 2011 to US$766.8 in 2012.

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

Aprelkovo

The table below presents a summary of the key performance indicators at the Aprelkovo mine for 2012 and 2011.

Aprelkovo – KPIs for 2012 and 2011(1)

	Year ended 31 December		Change, US$000	Per cent change
	2012 US$000	2011 US$000	2012 – 2011	
Ore mined (Kt)	**2,461.4**	1,628.0	833.4	51.2%
Ore milled (Kt)	**1,465.1**	2,577.0	(1,111.9)	(43.1)%
Head grade (g/t)	**1.4**	0.8	0.6	69.2%
Mill recovery (%)	**47.7%**	60.0%	(0.1)%	(20.4)%
Gold ounces produced (Koz)	**35.9**	30.3	5.6	18.3%
Gold ounces sold (Koz)	**35.8**	30.4	5.4	17.6%
Revenue (US$m)	**60.0**	49.1	10.9	22.2%
EBITDA (US$m)(2)	**23.7**	21.7	2.0	9.2%
Cash costs/ounce produced (US$/oz)(2)	**864.6**	654.5	210.1	32.1%

(1) The Group held a 100 per cent interest in Aprelkovo in each of the periods presented.
(2) Not audited.

Ore mined increased by 833.4 kt to 2,461.4 kt in 2012. Ore milled decreased by 1,111.9 kt, from 2,577.0 kt in 2011 to 1,465.1 kt in 2012, due to management's decision not to process off-balance ore with lower head grade. The same factor led to head grade increasing by 0.6 g/t from 0.8 g/t in 2011 to 1.4 g/t in 2012. Mill recovery decreased by 20.4% from 60.0% in 2011 to 47.7% in 2012, due to adverse changes in characteristics of the ore processed.

Gold ounces produced increased by 5.6 Koz, from 30.3 Koz in 2011 to 35.9 Koz in 2012, due to inclusion of ore with higher head grade.

Revenue increased from US$49.1 million to US$60.0 million due to improved volumes of gold sold and higher gold prices in the period. EBITDA increased by US$2.0 million from US$21.7 million in 2011 to US$ 23.7 million in 2012, due to an increase in revenue, partially offset by a rise in total cash cost.

Cash costs per ounce produced increased from US$654.5 per ounce to US$864.6 per ounce due to inflation, increase in salaries, spare parts and services, and the strengthening of the Russian rouble against the US dollar.

The table below presents the breakdown of cost of sales for the Aprelkovo mine for 2012 and 2011.

Aprelkovo cost of sales for 2012 and 2011

	Year ended 31 December		Change, US$000	Per cent change
	2012 US$000	2011 US$000	2012 – 2011	
Personnel costs	**10,360**	9,031	1,329	14.7%
Materials	**9,187**	6,705	2,482	37.0%
Fuel and energy	**7,379**	5,760	1,619	28.1%
Spare parts	**3,594**	2,873	721	25.1%
External services	**3,167**	1,744	1,423	81.6%
Change in obsolescence provision	**620**	345	275	79.7%
Other expenses	**(43)**	3,805	(3,848)	(101.1)%
Change in inventories	**(3,854)**	(9,123)	5,269	(57.8)%
Direct mining costs	**30,410**	21,140	9,270	43.9%
Depreciation and amortisation	**9,625**	6,569	3,056	46.5%
Cost of sales	**40,035**	27,709	12,326	44.5%

Personnel costs increased by US$1.3 million, from US$9.0 million in 2011 to US$10.4 million in 2012. The increase was caused by the increase in staff headcount at the mine and also annual wage and salary indexation.

The cost of materials increased by US$2.5 million, from US$6.7 million in 2011 to US$9.2 million in 2012. The increase was principally due to inflation factor, which also caused fuel and energy costs to increase by US$1.6 million, from US$5.8 million in 2011 to US$7.4 million in 2012 together with lower recovery levels, which influenced all production costs.

The cost of spare parts increased insignificantly by US$0.7 million, from US$2.9 million in 2011 to US$3.6 million in 2012. This increase was primarily due to the wear and tear of equipment as well as inflation.

The cost of external services increased by US$1.4 million, from US$1.7 million in 2011 to US$3.2 million in 2012. This increase resulted from the use of a mining contractor in 2012.

Change in obsolescence provision during the period changed insignificantly and amounted to US$ 0.3 million in 2011 and US$0.6 million in 2012.

Other expenses decreased by US$ 3.8 million, from US$3.8 million in 2011 to US$0.04 million. This decrease was mainly related to change of asset retirement obligation provision as a result of changes in the main assumptions used for provision calculation.

The changes in inventories from 2011 to 2012 were primarily the result of different production and sales levels.

Depreciation and amortisation expenses increased by US$3.1 million from US$6.6 million in 2011 to US$9.6 million in 2012 mainly due to additions to property, plant and equipment and changes in estimation of the mineral right useful life with effect from January 1, 2012.

Substantially all the cost of sales of Aprelkovo for 2012 was denominated in roubles. Insignificant amounts were denominated in US dollars.

The table below presents the total cash costs for the Aprelkovo mine for 2012 and 2011.

Aprelkovo total cash costs for 2012 and 2011

	Year ended 31 December		Per cent change
	2012 US$000	2011 US$000	2012 – 2011
Cost of sales	**40,036**	27,709	44.5%
(Less)/plus items in income statement:			
Depreciation and amortisation	**(9,625)**	(6,569)	
Provision for asset retirement obligations	**(2,007)**	(1,556)	
Allowance for slow-moving and obsolete inventories	**(1,391)**	(2,889)	
Work-in-progress and finished goods fair value adjustment	**–**	–	
Unused vacation	**(1,081)**	(798)	
Employees' bonuses	**(484)**	(515)	
Exceptional items	**(191)**	–	
Change in finished goods (less items above capitalised in finished goods)	**(72)**	(231)	
Revenue of by-products	**(86)**	(268)	
Cost of production	**25,099**	14,883	68.6%
General and administrative expenses	**3,151**	3,035	3.8%
(Less)/plus items in income statement:			
Depreciation and amortisation	**(38)**	(35)	
Corporate overheads	**(1,787)**	(1,784)	
Allowance for bad debts	**–**	(91)	
Unused vacation	**(97)**	(80)	
Employees' bonuses	**–**	(34)	
Exceptional items	**–**	–	
Mining administrative expenses	**1,229**	1,011	21.5%
Taxes other than income tax	**4,626**	3,828	20.9%
Total cash cost(1)	**30,954**	19,722	57.0%
Total gold produced, oz(2)	**35,801**	30,132	18.8%
Total cash cost produced, US$/oz	**864.6**	654.5	32.1%

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

Cash costs per ounce produced increased by US$210.1 per ounce from US$654.5 in 2011 to US$864.6 in 2012 mainly due to lower recovery levels combined with inflation and the reasons previously described.

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.

Celtic and Semgeo

The Celtic and Semgeo 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 2012 and 2011.

Suzdal – KPIs for 2012 and 2011(1)

	Year ended 31 December		Change, US$$000	Per cent change
	2012 US$000	2011 US$000	2012 – 2011	
Ore mined (Kt)	**431.1**	400.0	31.1	7.8%
Ore milled (Kt)	**490.9**	509.3	(18.4)	(3.6)%
Head grade (g/t)	**7.6**	6.8	0.8	11.9%
Mill recovery (%)	**65.3%**	60.9%	4.4%	7.2%
Gold ounces produced (Koz)(2)	**90.9**	81.5	9.4	11.5%
Gold ounces sold (Koz)(2)	**90.9**	81.5	9.4	11.5%
Revenue (US$m)(3)	**152.6**	129.5	23.1	17.8%
EBITDA (US$m)(4)	**54.0**	53.5	0.5	0.9%
Cash costs/ounce produced (US$/oz)(4)	**802.7**	779.6	23.1	3.0%

(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; Normalised EBITDA.

Ore mined increased by 31.1 kt to 431.1 kt in 2012. Ore milled decreased by 18.4 kt, from 509.3 kt in of 2011 to 490.9 kt in 2012, due to the geological qualities of the processed ore.

Head grade increased by 0.8 g/t from 6.8 g/t in 2011 to 7.6 g/t in 2012, due to the geological qualities of the ore used. Mill recovery increased by 4.4% from 60.9% in 2011 to 65.3% 2012, due to the quality of ore milled with an increase in head grade and recovery.

Gold ounces produced increased by 9.4 Koz, from 81.5 Koz in 2011 to 90.9 Koz in 2012, due to higher grade and mill recovery, which resulted primarily from measures implemented at the metallurgical plant, including optimisation of floatation, CIL configuration and parameters of bio-leaching.

Revenue increased by 18% in 2012, from US$129.5 million in 2011 to US$152.6 million in 2012. The increase was the result of higher gold prices and higher sales volumes. EBITDA increased by 0.9% in 2012, from US$53.5 million in 2011 to US$54.0 million in 2012, mainly due to higher costs.

A 3% increase in cash costs per ounce produced from US$779.6 in 2011 to US$802.7 in 2012 was caused by a number of factors, including higher processing costs, increased staff costs, an increase in work in progress and inflation.

The table below presents the breakdown of cost of sales for the Suzdal mine for 2012 and 2011.

Suzdal cost of sales for 2012 and 2011

	Year ended 31 December		Change, US$$000	Per cent change
	2012 US$000	2011 US$000	2012 – 2011	
Personnel costs	**14,873**	14,020	853	6.1%
Materials	**29,246**	27,838	1,408	5.1%
Fuel and energy	**6,211**	4,204	2,007	47.7%
Spare parts	**3,796**	4,449	(653)	(14.7)%
External services	**7,620**	8,173	(553)	(6.8)%
Change in obsolescence provision	**2,627**	524	2,103	401.3%
Other expenses	**(3,033)**	38	(3,071)	(8,081.6)%
Change in inventories	**9,640**	(7,784)	17,424	(223.8)%
Direct mining costs	**70,980**	51,462	19,518	37.9%
Depreciation and amortisation	**41,696**	25,208	16,488	65.4%
Cost of sales	**112,676**	76,670	36,006	47.0%

Personnel costs increased by US$0.9 million, from US$14.0 million in 2011 to US$14.9 million in 2012. The increase was principally due to an increase in the number of staff.

The cost of materials increased by US$1.4 million, from US$27.8 million in 2011 to US$29.2 million in 2012. The increase was principally due to inflation partly compensated by a decrease in consumption of lime, sulphuric acid and drilling and timber material as a result of improved geological conditions.

Fuel and energy costs increased by US$2.0 million, from US$4.2 million in 2011 to US$6.2 million in 2012, due to inflation partly compensated by lower consumption rates.

The cost of spare parts decreased by US$0.6 million, from US$4.4 million in 2011 to US$3.8 million in 2012. The decrease was principally due to less necessity for repair work to equipment.

The cost of external services decreased by US$0.6 million, from US$8.2 million in 2011 to US$7.6 million in 2012. The decrease in 2012 was principally due to discontinuance of contractors' drilling services in 2012.

Change in obsolescence provision increased by US$2.1 million, from US$0.5 million in 2011 to US$2.6 million in 2012 due to accrual of additional provision in 2012. Other expenses decreased by US$3.1 million, from US$ 0.01 million in 2011 to US$(3.0) million in 2012 mainly due to changes in estimations used for asset retirement obligation provision.

The increase of change in inventories by US$17.4 million, from US$(7.8) million in 2011 to US$9.6 million in 2012 was primarily due to variances in production levels and production cost.

Depreciation and amortisation expenses increased by US$16.5 million, from US$25.2 million in 2011 to US$41.7 million in 2012 mainly due to depreciation of new items of property, plant and equipment and changes in estimation of the mineral right useful life with effect from January 1, 2012.

In 2012, tenge-denominated costs constituted a substantial majority of Suzdal's cost of sales, with the remaining cost of sales comprising costs denominated in US dollars, roubles and euros.

The table below presents the total cash costs for the Suzdal mine for 2012 and 2011.

Suzdal total cash costs for 2012 and 2011

	Year ended 31 December		Per cent change
	2012 US$000	2011 US$000	2012 – 2011
Cost of sales	**112,676**	76,670	47.0%
(Less)/plus items in income statement:			
Depreciation and amortisation	**(41,696)**	(25,208)	
Provision for asset retirement obligations	**142**	(86)	
Allowance for slow-moving and obsolete inventories	**(1,079)**	(466)	
Work-in-progress and finished goods fair value adjustment	**–**	–	
Unused vacation	**(3,786)**	(1,714)	
Employees' bonuses	**(265)**	(60)	
Exceptional items	**(9,615)**	(2,366)	
Change in finished goods (less items above capitalised in finished goods)	**(549)**	(133)	
Revenue of by-products	**(118)**	(324)	
Cost of production	**55,710**	46,313	20.3%
General and administrative expenses	**3,771**	4,060	(7.1)%
(Less)/plus items in income statement:			
Depreciation and amortisation	**(65)**	(63)	
Corporate overheads	**–**	–	
Allowance for bad debts	**–**	(247)	
Unused vacation	**(121)**	(144)	
Employees' bonuses	**(102)**	118	
Exceptional items	**(2,402)**	(83)	
Mining administrative expenses	**1,081**	3,641	(70.3)%
Taxes other than income tax	**13,968**	12,146	15.0%
Exceptional items	**(1,225)**	(2,459)	
Taxes other than income tax	**12,743**	9,687	31.6%
Total cash cost(1)	**69,534**	59,641	16.6%
Total gold produced, oz(2)	**86,623**	76,504	13.2%
Total cash cost produced, US$/oz	**802.7**	779.6	3.0%

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

Cash costs per ounce produced increased by US$23.1 per ounce from US$779.6 in 2011 to US$802.7 in 2012, mainly due to higher production levels, together with inflation, and other reasons described previously.

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 of business and related cash costs.

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 2012 and 2011.

Buryatzoloto – KPIs for 2012 and 2011(1)

	Year ended 31 December		Change, US$000	Per cent change
	2012 US$000	2011 US$000	2012 – 2011	
Ore mined (Kt)	**686.3**	659.5	26.8	4.1%
Ore milled (Kt)	**695.1**	679.5	15.6	2.3%
Head grade (g/t)	**5.0**	6.5	(1.5)	(22.5)%
Mill recovery (%)	**93.3%**	92.9%	0.4%	0.4%
Gold ounces produced (Koz)(2)	**108.9**	134.3	(25.4)	(18.9)%
Gold ounces sold (Koz)(2)	**108.9**	134.4	(25.5)	(19.0)%
Revenue (US$m)	**181.3**	210.0	(28.7)	(13.7)%
EBITDA (US$m)(3)	**80.6**	126.5	(45.9)	(36.3)%
Cash costs/ounce produced (US$/oz)(3)	**812.9**	627.1	140.8	20.9%

(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 of High River Gold.
(2) This amount includes the gold equivalent of silver produced at the mine.
(3) Not audited.

Ore mined increased by 26.8 kt to 686.3 kt in 2012, which partly compensated for a decrease in head grade. Ore milled increased by 15.6 kt from 679.5 Kt in 2011 to 695.1 kt in 2012.

Head grade decreased by 1.5 g/t, from 6.5 g/t in 2011 to 5.0 g/t in 2012, due to the geological characteristics of ore mined and milled. Mill recovery increased by 0.4pp, from 92.9% in 2011 to 93.3% in 2012.

Gold ounces produced decreased by 25.4 Koz, from 134.3 Koz in 2011 to 108.9 Koz in 2012 due to a decrease in the head grade. This decrease was partly offset by recovery growth and an increase in volumes of mined and milled ore.

Revenue decreased by US$28.7 million, from US$210.0 million in 2011 to US$181.3 million in 2012, as a result of the decrease in gold sales. EBITDA decreased by US$45.5 million, from US$126.5 million in 2011 to US$81 million in 2012, due to an increase in cash cost.

Cash costs per ounce produced increased by US$141 per ounce, from US$627 in 2011 to US$813 in 2012, primarily due to the decrease in head grade in 2012.

Buryatzoloto continues to operate close to its full capacity and Nordgold's goal is to maintain historic production levels. An exploration programme to extend the life of the mines continues at Zun-Holba and Irokinda.

The table below presents the breakdown of cost of sales for Buryatzoloto for 2012 and 2011.

Buryatzoloto cost of sales for 2012 and 2011

	Year ended 31 December		Change, US$000	Per cent change
	2012 US$000	2011 US$000	2012 – 2011	
Personnel costs	**48,081**	47,023	1,058	2.2%
Materials	**16,706**	15,794	912	5.8%
Fuel and energy	**12,320**	11,146	1,174	10.5%
Spare parts	**5,460**	4,543	917	20.2%
External services	**7,131**	7,462	(331)	(4.4)%
Change in obsolescence provision	**752**	885	(133)	(15.0)%
Other expenses	**(4,608)**	(3,919)	(689)	17.6%
Change in inventories	**(396)**	957	(1,353)	(141.4)%
Direct mining costs	**85,446**	83,891	1,555	1.9%
Depreciation and amortisation	**20,154**	15,928	4,226	26.5%
Cost of sales	**105,600**	99,819	5,781	5.8%

Personnel costs increased by US$1.1 million, from US$47.0 million in 2011 to US$48.1 million in 2012, due to changes in wages and salaries structure and salary indexation partly compensated by a decrease in the number of production personnel.

The cost of materials increased by US$0.9 million, from US$15.8 million in 2011 to US$16.7 million in 2012 mainly due to inflation.

Fuel and energy cost increased by US$1.2 million, from US$11.1 million in 2011 to US$12.3 million in 2012, mainly due to increased tariffs for electricity and fuel prices.

The cost of spare parts increased by US$0.9 million, from US$4.5 million in 2011 to US$5.4 million in 2012 mainly due to an increase in repair to mining equipment.

The cost of external services in 2012 remained broadly level with 2011 and amounted to US$7.1 million in 2012 and US$7.5 million in 2011.

Change in obsolescence provision decreased insignificantly – by US$0.1 million, from US$0.9 million in 2011 to US$0.8 million in 2012.

Other expenses decreased by US$0.7 million, from US$(3.9) million in 2011 to US$(4.6) million in 2012 due to increased overheads and decreased share of capitalised control drilling works.

The decrease in change in inventories by US$1.4 million, from US$1.0 million in 2011 to US$(0.4) million in 2012 was primarily due to different production levels and production cost.

Depreciation and amortisation expenses increased by US$4.2 million, from US$15.9 million in 2011 to US$20.1 million in 2012, mainly due to depreciation of new items of property, plant and equipment and change in estimation of the mineral right useful life with effect from January 1, 2012.

In 2012, rouble-denominated costs constituted substantially all of Buryatzoloto's cost of sales, with the remaining cost of sales denominated in US dollars.

The table below presents the total cash costs for Buryatzoloto for 2012 and 2011.

Buryatzoloto total cash costs for 2012 and 2011

	Year ended 31 December		Per cent change
	2012 US$000	2011 US$000	2012 – 2011
Cost of sales	**105,601**	99,819	5.8%
(Less)/plus items in income statement:			
Depreciation and amortisation	**(20,154)**	(15,928)	
Provision for asset retirement obligations	**–**	–	
Allowance for slow-moving and obsolete inventories	**(666)**	(454)	
Work-in-progress and finished goods fair value adjustment	**–**	–	
Unused vacation	**(6,432)**	(4,724)	
Employees' bonuses	**(1,106)**	(1,468)	
Exceptional items	**(865)**	(675)	
Change in finished goods (less items above capitalised in finished goods)	**137**	(143)	
Revenue of by-products	**(3,058)**	(3,802)	
Cost of production	**73,457**	72,625	1.1%
General and administrative expenses	**5,835**	(10,863)	153.7%
(Less)/plus items in income statement:			
Depreciation and amortisation	**(364)**	(322)	
Corporate overheads	**(1,159)**	(1,032)	
Allowance for bad debts	**(691)**	16,393	
Unused vacation	**(423)**	(384)	
Employees' bonuses	**(492)**	(318)	
Exceptional items	**(567)**	(630)	
Mining administrative expenses	**2,139**	2,853	(25.0)%
Taxes other than income tax	**11,401**	13,143	(13.3)%
Total cash cost(1)	**86,997**	88,620	(1.8)%
Total gold produced, oz(2)	**107,020**	131,861	(18.8)%
Total cash cost produced, US$/oz	**812.9**	672.1	20.9%

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

Total cash costs per ounce produced increased by US$140.8 per ounce, from US$672.1 in 2011 to US$812.9 in 2012, primarily due to the decrease in head grade combined with the factors described previously.

Cash cost is mainly dependent 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, except for allowance for bad debts which included a significant amount of reversed allowance for Prognoz debt in 2012.

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 2012 and 2011.

Berezitovy – KPIs for 2012 and 2011(1)

	Year ended 31 December		Change US$000	Per cent change
	2012 US$000	2011 US$000	2012 – 2011	
Ore mined (Kt)	**1,989.8**	1,757.8	232.0	13.2%
Ore milled (Kt)	**1,635.0**	1,391.2	243.8	17.5%
Head grade (g/t)	**2.5**	2.6	(0.1)	(3.9)%
Mill recovery (%)	**90.2%**	89.8%	0.4%	0.5%
Gold ounces produced (Koz)(2)	**116.3**	107.1	9.2	8.6%
Gold ounces sold (Koz)(2)	**116.4**	107.0	9.4	8.8%
Revenue (US$m)	**193.6**	166.2	27.4	16.5%
EBITDA (US$m)(3)	**114.3**	90.9	23.4	25.7%
Cash costs/ounce produced (US$/oz)(3)	**625.7**	591.1	34.6	5.9%

(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.

Ore mined in 2012 increased by 232.0 kt, to 1,989.9 kt from 1,757.8 kt in 2011. The amount of ore milled increased by 243.8 kt, from 1,391.2 kt in 2011 to 1,635.0 kt in 2012, mainly due to increased SAG mill throughput resulting from the installation of an additional ore crusher in the second quarter of 2012.

Head grade of processed ore decreased by 0.1 g/t, from 2.6 in 2011 to 2.5 in 2012, due to the geological characteristics of the ore involved in processing. The recovery rate at the processing plant remained broadly on the same level in 2011 and 2012, with a slight increase of 0.4%, from 89.8% in 2011 to 90.2% in 2012, due to lower head-grade of ore processed. Gold production increased by 9.2 Koz, from 107.1 Koz in 2011 to 116.3 Koz in 2012, due to higher volumes of ore milled.

Revenue increased from US$166.2 million in 2011 to US$193.6 million in 2012 as a result of increased volumes of gold sold. EBITDA increased significantly to US$114.3 million, from US$90.9 million in 2011.

An increase in cash costs per ounce produced of US$34.6 per ounce, from US$591.1 in 2011 to US$625.7 in 2012, was caused by extensive repairs to the SAG and ball mills, as well as to mining equipment.

The table below presents the breakdown of cost of sales for the Berezitovy mine for 2012 and 2011.

Berezitovy cost of sales for 2012 and 2011

	Year ended 31 December		Change US$000	Per cent change
	2012 US$000	2011 US$000	2012 – 2011	
Personnel costs	**25,193**	19,062	6,131	32.2%
Materials	**19,602**	18,616	986	5.3%
Fuel and energy	**16,806**	14,430	2,376	16.5%
Spare parts	**14,973**	12,050	2,923	24.3%
External services	**5,064**	4,369	695	15.9%
Change in obsolescence provision	**810**	2,008	(1,198)	(59.7)%
Other expenses	**252**	139	113	81.3%
Change in inventories	**(20,011)**	(14,378)	(5,633)	39.2%
Direct mining costs	**62,689**	56,296	6,393	11.4%
Depreciation and amortisation	**15,821**	14,600	1,221	8.4%
Cost of sales	**78,510**	70,896	7,614	10.7%

Personnel costs increased by US$6.1 million, from US$19.1 million in 2011 to US$25.2 million in 2012. The increase was primarily due to annual indexation of wages and salaries.

The cost of materials increased insignificantly by US$1.0 million, from US$18.6 million in 2011 to US$19.6 million in 2012 mainly due to inflation together with higher levels of production.

Fuel and energy costs increased by US$2.4 million, from US$14.4 million in 2011 to US$16.8 million in 2012 due to increases in electricity tariffs and higher fuel prices.

The cost of spare parts increased by US$2.9 million, from US$12.1 million in 2011 to US$15.0 million in 2012 due to repairs of equipment and the mining fleet.

The cost of external services increased by US$0.7 million, from US$4.4 million in 2011 to US$5.1 million in 2012 due to use of contractors for repair works and maintenance of items of infrastructure.

Change in obsolescence provision decreased by US$1.2 million, from US$2.0 million in 2011 to US$0.8 million, due to a lower level of obsolescence provision accrued in 2012.

Other expenses remained broadly on the same level in 2012 as in 2011 and amounted to US$0.1 million and US$0.3 million accordingly.

Change in inventories decreased by US$5.6 million, from US$(14.4) million to US$(20.0) million, representing a higher level of production and thus more significant change in finished goods and work-in-progress deviations.

Depreciation and amortisation expenses increased by US$1.2 million from US$14.6 million in 2011 to US$15.8 million in 2012 mainly due to the depreciation of new items of property, plant and equipment.

In 2012, rouble-denominated costs constituted a substantial majority of Berezitovy's cost of sales, with the remaining cost of sales comprising costs denominated in US dollars, euros, Canadian dollars, pounds sterling and Japanese yen.

The table below presents the total cash costs for the Berezitovy mine for 2012 and 2011.

Berezitovy total cash costs for 2012 and 2011

	Year ended 31 December		Per cent change
	2012 US$000	2011 US$000	2012 – 2011
Cost of sales	**78,510**	70,896	10.7%
(Less)/plus items in income statement:			
Depreciation and amortisation	**(15,821)**	(14,600)	
Provision for asset retirement obligations	**2**	12	
Allowance for slow-moving and obsolete inventories	**(1,641)**	(1,164)	
Work-in-progress and finished goods fair value adjustment	**3**	20	
Unused vacation	**(1,685)**	(1,030)	
Employees' bonuses	**–**	–	
Exceptional items	**(1,322)**	(2,285)	
Change in finished goods (less items above capitalised in finished goods)	**169**	162	
Revenue from by-products	**(3,211)**	(4,448)	
Cost of production	**55,004**	47,563	15.6%
General and administrative expenses	**7,667**	6,610	16.0%
(Less)/plus items in income statement:			
Depreciation and amortisation	**(101)**	(56)	
Corporate overheads	**(4,638)**	(4,922)	
Allowance for bad debts	**–**	(110)	
Unused vacation	**(122)**	(90)	
Employees' bonuses	**–**	–	
Exceptional items	**–**	–	
Mining administrative expenses	**2,806**	1,432	96.0%
Taxes other than income tax	**13,710**	12,658	8.3%
Total cash cost(1)	**71,520**	61,653	16.0%
Total gold produced, oz(2)	**114,307**	104,294	9.6%
Total cash cost produced, US$/oz	**625.7**	591.1	5.9%

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

The increase of US$34.6 per ounce in cash costs per ounce produced from US$591.1 in 2011 to US$625.7 in 2012 was due to an increase in production together with the factors described previously.

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 2012 and 2011.

Taparko – KPIs for 2012 and 2011[(1)]

	Year ended 31 December		Change	Per cent change
	2012 US$000	2011 US$000	2012 – 2011	
Ore mined (Kt)	**1,834.8**	1,456.9	377.9	25.9%
Ore milled (Kt)	**1,579.9**	1,421.3	158.6	11.2%
Head grade (g/t)	**3.1**	3.3	(0.2)	(6.3)%
Mill recovery (%)	**82.1%**	84.4%	(2.3)%	(2.8)%
Gold ounces produced (Koz)[(2)]	**126.7**	132.5	(5.8)	(4.4)%
Gold ounces sold (Koz)[(2)]	**126.8**	132.5	(5.7)	(4.3)%
Revenue (US$m)	**212.0**	205.3	6.7	3.3%
EBITDA (US$m)[(3)]	**124.0**	135.2	(11.2)	(8.3)%
Cash costs/ounce produced (US$/oz)[(3)]	**611.4**	476.5	134.9	28.3%

(1) The Group consolidated the results of Taparko but had 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.

Ore mined increased by 377.9 kt from 1,456.9 kt in 2011, to 1,834.8 kt in 2012. Ore milled increased by 158.6 kt, from 1,421.3 kt in 2011 to 1,579.9 kt in 2012 due to higher ball mill productivity.

Head grade decreased by 0.2 g/t from 3.3 g/t in 2011 to 3.1 g/t in 2012. Mill recovery decreased by 2.3% from 84.4% in 2011 to 82.1% in 2012.

Gold ounces produced decreased by 4% from 132.5 Koz in 2011 to 126.7 Koz in 2012, while gold ounces sold decreased by 4% from 132.5 Koz in 2011 to 126.8 Koz in 2012. Both decreases were due to lower grade and recovery. Installation of a regrinding mill and additional CIL tanks aimed at improving gold recovery took place in August 2012.

Revenue increased by 3% from US$205.3 million in 2011, to US$212.0 million in 2012, as a result of higher gold prices, partially offset by lower production volumes. EBITDA decreased from US$135.2 million in 2011 to US$124 million in 2012 due to lower revenue and higher cash costs per ounce.

Total cash costs per ounce increased by US$134.9 per ounce to US$611.4 in 2012, mainly due to lower gold grade and recovery, and higher consumption of spare parts used to repair the mining fleet.

The table below presents the breakdown of cost of sales for the Taparko mine for 2012 and 2011.

Taparko cost of sales for 2012 and 2011

	Year ended 31 December		Change US$000	Per cent change
	2012 US$000	2011 US$000	2012 – 2011	
Personnel costs	**18,234**	13,408	4,826	36.0%
Materials	**10,913**	7,237	3,676	50.8%
Fuel and energy	**23,747**	18,846	4,901	26.0%
Spare parts	**20,263**	13,078	7,185	54.9%
External services	**4,186**	3,117	1,069	34.3%
Change in obsolescence provision	**1,973**	–	1,973	100%
Other expenses	**17,653**	10,948	6,705	61.2%
Change in inventories	**740**	(10,332)	11,072	(107.2)%
Direct mining costs	**97,709**	56,302	41,407	73.5%
Depreciation and amortisation	**28,725**	19,507	9,218	47.3%
Cost of sales	**126,434**	75,809	50,625	66.8%

Personnel costs increased by US$4.8 million, from US$13.4 million in 2011 to US$18.2 million in 2012, mainly due to increased number of personnel and average salary increase.

The cost of materials increased by US$3.7 million, from US$7.2 million in 2011 to US$10.9 million in 2012, due to inflation as well as higher consumption of explosives, metallic materials (plates, tubes, corners) for repair and maintenance works, cyanide and grinding balls due to harder rock and use of the regrinding mill.

The cost of fuel and energy increased by US$4.9 million, from US$18.8 million in 2011 to US$23.7 million in 2012, due to an increased rate of electricity consumption resulting from harder rock and use of the regrinding mill, as well as fuel for rented mining equipment together with inflation.

The cost of spare parts increased by US$7.2 million, from US$13.1 million in 2011 to US$20.3 million in 2012, due to an inflation and repairs to the mining fleet, maintenance work on the ball mill and other plant related repairs.

The cost of external services increased by US$1.1 million, from US$3.1 million in 2011 to US$4.2 million in 2012, mainly due to the use of contractor services for crushing, and rental of mining equipment, together with inflation.

Change in obsolescence provision increased by US$2.0 million, from nil in 2011 to US$2.0 million due to accrued provision in 2012.

Other expenses increased by US$6.7 million, from US$11.0 million in 2011 to US$17.7 million in 201,2 due to the settlement with Senet for US$1.2 million together with increased rental costs and other reagents.

The change in inventories deviation was influenced by deferred stripping write-off in December 2012, due to revised assumptions of the average stripping ratio.

Depreciation and amortisation expenses increased by US$9.2 million from US$19.5 million in 2011 to US$28.7 million in 2012, mainly due to depreciation of new items of property, plant and equipment and changes in estimation of the mineral right useful life with effect from January 1, 2012.

In 2012, US dollar costs constituted approximately three quarters of Taparko's cost of sales and CFA-denominated costs constituted approximately one-sixth, with the remaining cost of sales comprising costs denominated in euros.

The table below presents the total cash costs for the Taparko mine for 2012 and 2011.

Taparko total cash costs for 2012 and 2011

	Year ended 31 December		Per cent change
	2012 US$000	2011 US$000	2012 – 2011
Cost of sales	**126,434**	75,809	66.8%
(Less)/plus items in income statement:			
Depreciation and amortisation	**(28,725)**	(19,507)	
Provision for asset retirement obligations	**(1,127)**	–	
Allowance for slow-moving and obsolete inventories	**–**	–	
Work-in-progress and finished goods fair value adjustment	**–**	–	
Unused vacation	**(95)**	(254)	
Employees' bonuses	**(1,225)**	(18)	
Exceptional items	**(28,555)**	(2,292)	
Change in finished goods (less items above capitalised in finished goods)	**500**	(22)	
Revenue of by-products	**(1,481)**	(1,633)	
Cost of production	**65,726**	52,083	26.2%
General and administrative expenses	**4,910**	5,595	(12.2)%
(Less)/plus items in income statement:			
Depreciation and amortisation	**–**	–	
Corporate overheads	**(151)**	(1,389)	
Allowance for bad debts	**–**	(239)	
Unused vacation	**–**	(75)	
Employees' bonuses	**–**	–	
Exceptional items	**(491)**	–	
Mining administrative expenses	**4,268**	3,892	9.7%
Taxes other than income tax	**6,961**	6,692	4.0%
Total cash cost(1)	**76,955**	62,667	22.8%
Total gold produced, oz(2)	**125,864**	131,520	(4.3)%
Total cash cost produced, US$/oz	**611.4**	476.5	28.3%

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

The decrease in grade, recovery and consequent decrease in production levels at Taparko in 2012 together with the factors described above led to an increase in the total cash cost of US$134.9 per ounce, from US$ 476.5 per ounce in 2011 to US$611.4 per ounce in 2012.

In 2012, Taparko incurred exceptional expenses amounting to US$28.6 million of production costs. Management's view is that such expenses are not in line with general business activity and do not represent regular production expenses, and therefore, they are deducted from cost of sales. General and administrative expenses increased primarily as a result of increased salaries of administrative personnel.

Crew Gold

The Crew Gold segment comprises the Lefa mine in Guinea. The table below presents a summary of the key performance indicators at the Lefa mine for 2011. No comparison to 2010 or 2008 is provided as the Group did not acquire a controlling interest in the Crew Gold segment until July 2011.

Lefa – KPIs for 2012 and 2011(1)

	Year ended 31 December		Change	Per cent change
	2012 US$000	2011 US$000	2012 – 2011	
Ore mined (Kt)	**6,311.8**	6,660.4	(348.6)	(5.2)%
Ore milled (Kt)	**5,932.0**	6,127.6	(195.6)	(3.2)%
Head grade (g/t)	**1.1**	1.1	0.0	(2.4)%
Mill recovery (%)	**84.1%**	85.5%	(1.4)%	(1.6)%
Gold ounces produced (Koz)	**171.9**	195.7	(23.8)	(12.2)%
Gold ounces sold (Koz)	**171.9**	195.7	(23.8)	(12.2)%
Revenue (US$m)	**287.1**	304.1	(17.0)	(5.6)%
EBITDA (US$m)(2)	**75.3**	108.0	(32.7)	(30.3)%
Cash costs/ounce produced (US$/oz)(2)	**1,183.3**	870.5	312.8	35.9%

(1) The Group consolidated Crew Gold results as at end July 2010. The Group held 100.0 per cent interest in Crew Gold in the periods presented.
(2) Not audited; normalised EBITDA.

Ore mined decreased by 348.6 kt (5.2%), from 6,660.4 kt in 2011 to 6,311.8 kt in 2012, mainly due to a deficiency of accessible ores of necessary quality. In 2012, ore milled was 5,932.0 kt, 3.2% lower compared with 2011 (6,127.6 kt),

Overall head grade remained the same in 2011 and 2012 as a result of geological characteristics of the ore mined and milled. Mill recovery decreased by 1.4%, from 85.5% in 2011 to 84.1% in 2012, due to operational issues with the leaching area.

Gold ounces produced decreased by 12% from 195.7 Koz in 2011 to 171.9 Koz in 2012, due to higher volumes of ore milled with insignificant changes of grade and recovery.

Revenue decreased by US$17.0 million from US$304.1 million in 2011, to US$287.1 million in 2012, as a result of lower production volumes. EBITDA decreased by US$32.7 million from US$108.0 million in 2011, to US$75.3 million in 2012, due to lower production volumes and higher costs.

Total cash costs per ounce increased by US$312 per ounce to US$1,183 in 2012, mainly due to major repairs to mining equipment and conveyors, over-consumption of cyanide, the use of additional hired mining equipment and lower production levels.

The table below presents the breakdown of cost of sales for the Lefa mine for 2012 and 2011.

Lefa cost of sales for 2012 and 2011

	Year ended 31 December		Change US$000	Per cent change
	2012 US$000	2011 US$000	2012 – 2011	
Personnel costs	**43,173**	35,027	8,146	23.3%
Materials	**46,165**	37,453	8,712	23.3%
Fuel and energy	**67,784**	56,981	10,803	19.0%
Spare parts	**38,041**	21,221	16,820	79.3%
External services	**29,885**	31,977	(2,092)	(6.5)%
Other expenses	**2,343**	5,854	(3,511)	(60.0)%
Change in inventories	**(15,947)**	(13,448)	(2,499)	18.6%
Direct mining costs	**211,444**	175,065	36,379	20.8%
Depreciation and amortisation	**103,999**	91,595	12,404	13.5%
Cost of sales	**315,443**	266,660	48,783	18.3%

Personnel costs increased by US$8.1 million, from US$35.0 million in 2011 to US$43.2 million in 2012, mainly due to increased number of personnel.

The cost of materials increased by US$8.7 million, from US$37.5 million in 2011 to US$46.2 million in 2012, due to inflation as well as increased consumption of conveyor belts, cyanide, lime and tires.

The cost of fuel and energy increased by US$10.8 million, from US$57.0 million in 2011 to US$67.8 million in 2012, due to increased prices of lubricants for the powerhouse and mining fleet, increased use of diesel for the mining fleet due to the greater amount of being material moved as well as overall inflation.

The cost of spare parts increased by US$16.8 million, from US$21.2 million in 2011 to US$38.0 million in 2012, due to inflation factor as well as purchase of parts and spares for the mining fleet resulting from a lack of repairs in 2011, spare parts for plant maintenance for planned relining and shutdowns.

The cost of external services decreased by US$2.1 million, from US$32.0 million in 2011 to US$29.9 million in 2012, mainly due to discontinuance of contractors' services for powerhouse management and plant maintenance in 2012 partly compensated by the use of hired mining equipment in 2012.

Other expenses decreased by US$3.5 million, from US$5.8 million in 2011 to US$2.3 million in 2012, due to inflation, travel and other cost increases.

The change in inventories deviation was influenced by deferred stripping write-off in December 2012, due to revised assumptions of the average stripping ratio.

Depreciation and amortisation expenses increased by US$12.4 million, from US$91.6 million in 2011 to US$104.0 million in 2012, mainly due to depreciation of new items of property, plant and equipment.

In 2012, US dollar-denominated costs constituted approximately half of Lefa's cost of sales and CFA-denominated costs constituted approximately two-fifth, with the remaining cost of sales comprising costs denominated in euros, CFA, Australian dollars and other currencies.

The table below presents the total cash costs for the Lefa mine for 2012 and 2011.

Lefa total cash costs for 2012 and 2011

	Year ended 31 December		Per cent change
	2012 US$000	2011 US$000	2012 – 2011
Cost of sales	**315,443**	266,660	18.3%
(Less)/plus items in income statement:			
Depreciation and amortisation	**(103,999)**	(91,595)	
Provision for asset retirement obligations	**–**	–	
Allowance for slow-moving and obsolete inventories	**(1,919)**	(784)	
Work-in-progress and finished goods fair value adjustment	**(1)**	(523)	
Unused vacation	**1**	(69)	
Employees' bonuses	**(2,760)**	(1,822)	
Exceptional items	**(30,482)**	(24,890)	
Change in finished goods (less items above capitalised in finished goods)	**–**	–	
Revenue of by-products	**(297)**	(392)	
Cost of production	**175,986**	146,585	20.1%
General and administrative expenses	**12,239**	9,761	25.4%
(Less)/plus items in income statement:			
Depreciation and amortisation	**–**	–	
Corporate overheads	**(1,042)**	(3,000)	
Allowance for bad debts	**–**	–	
Unused vacation	**–**	–	
Employees' bonuses	**(224)**	(226)	
Exceptional items	**(1,927)**	–	
Mining administrative expenses	**9,046**	6,535	38.4%
Taxes other than income tax	**18,134**	17,047	6.4%
Total cash cost[(1)]	**203,166**	170,167	19.4%
Total gold produced, oz[(2)]	**171,693**	195,191	(12.2)%
Total cash cost produced, US$/oz	**1,183.3**	870.5	35.9%

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

The decrease in grade, recovery, and production levels at Lefa in 2012 together with the factors described above led to an increase in of the total cash cost of US$312.8 per ounce, from US$ 870.5 per ounce in 2011 to US$1183.3 per ounce in 2012.

In 2012, Taparko incurred exceptional expenses amounting to US$30.5 million in production costs. Management's view is that such expenses are not in line with general business activity and do not represent regular production expenses, and therefore, they are deducted from cost of sales. General and administrative expenses increased primarily because of the use of consultants and inflation.

LIQUIDITY AND CAPITAL RESOURCES

Cash resources

Nordgold manages liquidity risk with the objective of ensuring that funds will be available at all times to honour 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 2012 and 2011.

Net cash/(debt) of the Group for 2012 and 2011

	As at 31 December		Change, US$000	Per cent change
	2012 US$000	2011 US$000	2012 – 2011	
Cash and cash equivalents	**44,991**	217,133	(172,142)	(79.3)%
Third-party short-term debt	**(261,905)**	(58,812)	(203,093)	(345.3)%
Related-party short-term debt	**–**	(257,516)	257,516	100.0%
Total short-term debt	**(261,905)**	(316,328)	54,423	17.2%
Third-party long-term debt	**(463,594)**	–	(463,594)	(100.0)%
Related party long-term debt	**–**	(84,062)	84,062	100.0%
Long-term debt	**(463,594)**	(84,062)	(379,532)	(451.5)%
Net (debt)/cash	**(680,508)**	(183,257)	(497,251)	(271.3)%
Short-term loans issued to related parties		447		
Total loans issued to related parties	**–**	447	(447)	(100.0)%
Adjusted net debt	**(680,508)**	(182,810)	(497,698)	(272.2)%

Cash flows from operating activities

	2012 US$000	2011 US$000
Profit for the period	**75,988**	252,046
Adjustments for non-cash movements:		
Finance costs, net	**30,855**	57,711
Income tax expense	**54,423**	72,158
Depreciation and amortisation	**232,188**	184,169
Net loss from impairment of non-current assets	**8,893**	6,413
Impairment of goodwill	**34,676**	–
Net loss from associates and joint ventures	**473**	527
Gain on disposal of subsidiaries	**–**	(412)
Loss on disposal of property, plant and equipment	**1,484**	1,148
Movements in provisions for inventories, receivables and other provisions	**15,716**	(7,038)
Impairment of available-for-sale financial assets	**414**	6,359
Gain from remeasurement to fair value of previously held equity interest before acquisition of a controlling interest	**–**	–
Changes in operating assets and liabilities:		
Accounts receivable	**(7,317)**	(25,394)
Inventories	**(145,782)**	(81,797)
VAT recoverable	**(34,465)**	(26,020)
Accounts payable	**(405)**	32,643
Net other changes in operating assets and liabilities	**3,834**	3,278
Cash flows from operations	**270,975**	475,791
Interest paid	**(68,774)**	(12,919)
Income taxes paid	**(80,602)**	(65,315)
Cash flows from operating activities	**121,599**	397,557

Cash flow from operating activities decreased to US$121.6 million in 2012, from US$397.6 million in 2011, primarily as a result of lower EBITDA, together with working capital outflow and the amount of interest and income tax paid.

Nordgold has no requirements for maintaining defined levels of inventory balances to meet customers' delivery requirements nor any sales with extended payment terms.

Cash flows from/(used in) financing activities

	2012 US$000	2011 US$000
Proceeds from debt finance	**730,918**	116,884
Repayment of debt finance	**(380,939)**	(117,693)
Payment of finance lease liabilities	**–**	(634)
Acquisition of non-controlling interest	**(177,211)**	(59,440)
Proceeds from issue of share capital	**–**	–
Equity transaction costs paid	**–**	(9,171)
Distribution to related parties	**–**	–
Dividends paid	**(2,173)**	–
Cash flows from (used in) financing activities	**170,595**	(70,054)

Cash flows from financing activities were an inflow of US$170.6 million in 2012 compared to an outflow of US$70.1 million in 2011. Cash flows from financing activities in the first half of 2012 were mainly due to new financing obtained from Sberbank that was subsequently used to repay related-party debts. In the second half of 2012, cash flows from financing activities related primarily to the debt financing received in July 2012 to finance capital expenditure and strengthen Nordgold's balance sheet and the debt financing received for the acquisition of substantially all of the non-controlling Interests in High River Gold in December 2012, which enabled Nordgold to increase its interest in High River Gold to 97.9% in December 2012 and to 100% in March 2013. For more information about the debt financings secured in 2012, see "Financial Liabilities".

Cash Used in Investing Activities

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

	2012 US$000	2011 US$000
Additions to property, plant and equipment	**(325,475)**	(200,143)
Additions to exploration and evaluation assets	**(130,006)**	(113,398)
Additions to other intangible assets	**(218)**	(1,051)
Additions to financial investments	**(14,102)**	(15,500)
Acquisition of entities under common control	**–**	37
Acquisition of subsidiaries, net of cash acquired	**–**	–
Proceeds from disposal of property, plant and equipment	**124**	1,776
Proceeds from disposal of financial investments	**400**	13,822
Proceeds from disposal of subsidiaries, net of cash disposed	**–**	458
Interest received	**2,481**	4,677
Cash used in investing activities	**(466,796)**	(309,322)

Cash flow used in investing activities increased to US$466.8 million in 2012, from US$309.3 million in 2011. This increase was largely due to more significant levels of exploration activity and increased spending on property, plant and equipment.

Financing arrangements

Nordgold has access to a number of possible funding sources to finance its capital requirements, as demonstrated in 2012 when Nordgold was able to raise:

- US$375 million (RUB 11 billion) in March 2012 to refinance its intercompany indebtedness to the Severstal Group;
- US$152 million (RUB 5 billion) in July 2012 to finance capital expenditure; and
- US$280 million in November 2012 for the bridge financing of the acquisition of the non-controlling interests in High River and for general corporate purposes.

Nordgold is regularly in touch with its relationship banks to discuss possible financing opportunities and access to the debt capital markets.

For details please see "Debt Finance" in Note 21 to Nordgold's consolidated financial statements for the years ended December 31, 2012 and 2011 included elsewhere in this report.

Contractual obligations and commitments

The following table sets out the contractual maturities of Nordgold's financial liabilities, including interest payments and excluding the impact of netting agreements, as at December 31, 2012:

	Carrying amount US$m	Future contractual cash flows US$m	1 year US$m	1 – 2 years US$m	2 – 5 years US$m	Over 5 years US$m
Bank overdrafts	0.3	(0.3)	(0.3)	–	–	–
Banks and other credit organisations financing[1]	726.1	(832.6)	(324.0)	(361.3)	(147.3)	–
Trade and other payables	188.9	(191.1)	(173.0)	(6.7)	(8.1)	(3.3)
Total	**915.3**	**(1,024.0)**	**(497.3)**	**(368.0)**	**(155.4)**	**(3.3)**

Notes:
(1) The carrying amounts include accrued interest, unamortised transaction costs and discounts.

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, 2012, Nordgold had contractual capital commitments of US$65.0 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. Nordgold is regularly in touch with its relationship banks to discuss possible financing opportunities and access to the debt capital markets.

Financial liabilities

The following tables provide an overview of Nordgold's financial liabilities as at December 31, 2012:

Short-term loans and borrowings	As at December 31, 2012 US$000	2011 US$000
Loans	–	232,910
Notes and bonds issued	–	58,812
Bank and other credit organisations financing	**261,855**	–
Accrued interest	**1,145**	24,606
Bank overdrafts	**258**	–
Lease liabilities	–	–
Unamortised balance of transaction costs	**(1,353)**	–
Other financing	–	–
Total	**261,905**	316,328

Long-term loans and borrowings	As at December 31, 2012 US$000	2011 US$000
Loans	–	73,889
Accrued interest	–	10,173
Notes and bonds issued	–	–
Lease liabilities	–	–
Bank and other credit organisations financing	**466,431**	–
Derivative financial instruments	**(919)**	–
Unamortised balance of transaction costs	**(1,918)**	–
Total	**463,594**	84,062

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

In March 2012, Nordgold received a US$375 million loan facility from Sberbank denominated in Russian roubles maturing in 2015 with a grace period of 21 months and quarterly repayments thereafter (the "March 2012 Sberbank Facility"). The loan bears an interest at a variable rate of three-month Mosprime + 3.8% per annum payable on a quarterly basis. The loan is secured by a pledge over Nordgold's shares in High River and by guarantees of certain Nordgold subsidiaries. The proceeds from the facility were used to repay Nordgold's outstanding debt financing to the Severstal Group of US$358.4 million. This repayment concluded debt financing arrangements between Nordgold and the Severstal Group as at March 31, 2012. In April 2012, Nordgold signed cross-currency swap agreements with Sberbank and Raiffeisenbank for the full amount of the March 2012 Sberbank Facility. As a result the loan denomination currency was effectively changed from Russian roubles to US dollars at an exchange rate of approximately 29.3:1 and the interest rate was fixed at approximately 5.6%. The swap agreements with Sberbank are secured by the same collaterals as the March 2012 Sberbank Facility. The swap agreement with Raiffeisenbank is not secured by any collateral.

In July 2012, Nordgold received a US$152 million loan facility from Sberbank denominated in Russian roubles maturing in 2015 with a grace period of 21 months and quarterly repayments thereafter (the "July 2012 Sberbank Facility"). The loan bears an interest at a variable rate of three-month Mosprime + 3.3% per annum payable on a quarterly basis. The loan has the same security as the March 2012 Sberbank Facility. The proceeds from the July 2012 Sberbank Facility were used to finance Nordgold's capital expenditures and other investments. In July 2012, Nordgold signed a cross-currency swap agreement with Sberbank for the full amount of the July 2012 Sberbank Facility. As a result the loan denomination currency was effectively changed from Russian roubles to US dollars at the exchange rate of approximately 32.7:1 and the interest rate was fixed at 5.2%. The swap agreement with Sberbank is secured by the same collaterals as the July 2012 Sberbank Facility.

In November 2012, Nordgold entered into a US$280 million bridge loan facility arranged by Société Générale, Natixis and Sberbank denominated in US dollars, maturing in May 2013 (the "Bridge Loan"). The Bridge Loan bears interest at a variable rate of three-month Libor + 2.25% per annum, payable on a monthly basis. Subject to certain conditions, the margin may be increased to 3.5% per annum. The Bridge Loan is secured by guarantees from certain of Nordgold's subsidiaries and is subject to certain covenants. The proceeds from the Bridge Loan were used to finance the acquisition of the minority interests in High River under the High River Offer and Arrangement. As at December 31, 2012, Nordgold had utilised US$201.5 million under the Bridge Loan.

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	
		2012 US$000	2011 US$000
Neryungri	Yuzhno-Uguyskaya field	**18,940**	28,680
Aprelkovo	Pogromnoe	**4,494**	3,538
Celtic and Semgeo	Suzdal	**1,216**	5,502
	Balazhal	**84**	340
	Kazakhstan – Others	**1,305**	978
Buryatzoloto	Irokinda, Zun-Holba, others	**16,745**	21,662
Berezitovy	Sergachinsky	**1,325**	1,105
	Berezitovy	**2,239**	70
Somita	Taparko	**7,320**	4,832
Crew Gold	Lefa	**17,171**	11,106
Development – West Africa	Bissa	**7,256**	4,187
	Others	**23,723**	21,924
Development – Russia	Uryakhskoye field	**11,473**	7,334
	Others	**7,026**	3,955
Total exploration and evaluation		**120,317**	115,143

Neryungri (and Gross)
The Group's major capital expenditure project in Russia is the Yuzhno-Uguyskaya field near the Neryungri mine. In 2012, the Group invested US$18.9 million in exploration and evaluation works related to the Yuzhno-Uguyskaya field. In 2011 the Group spent US$28.7 million on exploration and evaluation at Neryungri.

Development Russia
Development Russia 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 2012 the Group has invested US$17.2 million in those projects.

Development – West Africa
The Group's other prospective exploration projects are located in Burkina Faso and constitute Development – West Africa. In 2012, the Group invested US$9.6 million in exploration and evaluation projects in Burkina Faso as follows: Bissa-Kindo, Ouaga, Banfora and other prospective fields.

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 and expansion capital expenditure

	Year ended 31 December	
	2012 US$000	2011 US$000
Capital expenditure on safety, facilities and replacement of equipment		
Neryungri	**11,044**	1,300
Aprelkovo	**6,034**	5,662
Celtic and Semgeo (Suzdal)	**7,352**	4,863
Buryatzoloto (Irokinda and Zun-Holba)	**11,766**	15,006
Berezitovy	**4,719**	4,317
Taparko	**12,037**	6,410
Crew Gold (Lefa mine)	**31,363**	47,782
Development – West Africa	**2,604**	9,723
Development – Russia	**–**	99
Unallocated items and consolidation adjustment	**156**	1,580
Total safety, facilities balancing and replacement of equipment capital expenditures	**87,075**	96,742
Capital expenditure on development/new technology		
Neryungri	**6,780**	4,520
Aprelkovo	**705**	3,068
Celtic and Semgeo (Suzdal)	**4,468**	10,896
Buryatzoloto (Irokinda and Zun-Holba)	**3,857**	466
Berezitovy	**4,728**	11,501
Taparko	**8,291**	–
Crew Gold (Lefa mine)	**3,294**	–
Total expansion capital expenditures	**32,123**	42,435
Capital expenditure on mine construction		
Neryungri (Gross)	**29,767**	3,220
Bissa	**205,086**	61,897
Total mine construction capital expenditures	**234,853**	65,117
Total capital expenditures (including exploration and evaluation)	**474,368**	319,437

Neryungri
In 2012, the Group invested US$11.0 million in safety, facilities and replacement of equipment at Neryungri, US$6.8 million for mine development and US$29.8 million for Gross mine construction.

Aprelkovo
In 2012, the Group invested US$6.0 million in safety, facilities and replacement of equipment at Aprelkovo and US$0.7 million for mine development.

Kazakhstan
In 2012, the Group invested US$7.4 million in safety, facilities and replacement of equipment at Celtic and Semgeo segment and US$4.5 million for mines development.

Buryatzoloto
In 2012, the Group invested US$11.8 million in safety, facilities and replacement of equipment at Irokinda and Zun-Holba and US$3.9 million was spent on mine development.

Berezitovy
In 2012, the Group invested US$4.7 million in safety, facilities and replacement of equipment at Berezitovy and US$4.7 million on mine development.

Somita
In 2012, investments in facilities balancing and replacement of depreciated capital funds at the Taparko mine amounted to US$12.0 million, and investments in mine development to US$8.3 million.

Crew Gold
In 2012, the Group invested US$31.4 million at Lefa for safety, facilities and replacement of equipment and US$3.3 million for mine development.

Bissa
On 17 January 2013, Nordgold announced its first gold pour at Bissa. The investments in mine construction in 2012 amounted to US$205.1 million. Planned capacity of this open pit mine is 4 mt of ore per annum, producing up to 200 Koz of gold annually.

The tables below set out the budgeted capital expenditures for the Group's operating mines for the year ending 31 December 2012.

Budgeted capital expenditure, year ending 31 December 2012

	Exploration and evaluation US$000	Capital expenditure on development/ new technology US$000	Safety, facilities balancing and replacement of equipment US$000	Mine construction US$000
Buryatzoloto	21,103	–	19,933	–
Neryungri	2,000	–	2,281	–
Neryungri (Gross)	5,000	–	–	70,000
Berezitovy	4,000	–	7,766	–
Aprelkovo	1,300	–	3,907	–
Development Russia	20,000	–	–	–
Celtic and Semgeo	1,400	2,951	10,051	–
Somita	8,000	12,000	8,097	–
Bissa	1,600	6,270	–	9,434
Crew Gold	12,000	5,267	15,054	–
Nordgold Management	–	14,900	16,076	–
Development – West Africa	18,000	–	–	–
Total budgeted capital expenditure	94,403	41,388	83,164	79,434

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$21.1 million; US$19.8 million is planned for safety and replacement of equipment.

Neryungri
Significant capital expenditure in 2013 will be directed to the Gross project – US$70.0 million is expected to be invested in mine construction; US$7.0 million in exploration and evaluation, including US$5.0 million at Gross, as well as US$2.3 million is invested in safety, facilities balancing and replacement of equipment.

Berezitovy
The Group is planning to spend US$ 4.0 million on exploration projects at Berezitovy and US$7.8 million on safety, facilities balancing and replacement of equipment.

Aprelkovo
Capital expenditures for exploration at Aprelkovo will amount to US$1.3 million and US$3.9 million will be spent on safety, facilities balancing and replacement of equipment.

Celtic and Semgeo
Budgeted capital expenditure for Celtic and Semgeo for 2013 includes US$1.4 million for exploration and evaluation, US$2.9 million for mine development and US$10.1 million for safety, facilities balancing and replacement of equipment.

Taparko
Budgeted capital expenditure for Taparko in 2013 includes US$8.0 million for exploration and evaluation, US$12.0 million for mine development and US$8.1 million for safety, facilities balancing and replacement of equipment.

Bissa
The Group is planning to spend US$17.3 million in 2013 on further development of Bissa, including US$1.6 million on exploration, US$6.3 million on development/new technology and US$9.4 million on mine construction.

Crew Gold
The Group is planning to invest US$32.3 million in Lefa, including US$12.0 million on exploration, US$5.3 million on development/new technology and US$15.1 million on safety, facilities balancing and replacement of equipment.

Nordgold Management
The Group plans to invest US$31.0 million in 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, above all, safe as they can be.

Development Russia and Development West Africa
The Group expects to invest US$20.0 million and US$18.0 million in 2013 in further exploration of Russian and West African greenfields.

Consolidated income statements
For the year ended 31 December 2012

	Note	**Year ended 31 December 2012 US$000**	Year ended 31 December 2011 US$000
Sales	5	**1,197,869**	1,182,129
Cost of sales		**(849,580)**	(672,630)
Gross profit		**348,289**	509,499
General and administrative expenses	6	**(69,474)**	(37,550)
Taxes other than income tax		**(78,638)**	(76,473)
Other operating expenses, net	8	**(38,911)**	(13,561)
Profit from operations		**161,266**	381,915
Finance income	9	**14,496**	5,439
Finance costs	9	**(45,351)**	(63,150)
Profit before income tax		**130,411**	324,204
Income tax expense	10	**(54,423)**	(72,158)
Profit for the period		**75,988**	252,046
Attributable to:			
Shareholders of the Company		**19,360**	168,929
Non-controlling interest		**56,628**	83,117
Weighted average number of shares outstanding during the period (millions of shares)	25	**360.572**	358.794
Earnings per share			
Basic and diluted earnings per share (US dollars)	25	**0.05**	0.47

Consolidated statements of comprehensive income
For the year ended 31 December 2012

	Year ended 31 December 2012 US$000	Year ended 31 December 2011 US$000
Profit for the period	**75,988**	252,046
Foreign exchange differences	**39,300**	(36,324)
Changes in fair value of cash flow hedges	**2,169**	–
Revaluation of available-for-sale financial investments	**(5,877)**	(27,347)
Deferred tax on revaluation of available-for-sale investments	**1,143**	5,143
Other comprehensive income/(loss) for the period, net of tax	**36,735**	(58,528)
Total comprehensive income for the period	**112,723**	193,518
Attributable to:		
Shareholders of the Company	**46,945**	127,309
Non-controlling interest	**65,778**	66,209

Consolidated statements of financial position
As at 31 December 2012

	Note	**31 December 2012 US$000**	31 December 2011 US$000
Assets			
Current assets			
Cash and cash equivalents	13	**44,991**	217,133
Accounts receivable	14	**85,064**	74,328
Inventories	15	**501,027**	375,281
VAT recoverable		**88,516**	57,031
Short-term financial investments	16	**18,502**	4,043
Income tax receivable		**11,028**	3,051
Total current assets		**749,128**	730,867
Non-current assets			
Property, plant and equipment	17	**861,327**	574,831
Intangible assets	18	**1,215,068**	1,242,820
Long-term financial investments	16	**81,313**	86,371
Investment in joint venture	19	**4,582**	4,769
Restricted cash	13	**5,052**	3,857
Deferred tax assets	10	**5,324**	2,709
Other non-current assets	20	**12,627**	1,657
Total non-current assets		**2,185,293**	1,917,014
Total assets		**2,934,421**	2,647,881
Liabilities and shareholders' equity			
Current liabilities			
Short-term debt finance	21	**261,905**	316,328
Accounts payable	22	**195,958**	172,697
Income tax payable		**22,947**	18,238
Provisions	23	**21,782**	24,538
Total current liabilities		**502,592**	531,801
Non-current liabilities			
Long-term debt finance	21	**463,594**	84,062
Provisions	23	**79,282**	61,283
Deferred tax liabilities	10	**181,520**	201,034
Other non-current liabilities		**16,131**	13,474
Total non-current liabilities		**740,527**	359,853
Total liabilities		**1,243,119**	891,654
Equity			
Share capital	24	**1,306,900**	1,244,501
Additional capital	24	**894,292**	862,340
Foreign exchange differences	24	**(40,508)**	(71,367)
Retained earnings		**(581,033)**	(550,353)
Revaluation reserves	24	**27,068**	30,342
Total equity attributable to shareholders of the Company		**1,606,719**	1,515,463
Non-controlling interest		**84,583**	240,764
Total equity		**1,691,302**	1,756,227
Total equity and liabilities		**2,934,421**	2,647,881

Consolidated statements of cash flows
For the year ended 31 December 2012

	31 December 2012 US$000	31 December 2011 US$000
Operating activities		
Profit for the period	**75,988**	252,046
Adjustments for non-cash movements:		
Finance costs, net	**30,855**	57,711
Income tax expense	**54,423**	72,158
Depreciation and amortisation	**232,188**	184,169
Net loss from impairment of non-current assets	**8,893**	6,413
Impairment of goodwill	**34,676**	–
Net loss from associates and joint ventures	**473**	527
Gain on disposal of subsidiaries	**–**	(412)
Loss on disposal of property, plant and equipment	**1,484**	1,148
Movements in provisions for inventories, receivables and other provisions	**15,716**	(7,038)
Impairment of available-for-sale financial assets	**414**	6,359
Changes in operating assets and liabilities:		
Accounts receivable	**(7,317)**	(25,394)
Inventories	**(145,782)**	(81,797)
VAT recoverable	**(34,465)**	(26,020)
Accounts payable	**(405)**	32,643
Net other changes in operating assets and liabilities	**3,834**	3,278
Cash flows from operations	**270,975**	475,791
Interest paid	**(68,774)**	(12,919)
Income taxes paid	**(80,602)**	(65,315)
Cash flows from operating activities	**121,599**	397,557
Investing activities		
Additions to property, plant and equipment	**(325,475)**	(200,143)
Additions to exploration and evaluation assets	**(130,006)**	(113,398)
Additions to other intangible assets	**(218)**	(1,051)
Additions to financial investments	**(14,102)**	(15,500)
Acquisition of entities under common control	**–**	37
Proceeds from disposal of property, plant and equipment	**124**	1,776
Proceeds from disposal of financial investments	**400**	13,822
Proceeds from disposal of subsidiaries, net of cash disposed	**–**	458
Interest received	**2,481**	4,677
Cash used in investing activities	**(466,796)**	(309,322)
Financing activities		
Proceeds from debt finance	**730,918**	116,884
Repayment of debt finance	**(380,939)**	(117,693)
Payment of finance lease liabilities	**–**	(634)
Acquisition of non-controlling interest	**(177,211)**	(59,440)
Equity transaction costs paid	**–**	(9,171)
Dividends paid	**(2,173)**	–
Cash from/(used in) financing activities	**170,595**	(70,054)
Net (decrease)/increase in cash and cash equivalents	**(174,602)**	18,181
Cash and cash equivalents at beginning of the period	**217,133**	212,204
Effect of exchange rate fluctuations on cash and cash equivalents	**2,460**	(13,252)
Cash and cash equivalents at the end of the period	**44,991**	217,133

Consolidated statements of changes in equity
For the year ended 31 December 2012

	Attributable to the shareholders of Nord Gold N.V.							
	Share capital US$000	Additional capital US$000	Foreign exchange differences US$000	Retained earnings US$000	Revaluation reserves US$000	Total	Non-controlling interest US$000	Total US$000
Balance at 1 January 2011	1,244,501	862,340	(46,671)	(715,643)	47,266	1,391,793	231,031	1,622,824
Profit for the period	–	–	–	168,929	–	168,929	83,117	252,046
Foreign exchange differences	–	–	(24,696)	–	–	(24,696)	(11,628)	(36,324)
Changes in fair value of cash flow hedges	–	–	–	–	–	–	–	–
Deferred tax on changes in fair value of cash flow hedges	–	–	–	–	–	–	–	–
Revaluation of available-for-sale financial investments	–	–	–	–	(20,707)	(20,707)	(6,640)	(27,347)
Deferred tax on revaluation of available-for-sale investments	–	–	–	–	3,783	3,783	1,360	5,143
Total comprehensive income for the period						127,309	66,209	193,518
Acquisition of entities under common control	–	–	–	(630)	–	(630)	–	(630)
Acquisitions of non-controlling interest without a change in control	–	–	–	(3,009)	–	(3,009)	(56,476)	(59,485)
Balance at 31 December 2011	1,244,501	862,340	(71,367)	(550,353)	30,342	1,515,463	240,764	1,756,227
Profit for the period	–	–	–	19,360	–	19,360	56,628	75,988
Foreign exchange differences	–	–	30,859	–	–	30,859	8,441	39,300
Changes in fair value of cash flow hedges	–	–	–	–	2,169	2,169	–	2,169
Deferred tax on changes in fair value of cash flow hedges	–	–	–	–	–	–	–	–
Revaluation of available-for-sale financial investments	–	–	–	–	(6,682)	(6,682)	805	(5,877)
Deferred tax on revaluation of available-for-sale investments	–	–	–	–	1,239	1,239	(96)	1,143
Total comprehensive income for the period						46,945	65,778	112,723
Share issue	62,399	31,952	–	–	–	94,351	–	94,351
Dividends	–	–	–	–	–	–	(2,173)	(2,173)
Acquisitions of non-controlling interest without a change in control	–	–	–	(50,040)	–	(50,040)	(219,786)	(269,826)
Balance at 31 December 2012	**1,306,900**	**894,292**	**(40,508)**	**(581,033)**	**27,068**	**1,606,719**	**84,583**	**1,691,302**

1. Operations

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

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

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

In November 2011, the Severstal Group decided to spin off the Group by exchange of 100% shares of Nord Gold N.V. for JSC Severstal shares and global depositary receipts (GDRs) based on the relative fair values in two steps. Firstly in January 2012, the Company completed the exchange of 10.6% of its shares with non-controlling shareholders which became traded on the London Stock Exchange in the form of GDRs. Subsequently Lybica Holding B.V. and Rayglow Limited, an entity controlled by Alexey Mordashov, exchanged JSC Severstal shares for the remaining 89.4% of the Company's shares ("Shares") in March 2012 and these Shares were then sold to Canway Holding B.V. (the "Parent Company"), a company controlled by Alexey Mordashov who remained the ultimate controlling party.

In October 2012, the Company made an offer to acquire the outstanding shares of High River Gold Mines Ltd. in exchange for either 0.285 of the Company's GDRs or Canadian $1.4 in cash for each Share. In November and December 2012, the Company completed the acquisition of approximately 192 million outstanding shares of High River Gold Mines Ltd. in exchange for 19,258,779 of the Company's GDRs and Canadian $174.3 million (US$175.7 million) in cash resulting in an increase in the share of the Company's non-controlling shareholders to 15.1%.

As at 31 December 2012 Canway Holding B.V. is the Company's immediate parent company and Alexey Mordashov remained the Company's ultimate controlling party.

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

Economic environment

A significant part of the Group's operations are based in the Russian Federation and are 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 operations of the Group are partly performed in Kazakhstan and consequently are subject to country risk being the economic, political and social risks inherent in doing business in Kazakhstan. 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. In addition, the contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment.

The operations of the Group are partly performed in Burkina Faso. The government of Burkina Faso has modernised its Mining Code and is considered by the Group to be mining friendly, but no assurances can be provided that this will continue in the future. The economy and political system of Burkina Faso should be considered to be less predictable than in developed countries.

The operations of the Group are partly performed in Guinea. Guinea has a continued political and economic instability that gives rise to significant risks and could have a material adverse effect on the Group's Guinean operations.

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"). These consolidated financial statements are not the statutory financial statements

The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs EU) as adopted by the European Union. The responsibility of the Board of Directors 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 2011, except that the Group has adopted those new/revised standards mandatory for financial annual periods beginning on 1 January 2012.

Standards and interpretations	Effective for annual periods beginning on or after
IAS 12 (Amended) "Income taxes"	1 January 2012
IFRS 1 (Amended) "First-time Adoption of International Financial Reporting Standards"	1 July 2011
IFRS 7 (Amended) "Financial instruments: disclosures"	1 July 2011

Amended IAS 12 "Income taxes" introduced an exception to the general principles of IAS 12 for investment property measured using the fair value model. For the purpose of measuring deferred tax, the amendments introduced a rebuttable presumption that the carrying amount of the underlying asset will be recovered entirely by sale unless the asset is depreciated or the business model is to consume substantially all the asset. Amended IAS 12 did not have a significant effect on the Group's consolidated financial statements.

Amended IFRS 7 "Financial Instruments: disclosures" introduced additional disclosure requirements for transfers of financial assets in situations where assets are not derecognised in their entirety or where the assets are derecognised in their entirety but a continuing involvement in the transferred assets is retained. The new disclosure requirements are designated to enable the users of financial statements to better understand the nature of the risks and rewards associated with these assets. Amended IFRS 7 did not have a significant effect on the Group's consolidated financial statements.

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments and financial investments classified as available-for-sale, which are stated at fair value.

Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported 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, 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 requiring the use of management estimates and assumptions relate to:

- useful economic lives of property, plant and equipment and intangible assets;
- mineral reserves that are the basis of future cash flow estimates;
- assets impairment;
- environmental provisions;
- metallurgical recovery percentage;
- allowances for doubtful debts and obsolete and slow-moving inventory;
- litigations;
- the fair value of derivative financial instruments;
- deferred income taxes.

Useful 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 expense for the period.

During 2012 the Group revised the useful lives of certain mineral rights. The effect of the change in accounting estimate on these consolidated financial statements was an increase in amortisation expense in the amount of US$12.9 million.

Mineral reserves

The Group assesses the quantity of mineral reserves on the basis of approved feasibility and technical reports. The Group uses assessments of mineral reserves in the recognition and 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.

During 2012 the Group revised mining models for the Lefa and Taparko mines resulting in changes to certain inputs that significantly affected the value of the production stripping costs capitalised in inventories. The effect of the change in accounting estimate on these consolidated financial statements was a decrease of inventories in the amount of US$ 64.2 million.

2. Basis for preparation of the consolidated financial statements continued

Assets impairment
The Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessments for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit. Subsequent changes to the cash generating unit allocation or to the timing of cash flows could impact the carrying value of the respective assets.

Environmental provisions
The Group reviews its environmental provision at each reporting date and adjusts it to reflect the current best estimate in accordance with IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities". 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 a 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.

Allowance for doubtful debts
The Group makes an allowance for doubtful receivables to account for estimated losses resulting from the inability of the contracting party to make required payments. When evaluating the adequacy of an allowance for doubtful debts, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the consolidated financial statements.

Allowance for obsolete and slow-moving inventories
The Group makes an allowance for obsolete and slow-moving raw materials and spare parts. Inventories are carried at the lower of cost or net realisable value. Estimates of net realisable value of 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 end of the reporting period 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 to quantify 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 the estimate 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 projections.

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 to assess 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.

In the event that the assessment of future utilisation of deferred tax assets are reduced, this reduction will be recognised in the income statement.

The operations of the Group performed in Kazakhstan are subject to corporate income tax, consisting of a fixed component and variable component – excess profit tax ("EPT"). Deferred tax assets and liabilities are measured at each reporting date using an average of expected total income tax rates for the future periods when the asset (liability) is realised (settled), based on expected performance and prices for gold.

Functional and presentation currency

The presentation currency of these consolidated financial statements is the US dollar.

The functional currency is determined separately for each of the Group's entities.

Before 1 April 2012 the functional currency of the Company was the Euro.

With effect from 1 April 2012 the Company changed its functional currency from Euro to US dollars. The change in functional currency is appropriate based on the fact that since April 2012 most of the Company's investing and financing activities and cash flows are denominated in US dollars while the impact of the operational activities on the Company's financial position remains insignificant. Having considered the aggregated effect of all the factors, management concluded that the Company's functional currency had changed to US dollars.

Management believes that this change more clearly reflects the Company's financial position and significantly reduces its exposure to currency risk. The change in functional currency has been accounted for prospectively since 1 April 2012. The Company will no longer have currency exchange effects deriving from US$denominated monetary assets and liabilities. Conversely, monetary assets and liabilities denominated in other currencies than US$may now generate such currency effects. As the presentation currency of the Group is US dollar the change of the Company's functional currency from Euro to US dollars has no impact on the Group's equity and comparative information for previous periods.

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 Communaute Financiere 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 income statement 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 construed 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 for the year ended 31 December 2012, and have not been applied in these consolidated financial statements.

Standards and interpretations	Effective for annual periods beginning on or after
IAS 1 (Amended) "Presentation of Financial Statements"	1 July 2012, 1 January 2013
IAS 19 (Revised) "Employee Benefits"	1 January 2013
IAS 27 (Amended) "Separate Financial Statements"	1 January 2013
IAS 28 (Amended) "Investments in Associates"	1 January 2013
IAS 32 (Amended) "Financial Instruments: Presentation"	1 July 2012, 1 January 2014
IFRS 1 (Amended) "First-time Adoption of International Financial Reporting Standards"	1 January 2013
IFRS 7 (Amended) "Financial instruments: disclosures"	1 January 2013
IFRS 9 (Amended) "Financial Instruments"	1 January 2015
IFRS 10 "Consolidated Financial Statements"	1 January 2013
IFRS 11 "Joint Agreements"	1 January 2013
IFRS 12 "Disclosure of Interest in Other Entities"	1 January 2013
IFRS 13 "Fair Value Measurement"	1 January 2013
IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"	1 January 2013

The adoption of the pronouncements listed above is not expected to have a significant impact on the Group's consolidated financial statements in future periods except for those discussed below.

2. Basis for preparation of the consolidated financial statements continued

Amended IAS 1 "Presentation of Financial Statements" requires a separate presentation of items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Amended IAS 1 will be effective for annual periods beginning on or after 1 July, 2012 and requires retrospective application.

Revised IAS 19 "Employee Benefits" incorporates the following changes:

- Actuarial gains and losses will be recognised immediately in other comprehensive income and will not be recycled through profit or loss in subsequent periods;
- Annual expense for a funded benefit plan will include interest expense, calculated by applying the discount rate to the net defined benefit or liability that will replace the finance charge and expected return on plan assets.

Revised IAS 19 will be effective for annual periods beginning on or after 1 January, 2013 and requires retrospective application.

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 will become effective for annual periods beginning on or after 1 January 2013 and requires retrospective application.

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. The amended standard will become effective for annual periods beginning on or after 1 January 2013 and requires retrospective application.

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. The amendments are effective for annual periods beginning on or after 1 January 2014 and require retrospective application.

IFRS 9 "Financial Instruments" is expected to become effective for annual periods beginning on or after 1 January 2015 based on the current exposure draft. The new standard 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 were finalised in November 2009 and October 2010, respectively, and 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. The new standard will be effective for annual periods beginning on or after 1 January 2013.

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 11 will be effective for annual periods beginning on or after 1 January 2013 and requires retrospective application.

IFRS 12 "Disclosures of interests in other entities" requires extended disclosures for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 will be effective for annual periods beginning on or after 1 January 2013 and requires retrospective application.

IFRS 13 "Fair value measurement" provides a revised definition of fair value, establishes a framework for measuring fair value and sets out expanded disclosure requirements for fair value measurements. IFRS 13 will be effective for annual periods beginning on or after 1 January 2013 and requires prospective application.

IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" addresses accounting of stripping costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Under the interpretation, production stripping costs that provide access to ore to be mined in the future are capitalised as non-current assets if the component of the ore body for which access has been improved can be identified and future benefits arising from the improved access are both probable and reliably measurable. The interpretation also addresses how capitalised production stripping costs should be depreciated and how capitalised amounts should be allocated between inventory and the stripping activity asset. IFRIC 20 will be effective for annual periods beginning on or after 1 January 2013 and requires prospective application to production stripping costs incurred on or after the beginning of the earliest period presented.

3. Summary of the principal accounting policies

The following significant accounting policies have been consistently applied to all periods presented in preparing these consolidated financial statements throughout the Group.

a. 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 evidence of impairment of the asset transferred.

Acquisition of additional interest in acquired entities

No goodwill is recognised where the Group acquires additional interests in the acquired entities. 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 income statement 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.

b. 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 income statement.

3. Summary of the principal accounting policies continued

c. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. 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 income statement as incurred. Gains or losses on disposals of property, plant and equipment are recognised in the income statement.

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 basis. 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.

d. Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement as a part of interest expense.

The depreciation policy for depreciable leased assets is consistent with that for depreciable assets, which are owned. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

e. 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 Group's mineral rights vary from 3 to 7 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.

Borrowing costs related to exploration and evaluation assets are recognised in the income statement.

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 tangible assets set out below.

f. Impairment of assets

The carrying amount of goodwill is tested for impairment annually. At reporting date the Group assesses whether there is any indication of impairment of Group's other assets. 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.

3. Summary of the principal accounting policies continued

g. 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, finished goods.

Materials and consumables are valued at cost less allowances recorded against 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 operational mining development works are charged to the cost of ore as follows:

- at underground mining – proportionally extracted ore,
- at open-pit mining – on the basis of an average stripping ratio.

The average stripping ratio is calculated as the number of cubic metres of waste material removed per ton of ore mined. The average stripping ratio 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 changes in accounting estimates.

Refined gold is treated by the Group as finished goods. Refined gold is valued on the basis of total production cost.

h. 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: 'held-to-maturity' investments, '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.

(i) 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.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment.

(iii) 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.

(iv) AFS financial assets

Available for sale 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 income statement. 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 the income statement for the period.

In case if after the initial recognition of the asset the objective evidence indicating a loss event occurs and that the loss event has a negative effect on the estimated future cash flows of that asset, a 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 its fair value below its cost is objective evidence of impairment.

Impairment losses are recognised in the income statement. The impairment loss is 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 income statement when the Group's right to receive the dividends is established.

(v) 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 income statement.

(vi) 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 balance sheet 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 income. 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 income.

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 income statement within finance income or costs. Amounts accumulated in equity are reclassified to the statement of income 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 income statement 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 income statement. When a hedged transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred to the income statement.

3. Summary of the principal accounting policies continued

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.

i. Income tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement 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 the pre-tax income 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.

j. 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 provisions

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.

Provisions are 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 provided for 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 income statement as interest expense.

Other provisions

Other provisions are recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

k. Share capital

Share capital comprises ordinary shares, which are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

l. 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.

Revenue from the sale of material by-products is included within revenue.

m. Other expenses

Lease payments

Payments made under operating leases are recognised in the income statement 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.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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 income statement as incurred.

n. 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 income statement, using the effective interest method. Dividend income is recognised in the income statement 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 income statement 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.

Net gains (losses) from operations with and impairment of available-for-sale financial assets are accounted for in the finance income (costs) if these assets were acquired not within the principal activities of the Group (gold exploration and mining). Otherwise they are accounted in operating income (expense).

o. Earnings per share
The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The Company has not issued any dilutive instruments.

p. 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. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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.

Inter-segment pricing is determined on an arm's length basis.

4. Segment reporting

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

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

Information regarding the results of each reportable segment is included below. Reportable segment performance is measured based on segment profit after income tax, as included in the internal management reports that are reviewed by the Group's CEO.

4. Segment reporting continued

Information about reportable segments

Segment profits and losses and the reconciliation to the consolidated income statement for the year ended 31 December 2012:

	Neryungri and Aprelkovo US$000	Suzdal and Balazhal US$000	Buryatzoloto US$000	Berezitovy US$000
Sales	171,262	152,637	181,343	193,582
Cost of sales less depreciation and amortisation	(79,548)	(81,442)	(85,448)	(62,689)
General and administrative expenses less depreciation and amortisation	(8,847)	(8,798)	(5,471)	(7,566)
Taxes other than income tax	(12,014)	(15,340)	(11,401)	(13,710)
Other operating (expense)/income less (loss)/gain on disposal and impairment of property, plant and equipment, intangible assets and goodwill, gain from change in non-current provisions, gain on disposal of subsidiaries, social expenses and charity donations	248	(4,742)	456	–
Interest income	6,864	5,107	9,394	1,918
Interest expense	(16,020)	(381)	(125)	(3,130)
Depreciation and amortisation	(21,347)	(41,390)	(20,518)	(15,922)
Income tax (expense)/benefit	(10,880)	(9,048)	(12,042)	(19,143)
Segment's profit/(loss) for the period	27,400	(43,441)	53,334	76,233
Additional information:				
Loss on disposal of property, plant and equipment	(435)	(9)	(399)	–
Reversal of impairment of property, plant and equipment	–	1,945	–	–
Impairment of exploration and evaluation assets	–	(6,780)	(2,094)	–
Impairment of goodwill	–	(34,676)	–	–
Impairment of investments available-for-sale	–	(276)	–	–
Capital expenditures less capitalised costs for environmental provisions	(77,764)	(14,425)	(32,368)	(13,011)

Taparko US$000	Lefa US$000	Bissa and Burkina Faso Greenfields US$000	Russian Greenfields US$000	Total US$000	Unallocated items and consolidation adjustment US$000	Consolidated US$000
211,993	287,052	–	–	1,197,869	–	1,197,869
(97,709)	(211,443)	–	–	(618,279)	(65)	(618,344)
(4,910)	(12,239)	–	(251)	(48,082)	(20,440)	(68,522)
(6,961)	(18,134)	–	(2)	(77,562)	(1,076)	(78,638)
(567)	8,595	–	–	3,990	4,125	8,115
–	137	216	–	23,636	(19,918)	3,718
(5,806)	(11,823)	–	(2,077)	(39,362)	1,940	(37,422)
(28,725)	(103,999)	–	(27)	(231,928)	(259)	(232,187)
(14,727)	12,492	–	757	(52,591)	(1,832)	(54,423)
49,703	(46,672)	11,007	(3,093)	124,471	(48,483)	75,988
(637)	–	–	(3)	(1,483)	(125)	(1,608)
–	–	–	–	1,945	–	1,945
–	–	–	(1,964)	(10,838)	–	(10,838)
–	–	–	–	(34,676)	–	(34,676)
–	–	–	–	(276)	(78)	(354)
(27,648)	(51,828)	(238,669)	(18,499)	(474,212)	(156)	(474,368)

4. Segment reporting continued

Segment profits and losses and the reconciliation to the consolidated income statement for the year ended 31 December 2011:

	Neryungri and Aprelkovo US$000	Suzdal and Balazhal US$000	Buryatzoloto US$000	Berezitovy US$000
Sales	167,098	129,518	210,019	166,161
Cost of sales less depreciation and amortisation	(63,111)	(55,046)	(83,891)	(56,297)
General and administrative expenses less depreciation and amortisation	(7,224)	(6,848)	11,186	(6,553)
Taxes other than income tax	(11,783)	(13,788)	(13,143)	(12,658)
Other operating (expense)/income less (loss)/gain on disposal and impairment of property, plant and equipment, intangible assets and goodwill, gain from change in non-current provisions, gain on disposal of subsidiaries, social expenses and charity donations	(5,411)	(90)	2,349	244
Interest income	1,095	4,122	5,291	968
Interest expense	(9,813)	(240)	(98)	(7,300)
Depreciation and amortisation	(16,240)	(25,737)	(16,250)	(14,656)
Income tax (expense)/benefit	(10,413)	(9,462)	(19,884)	(14,225)
Segment's profit/(loss) for the period	43,695	18,244	94,251	49,867
Additional information:				
Loss on disposal of property, plant and equipment	(367)	(405)	(269)	(47)
Impairment of property, plant and equipment	–	(3,070)	–	–
Impairment of exploration and evaluation assets	–	–	(614)	–
Impairment of investments available-for-sale	–	–	–	–
Capital expenditures less capitalised costs for environmental provisions	(61,970)	(22,581)	(37,134)	(16,923)

Taparko US$000	Lefa US$000	Bissa and Burkina Faso Greenfields US$000	Russian Greenfields US$000	Total US$000	Unallocated items and consolidation adjustment US$000	Consolidated US$000
205,258	304,075	–	–	1,182,129	–	1,182,129
(56,302)	(175,065)	–	–	(489,712)	417	(489,295)
(5,595)	(9,415)	–	(85)	(24,534)	(12,181)	(36,715)
(6,692)	(17,766)	–	–	(75,830)	(643)	(76,473)
(1,429)	6,218	–	2	1,883	(7,273)	(5,390)
–	124	533	–	12,133	(7,194)	4,939
(5,613)	(6,916)	–	(1,128)	(31,108)	(4,815)	(35,923)
(19,507)	(91,595)	–	(30)	(184,015)	(154)	(184,169)
(17,408)	(7,296)	4	721	(77,963)	5,805	(72,158)
94,137	(1,427)	(4,313)	(2,928)	291,526	(39,480)	252,046
(10)	–	(48)	–	(1,146)	(2)	(1,148)
–	–	–	–	(3,070)	–	(3,070)
–	–	(839)	(1,890)	(3,343)	–	(3,343)
–	–	–	–	–	(6,859)	(6,859)
(11,242)	(58,888)	(97,731)	(11,388)	(317,857)	(1,580)	(319,437)

4. Segment reporting continued

Segment assets and liabilities and the reconciliation to the consolidated statements of financial position as at 31 December 2012:

	Neryungri and Aprelkovo US$000	Suzdal and Balazhal US$000	Buryatzoloto US$000	Berezitovy US$000	Taparko US$000
Current assets					
Cash and cash equivalents	**14,566**	**5,332**	**3,957**	**3,820**	**135**
Accounts receivable	**7,568**	**5,540**	**2,199**	**1,801**	**14,095**
Inventories	**106,852**	**37,022**	**34,126**	**101,799**	**44,442**
VAT recoverable	**13,331**	**12,281**	**17,613**	**4,058**	**7,227**
Income tax receivable	**–**	**4,218**	**3,894**	**2,881**	**–**
Current liabilities					
Accounts payable	**17,307**	**11,450**	**18,670**	**10,290**	**37,940**
Income tax payable	**2,924**	**1,750**	**–**	**2,590**	**8,116**
Short-term provisions	**74**	**1,795**	**–**	**–**	**9,692**
Net working capital	**107,446**	**44,066**	**39,162**	**97,659**	**10,016**
Segment total assets	**637,879**	**370,540**	**342,713**	**199,647**	**289,524**

Segment assets and liabilities and the reconciliation to the consolidated statements of financial position as at 31 December 2011:

	Neryungri and Aprelkovo US$000	Suzdal and Balazhal US$000	Buryatzoloto US$000	Berezitovy US$000	Taparko US$000
Current assets					
Cash and cash equivalents	17,245	21,640	71,534	76,093	9,396
Accounts receivable	8,551	4,136	2,357	3,684	2,981
Inventories	73,101	61,574	23,090	70,054	49,824
VAT recoverable	9,107	16,896	6,638	4,059	3,981
Income tax receivable	–	3,022	–	–	–
Current liabilities					
Accounts payable	13,278	11,742	25,774	7,036	23,474
Income tax payable	3,420	252	5,781	553	8,053
Short-term provisions	69	1,824	–	–	7,501
Net working capital	73,992	71,810	530	70,208	17,758
Segment total assets	470,214	393,168	284,016	235,703	223,153

	Lefa US$000	**Bissa and Burkina Faso Greenfields US$000**	**Russian Greenfields US$000**	**Unallocated items and consolidation adjustment US$000**	**Consolidated US$000**
	2,982	**1,633**	**1**	**12,565**	**44,991**
	53,484	**20,674**	**521**	**(20,818)**	**85,064**
	176,597	**99**	**–**	**90**	**501,027**
	29,239	**1,683**	**2,707**	**377**	**88,516**
	–	**–**	**–**	**35**	**11,028**
	68,963	**18,588**	**690**	**12,060**	**195,958**
	2,937	**–**	**–**	**4,630**	**22,947**
	7,505	**–**	**–**	**2,716**	**21,782**
	179,915	**3,868**	**2,538**	**(39,722)**	**444,948**
	956,300	**444,740**	**57,819**	**(364,741)**	**2,934,421**

	Lefa US$000	Bissa and Burkina Faso Greenfields US$000	Russian Greenfields US$000	Unallocated items and consolidation adjustment US$000	Consolidated US$000
	17,008	384	114	3,719	217,133
	52,938	174	–	(493)	74,328
	97,499	79	–	60	375,281
	14,038	636	1,448	228	57,031
	–	–	–	29	3,051
	82,774	8,258	476	(115)	172,697
	–	–	–	179	18,238
	15,144	–	–	–	24,538
	66,557	(7,369)	972	(240)	294,218
	921,894	157,234	36,400	(73,901)	2,647,881

4. Segment reporting continued

Geographical information

The following is a summary of non-current assets other than financial instruments, deferred tax assets, restricted cash and other non-current assets by location:

	31 December 2012 US$000	31 December 2011 US$000
Guinea	**691,611**	737,925
Russian Federation	**651,365**	543,749
Burkina Faso	**543,194**	277,443
Kazakhstan	**190,195**	258,475
Other	**29**	60
Total	**2,076,394**	1,817,651

5. Sales

Sales by product were as follows:

	31 December 2012 US$000	31 December 2011 US$000
Gold	**1,189,509**	1,170,842
Silver	**8,360**	11,287
Total	**1,197,869**	1,182,129

Sales by delivery destination and customers were as follows:

	31 December 2012 US$000	31 December 2011 US$000
Switzerland: Metalor Technologies S.A.	**340,910**	129,518
Switzerland: MKS Finance S.A.	**287,052**	304,075
Russia: NOMOS bank	**241,255**	543,278
Russia: VTB	**193,582**	–
Russia: Sberbank	**111,350**	–
Switzerland: Standard Bank	**23,720**	205,258
Total	**1,197,869**	1,182,129

6. General and administrative expenses

General and administrative expenses were as follows:

	Year ended 31 December 2012 US$000	Year ended 31 December 2011 US$000
Wages and salaries	**27,816**	22,593
Services	**27,540**	22,367
Social security costs	**4,414**	2,029
Change in bad debt allowance	**1,883**	(15,707)
Materials and consumables	**1,307**	1,154
Depreciation and amortisation	**952**	835
Other expenses	**5,562**	4,279
Total	**69,474**	37,550

Change in bad debt allowance for the year ended 31 December 2011 includes a reversal of allowance on debt partially repaid by Prognoz Serebro LLC to Buryatzoloto under the contract for exploration work on the Prognoz Serebro project in amount of US$16.8 million.

7. Staff costs

Employment costs were as follows:

	Year ended 31 December 2012 US$000	Year ended 31 December 2011 US$000
Wages and salaries	**195,219**	177,475
Social security costs	**27,994**	24,573
Total	**223,213**	202,048

Employment costs includes all production and administrative staff wages and salaries and social security costs recognised in profit and loss or capitalised in the cost of property, plant and equipment and intangible assets.

For the year ended 31 December 2012 key management's remuneration was US$7.2 million (year ended 31 December 2011: US$4.8 million).

8. Other operating expenses, net

Other operating income and expenses were as follows:

	Year ended 31 December 2012 US$000	Year ended 31 December 2011 US$000
Gain from VAT recovered previously written off	**9,823**	–
Gain from depositary receipt program agreement	**3,600**	–
Reversal of impairment/(impairment) of property, plant and equipment	**1,945**	(3,070)
Net gain on disposal of inventories	**361**	292
Gain from change in non-current provisions	**153**	–
Impairment of goodwill	**(34,676)**	–
Impairment of exploration and evaluation assets	**(10,838)**	(3,343)
Net loss from inventories write off	**(4,143)**	(5,339)
Social expenses	**(1,733)**	(864)
Loss on disposal of property, plant and equipment	**(1,608)**	(1,148)
(Loss)/gain from change in current provisions and contingencies	**(597)**	4,641
Net loss from joint ventures	**(473)**	(527)
Net loss from impairment of available-for-sale investments	**(354)**	(6,859)
Charity donations	**(269)**	(158)
Net (loss)/gain from contractual compensations and fines	**(150)**	1,953
Net gain on disposal of subsidiaries	**–**	412
Other	**48**	449
Total	**(38,911)**	(13,561)

Gain from reversal of VAT provision in the amount of US$9.8 million for the year ended 31 December 2012 is related to VAT recoverable of Lefa segment that was provided for within purchase price allocation on acquisition of Crew Gold Corporation in 2010 and actually recovered in 2012.

Gain from depositary receipt program agreement in the amount of US$3.6 million for the year ended 31 December 2012 is related to the reimbursements received by the Company in accordance depositary receipt program agreement with Deutsche Bank.

Impairment of goodwill for the year ended 31 December 2012 fully relates to the impairment of goodwill on acquisition of Celtic Resources Holdings Plc. in 2007 (see Note 18).

Impairment of exploration and evaluation assets for the year ended 31 December 2012 consists of partial impairment of Balazhal exploration and evaluation asset in the amount of US$6.8 million, partial impairment of Irokinda exploration and evaluation asset in the amount of US$2.1 million and full impairment of Ostantsovy mineral deposit in the amount of US$2.0 million.

Write off of inventories for the year ended 31 December 2012 fully relates to the work in progress of Balazhal segment.

Gain from change in current provisions and contingencies for the year ended 31 December 2011 includes partially reversed provisions for legal claims of Crew Gold Corporation settled in 2011 in the amount of US$4.6 million.

Impairment of available-for-sale investments for the year ended 31 December 2011 fully relates to the impairment of investment in Sacre-Coeur Minerals Ltd. due to significant decline in its market value.

9. Finance income and costs

Finance income and costs were as follows:

	Year ended 31 December 2012 US$000	Year ended 31 December 2011 US$000
Foreign exchange gain	**10,778**	–
Interest income	**3,718**	4,939
Other	**–**	500
Finance income	**14,496**	5,439
Interest expenses	**(37,422)**	(35,923)
Equity transaction costs	**–**	(15,676)
Foreign exchange loss	**–**	(11,551)
Other	**(7,929)**	–
Finance costs	**(45,351)**	(63,150)
Net finance costs	**(30,855)**	(57,711)

Other finance costs in the amount of US$7.9 million for the year ended 31 December 2012 include costs related to High River Gold Mines Ltd. outstanding shares buy-out offering transaction.

Equity transaction costs for the year ended 31 December 2011 relate to a cancelled public offering transaction.

10. Taxation

The following is an analysis of the income tax expense:

	Year ended 31 December 2012 US$000	Year ended 31 December 2011 US$000
Current tax charge	**(66,906)**	(60,778)
Prior years' charges	**(11,026)**	238
Deferred tax benefit/(expense)	**23,509**	(11,618)
Income tax expense	**(54,423)**	(72,158)

The Group prepared a reconciliation of the reported net income tax expense and the amount calculated by applying the average statutory tax rate applicable to the Group to reported profit before income tax. The Group's production operations are taxable at the rate of 20% in the Russian Federation and Kazakhstan, 17.5% in Burkina Faso and 30% in Guinea.

In addition to Kazakhstan corporate income tax the Group is exposed to excess profits tax (EPT). EPT is charged at rates of between 0% and 60% on income after income tax according to the ratio of aggregate annual income to deductions in that particular year as defined by Kazakhstan legislation. Liabilities for EPT arise for any year in which the ratio exceeds 25%. As at 31 December 2012 and 31 December 2011 the Group remeasured the deferred tax assets and liabilities for the Suzdal and Balazhal segment using the expected tax rate adjusted for the effect of EPT.

10. Taxation continued

	Year ended 31 December			
	2012 US$000	**2012 %**	2011 US$000	2011 %
Profit before income tax	**130,411**		324,204	
Tax charge at applicable rate	**(31,428)**	**24%**	(57,995)	18%
Prior years' charges	**(11,026)**	**8%**	238	0%
Non-tax deductible expenses and tax exempt income, net	**(4,114)**	**3%**	(794)	0%
Changes in unrecognised deferred tax assets	**(7,371)**	**6%**	(11,910)	4%
Reassessment of deferred tax assets and liabilities	**557**	**0%**	(1,697)	1%
Effect of changes in tax rate	**(1,041)**	**1%**	–	0%
Income tax expense	**(54,423)**	**42%**	(72,158)	22%

Prior years' charges mainly include income tax and related penalties accrued under tax reviews for previous years (see also Note 28).

Deferred tax assets and liabilities are attributable to the following:

Deferred tax assets	**31 December 2012 US$000**	31 December 2011 US$000
Property, plant and equipment	**29,906**	43,063
Intangible assets	**276**	–
Inventories	**727**	176
Accounts receivable	**120**	453
Financial investments	**234**	380
Accounts payable	**6,194**	3,665
Provisions	**12,861**	9,973
Other	**1,915**	1,956
Tax-loss carry forwards	**5,691**	3,519
Gross deferred tax assets	**57,924**	63,185
Less offsetting with deferred tax liabilities	**(52,600)**	(60,476)
Recognised deferred tax assets	**5,324**	2,709

Deferred tax liabilities	**31 December 2012 US$000**	31 December 2011 US$000
Property, plant and equipment	**(6,614)**	(6,145)
Intangible assets	**(201,072)**	(232,271)
Inventories	**(21,540)**	(14,828)
Accounts receivable	**(123)**	(179)
Financial investments	**(3,010)**	(4,612)
Accounts payable	**(610)**	–
Provisions	**(536)**	(199)
Other	**(615)**	(3,276)
Gross deferred tax liabilities	**(234,120)**	(261,510)
Less offsetting with deferred tax assets	**52,600**	60,476
Recognised deferred tax liabilities	**(181,520)**	(201,034)
Net deferred tax liability	**(176,196)**	(198,325)

Deferred tax assets and deferred tax liabilities are offset only on the level of the same taxable entity as they relate to the income tax levied by the same taxation authority and the entity has a legally enforceable right to set off current tax assets against current tax liabilities.

The movement of net deferred tax liability for the year ended 31 December 2012 and 2011 was as follows:

Movement of net deferred tax liability	31 December 2012 US$000	31 December 2011 US$000
Opening balance	**(198,325)**	(195,604)
Recognised in income statement	**23,509**	(11,618)
Recognised in other comprehensive income	**1,143**	5,143
Foreign exchange difference	**(2,523)**	3,754
Closing balance	**(176,196)**	(198,325)

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$623.7 million at 31 December 2012 (31 December 2011: US$545.2 million).

Unrecognised deferred tax asset

The Group has not recognised deferred tax assets on tax-losses carried forward related to certain Group entities as 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 such tax-losses with related expiry dates are the following (stated in millions of US dollars):

	31 December 2012 US$000	31 December 2011 US$000
In the following year	**2.1**	2.1
Between one and five years	**4.9**	4.0
Between five and ten years	**78.2**	56.8
Between ten and twenty years	**13.5**	0.0
No expiry	**54.0**	65.0
Total	**152.7**	127.9

11. Related party transactions

Transactions with related parties under common control, except Parent Company and Joint Venture, were the following:

	Year ended 31 December 2012 US$000	Year ended 31 December 2011 US$000
Cost of sales	**(4,821)**	(2,552)
General and administrative costs	**(852)**	(792)
Other operating expenses	**(29)**	–
Interest income	**548**	2,599
Interest expense	**(5,655)**	(23,876)
Purchases:		
non-capital expenditures	**(5,702)**	(3,344)
capital expenditures	**(13)**	(116)

In 2012 the Group totally repaid its outstanding debt financing to Severstal Group in amount of US$358.4 million (see also Note 21).

11. Related party transactions continued

Transactions with the Joint Venture Prognoz Serebro LLC were the following:

	Year ended 31 December 2012 US$000	Year ended 31 December 2011 US$000
Repayment of debt	–	16,822
Other operating income	–	2,299
Finance income	–	500

In 2011 the Group received a repayments of debt of US$16.8 million and released a provision on doubtful finance debt from Prognoz Serebro LLC for the same amount.

There were no transactions with the Parent Company.

12. Related party balances

Balances with related parties under common control, except Parent Company and Joint Venture, were the following:

	31 December 2012 US$000	31 December 2011 US$000
Cash and cash equivalents	–	46,281
Short-term accounts receivable	48	640
Short-term loans given	–	447
	48	47,368
Short-term accounts payable	1,258	503
Short-term debt finance	–	257,516
Long-term debt finance	–	84,062
	1,258	342,081

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

There were no balances with the Parent Company and Joint Venture.

Details of the loan arrangements (interest rates and debt currencies) are described in Note 21.

13. Cash and cash equivalents

	31 December 2012 US$000	31 December 2011 US$000
Cash at bank	37,294	69,552
Short-term bank deposits	7,606	147,409
Petty cash	91	115
Restricted cash accounts	–	57
Total	44,991	217,133
Non-current restricted cash accounts	5,052	3,857

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 27.

14. Accounts receivable

	31 December 2012 US$000	31 December 2011 US$000
Accounts receivable – gross		
Advances paid and prepayments	**59,288**	69,144
Trade accounts receivable	**16,664**	974
Taxes receivable other than income tax	**675**	279
Other receivables	**11,577**	7,114
Accounts receivable – bad debt allowance		
Advances paid and prepayments	**(1,307)**	(1,565)
Trade accounts receivable	**(631)**	–
Other receivables	**(1,202)**	(1,618)
Total accounts receivable	**85,064**	74,328

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 27.

15. Inventories

	31 December 2012 US$000	31 December 2011 US$000
Materials and consumables	**256,122**	156,768
Work-in-progress	**244,538**	218,021
Finished goods	**367**	492
Total	**501,027**	375,281
Non-current part of work-in-progress	**11,274**	–

The non-current part of work-in-progress represents low-grade ore stockpiles which management does not intend to process in the next twelve months (see Note 20).

The movement of the obsolescence provision for years ended 31 December 2012 and 2011 was as follows:

	Year ended 31 December 2012 US$000	Year ended 31 December 2011 US$000
Opening balance	**(10,073)**	(6,694)
Additions through profit and loss	**(23,513)**	(6,918)
Released through profit and loss	**4,315**	1,153
Written off	**–**	1,936
Foreign exchange differences	**(487)**	450
Closing balance	**(29,758)**	(10,073)

Additions to the obsolescence provision for the year ended 31 December 2012 include obsolescence of work-in-progress at Suzdal and Balazhal segment in total amount of US$7.0 million.

For the year ended 31 December 2012 cost of disposed inventories amounted to US$8.1 million (year ended 31 December 2011: US$7.7 million).

16. Financial investments

Short-term investments were as follows:

	31 December 2012 US$000	31 December 2011 US$000
Loans given	**18,502**	4,043
Total	**18,502**	4,043

Short-term loans as at 31 December 2012 include no balances with related parties (31 December 2011: US$0.4 million) (Note 12).

Long-term investments were as follows:

	31 December 2012 US$000	31 December 2011 US$000
Investments available-for-sale	**81,313**	86,371
Total	**81,313**	86,371

As at 31 December 2012 and 31 December 2011 the Group held investments available-for sale represented market traded shares in Detour Gold Corporation and several other gold exploration and mining companies (see Note 27 for further details).

17. Property, plant and equipment

The movements in property, plant and equipment are as follows:

	Land, buildings and constructions US$000	Plant and equipment US$000	Other assets US$000	Construction in progress US$000	Total US$000
Cost					
Balance at 1 January 2011	232,381	320,038	11,443	85,535	649,397
Acquisitions through business combinations	–	1,495	3	–	1,498
Additions	5,646	112	36	202,900	208,694
Transfers	27,048	45,651	3,813	(76,512)	–
Disposals	(1,134)	(3,986)	(98)	(549)	(5,767)
Foreign exchange differences	(9,874)	(10,868)	(381)	(6,692)	(27,815)
Balance at 31 December 2011	254,067	352,442	14,816	204,682	826,007
Reclassifications	**–**	**–**	**(553)**	**–**	**(553)**
Additions	**3,748**	**–**	**–**	**360,226**	**363,974**
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**

There was no interest capitalised in above amounts as qualifying assets within significant Groups development projects were developed without utilisation of debt financing from related and third parties.

	Land, buildings and constructions US$000	Plant and equipment US$000	Other assets US$000	Construction in progress US$000	Total US$000
Depreciation and impairment					
Balance at 1 January 2011	(60,022)	(86,707)	(6,093)	(8,716)	(161,538)
Acquisitions through business combinations	–	(1,493)	(2)	–	(1,495)
Depreciation for the period	(37,824)	(58,759)	(1,927)	–	(98,510)
Disposals	235	2,531	72	–	2,838
Impairment	–	–	–	(3,070)	(3,070)
Foreign exchange differences	4,841	5,519	171	68	10,599
Balance at 31 December 2011	(92,770)	(138,909)	(7,779)	(11,718)	(251,176)
Depreciation for the period	**(42,779)**	**(56,665)**	**(2,622)**	**–**	**(102,066)**
Disposals	**313**	**1,686**	**131**	**–**	**2,130**
Reversal of impairment	**–**	**–**	**–**	**1,945**	**1,945**
Foreign exchange differences	**(4,562)**	**(4,736)**	**(142)**	**23**	**(9,417)**
Balance at 31 December 2012	**(139,798)**	**(198,624)**	**(10,412)**	**(9,750)**	**(358,584)**
Net book value					
Balance at 1 January 2011	**172,359**	**233,331**	**5,350**	**76,819**	**487,859**
Balance at 31 December 2011	**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**

18. Intangible assets

The movements in intangible assets are as follows:

	Goodwill US$000	Mineral rights US$000	Exploration and evaluation assets US$000	Other intangible assets US$000	Total US$000
Cost					
Balance at 1 January 2011	88,010	960,608	329,685	1,624	1,379,927
Additions	–	895	115,143	1,051	117,089
Transfers	–	44,395	(44,395)	–	–
Disposals	–	(562)	–	–	(562)
Disposals of subsidiaries	–	(101)	–	–	(101)
Foreign exchange differences	(3,098)	(9,161)	(18,579)	(96)	(30,934)
Balance at 31 December 2011	84,912	996,074	381,854	2,579	1,465,419
Reclassifications	**–**	**–**	**–**	**553**	**553**
Additions	**–**	**–**	**120,317**	**287**	**120,604**
Transfers	**–**	**20,972**	**(20,972)**	**–**	**–**
Foreign exchange differences	**2,396**	**6,724**	**21,641**	**38**	**30,799**
Balance at 31 December 2012	**87,308**	**1,023,770**	**502,840**	**3,457**	**1,617,375**
Amortisation and impairment					
Balance at 1 January 2011	–	(105,629)	(1,148)	(726)	(107,503)
Amortisation for the period	–	(114,525)	–	(660)	(115,185)
Disposals of subsidiaries	–	56	–	–	56
Impairment	–	–	(3,343)	–	(3,343)
Foreign exchange differences	–	3,202	128	46	3,376
Balance at 31 December 2011	–	(216,896)	(4,363)	(1,340)	(222,599)
Amortisation for the period	**–**	**(130,850)**	**–**	**(799)**	**(131,649)**
Impairment	**(34,676)**	**–**	**(10,842)**	**–**	**(45,518)**
Foreign exchange differences	**73**	**(2,404)**	**(151)**	**(59)**	**(2,541)**
Balance at 31 December 2012	**(34,603)**	**(350,150)**	**(15,356)**	**(2,198)**	**(402,307)**
Net book value					
Balance at 1 January 2011	88,010	854,979	328,537	898	1,272,424
Balance at 31 December 2011	84,912	779,178	377,491	1,239	1,242,820
Balance at 31 December 2012	**52,705**	**673,620**	**487,484**	**1,259**	**1,215,068**

Amortisation is allocated to the cost of inventory and is recognised in cost of sales as inventory is sold. The impairment loss is recognised in other operating expenses in the consolidated income statement.

Results of Goodwill impairment testing

The goodwill allocated to the following cash generating units has been tested for impairment:

Neryungri Metallik
2011

The carrying amount of goodwill allocated to the cash generating unit was US$49.7 million as of 31 December 2011.

There was no impairment of Neryungri Metallik cash generated unit as of 31 December 2011.

The following assumptions were used in the impairment test:

- the forecast extraction volumes grow significantly in 2013-2014 due to start of commercial production at Gross (part of Yuzhno-Uguyskaya field) resulting in increase by 240 % in 2014 against 2012, then remain generally constant by the end of production at Tabornoye which resulting in reduction by 22% in 2020 and further remain generally constant by the end of life of mine;

- the forecast has the following assumptions for gold price (in real US$ terms): US$1,866/oz in 2012 with further decrease on average by 10.3% p.a. during 2013-2015; constant price of US$1,219/oz in long term period since 2016;
- mining and processing costs per tonne and total fixed costs are forecasted at constant level (separately for Tabornoye and Gross); general and administration expenses are forecasted at constant level; royalty applied at tax rate of 6%;
- pre-tax discount rate of 8.4% (in real US$ terms).

The above estimates are particularly sensitive to gold price: a 10% decrease in forecasted gold price causes the recoverable amount of the cash generating unit to exceed its carrying amount by US$21.4 million.

2012

The carrying amount of goodwill allocated to the cash generating unit was US$52.7 million as at 31 December 2012.

There was no impairment of Neryungri Metallik cash generated unit as of 31 December 2012.

The following assumptions were used in the impairment test:

- forecasted production volumes grow significantly in 2014 due to start of commercial production at Gross mineral deposit (Yuzhno-Uguyskaya permit field) resulting in production increase by 300 % in 2014 against 2013, then remain generally constant by the end of production at Tabornoye in 2016 resulting in total production decrease by 20% and further remain generally constant by the end of life of Gross mine;
- the forecast has the following assumptions for gold price (in real US$ terms): US$1,811/oz in 2013 with further decrease by 2% – 6% annually during 2014-2016; constant price of US$1,387/oz in long term period since 2017;
- variable mining and processing costs per tonne are forecasted at relatively constant level (separately for Tabornoye and Gross); total fixed production costs for Tabornoye are forecasted at constant level; total fixed production costs for Gross are forecasted at generally constant level for 2013-2015 (32% – 37% of total production costs), then increase by 43% in 2016 due to the growth of production activities at the mine and further remain generally constant by the end of life of mine; general and administration expenses are forecasted at relatively constant level (separately for Tabornoye and Gross); royalty are applied at 6% rate;
- pre-tax discount rate (in real US$ terms) of 7.3% for Tabornoye and 8.3% for Gross.

The above estimates are particularly sensitive to gold price: a 10% decrease in forecasted gold price causes the recoverable amount of the cash generating unit to drop below its carrying amount by US$36.4 million.

Celtic Resources Holdings Plc.

2011

The carrying amount of goodwill allocated to the cash generating unit was US$35.2 million as of 31 December 2011.

There was no impairment of Suzdal cash generated unit as of 31 December 2011.

The following assumptions were used in the impairment test:

- the forecast extraction volumes remain annually constant through life of mine until 2019;
- the forecast has the following assumptions for gold price (in real US$ terms): US$1,866/oz in 2012 with further decrease on average by 10.3% p.a. during 2013-2015; constant price of US$1,219/oz in long term period since 2016;
- mining and processing costs per tonne and total fixed costs (including general and administration expenses) are forecasted at constant level; royalty applied at tax rate of 5%;
- pre-tax discount rate of 19.3% (in real US$ terms).

The above estimates are particularly sensitive to gold price: a 10% decrease in forecasted gold price causes the recoverable amount of the cash generating unit to drop below its carrying amount by US$25.4 million.

2012

The carrying amount of goodwill allocated to the Suzdal cash generating unit before impairment was US$34.7 million as of 31 December 2012.

As result of impairment testing performed as of 31 December 2012 the recoverable amount of Suzdal cash generating unit calculated as its value in use was less than its carrying amount by US$34.9 million. As a result the goodwill allocated to the Suzdal cash generating unit of US$34.7 million was fully impaired.

The main reasons of decreased recoverable amount were revision of mineral reserves estimations due to worsened geological, mine and metallurgical conditions and additional expenses for excess profit tax enabled in Kazakhstan in 2009.

The following assumptions were used in the impairment test:

- forecasted annual extraction volumes generally remain constant until the end of life of mine in 2018;
- the forecast has the following assumptions for gold price (in real US$ terms): US$1,811/oz in 2013 with further decrease by 2% – 6% annually during 2014-2016; constant price of US$1,387/oz in long term period since 2017;
- mining and processing costs per tonne and total fixed costs (including general and administration expenses) are forecasted at constant level; royalty applied at tax rate of 5% on the volume of gold mined;
- pre-tax discount rate of 7.8% (in real US$ terms).

The above estimates are particularly sensitive to gold price: a 10% decrease in forecasted gold price causes the additional impairment of the Suzdal cash generating unit assets in amount of US$37.5 million.

18. Intangible assets continued

The movements in mineral rights by projects and segments are as follows:

	Russia					
	Tabornoye	Pogromnoye	Irokinda	Zun-Holba	Berezitovoye	Others
	Neryungri	Aprelkovo	Buryatzoloto	Buryatzoloto	Berezitovy	
Cost						
Balance at 1 January 2011	23,218	38,641	2,821	2,320	7,024	94
Additions	–	–	–	–	–	–
Transfers from exploration and evaluation assets	–	–	1,989	3,114	–	–
Disposals	–	–	–	–	–	–
Disposals of subsidiaries	–	–	–	–	–	(101)
Foreign exchange differences	(1,240)	(2,063)	(256)	(289)	(375)	7
Balance at 31 December 2011	21,978	36,578	4,554	5,145	6,649	–
Transfers from exploration and evaluation assets	**–**	**–**	**9,279**	**11,237**	**–**	**–**
Foreign exchange differences	**1,311**	**2,197**	**178**	**303**	**399**	**–**
Balance at 31 December 2012	**23,289**	**38,775**	**14,011**	**16,685**	**7,048**	**–**

	Russia					
	Tabornoye	Pogromnoye	Irokinda	Zun-Holba	Berezitovoye	Others
	Neryungri	Aprelkovo	Buryatzoloto	Buryatzoloto	Berezitovy	
Amortisation						
Balance at 1 January 2011	(5,584)	(9,294)	(408)	(134)	(1,689)	(47)
Amortisation for the period	(1,833)	(3,050)	(1,909)	(796)	(842)	(4)
Disposals of subsidiaries	–	–	–	–	–	56
Foreign exchange differences	462	769	161	62	165	(5)
Balance at 31 December 2011	**(6,955)**	**(11,575)**	**(2,156)**	**(868)**	**(2,366)**	–
Amortisation for the period	**(3,400)**	**(4,648)**	**(4,952)**	**(2,281)**	**(795)**	**–**
Foreign exchange differences	**(557)**	**(866)**	**(278)**	**(110)**	**(160)**	**–**
Balance at 31 December 2012	**(10,912)**	**(17,089)**	**(7,386)**	**(3,259)**	**(3,321)**	**–**
Net book value						
Balance at 1 January 2011	17,634	29,347	2,413	2,186	5,335	47
Balance at 31 December 2011	15,023	25,003	2,398	4,277	4,283	–
Balance at 31 December 2012	**12,377**	**21,686**	**6,625**	**13,426**	**3,727**	**–**

	Kazakhstan		West Africa			Total
	Suzdal	Others	Taparko-Bouroum	Bissa	LEFA	
	Suzdal and Balazhal	Suzdal and Balazhal	Taparko	Bissa and Burkina Faso Greenfields	Lefa	
	139,241	2,757	84,241	–	660,251	960,608
	–	–	–	–	895	895
	7,570	–	–	31,722	–	44,395
	–	(562)	–	–	–	(562)
	–	–	–	–	–	(101)
	(1,089)	(17)	(2,068)	(1,771)	–	(9,161)
	145,722	2,178	82,173	29,951	661,146	996,074
	–	**456**	**–**	**–**	**–**	**20,972**
	(2,262)	**(43)**	**3,482**	**1,159**	**–**	**6,724**
	143,460	**2,591**	**85,655**	**31,110**	**661,146**	**1,023,770**

	Kazakhstan		West Africa			Total
	Suzdal	Others	Taparko-Bouroum	Bissa	LEFA	
	Suzdal and Balazhal	Suzdal and Balazhal	Taparko	Bissa and Burkina Faso Greenfields	Lefa	
	(45,150)	–	(10,637)	–	(32,686)	(105,629)
	(16,589)	–	(11,056)	–	(78,446)	(114,525)
	–	–	–	–	–	56
	527	–	1,061	–	–	3,202
	(61,212)	–	(20,632)	–	(111,132)	(216,896)
	(21,020)	**–**	**(15,308)**	**–**	**(78,446)**	**(130,850)**
	1,170	**–**	**(1,603)**	**–**	**–**	**(2,404)**
	(81,062)	**–**	**(37,543)**	**–**	**(189,578)**	**(350,150)**
	94,091	2,757	73,604	–	627,565	854,979
	84,510	2,178	61,541	29,951	550,014	779,178
	62,398	**2,591**	**48,112**	**31,110**	**471,568**	**673,620**

18. Intangible assets continued

The movements in exploration and evaluation assets by projects and segments are as follows:

	Russia					
	Yuzhno-Uguyskaya Field	Iro-kinda	Zun-Holba	Sergachinsky	Uryakhskoye field	Others
	Neryungri	Buryatzoloto	Buryatzoloto	Berezitovy	Russian Greenfields	
Balance at 1 January 2011	168,668	9,149	6,224	2,207	16,911	13,919
Reclassifications	–	–	(2,580)	–	–	2,580
Additions	28,680	11,692	9,173	1,035	7,334	8,360
Transfers to mineral rights	–	(1,989)	(3,114)	–	–	–
Impairment	–	(614)	–	–	–	(1,890)
Foreign exchange differences	(11,652)	(1,334)	(815)	(168)	(1,671)	(1,477)
Balance at 31 December 2011	185,696	16,904	8,888	3,074	22,574	21,492
Reclassifications	**(24,540)**	**–**	**(1,069)**	**–**	**–**	**25,609**
Additions	**18,940**	**6,669**	**7,930**	**1,325**	**11,473**	**15,537**
Transfers to mineral rights	**–**	**(9,279)**	**(11,237)**	**–**	**–**	**–**
Impairment	**–**	**(2,094)**	**–**	**–**	**–**	**(1,964)**
Foreign exchange differences	**11,527**	**1,349**	**840**	**238**	**1,610**	**2,799**
Balance at 31 December 2012	**191,623**	**13,549**	**5,352**	**4,637**	**35,657**	**63,473**

Kazakhstan			West Africa		Total
Suzdal	Balazhal	Others	Bissa	Others	
Suzdal and Balazhal	Suzdal and Balazhal		Bissa and Burkina Faso Greenfields		
7,985	29,535	670	32,103	41,166	328,537
–	–	–	(1,763)	1,763	–
5,502	340	978	4,187	37,862	115,143
(7,570)	–	–	(31,722)	–	(44,395)
–	–	–	–	(839)	(3,343)
27	(201)	(10)	1,299	(2,449)	(18,451)
5,944	29,674	1,638	4,104	77,503	377,491
–	**–**	**–**	**–**	**–**	**–**
1,216	**84**	**1,243**	**7,256**	**48,644**	**120,317**
–	**–**	**(456)**	**–**	**–**	**(20,972)**
–	**(6,780)**	**–**	**–**	**(4)**	**(10,842)**
(100)	**(448)**	**(25)**	**481**	**3,219**	**21,490**
7,060	**22,530**	**2,400**	**11,841**	**129,362**	**487,484**

19. Investment in joint venture

The Group's investment in its joint venture is described in the tables below. The Group structure and certain additional information about its joint venture, including ownership percentages, are presented in Note 26.

	31 December 2012 US$000	31 December 2011 US$000
Prognoz-Serebro LLC	**4,582**	4,769

The following is summarised financial information in respect of joint venture:

	31 December 2012 US$000	31 December 2011 US$000
Current assets	**4,306**	4,062
Non-current assets	**32,090**	30,273
Current liabilities	**16,764**	15,815
Non-current liabilities	**10,468**	8,981
Net assets	**9,164**	9,539
Group's share of net assets	**4,582**	4,769

Net loss of the joint venture for the year ended 31 December 2012 was US$0.5 million (year ended 31 December 2011: US$0.5 million).

20. Other non-current assets

Other non-current assets were as follows:

	31 December 2012 US$000	31 December 2011 US$000
Non-current part of work-in-progress	**11,274**	–
Long-term other receivables	**378**	239
Other non-current assets	**975**	1,418
Total	**12,627**	1,657

21. Debt finance

Short-term debt financing was as follows:

	31 December 2012 US$000	31 December 2011 US$000
Bank and other credit organisations financing	**261,855**	–
Accrued interest	**1,145**	24,606
Bank overdrafts	**258**	–
Loans	**–**	232,910
Notes and bonds issued	**–**	58,812
Unamortised balance of transaction costs	**(1,353)**	–
Total	**261,905**	316,328

In November 2012, the Company secured a US$280 million bridge financing facility coordinated by Société Générale, Natixis and Sberbank denominated in US dollars maturing in May 2013. The bridge financing facility bears an interest at a variable rate of Libor + 2.25% per annum payable on monthly basis which may be increased up to Libor + 3.5% subject to certain conditions. The proceeds from the facility were used to finance the acquisition of all the outstanding shares of High River Gold Mines Ltd. (see Notes 1, 26, 29). As at 31 December 2012 the Company utilised US$201.5 million of the facility. The facility is secured by guarantees of certain of the Group's subsidiaries and is subject to certain covenants. The Company fully met the covenants criteria as at 31 December 2012.

As at 31 December 2012 short-term bank financing includes the current portion of US$375 million loan facility from Sberbank (see below for further details) in the amount of US$60.4 million.

As at 31 December 2012 short-term accrued interest and unamortised balance of transaction costs are totally related to the bank and other credit organisations financing.

Short-term loans and accrued interest at 31 December 2011 are all from related parties (Note 12).

Long-term debt financing was as follows:

	31 December 2012 US$000	31 December 2011 US$000
Bank and other credit organisations financing	**466,431**	–
Loans	**–**	73,889
Accrued interest	**–**	10,173
Derivative financial instruments	**(919)**	–
Unamortised balance of transaction costs	**(1,918)**	–
Total	**463,594**	84,062

Long-term loans and accrued interest at 31 December 2011 are all from related parties (Note 12).

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. The loan is secured by pledge of the Group's ownership in High River Gold Mines Ltd (not less than 50% + 1 share of all High River Gold Mines Ltd outstanding shares), by guarantees of certain of the Group's subsidiaries and is subject to certain covenants. The proceeds from the facility were used to repay the Group's outstanding debt financing to the Severstal Group in the amount of US$358.4 million. This completed debt financing arrangements between the Group and Severstal Group as at 31 March 2012. In April 2012, the Group signed cross-currency swap agreements with Sberbank and Raiffeisenbank for the full amount of the Sberbank loan facility. As a result the loan denomination currency was effectively changed from Russian roubles to US dollars at the exchange rate of approximately 29.3:1 and the interest rate was fixed at approximately 5.6%. The swap agreements with Sberbank are secured by the same collaterals as the loan agreement. The swap agreement with Raiffeisenbank is not secured by any collateral. As at 31 December 2012 the current portion of the loan facility in the amount of US$60.4 million was included into the short-term debt financing.

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. The loan has the same securities and covenants as the US$375 million loan received in March 2012. The proceeds from the facility has been used to finance the Group's capital expenditures and other general purposes. In July 2012, the Group signed a cross-currency swap agreement with Sberbank for the full amount of the loan facility. As a result the loan denomination currency was effectively changed from Russian roubles to US dollars at the exchange rate of approximately 32.7:1 and interest rate was fixed at 5.2%. The swap agreement with Sberbank is secured by the same collaterals as the loan agreement.

As at 31 December 2012, the derivative financial instruments represent fair value of cross-currency swaps held by the Group for hedging of currency and interest rate risks attributable to the loan agreement with Sberbank. These derivative financial instruments qualify for hedge accounting under IFRSs EU. To apply for hedge accounting requires the hedge to be highly effective.

21. Debt finance continued

For the year ended 31 December 2012 the hedges were highly effective and as a result there is no amount recorded in the income statement due to ineffectiveness.

The debt is denominated in the following currencies:

Currency	31 December 2012 US$000	31 December 2011 US$000
Russian Rubles (RUB)	**525,759**	52,495
US Dollars (US$)	**199,483**	47,940
Euro (EUR)	**–**	288,471
Norwegian Krona (NOK)	**–**	11,484
Other currencies	**257**	–
Total	**725,499**	400,390

Total debt is contractually repayable after the reporting date as follows:

	31 December 2012 US$000	31 December 2011 US$000
Less than one year	**261,905**	316,328
Between one and five years	**463,594**	84,062
Total	**725,499**	400,390

Interest rates for the debt financing were the following:

	31 December 2012	31 December 2011
Notes and bonds issued:		
Crew Gold Corporation – NOK fixed bonds (NOK)	**n/a**	9.50
Crew Gold Corporation – US$fixed bonds (US$)	**n/a**	7.30
Bank and other credit organisations financing:		
Nord Gold N.V. – credit agreement with Sberbank of Russia (RUB)	**3-months Mosprime + 3.8%**	n/a
Nord Gold N.V. – credit agreement with Sberbank of Russia (RUB)	**3-months Mosprime + 3.3%**	n/a
Nord Gold N.V. – credit agreement with Société Générale, Natixis and Sberbank of Russia (US$)	**Libor + 2.25%**	n/a
Loans:		
Nord Gold N.V. – loan agreement with Holding Mining Company (EUR)	**n/a**	7.75
Nord Gold N.V. – loan agreement with JSC Severstal (EUR)	**n/a**	7.00
Nord Gold N.V. – loan agreement with Olkon (EUR)	**n/a**	7.50
Nord Gold N.V. – loan agreement with Karelsky Okatysh (EUR)	**n/a**	7.50
Aprelkovo Mine – loan agreement with Olkon (RUB)	**n/a**	7.50
Neryungri Metallik – loan agreement with Olkon (RUB)	**n/a**	7.50
SZRK – loan agreement with Olkon (RUB)	**n/a**	7.50
Castleway – loan agreement with JSC Severstal (US$)	**n/a**	8.00

Credit agreements with banks and other credit organisations are secured by the following assets:

	31 December 2012	31 December 2011
Ownership in High River Gold Mines Ltd.	**51.07% of Group's ownership + 1 share**	n/a
Ownership in Guinor	**n/a**	All Group's ownership

As at 31 December 2012 loan facilities from Sberbank were secured by 51.07% +1 share of the Group's ownership in High River Gold Mines Ltd. The carrying amount of pledged entities' net assets is totalled to US$1,026 million.

As at 31 December 2011 Crew Gold's bonds were secured by all the Group's ownership in Guinor (holding company for Société Minière de Dinguiraye). As at 31 December 2012 these bonds were fully paid out and the security was ceased.

As at 31 December 2012 and 31 December 2011 the fair value of debt financing is equal to its carrying value.

22. Accounts payable

	31 December 2012 US$000	31 December 2011 US$000
Trade accounts payable	**115,159**	95,636
Payables to employees	**28,547**	18,659
Other taxes payable	**23,130**	25,486
Accrued expenses	**10,045**	3,287
Advances received	**51**	10,163
Other payables	**19,026**	19,466
Total	**195,958**	172,697

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 27.

23. Provisions

The movement in the provisions were as follows:

	Legal and tax claims US$000	Environmental provision US$000	Other US$000	Total US$000
Balance at 1 January 2011	30,639	48,743	1,789	81,171
Addition to the provisions	–	8,270	–	8,270
Change in assumptions	(4,925)	3,704	–	(1,221)
Unwind of discount and change in discount rate	–	2,637	–	2,637
Provisions used	(2,891)	–	–	(2,891)
Foreign exchange differences	(74)	(2,071)	–	(2,145)
Balance at 31 December 2011	22,749	61,283	1,789	85,821
Addition to the provisions	**6,845**	**17,682**	**–**	**24,527**
Change in assumptions	**(967)**	**(5,491)**	**6**	**(6,452)**
Unwind 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**

23. Provisions continued

The current and non-current portions of provisions were as follows:

	Legal and tax claims US$000	Environmental provision US$000	Other US$000	Total US$000
Current portion	22,749	–	1,789	24,538
Non-current portion	–	61,283	–	61,283
Balance at 31 December 2011	22,749	61,283	1,789	85,821
Current portion	**19,987**	**–**	**1,795**	**21,782**
Non-current portion	**–**	**79,282**	**–**	**79,282**
Balance at 31 December 2012	**19,987**	**79,282**	**1,795**	**101,064**

The Group has environmental liabilities related to the restoration of soil and other related works, which are due upon the closures of its mines and production facilities. These costs are expected to be incurred between 2013 – 2027. The present value of expected cash outflows were estimated using existing technology, and discounted using a real discount rate. These rates are as follows:

	31 December 2012 %	31 December 2011 %
Russia	**(0.20) – 1.20**	0.00 – 1.39
Kazakhstan	**1.03 – 1.08**	(2.36) – (1.30)
Burkina Faso	**(1.58) – (2.82)**	(0.88)
Guinea	**(0.76)**	(0.03)

24. Capital and reserves

a. Share capital

The holders of ordinary shares are entitled to receive dividends as declared by the General meetings and are entitled to one vote per share at meetings of the Company.

In December 2011, Company's ordinary shares were reverse split by combining each 2 ordinary shares with par value 1.25 Euro into 1 ordinary share with par value 2.5 Euro (reverse split ratio 2:1) resulting in number of issued and fully paid shares amounted to 358,794,180.

In November 2012, additional 18,891,687 ordinary shares with par value of 2.5 Euro were issued by the Company that resulted in total number of issued and fully paid ordinary shares being 377,685,867 and share capital in total amount of US$1,305,715 thousand.

In December 2012, additional 367,092 ordinary shares with par value of 2.5 Euro were issued by the Company that resulted in total number of issued and fully paid ordinary shares being 378,052,959 and share capital in total amount of US$1,306,900 thousand.

There were no treasury shares held by the Group as at 31 December 2012 and 31 December 2011.

There were no shares reserved for issue under options and contracts as at 31 December 2012 and 31 December 2011.

b. Additional capital

The additional capital relates to effect from business combination under common control within formation of the Group, to the difference between par value and fair value of the shares issued by the Company in exchange of acquired non-controlling interest in subsidiaries and to the share premium reserve.

For the year ended 31 December 2012 the additional capital was increased by US$32.0 million totally related to the difference between par value and fair value of Company's GDRs issued in exchange of acquired outstanding shares of High River Gold Mines Ltd. (see Note 1 for details).

c. Foreign currency exchange

Foreign exchange differences represent the currency translation reserve in equity.

d. Revaluation reserves

The revaluation reserves comprise the cumulative net change in the fair value of available-for-sale investments and deferred taxes on this change until the investments are derecognised or impaired and the cumulative net change in the fair value of cash-flow hedge instruments until these instruments become ineffective or derecognised.

25. Earnings per share

The calculation of basic earnings per share as at 31 December 2012 was based on the profit attributable to ordinary shareholders of US$19.4 million (2011: US$168.9 million) and a weighted average number of ordinary shares outstanding of 360.6 million (2011: 358.8 million), calculated as below. The Company has no dilutive potential ordinary shares.

	Actually issued shares (in million of shares)	Shares with effect of share split and reverse share split (in million of shares)	Weighted average number of shares with effect of share split and reverse share split (in million of shares)
Issued shares at 1 January 2011	717.588	358.794	358.794
Effect of reverse share split in December 2011	(358.794)	–	–
Weighted average number of shares for the year ended 31 December 2011		358.794	
Issued shares at 1 January 2012	**358.794**	**358.794**	**358.794**
Effect of shares issued in November 2012	**18.892**	**18.892**	**1.755**
Effect of shares issued in December 2012	**0.367**	**0.367**	**0.023**
Weighted average number of shares for the year ended 31 December 2012			**360.572**

26. Subsidiaries and joint venture

The following is a list of the Group's significant subsidiaries and joint venture and the effective ownership holdings therein:

	31 December 2012	31 December 2011	Location	Activity
Subsidiaries				
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 project
Buraytzoloto segment				
OJSC Buryatzoloto	**83.2%**	63.8%	Russia	Gold mining
Berezitovy segment				
LLC Berezitovy Rudnik	**97.8%**	75.0%	Russia	Gold mining
Taparko segment				
Société Des Mines de Taparko	**88.1%**	67.6%	Burkina Faso	Gold mining
Lefa segment				
Crew Gold Corporation	**100.0%**	100.0%	Canada	Holding company
Société Minière de Dinguiraye	**100.0%**	100.0%	Guinea	Gold mining
Bissa and Burkina Faso Greenfields segment				
High River Gold Mines (West Africa) Ltd	**97.9%**	75.1%	Cayman Islands	Holding company
Bissa Gold SA	**88.1%**	67.6%	Burkina Faso	Gold mining
High River Gold Exploration Burkina SARL	**97.9%**	75.1%	Burkina Faso	Gold exploration company
Jilbey Burkina, SARL	**97.9%**	75.1%	Burkina Faso	Gold exploration company
Russian Greenfields segment				
Severnaya Zolotorudnaya Kompaniya LLC	**100.0%**	100.0%	Russia	Gold exploration company
Other companies				
Nordgold Management LLC	**100.0%**	100.0%	Russia	Management company
Centroferve Limited	**100.0%**	100.0%	Cyprus	Holding company
Castleway Limited	**100.0%**	100.0%	Cyprus	Investment holding
High River Gold Mines Ltd	**97.9%**	75.1%	Canada	Holding company
Joint venture				
Prognoz Serebro LLC	**49.0%**	37.5%	Russia	Silver exploration project

Information on carrying amounts of joint venture is disclosed in Note 19 of these consolidated financial statements.

Acquisitions of non-controlling interests

In August 2011 the Company acquired an additional 2.42% stake in High River Gold Mines Ltd. from third parties for a total consideration of US$26.5 million resulting in an increase of its ownership in High River Gold Mines Ltd. to 75.06%.

In October 2011 the Group acquired an additional 0.68% stake in LLC Berezitovy Rudnik upon additional contribution into its share capital resulting in an increase of Group's ownership in LLC Berezitovy Rudnik to 74.99%.

In November 2012 the Company acquired an additional 12.88% stake in High River Gold Mines Ltd. from third parties in exchange of 18,891,687 Company's global depositary receipts and US$59.3 million in cash resulting in an increase of its ownership in High River Gold Mines Ltd. to 87.94%.

In December 2012 the Company acquired an additional 9.97% stake in High River Gold Mines Ltd. from third parties in exchange of 367,092 Company's global depositary receipts and US$116.4 million in cash resulting in an increase of its ownership in High River Gold Mines Ltd. to 97.91%.

27. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

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

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

Since April 2012, the Group designates certain derivatives as hedges of a particular risk associated with the exposure to variability in cash flows that is attributable to particular risks associated with recognised debt financing and which could affect profit or loss. 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.

Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position and guarantees (see Note 28f), and arises principally from the Group's investment securities, loans issued and cash and cash equivalents.

Due to arrangements with banks purchasing the produced gold, the Group does not have material outstanding trade accounts receivable.

The Group's policy is to invest in equity investments of listed gold mining companies.

The Group does not provide significant loans to third parties.

The most of cash and cash equivalents are placed in highly reputable banks that have credit ratings of at least B from Moody's.

The maximum exposure to credit risk for financial instruments including accounts receivable from related parties was the following.

27. Financial risk management continued

The maximum exposure to credit risk for financial instrument by class of instruments:

	31 December 2012 US$000	31 December 2011 US$000
Cash and cash equivalents	**44,991**	217,133
Restricted cash	**5,052**	3,857
Trade and other receivables	**28,619**	6,709
Loans given	**18,502**	4,043
Investments available-for-sale	**81,313**	86,371
Total	**178,477**	318,113

The maximum exposure to credit risk for trade and other receivables by regions:

	31 December 2012 US$000	31 December 2011 US$000
Europe	**16,395**	324
Russia	**3,999**	2,482
North America	**3,294**	19
Africa	**2,809**	3,185
Central Asia	**289**	699
Total	**26,786**	6,709

The maximum exposure to credit risk for trade and other receivables (including receivables from related parties) by type of contracting party:

	31 December 2012 US$000	31 December 2011 US$000
Gold buyers (banks and refiners)	**16,014**	313
Other parties	**12,557**	6,396
Related parties	**48**	–
Total	**28,619**	6,709

Other parties include third parties, employees and other debtors.

Impairment losses
The aging of trade and other receivables was:

	31 December 2012		31 December 2011	
	Gross US$000	Impairment US$000	Gross US$000	Impairment US$000
Not past due	**22,918**	**–**	5,283	–
Past due 0-90 days	**3,163**	**–**	920	(197)
Past due 91-180 days	**154**	**(61)**	37	(37)
Past due 181-365 days	**993**	**(807)**	215	(215)
More than one year	**1,391**	**(965)**	1,872	(1,169)
Total	**28,619**	**(1,833)**	8,327	(1,618)

No impairment allowance was recognised in respect of trade and other receivables from related parties as at 31 December 2012 and 31 December 2011.

The movement in the allowance for impairment in respect of trade and other receivables was as follows:

	Year ended December, 31	
	2012 US$000	2011 US$000
Opening balance	**(1,618)**	(1,201)
Allowance recognised	**(1,171)**	(996)
Allowance reversed	**15**	–
Allowance used	**1,011**	506
Foreign exchange difference	**(70)**	73
Closing balance	**(1,833)**	(1,618)

The allowance account in respect of accounts receivable is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point the amount is considered irrecoverable and is written off against the financial asset directly.

None of the Group's financial assets other than accounts receivable were past due at the reporting date.

No impairment allowance was recognised by the Group in respect of other financial assets during the year ended 31 December 2012.

During the year ended 31 December 2011 an impairment allowance was recognised by the Group in respect of available-for-sale investment in Sacre-Coeur Minerals Ltd. in the amount of US$6.9 million (see Note 8).

Concentration of credit risk
At 31 December 2012 the Group had a concentration of cash and bank deposits with Sberbank, TD Canada Trust and HSBC in the amount of US$21.8 million, US$10.8 million, US$5.1 million, respectively.

At 31 December 2011 the Group had a concentration of cash and bank deposits with JSC Metcombank, Sberbank, NOMOS bank, Vneshtorgbank-Severozapad, HSBC in the amount of US$46.3 million, US$41.5 million, US$38.2 million, US$30.4 million, US$26.7 million, respectively.

At 31 December 2012 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$77.3 million (31 December 2011: 3.0% in the amount of US$76.4 million). The remaining amount of investments available-for sale of US$4.0 million is represented by a number of shareholding in several gold exploration and mining companies varying from 0.3 % to 13.0% (31 December 2011: US$10.0 million with shareholding from 0.3% to 15.1%).

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

Since April 2012, the Group designates certain derivatives as cash-flow hedges in order 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.

27. Financial risk management continued

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

Balance at 31 December 2012	Carrying amount US$000	Future contractual cash flows US$000	Less than 1 year US$000	1-2 years US$000	2-5 years US$000	More than 5 years US$000
Non-derivative financial liabilities						
Bank overdrafts	**258**	**(258)**	**(258)**	**–**	**–**	**–**
Bank and other credit organisations financing*	**726,160**	**(832,642)**	**(324,048)**	**(361,284)**	**(147,310)**	**–**
Trade and other payables	**188,908**	**(191,119)**	**(173,005)**	**(6,664)**	**(8,107)**	**(3,343)**
Total	**915,326**	**(1,024,019)**	**(497,311)**	**(367,948)**	**(155,417)**	**(3,343)**
Hedge derivatives						
Cash-flow hedges	**(919)**	**50,409**	**28,461**	**15,893**	**6,055**	**–**
Net exposure	**914,407**	**(973,610)**	**(468,850)**	**(352,055)**	**(149,362)**	**(3,343)**

Balance at 31 December 2011	Carrying amount US$000	Future contractual cash flows US$000	Less than 1 year US$000	1-2 years US$000	2-5 years US$000	More than 5 years US$000
Non-derivative financial liabilities						
Notes and bonds issued*	58,812	(61,787)	(61,787)	–	–	–
Loans*	341,578	(361,120)	(265,682)	(95,438)	–	–
Trade and other payables	150,522	(152,210)	(139,910)	(6,347)	(4,235)	(1,718)
Total	550,912	(575,117)	(467,379)	(101,785)	(4,235)	(1,718)
Hedge derivatives						
Cash-flow hedges	–	–	–	–	–	–
Net exposure	550,912	(575,117)	(467,379)	(101,785)	(4,235)	(1,718)

* The carrying amounts include accrued interest, unamortised transaction costs and discounts.

Concentration of liquidity risk

At 31 December 2012 the Group had a concentration of short-term bank financing with Société Générale, Natixis and Sberbank in the amount of US$324.0 million (net of cash-flows hedged by swaps: US$295.6 million).

At 31 December 2012 the Group had a concentration of long-term bank financing with Sberbank in the amount of US$508.6 million (net of cash-flows hedged by swaps: US$486.6 million).

At 31 December 2011 the Group had a concentration of short-term loans with a related parties JSC Severstal and OJSC Olkon in the amount of US$185.8 million and US$54.2 million, respectively.

At 31 December 2011 the Group had a concentration of long-term loans with a related parties LLC Mining Holding Company and OJSC Olkon in the amount of US$72.4 million and US$23.1 million, respectively.

Market risk

Market risk is the risk that changes in market prices, such as 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 the return.

The Group is exposed to commodity prices risk. Market prices of products 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. The Group plans to use futures with short-term time of delivery for mitigating price fluctuations within a month and quarter periods.

Sensitivity analysis

A 10 percent decrease of gold prices would have decreased profit for the year ended 31 December 2012 by US$90.5 million (year ended 31 December 2011: US$91.9 million) with the equal effect on equity.

Currency risk

Currency risk arises when the 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 2012	**US$ US$000**	**RUB US$000**	**KZT US$000**	**CAD US$000**	**NOK US$000**	**CFA (XOF) US$000**	**GBP US$000**	**Other US$000**
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**
Bank and other credit organisations financing	**–**	**(525,587)**	**–**	**–**	**–**	**–**	**–**	**–**
Loans	**(470,354)**	**–**	**–**	**(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)**

Balance at 31 December 2011	US$ US$000	RUB US$000	KZT US$000	CAD US$000	NOK US$000	CFA (XOF) US$000	GBP US$000	Other US$000
Cash and cash equivalents	59,919	368	–	–	10	–	185	3,255
Trade and other receivables	26,764	–	–	–	–	–	–	–
Financial investments	189,672	14,136	58,510	–	–	–	72,004	943
Notes and bonds issued	–	–	–	–	(11,484)	–	–	–
Loans	(337,673)	–	–	(120,611)	(62,183)	–	(60,247)	–
Trade and other payables	(12,836)	(20)	–	(3)	–	–	(139)	(4,197)
Net exposure	(74,154)	14,484	58,510	(120,614)	(73,657)	–	11,803	1

Sensitivity analysis

A 10 percent strengthening of the following currencies against the functional currency at 31 December 2012 and 2011 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 and no translation difference into the presentation currency is included.

	31 December 2012 US$000	31 December 2011 US$000
US$	**(8,694)**	(5,745)
RUB	**(57,034)**	1,298
KZT	**5,401**	4,894
CAD	**(10,044)**	(13,402)
NOK	**(7,008)**	(5,893)
CFA (XOF)	**2,274**	–
GBP	**654**	1,405
Other	**(1,245)**	(9)
Total	**(75,696)**	(17,452)

27. Financial risk management continued

A 10 percent weakening of these currencies against the functional currency at reporting date would have increased/(decreased) profit and equity by the amounts shown below, on the basis that all other variables remain constant.

	31 December 2012 US$000	31 December 2011 US$000
US$	**7,113**	4,700
RUB	**46,664**	(1,062)
KZT	**(4,419)**	(4,004)
CAD	**8,218**	10,965
NOK	**5,734**	4,821
CFA (XOF)	**(1,860)**	–
GBP	**(535)**	(1,149)
Other	**1,019**	8
Total	**61,934**	14,279

Hedge accounting
A sensitivity analysis on the cash-flow hedges secured currency risk attributable to the 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 2012:

	Equity/Net profit	
	10% RUB strengthening US$000	**10% RUB weakening US$000**
Balance at 31 December 2012		
Change in RUB/US$rate	**64,130**	**(52,470)**
Balance at 31 December 2011		
Change in RUB/US$rate	–	–

Interest rate risk
Interest rates on the Group's debt finance are either fixed, variable at a fixed spread over LIBOR, Mosprime for the duration of the contract or depending upon fluctuations in gold price and production volumes. Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their 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. However, at the time of raising new loans or borrowings 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 were:

	31 December 2012 US$000	31 December 2011 US$000
Financial liabilities (Interest with fixed spread over Libor)	**(200,402)**	–
Financial liabilities (Interest with fixed spread over Mosprime)	**(525,759)**	–
Financial liabilities (Interest dependant on gold price and production volumes)	**(14,015)**	(12,832)
Cash-flow hedge instruments	**919**	–
Net position	**(739,257)**	(12,832)

The Group's other interest-bearing financial liabilities and all financial assets are at fixed rate.

Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates would not affect profit or loss.

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 US$000	100 BP decrease US$000
Balance at 31 December 2012		
Cash flow sensitivity for financial liabilities	**(9,929)**	**9,929**
Balance at 31 December 2011		
Cash flow sensitivity for financial liabilities	–	–

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 2012:

	Equity/Net profit	
	100 BP increase US$000	100 BP decrease US$000
Balance at 31 December 2012		
Change in RUB interest rate	**9,026**	**(9,026)**
Balance at 31 December 2011		
Change in RUB interest rate	–	–

A change of 10% 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 US$000	10% price decrease US$000
Balance at 31 December 2012		
Cash flow sensitivity for financial liabilities	**(1,058)**	**1,058**
Balance at 31 December 2011		
Cash flow sensitivity for financial liabilities	(983)	983

	Net profit	
	10% increase of production volumes US$000	10% decrease of production volumes US$000
Balance at 31 December 2012		
Cash flow sensitivity for financial liabilities	**(1,058)**	**1,058**
Balance at 31 December 2011		
Cash flow sensitivity for financial liabilities	(983)	983

Fair values versus carrying amounts
Management believes that the fair value of its financial assets and liabilities approximates their carrying amounts.

27. Financial risk management continued

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 US$000	Level 2 US$000	Level 3 US$000	Total US$000
Balance at 31 December 2012				
Available-for-sale financial assets	**81,313**	**–**	**–**	**81,313**
Cash flow hedge instruments	**–**	**919**	**–**	**919**
Balance at 31 December 2011				
Available-for-sale financial assets	86,371	–	–	86,371
Cash flow hedge instruments	–	–	–	–

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.

28. Commitments and contingencies

a. Taxation systems and tax contingencies in the Russian Federation, Kazakhstan, Burkina Faso and Guinea

The taxation system and regulatory environment of the Russian Federation, Kazakhstan, Burkina Faso and Guinea ("countries of operation") are relatively new and characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to varying interpretations between the differing regulatory authorities and jurisdictions, who are empowered to impose significant fines, penalties and interest charges. Events during recent years suggest that the regulatory authorities within the countries of operation are adopting a more assertive stance regarding the interpretation and enforcement of legislation. This situation creates substantial tax and regulatory risks.

The tax legislation of Burkina Faso is not explicitly clear concerning the VAT treatment of specific financing transactions between residents and non-residents. Should the tax authorities follow the literal wording of the provisions of the VAT legislation, they may claim that the provision of loans by non-residents to residents should be treated as the provision of services and, therefore, interest charged under such loans should be subject to withholding VAT. The effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretation, is an additional tax assessment of US$15.5 million.

The tax legislation of Burkina Faso is not explicitly clear regarding the treatment of certain interest payments and the application of related income tax withholding rules. If the tax authorities reclassify the loan and interest paid by Société Des Mines de Taparko to Royal Gold under a loan agreement into royalties which are subject to withholding tax, the additional withholding tax assessment could be in the amount of US$5.0 million.

The VAT regulation of Burkina Faso imposes complicated compliance requirements to the recovery of input VAT. In case of non-compliance with the requirements of local legislation to the documentary support in relation to input VAT the tax authorities may challenge the VAT refund related to certain transactions. The effect on these consolidated financial statements, if the authorities were successful in challenging the Group's VAT position, is an additional tax assessment of US$2.4 million.

Certain loan agreements between some of High River Gold Ltd. subsidiaries contained not explicitly clear terms regarding the treatment of interest payments which may lead to the additional corporate income tax in amount of US$4.3 million.

By virtue of being incorporated in Canada, Crew Gold Corporation could be considered to be a Canadian tax resident. With its place of effective management in the UK the company also could be considered to be a UK tax resident. Crew Gold Corporation has taken the tax filing and financial statements position that it is a UK resident for tax purposes. Depending on when the Canadian tax authority deem Crew Gold Corporation to have left Canada for tax purposes, it may be liable for a payment of Canadian departure tax and secondary exit tax in the total amount of US$2.6 million. Moreover, a Group company, Guinor, could be also considered to be a Canadian tax resident. Due to the replacement of Guinor's board of directors with Crew Gold Corporation's board of directors in December 2005 the place of effective management of Guinor could be deemed to have moved to the UK. If Guinor ceased to be a Canadian resident and was consequently deemed to be a UK resident the maximum tax exposure amounts to US$36.0 million. Depending on whether Guinor is deemed to be a tax resident of the UK or Canada it could be exposed to various tax risks, with a maximum potential tax exposure of US$32.3 million.

The ecological and tax legislation of Kazakhstan is not explicitly clear regarding the treatment of certain tails and the application of related ecological tax rules. In October 2012, JSC FIC Alel ("Alel") received a notification on statutory review for compliance with ecological and tax legislations. In the worst case Alel may be liable for a payment of ecological tax and penalties in the total amount of US$220.1 million. In December 2012, the statutory ecological review was finalised and no violations of ecological legislation were found. The statutory tax review is still in progress and there have been no any related tax claims by this time. The management strongly 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.

Management believes that it has complied in all material respects with all relevant legislation and will sustain its tax position if challenged by the tax authorities.

b. Other contingencies

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.

Historically, political instability and regime change in Guinea have resulted in uncertainty as to the resolution of issues raised by former Guinea government officials regarding the LEFA mining concession. In 2009, the government conducted a review of the terms of the LEFA mining concession. As a result of this review, Crew Gold was required to pay a cash deposit of US$5 million to cover the expected closing costs of the LEFA mine at the expiration of its mining concession.

In addition, Crew Gold Corporation had been in discussions with the former Government of Guinea regarding the valuation of, and the original amount paid in 2006 for, Crew Gold Corporation's acquisition from the Government of Guinea of the remaining 15% interest in SMD. These discussions resulted in the former Minister of Mines proposing an agreement in which 7.5% of the share capital of SMD would be transferred to the Government, a payment to the Government would be made in the amount of US$1.5 million and the LEFA mining concession would be extended by 13 years. The Company was considering the reasonableness of these proposals when the new Government took office. Government ownership requirement with an additional amount subject to negotiation.

In correspondence regarding the above proposal, the former Minister of Mines also indicated that he believed that the Company should have obtained approval from him before acquiring its indirect interest in SMD (when it acquired control of Crew Gold Corporation in 2010), citing Article 62 of the Guinean Mining Code. The new Minister of Mines has reiterated this claim. The Company believes that there is no legal basis for that prior approval was required.

Given the uncertainty as to the application and interpretation of the new mining code, its impact on to the Group's ownership through Crew Gold Corporation 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.

28. Commitments and contingencies continued

c. Litigations

In October 2010 Piscedda Mining Corporation ("PMC") served Crew Gold Corporation with a statement of claim in the Yukon Territory, Canada, alleging damages for US$127 million relating to Crew Gold Corporation's assumption of the mobile mining fleet operations from PMC at its Guinean subsidiary, SMD, in 2008. In October 2011, Yukon Court declined jurisdiction and stayed the action of PMC against Crew Gold Corporation for claiming damages of US$127 million. PMC may seek for another jurisdiction but the outcome of possible further claim currently cannot be ascertained.

In October 2011 JSC FIC Alel ("Alel") received notifications from the regional tax authorities regarding additional royalty and additional corporate tax accruals in the total amount of US$3.1 million. Management believed that the claims for royalty and taxes were not supported by applicable regulations and thus no provision has been made. However, the final outcome might significantly depend on the political environment in the Republic of Kazakhstan. In May 2012, Alel's complaint was rejected by the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan. Management decided not to file the application to the court and the amounts were paid. Following this decision a liability of US$2.7 million had been provided for in the year ended 31 December 2012.

In November 2011 Energy Resourcing Middle East Limited filed a claim against Crew Gold Corporation's subsidiary Société Minière de Dinguiraye ("SMD") to the International Court of Arbitration for contractual debt and damages in total amount of approximately US$2 million. The Company is preparing the answer to be filed with the court and is considering the counterclaim to be filed. At this time, the outcome of the claim cannot be ascertained and no provision has been made.

In November 2011 SMD was claimed by the government of Guinea for under-payment of the surface tax in amount of US$0.5 million. The claim has been appealed by SMD. At this time, the outcome of the claim cannot be ascertained and no provision has been made.

In January 2012 Argentum CJSC (a Joint Venture partner) applied to the Moscow Arbitration Court for commencing official bankruptcy procedures for Prognoz Serebro LLC. Buryatzoloto also filed an application for joining the court hearings. The procedures were suspended until the consideration of related cases.

In June 2012 SMD received a letter from the Guinean Tax authorities which contested the deductibility of certain expenses for corporate income tax purposes in 2008-2010 and claimed tax and penalties for previous years totalling US$16.5 million. SMD considered the claim partially inconsistent and unjustified and contested it. A part of the claim for the amount of US$1.4 million was assessed to have a probable negative outcome for SMD and a payment for the amount of US$1.0 million was made to the government in October 2012. A part of the claim for the amount of US$9.0 million was provided for as contingent liabilities within the purchase price allocation on the date of the acquisition of the Crew Gold Corporation business in 2010. In December 2012, a compromise agreement was achieved between SMD and Guinean Tax authorities according to which the final SMD's income tax obligation was agreed in the amount of US$10.0 million which had been already provided for and the remaining part of the claim in the amount of US$6.5 million was discharged.

In June 2012 ZAO Mine Aprelkovo ("Mine Aprelkovo") received a resolution from the Zabaykalsky Region tax authorities for taxes and penalties in the amount of US$0.8 million, mostly related to mineral extraction tax. In July 2012 Mine Aprelkovo filed a complaint to the upper tax department and the complaint was rejected. Currently Mine Aprelkovo filed an application to the court. A liability of US$0.8 million had been provided for in the year ended 31 December 2012.

In December 2012 Zherek LLP ("Zherek") received notifications from the regional tax authorities on results of the tax audit regarding the charging of additional income tax and penalties in total amount of US$3.8 million. Zherek considered the claim unjustified and filed a complaint to the Tax Department of Eastern-Kazakhstan region. A part of the claim for the amount of US$0.7 million was assessed to have a probable negative outcome for Zherek and a provision was accounted for in the year ended 31 December 2012. In remaining part of the claim the outcome cannot be ascertained at this time and no provision has been made.

During 2012 Buryatzoloto received a number of claims from its employees for the recovering of moral damage compensations in various amounts. Following the management's assessment a provision was made in the year ended 31 December 2012 in the amount of US$0.2 million.

Management of the Group believes that it has made adequate provisions for other possible claims.

29. Capital commitments

As at 31 December 2012 the Group had contractual capital commitments of US$65.0 million (31 December 2011: US$78.7 million).

30. Insurance

The Group maintains the minimum level of insurance required by each of the jurisdictions in which it operates and some voluntary property insurance policies purchased at mine level. The Group has insured its property and equipment to compensate for losses arising from accidents. The Group also maintains insurance in respect of environmental damages. However, the Group does not have full insurance coverage for its mining, processing and transportation facilities, for business interruption, or for third party liabilities in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations.

31. Guarantees

At the reporting date the Group had no guarantees issued to related or third parties.

32. Subsequent events

In January 2013, Bissa gold development project had been completed and the commercial production at Bissa was launched. During the acquisition of Bissa project by High River Gold Mines Ltd. in 2006 certain commitments were agreed with previous owner timed to the start of commercial production at Bissa. According to these commitments Bissa shall pay a production royalty to the previous owner after start of commercial production. The production royalty is calculated as 10 per cents of the difference between revenue and all the costs, royalties and expenses that are reasonably related to the production together with the amount of necessary maintenance and exploration capital expenditures. The production royalty shall be reduced by an amount of the costs incurred for Bissa development but not more than 50 per cents of each annual production royalty payment.

In January 2013, the Company utilised US$55 million of the US$280 million bridge facility coordinated by Société Générale, Natixis and Sberbank on the same terms and conditions (see Note 21). These proceeds had been used to finance the Group's general purposes.

In February 2013, Société Des Mines de Taparko ("Taparko") received notification from the Burkina Faso tax authorities on results of the tax audit regarding the charging of additional withholding VAT and withholding income tax and penalties for 2010-2011 in total amount of US$6.3 million. Currently Taparko is assessing the claims and going to appeal the results of tax review. A significant part of the claim had been already provided for in these consolidated financial statements. For the remaining part of the claim the outcome cannot currently be ascertained and so no provision has been made.

In February 2013, the Company approved a statutory plan of arrangement between the Company, High River Gold Mines Ltd. and its shareholders whereby the Company acquires all of the remaining 2.09% of the total outstanding common shares of High River Gold Mines Ltd. not yet owned by the Company. In March 2013, the statutory plan of arrangement was completed and 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%.

In March 2013, the Company finally utilised remaining US$23.6 million of the US$280 million bridge facility coordinated by Société Générale, Natixis and Sberbank on the same terms and conditions (see Note 21). These proceeds had been used to finance the acquisition of the outstanding shares of High River Gold Mines Ltd. in accordance with the statutory plan of arrangement approved in February 2013.

In March 2013, additional 68,996 ordinary shares with par value of 2.5 Euro were issued by the Company in order to pay the acquisition of the outstanding shares of High River Gold Mines Ltd. in accordance with the statutory plan of arrangement approved in February 2013. That resulted in total number of Company's issued and fully paid ordinary shares being 378,121,955 and share capital in total amount of US$1,307.1 million.

In March 2013, the Board of Directors of the Company recommended a dividend for the year ended December 31, 2012 in the amount of US$0.118 per ordinary share to be proposed for the approval of shareholders at the annual general meeting of the Company in June 2013.

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

Company balance sheet
As at December 31, 2012
(before profit appropriation)

	Note	2012 US$000	2011 US$000
Fixed assets			
Financial fixed assets	5	**2,345,334**	1,804,956
Total fixed assets		**2,345,334**	1,804,956
Current assets			
Cash and cash equivalents		**1,303**	1,003
Trade and other receivables		**67**	–
Total current assets		**1,370**	1,003
Total assets		**2,346,704**	1,805,959
Shareholders' equity			
Issued share capital		**1,306,900**	1,244,501
Share premium		**32,102**	150
Revaluation reserve		**27,068**	30,342
Foreign currency translation reserve		**(61,957)**	(92,816)
Retained earnings		**283,246**	164,357
Unappropriated result		**19,360**	168,929
Total equity	6	**1,606,719**	1,515,463
Non-current liabilities	7	**468,728**	64,020
Current liabilities	8	**271,257**	226,476
Total equity and liabilities		**2,346,704**	1,805,959

Company income statement
For the year ended December 31, 2012

	2012 US$000	2011 US$000
Share in results from participating interests, after taxation	**50,739**	198,307
Other result after taxation	**(31,379)**	(29,378)
Net result	**19,360**	168,929

Notes to the company financial statements
For the year ended December 31, 2012

1. General

The company financial statements are part of the 2012 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 presentation currency of the Company financial statements is the US dollar.

Before April 1, 2012 the functional currency of the Company was the Euro.

With effect from April 1, 2012 the Company changed its functional currency from Euro to US dollars. The change in functional currency is appropriate based on the fact that since April 2012 most of the Company's investing and financing activities and cash flows are denominated in US dollars while the impact of the operational activities on the Company's financial position remains insignificant. Having considered the aggregated effect of all the factors, management concluded that the Company's functional currency had changed to US dollars. Management believes that this change more clearly reflects the Company's financial position and significantly reduces its exposure to currency risk. The change in functional currency has been accounted for prospectively since April 1, 2012. The Company will no longer have currency exchange effects deriving from US$denominated monetary assets and liabilities. Conversely, monetary assets and liabilities denominated in other currencies than US$may now generate such currency effects. As the presentation currency of the Group is US dollar the change of the Company's functional currency from Euro to US dollars has no impact on the Group's equity and comparative information for previous periods.

4. Foreign currencies

Year-end EUR/US$exchange was 1.3194 for 2012 (2011: 1.29485), average EUR/US$exchange rate for 2012 was 1.2846 (2011: 1.39243).

5. Financial fixed assets

	2012 US$000	2011 US$000
Participating interests in group companies	**2,110,330**	1,804,172
Loans receivable from group companies	**234,278**	–
Other investments	**726**	784
Total financial fixed assets	**2,345,334**	1,804,956

The movements of the financial fixed assets can be shown as follows:

	Participating interests in group companies	Loans provided	Other investments	Total
Balance at January 1, 2012	1,804,172	–	784	1,804,956
Changes:				
– Exchange differences	**35,452**	**–**	**–**	**35,452**
– Additional investments	**270,007**	**–**	**–**	**270,007**
– Change in fair value	**–**	**–**	**(58)**	**(58)**
– Loans receivable from group companies	**–**	**234,278**	**–**	**234,278**
– Other equity settled transaction	**(50,040)**	**–**	**–**	**(50,040)**
– Share in result of participating interests	**50,739**	**–**	**–**	**50,739**
Balance at December 31, 2012	**2,110,330**	**234,278**	**726**	**2,345,334**

As at December 31, 2012 loans receivable from group companies represent following loans:

	Amount	Currency	Interest rate, %	Repayment date
Crew Gold Corporation	**83,782**	**US$**	**6.5**	**December 31, 2015**
principal	81,070			
interest	2,712			
OOO Neryungri-Metallik	**62,487**	**US$**	**6.4**	**December 31, 2015**
principal	60,651			
interest	1,836			
ZAO Mine Aprelkovo	**34,935**	**US$**	**6.4**	**March 31, 2015**
principal	33,327			
interest	1,608			
OOO Neryungri-Metallik	**25,946**	**US$**	**6.4**	**March 31, 2015**
principal	24,383			
interest	1,563			
Delta Gold Mining Ltd	**25,078**	**US$**	**6.0**	**December 31, 2015**
principal	25,000			
interest	78			
Société Minière de Dinguiraye	**2,050**	**US$**	**6.4**	**March 31, 2015**
principal	1,975			
interest	75			

The interest rates are equal to effective interest rates. There are no specific covenants agreed with regard to these loans.

5. Financial fixed assets continued

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	98%
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%

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 26 of the consolidated financial statements.

6. Shareholders' equity

	Issued share capital US$000	Share premium US$000	Revaluation reserves US$000	Foreign currency translation reserve US$000	Retained earnings US$000	Unappropriated result US$000	Total equity US$000
Balance at January 1, 2011	1,244,501	150	47,266	(64,481)	69,452	94,905	1,391,793
Appropriation of result	–	–	–	–	94,905	(94,905)	–
Total recognised income and expense	–	–	–	–	–	168,929	168,929
Other reserve	–	–	(16,924)	(28,335)	–	–	(45,259)
Balance at December 31, 2011	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**
Acquisitions of non-controlling interest without a change in control	**–**	**–**	**–**	**–**	**(50,040)**	**–**	**(50,040)**
Other reserve	**–**	**–**	**(3,274)**	**30,859**	**–**	**–**	**27,585**
Balance at December 31, 2012	**1,306,900**	**32,102**	**27,068**	**(61,957)**	**283,246**	**19,360**	**1,606,719**

Ordinary shares

	2012 US$000	2011 US$000
On issue at January 1, 2012	**1,244,501**	1,244,501
Issued in exchange of investments in subsidiaries	**62,399**	–
On issue at December 31, 2012	**1,306,900**	1,244,501

As at December 31, 2011 the Company's issued and fully paid-up share capital was US$1,244.5 million divided into 358,794,180 ordinary shares with par value of Euro 2.50 per share.

In November 2012, additional 18,891,687 ordinary shares with par value of 2.5 Euro were issued by the Company that resulted in total number of issued and fully paid ordinary shares being 377,685,867 and share capital in total amount of US$1,305.7 million.

In December 2012, additional 367,092 ordinary shares with par value of 2.5 Euro were issued by the Company that resulted in total number of issued and fully paid ordinary shares being 378,052,959 and share capital in total amount of US$1,306.9 million.

There were no treasury shares held by the Group as at December 31, 2012 and December 31, 2011.

There were no shares reserved for issue under options and contracts as at December 31, 2012 and December 31, 2011.

The holders of ordinary shares are entitled to receive dividends as declared by the General meetings and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Share premium

For the year ended December 31, 2012 the share premium was increased by US$32.0 million totally related to the difference between par value and fair value of Company's GDRs issued in exchange of acquired outstanding shares of High River Gold Mines Ltd.

Revaluation reserves

The revaluation reserves comprise the cumulative net change in the fair value of available-for-sale investments and deferred taxes on this change until the investments are derecognised or impaired and the cumulative net change in the fair value of cash-flow hedge instruments until these instruments become ineffective or derecognised.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Unappropriated result

To the General Meeting of Shareholders the following appropriation of the result 2012 will be proposed for discussion purposes only: the profit of US$19.4 million to be transferred to retained earnings.

Dividends

In March 2013, the Board of Directors of the Company declared the dividends for the year ended December 31, 2012 in the amount of US$0.118 per ordinary share to be recommended for the approval of shareholders at the annual general meeting of the Company in June 2013.

No dividends were declared and paid by the Company for the year ended December 31, 2011.

7. Non-current liabilities

	2012 US$000	2011 US$000
Debts to credit institutions	**463,594**	–
Debts to group companies	**5,134**	–
Debts to related parties	**–**	64,020
Total non-current liabilities	**468,728**	64,020

With regard to terms and conditions of debts to credit institutions and related parties reference is made to Notes 12 and 21 of the consolidated financial statements.

As at December 31, 2012 debts to group companies represent loan given by OOO Neryungri-Metallik to finance Company's operating activities. The loan is denominated in Euro and given for the period up to December 31, 2014 but may be also repaid before this date. The interest rate is 6.5% per annum; it is equal to effective interest rate. There are no specific covenants agreed with regard to this loan.

8. Current liabilities

	2012 US$000	2011 US$000
Debts to credit institutions	**261,646**	–
Debts to related parties	**–**	225,807
Accruals	**7,090**	–
Other liabilities	**2,521**	669
Total current liabilities	**271,257**	226,476

With regard to terms and conditions of debts to credit institutions and related parties reference is made to Notes 12 and 21 of the consolidated financial statements.

9. Taxation

Tax is calculated by applying the current corporate income tax rate of 25.5% (2011: 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.

10. Off-balance sheet commitments

Several liability and guarantees

The Company has no off-balance sheet commitments. Reference is made to note 21 of the consolidated financial statements.

Fiscal entity

The Company does not have a fiscal unity for tax purposes.

11. Share in results from participating interests

For the year ended December 31, 2012 an amount of US$50.7 million of share in results from participating interests relates to the group companies (for the year ended December 31, 2011: US$198.3 million).

12. 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 KPMG Accountants N.V. to the Company, its subsidiaries and other consolidated entities:

	2011		
	KPMG Accountants N.V. US$000	Other KPMG member firms and affiliates US$000	Total KPMG US$000
Statutory audit of annual accounts	85	492	577
Other assurance services	26	1,193	1,219
Tax advisory services	–	52	52
Other non-audit services	–	290	290
Total	111	2,027	2,138

	2012		
	KPMG Accountants N.V. US$000	Other KPMG member firms and affiliates US$000	Total KPMG US$000
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

13. Related parties

Parent and ultimate controlling party

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

In November 2011, the Severstal Group decided to spin off the Group by exchange of 100% shares of Nord Gold N.V. for JSC Severstal shares and global depositary receipts (GDRs) based on the relative fair values in two steps. Firstly in January 2012, the Company completed the exchange of 10.6% of its shares with non-controlling shareholders which became traded on the London Stock Exchange in the form of GDRs. Subsequently Lybica Holding B.V. and Rayglow Limited, an entity controlled by Alexey Mordashov, exchanged JSC Severstal shares for the remaining 89.4% of the Company's shares ("Shares") in March 2012 and these Shares were then sold to Canway Holding B.V. (the "Parent Company"), a company controlled by Alexey Mordashov who remained the ultimate controlling party.

Transactions with key management personnel

Loans to directors

There are no loans to Company's directors.

Key management personnel and director transactions

As at December 31, 2012 Company's directors directly and indirectly control 85.1% of the voting shares of the Company (as at December 31, 2011: 0%).

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 11 in the consolidated financial statements.

14. 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$1.4 million (2011: US$1.2 million) for directors and former directors (including supervisory directors).

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.

The statutory financial statements of Nord Gold N.V. for the year ended December 31, 2012 were approved on April 15, 2013 and signed.

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.

Proposal for profit appropriation

The Board appropriates the 2012 profits after tax: an amount of US$19.4 million to the retained earnings reserve, which shall be discussed with the General Meeting of Shareholders in the annual meeting.

Subsequent events

In January 2013, Bissa gold development project had been completed and the commercial production at Bissa was launched. During the acquisition of Bissa project by High River Gold Mines Ltd. in 2006 certain commitments were agreed with previous owner timed to the start of commercial production at Bissa. According to these commitments Bissa shall pay a production royalty to the previous owner after start of commercial production. The production royalty is calculated as 10 per cents of the difference between revenue and all the costs, royalties and expenses that are reasonably related to the production together with the amount of necessary maintenance and exploration capital expenditures. The production royalty shall be reduced by an amount of the costs incurred for Bissa development but not more than 50 per cents of each annual production royalty payment.

In January 2013, the Company utilised US$55 million of the US$280 million bridge facility coordinated by Société Générale, Natixis and Sberbank on the same terms and conditions (see Note 21 of the Consolidated Financial Statements). These proceeds had been used to finance the Group's general purposes.

In February 2013, Société des Mines de Taparko ("Taparko") received notification from the Burkina Faso tax authorities on results of the tax audit regarding the charging of additional withholding VAT and withholding income tax and penalties for 2010-2011 in total amount of US$6.3 million. Currently Taparko is assessing the claims and going to appeal the results of tax review. A significant part of the claim had been already provided for in these consolidated financial statements. For the remaining part of the claim the outcome cannot currently be ascertained and so no provision has been made.

In February 2013, the Company approved a statutory plan of arrangement between the Company, High River Gold Mines Ltd. and its shareholders whereby the Company acquires all of the remaining 2.09% of the total outstanding common shares of High River Gold Mines Ltd. not yet owned by the Company. In March 2013, the statutory plan of arrangement was completed and 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%.

In March 2013, the Company finally utilised remaining US$23.6 million of the US$280 million bridge facility coordinated by Société Générale, Natixis and Sberbank on the same terms and conditions (see Note 21 of the Consolidated Financial Statements). These proceeds had been used to finance the acquisition of the outstanding shares of High River Gold Mines Ltd. in accordance with the statutory plan of arrangement approved in February 2013.

In March 2013, additional 68,996 ordinary shares with par value of 2.5 Euro were issued by the Company in order to pay the acquisition of the outstanding shares of High River Gold Mines Ltd. in accordance with the statutory plan of arrangement approved in February 2013. That resulted in total number of Company's issued and fully paid ordinary shares being 378,121,955 and share capital in total amount of US$1,307.1 million.

In March 2013, the Board of Directors of the Company recommended a dividend for the year ended December 31, 2012 in the amount of US$0.118 per ordinary share to be proposed for the approval of shareholders at the annual general meeting of the Company in June 2013.

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

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 page 195.

Independent auditor's report

To: the General Meeting of Shareholders of Nord Gold N.V.

Report on the financial statements

We have audited the accompanying financial statements 2012 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 statements of financial position as at 31 December 2012, the consolidated income statements, statements of comprehensive income, statements of cash flows and statements of changes in equity for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company only financial statements comprise the company balance sheet as at 31 December 2012, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

The Board of Directors' responsibility

The Board of Directors 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 Netherlands Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Board of Directors 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 Company'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 Company's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, 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 at 31 December 2012 and of its result and its cash flows 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 Netherlands 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 at 31 December 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the directors' 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 directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen 15 April 2013

KPMG Accountants N.V.
E. Michels RA

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.

Ball mill
A steel cylinder filled with steel balls into which crushed ore is fed. The ball mill is rotated, causing the balls to cascade and grind the ore.

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.

g/t
Gram per tonne.

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.

Koz
Thousand ounces.

Kt
Thousand tonnes.

Ktpy
Thousand tonnes per year.

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.

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

fahrenheit (F-32) x 5/9 = celsius

Mill
An operating unit designed to grind previously crushed ore before the further treatment. In most cases in gold production SAG (Semi-Autogenous Grinding) and ball mills are used for the purpose.

Moz
Million ounces.

Mt
Million tonnes.

Mtpy
Million tonnes per year.

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.

Oz or oz
Troy ounce (31.1035g).

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.

Tailings storage facility
A natural or man-made confined area suitable for depositing the material that remains after the treatment of ore.

Tonne
Metric ton.

MISCELLANEA
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