Nord Gold N.V.

Consolidated interim condensed financial statements
as at and for the nine months ended September 30, 2012

Nord Gold N.V.

Consolidated interim condensed financial statements
as at and for the nine months ended September 30, 2012

Contents

Consolidated interim condensed income statements	1
Consolidated interim condensed statements of comprehensive income	2
Consolidated interim condensed statements of financial position	3
Consolidated interim condensed statements of cash flows	4
Consolidated interim condensed statements of changes in equity	5
Notes to the consolidated interim condensed financial statements	6-17

1.	Operations	6
2.	Basis for preparation of the consolidated interim condensed financial statements	6
3.	Segment reporting	8
4.	Sales	10
5.	General and administrative expenses	11
6.	Other operating expenses, net	11
7.	Finance income and costs	12
8.	Related party transactions	13
9.	Related party balances	13
10.	Debt finance	14
11.	Earnings per share	15
12.	Acquisitions and disposals	16
13.	Commitments and contingencies	16
14.	Events after the reporting period	17

Nord Gold N.V.

Consolidated interim condensed income statements
Nine months ended September 30, 2012 and 2011
(Amounts expressed in thousands of US dollars, except as otherwise stated)

		Nine months ended September 30,		Three months ended September 30,	
	Note	**2012 (unaudited)**	**2011 (unaudited)**	**2012 (unaudited)**	**2011 (unaudited)**
Sales	4	851,071	796,868	322,532	253,435
Cost of sales		(562,128)	(459,537)	(220,023)	(145,010)
Gross profit		**288,943**	**337,331**	**102,509**	**108,425**
General and administrative expenses	5	(48,028)	(21,712)	(16,118)	(15,503)
Taxes other than income tax		(54,511)	(56,146)	(20,758)	(20,802)
Other operating income/(expenses), net	6	6,080	(8,524)	4,720	(852)
Profit from operations		**192,484**	**250,949**	**70,353**	**71,268**
Finance income	7	3,133	10,050	11,287	2,124
Finance costs	7	(29,187)	(40,244)	(8,361)	(21,466)
Profit before income tax		**166,430**	**220,755**	**73,279**	**51,926**
Income tax expense		(43,216)	(46,973)	(15,317)	(8,167)
Profit for the period		**123,214**	**173,782**	**57,962**	**43,759**
Attributable to:					
Shareholders of the Company		76,873	110,296	40,950	27,690
Non-controlling interest		46,341	63,486	17,012	16,069
Weighted average number of shares outstanding during the period (millions of shares)	11	358.794	358.794	358.794	358.794
Earnings per share					
Basic and diluted profit per share (US dollars)	11	0.21	0.31	0.11	0.08

The accompanying notes form an integral part of these consolidated interim condensed financial statements.

Nord Gold N.V.

Consolidated interim condensed statements of comprehensive income
Nine months ended September 30, 2012 and 2011
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Nine months ended September 30,		Three months ended September 30,	
	2012	**2011**	**2012**	**2011**
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**
Profit for the period	**123,214**	**173,782**	**57,962**	**43,759**
Foreign exchange differences	25,838	(45,874)	51,821	(82,020)
Changes in fair value of cash flow hedges	4,036	-	5,366	-
Revaluation of available-for-sale financial investments	4,055	(19,957)	20,440	(2,769)
Deferred tax on revaluation of available-for-sale investments	(522)	1,902	(2,911)	(1,715)
Other comprehensive income/(loss) for the period, net of tax	**33,407**	**(63,929)**	**74,716**	**(86,504)**
Total comprehensive income for the period	**156,621**	**109,853**	**132,678**	**(42,745)**
Attributable to:				
Shareholders of the Company	102,470	61,776	99,233	(37,063)
Non-controlling interest	54,151	48,077	33,445	(5,682)

The accompanying notes form an integral part of these consolidated interim condensed financial statements.

Nord Gold N.V.

Consolidated interim condensed statements of financial position
as at September 30, 2012 and December 31, 2011
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Note	September 30, 2012 (unaudited)	December 31, 2011
Assets			
Current assets			
Cash and cash equivalents		102,406	217,133
Accounts receivable		89,918	74,328
Inventories		525,763	375,281
VAT recoverable		85,990	57,031
Short-term financial investments		18,199	4,043
Income tax receivable		6,155	3,051
Total current assets		828,431	730,867
Non-current assets			
Property, plant and equipment		753,565	574,831
Intangible assets		1,251,914	1,242,820
Long-term financial investments		92,427	86,371
Investment in joint venture		4,856	4,769
Restricted cash		4,880	3,857
Deferred tax assets		2,137	2,709
Other non-current assets		1,549	1,657
Total non-current assets		2,111,328	1,917,014
Total assets		2,939,759	2,647,881
Liabilities and shareholders' equity			
Current liabilities			
Short-term debt finance	10	1,385	316,328
Accounts payable		193,316	172,697
Income tax payable		16,096	18,238
Provisions		24,500	24,538
Total current liabilities		235,297	531,801
Non-current liabilities			
Long-term debt finance	10	521,849	84,062
Provisions		65,641	61,283
Deferred tax liabilities		195,966	201,034
Other non-current liabilities		10,262	13,474
Total non-current liabilities		793,718	359,853
Total liabilities		1,029,015	891,654
Equity			
Share capital		1,244,501	1,244,501
Additional capital		862,340	862,340
Foreign exchange differences		(52,454)	(71,367)
Retained earnings		(473,480)	(550,353)
Revaluation reserves		37,026	30,342
Total equity attributable to shareholders of the Company		1,617,933	1,515,463
Non-controlling interest		292,811	240,764
Total equity		1,910,744	1,756,227
Total equity and liabilities		2,939,759	2,647,881

The accompanying notes form an integral part of these consolidated interim condensed financial statements.

Nord Gold N.V.

Consolidated interim condensed statements of cash flows
as at September 30, 2012 and December 31, 2011
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Nine months ended September 30,	
	2012	**2011**
	(unaudited)	**(unaudited)**
Operating activities		
Profit for the period	123,214	173,782
Adjustments for non-cash movements:		
Finance costs, net	26,054	30,194
Income tax expense	43,216	46,973
Depreciation and amortization	154,565	126,429
Impairment of non-current assets	205	1,453
Net loss from associates and joint ventures	116	414
Gain on disposal of subsidiaries	-	(412)
Loss on disposal of property, plant and equipment	430	528
Movements in provisions for inventories, receivables and other provisions	4,429	(13,267)
Impairment of available-for-sale financial assets	240	6,167
Changes in operating assets and liabilities:		
Accounts receivable	(15,245)	(2,445)
Inventories	(133,628)	(90,845)
VAT recoverable	(28,421)	(20,548)
Accounts payable	5,970	13,361
Net other changes in operating assets and liabilities	6,243	7,984
Cash flows from operations	187,388	279,768
Interest paid	(60,401)	(10,038)
Income taxes paid	(56,016)	(56,410)
Cash flows from operating activities	70,971	213,320
Investing activities		
Additions to property, plant and equipment	(232,782)	(120,604)
Additions to exploration and evaluation assets	(96,793)	(76,111)
Additions to other intangible assets	(218)	(136)
Additions to financial investments	(14,101)	(13,800)
Acquisition of entities under common control	-	37
Proceeds from disposal of property, plant and equipment	112	1,235
Proceeds from disposal of financial investments	400	12,223
Proceeds from disposal of subsidiaries, net of cash disposed	-	457
Interest received	2,266	4,265
Cash used in investing activities	(341,116)	(192,434)
Financing activities		
Proceeds from debt finance	529,136	116,883
Repayment of debt finance	(378,669)	(86,029)
Payment of finance lease liabilities	-	(572)
Acquisition of non-controlling interest	-	(59,440)
Proceeds from issue of share capital	-	43
Equity transaction costs paid	-	(9,171)
Dividends paid	(2,104)	-
Cash from / (used in) financing activities	148,363	(38,286)
Net (decrease) / increase in cash and cash equivalents	(121,782)	(17,400)
Cash and cash equivalents at beginning of the period	217,133	212,204
Effect of exchange rate fluctuations on cash and cash equivalents	7,055	(10,326)
Cash and cash equivalents at end of the period	102,406	184,478

The accompanying notes form an integral part of these consolidated interim condensed financial statements.

Nord Gold N.V.

Consolidated interim condensed statements of changes in equity
Nine months ended September 30, 2012 and 2011
(Amounts expressed in thousands of US dollars, except as stated otherwise)

	Attributable to the shareholders of Nord Gold N.V.						Non-controlling interest	Total
	Share capital	**Additional capital**	**Foreign exchange differences**	**Retained earnings**	**Revaluation reserves**	**Total**		
Balance at January 1, 2011	1,244,501	862,340	(46,671)	(715,643)	47,266	1,391,793	231,031	1,622,824
Profit for the period (unaudited)	-	-	-	110,296	-	110,296	63,486	173,782
Foreign exchange differences (unaudited)	-	-	(34,782)	-	-	(34,782)	(11,092)	(45,874)
Revaluation of available-for-sale financial investments (unaudited)	-	-	-	-	(15,088)	(15,088)	(4,869)	(19,957)
Deferred tax on revaluation of available-for-sale investments (unaudited)	-	-	-	-	1,350	1,350	552	1,902
Total comprehensive income for the period (unaudited)						61,776	48,077	109,853
Acquisition of entities under common control (unaudited)	-	-	-	(630)	-	(630)	-	(630)
Acquisitions of non-controlling interest without a change in control (unaudited)	-	-	-	(2,622)	-	(2,622)	(56,818)	(59,440)
Balance at September 30, 2011 (unaudited)	1,244,501	862,340	(81,453)	(608,599)	33,528	1,450,317	222,290	1,672,607
Balance at January 1, 2012	1,244,501	862,340	(71,367)	(550,353)	30,342	1,515,463	240,764	1,756,227
Profit for the period (unaudited)	-	-	-	76,873	-	76,873	46,341	123,214
Foreign exchange differences (unaudited)	-	-	18,913	-	-	18,913	6,925	25,838
Changes in fair value of cash flow hedges (unaudited)	-	-	-	-	4,036	4,036	-	4,036
Revaluation of available-for-sale financial investments (unaudited)	-	-	-	-	3,040	3,040	1,015	4,055
Deferred tax on revaluation of available-for-sale investments (unaudited)	-	-	-	-	(392)	(392)	(130)	(522)
Total comprehensive income for the period (unaudited)						102,470	54,151	156,621
Dividends (unaudited)	-	-	-	-	-	-	(2,104)	(2,104)
Balance at September 30, 2012 (unaudited)	1,244,501	862,340	(52,454)	(473,480)	37,026	1,617,933	292,811	1,910,744

The accompanying notes form an integral part of these consolidated interim condensed financial statements.

1. Operations

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

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

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

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

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

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

Statement of compliance

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

The Board of Directors is responsible for the preparation of the condensed consolidated half-year financial statements for the nine months ended September 30, 2012, in accordance with International Financial Reporting Standards (IFRS) 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.

Accounting policies

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

Since April 2012, the Group has held derivative financial instruments. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured 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 recognizing 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 recognized 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 recognized 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 recognized 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 recognized in equity. The gain or loss relating to the ineffective part is recognized 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 derivate financial instruments is recognized in the income statement within the line where the result from the hedged transaction is recognized.

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 recognized when the hedged transaction is ultimately recognized 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.

Critical accounting judgements, estimates and assumptions

The preparation of consolidated interim condensed financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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

During 2012 the Group revised useful lives of certain mineral rights following an updated independent report on mineral reserves and resources valuation. The effect of the change in accounting estimate on these condensed consolidated interim financial statements was an increase in depreciation expense in amount of US$ 9.6 million.

Effective April 1, 2012 the Company changed its functional currency from Euro to US dollars. The presentation currency for the Group remains 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 USD denominated monetary assets and liabilities. Conversely, monetary assets and liabilities denominated in other currencies than USD 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.

Financial risk management

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

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

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 recognized 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.

3. Segment reporting

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

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

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

- *Bissa and Burkina Faso Greenfields*. Includes Bissa gold development project and a number of gold deposits on exploration and evaluation stage located in Burkina Faso, West Africa.
- *Russian Greenfields*. Includes a number of gold deposits on exploration and evaluation stage located in the Russian Federation.

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

	Nine months ended September 30,		**Three months ended September 30,**	
	2012 (unaudited)	**2011 (unaudited)**	**2012 (unaudited)**	**2011 (unaudited)**
Sales				
Neryungri and Aprelkovo	112,163	101,807	62,171	52,017
Suzdal and Balazhal	109,487	79,949	46,568	19,769
Buryatzoloto	142,985	130,794	41,094	36,327
Berezitovy	130,665	101,710	55,832	24,895
Taparko	150,733	160,348	49,625	57,126
Lefa	205,038	222,260	67,242	63,301
Total	851,071	796,868	322,532	253,435

	Nine months ended September 30,		**Three months ended September 30,**	
	2012 (unaudited)	**2011 (unaudited)**	**2012 (unaudited)**	**2011 (unaudited)**
Profit for the period				
Neryungri and Aprelkovo	13,686	14,913	14,637	9,710
Suzdal and Balazhal	5,334	14,225	1,817	861
Buryatzoloto	45,174	60,238	10,237	14,466
Berezitovy	50,023	25,902	25,945	(10,950)
Taparko	58,967	80,069	18,992	25,586
Lefa	(18,768)	1,256	(5,135)	(2,599)
Bissa and Burkina Faso Greenfields	(5,610)	4,923	5,316	2,020
Russian Greenfields	(1,070)	(1,028)	(101)	(1,149)
Unallocated items and consolidation adjustment	(24,522)	(26,716)	(13,746)	5,814
Total	123,214	173,782	57,962	43,759

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

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

	September 30, 2012 (unaudited)	December 31, 2011
Segment total assets		
Neryungri and Aprelkovo	661,094	470,214
Suzdal and Balazhal	430,149	393,168
Buryatzoloto	324,215	284,016
Berezitovy	203,386	235,703
Taparko	279,522	223,153
Lefa	996,199	921,894
Bissa and Burkina Faso Greenfields	338,689	157,234
Russian Greenfields	54,594	36,400
Unallocated items and consolidation adjustment	(348,089)	(73,901)
Total	2,939,759	2,647,881

4. Sales

Sales by product were as follows:

	Nine months ended September 30,		Three months ended September 30,	
	2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2011 (unaudited)
Gold	845,468	788,636	320,450	250,895
Silver	5,603	8,232	2,082	2,540
Total	851,071	796,868	322,532	253,435

Sales by delivery destination and customers were as follows:

	Nine months ended September 30,		Three months ended September 30,	
	2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2011 (unaudited)
Switzerland: Metalor Technologies S.A.	236,500	79,949	96,193	19,769
Switzerland: MKS Finance S.A.	205,038	222,260	67,242	63,301
Russia: NOMOS bank	183,303	334,311	64,510	113,239
Russia: VTB	130,665	-	55,832	-
Russia: Sberbank	71,845	-	38,755	-
Switzerland: Standard Bank	23,720	160,348	-	57,126
Total	851,071	796,868	322,532	253,435

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

5. General and administrative expenses

General and administrative expenses were as follows:

	Nine months ended September 30,		Three months ended September 30,	
	2012 (unaudited)	**2011 (unaudited)**	**2012 (unaudited)**	**2011 (unaudited)**
Wages and salaries	20,387	16,017	6,947	5,580
Services	17,886	15,167	6,190	6,971
Social security costs	3,552	1,552	1,013	819
Materials and consumables	879	956	260	371
Depreciation and amortization	674	537	223	192
Change in bad debt allowance	417	(16,468)	3	50
Other expenses	4,233	3,951	1,482	1,520
Total	48,028	21,712	16,118	15,503

Change in bad debt allowance for nine months ended September 30, 2011 includes a reversal of allowance on debt partially repaid by Prognoz Silver LLC to Buryatzoloto under the contract for exploration work on the Prognoz silver project in amount of US$ 16.8 million.

6. Other operating expenses, net

	Nine months ended September 30,		Three months ended September 30,	
	2012 (unaudited)	**2011 (unaudited)**	**2012 (unaudited)**	**2011 (unaudited)**
Net gain from reversal of bad debt allowance	3,794	-	3,794	-
Reversal of impairment of property, plant and equipment	1,889	-	-	-
Net gain on disposal of inventories	279	332	163	1
Impairment of exploration and evaluation assets	(2,094)	(1,453)	-	(615)
Social expenses	(1,259)	(608)	(525)	(218)
Loss on disposal of property, plant and equipment	(430)	(528)	(36)	(103)
Charity donations	(254)	(34)	(40)	-
Net (loss) / gain from impairment / reversal of impairment of available-for-sale investments	(240)	(6,675)	381	(898)
Net loss from joint ventures	(116)	(414)	-	(127)
Net (loss) / gain from contractual compensations and fines	(111)	873	(25)	(163)
Net (loss) / gain from inventories write off / reversal of inventories write off	-	(5,663)	-	611
Reversal of provisions and contingencies	-	4,863	-	-
Net gain on disposal of subsidiaries	-	412	-	-
Other	4,622	371	1,008	660
Total	6,080	(8,524)	4,720	(852)

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

Gain from reversal of bad debt allowance for the nine months ended September 30, 2012 is related to VAT recoverable of the Lefa segment. The reversal was recognized in relation to VAT recoverable that was impaired within purchase price allocation on the date of the acquisition of the Crew Gold Corporation business in 2010 but actually reimbursed by Guinean government in 2012.

Reversal of impairment of property, plant and equipment for the nine months ended September 30, 2012 is related to specific items of property, plant and equipment of the Suzdal and Balazhal segment. The reversal was recognized due to performed repairs and improvement of the technical condition of the items instead of expected complete replacement.

Impairment of available-for-sale investments for the nine months ended September 30, 2012 and 2011 totally consists of impairment of investment in Sacre-Coeur Minerals Ltd. recognized basing on significant decline in its market value.

Reversal of provisions and contingencies for the nine months ended September 30, 2011 includes partially reversed provisions for legal claims of Crew Gold Corporation settled in 2011.

7. Finance income and costs

	Nine months ended September 30,		Three months ended September 30,	
	2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2011 (unaudited)
Foreign exchange gain	-	5,023	10,469	-
Interest income	3,133	4,519	818	1,616
Other	-	508	-	508
Finance income	3,133	10,050	11,287	2,124
Interest expenses	(21,974)	(24,568)	(8,361)	(8,554)
Equity transaction costs	-	(15,676)	-	-
Foreign exchange loss	(7,213)	-	-	(12,912)
Finance costs	(29,187)	(40,244)	(8,361)	(21,466)
Total	(26,054)	(30,194)	2,926	(19,342)

Equity transaction costs for the nine months ended September 30, 2011 includes costs related to cancelled public offering transaction.

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

8. Related party transactions

Transactions with related parties, except Parent Company and Joint Venture, were the following:

	Nine months ended September 30,		Three months ended September 30,	
	2012 (unaudited)	**2011 (unaudited)**	**2012 (unaudited)**	**2011 (unaudited)**
Cost of sales	(2,525)	(2,118)	(546)	(925)
General and administrative costs	(559)	(689)	(201)	(235)
Other operating expenses	(29)	-	-	-
Interest income	548	2,416	16	1,262
Interest expense	(5,655)	(17,652)	-	(6,373)
Purchases:				
non-capital expenditures	(3,113)	(2,807)	(747)	(1,160)
capital expenditures	(10)	(100)	(10)	(2)

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

	Nine months ended September 30,		Three months ended September 30,	
	2012 (unaudited)	**2011 (unaudited)**	**2012 (unaudited)**	**2011 (unaudited)**
Repayment of debt	-	16,822	-	-
Other operating income	-	2,299	-	-
Finance income	-	508	-	508

There were no transactions with the Parent Company.

9. Related party balances

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

	September 30, 2012 (unaudited)	**December 31, 2011**
Cash and cash equivalents	170	46,281
Short-term accounts receivable	693	640
Short-term loans given	-	447
	863	47,368
Short-term accounts payable	345	503
Short-term debt finance	-	257,516
Long-term debt finance	-	84,062
	345	342,081

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

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.

10. Debt finance

Short-term debt financing was as follows:

	September 30, 2012 (unaudited)	**December 31, 2011**
Notes and bonds issued	-	58,812
Loans	-	232,910
Accrued interest	800	24,606
Bank overdrafts	585	-
Total	1,385	316,328

Long-term debt financing was as follows:

	September 30, 2012 (unaudited)	**December 31, 2011**
Bank and other credit organizations financing	517,516	-
Loans	-	73,889
Accrued interest	-	10,173
Derivative financial liabilities	6,487	-
Unamortized balance of transaction costs	(2,154)	-
Total	521,849	84,062

In March 2012, the Company 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 loan bears an interest at a variable rate of 3-month Mosprime + 3.8% per annum payable on quarterly basis. The loan is secured by pledge of 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) and by guarantees of certain Group's subsidiaries. The proceeds from the facility were used to repay the Group's outstanding debt financing to Severstal Group in amount of US$ 358.4 million. This completed debt financing arrangements between the Group and Severstal Group as at March 31, 2012. In April 2012, the Group signed cross-currency swap agreements with 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.

In July 2012, the Company 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 loan bears an interest at a variable rate of 3-month Mosprime + 3.3% per annum payable on quarterly basis. The loan has the same security as the US$375 mln loan received in March 2012. The proceeds from the facility will be used to finance the Group's capital expenditures and other investments. 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.

The Company fully met the covenants criteria as per September 30, 2012.

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

Fair value hierarchy

As at September 30, 2012, the derivative financial liability represents 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. This derivative financial liability and the Sberbank loan facilities are categorized by the valuation methods into Level 2 of the fair value hierarchy: inputs, other than quoted prices (unadjusted) in active markets for identical assets or liabilities, that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Hedge accounting

As at September 30, 2012, the outstanding derivative financial instruments qualify for hedge accounting under IFRS. To apply for hedge accounting requires the hedge to be highly effective. For the nine months ended September 30, 2012 the result recorded in the income statement as a result of ineffectiveness of hedging is: cash flow hedge, US$ 0 million.

Sensitivity analysis

A sensitivity analysis on the derivative financial instruments portfolio yields the following results assuming an instantaneous 1% decline of the Russian rouble against the US dollar from its levels as at September 30, 2012, and an instantaneous 100 basis points increase of the Russian rouble interest rates respectively (stated in millions of US dollars):

	Equity / Net profit	
	100 BP increase	**100 BP decrease**
Change in RUB interest rate	9.6	(9.6)

	Equity / Net profit	
	1% strengthening	**1% weakening**
Change in RUB/USD rate	5.8	(5.8)

11. Earnings per share

The calculation of basic earnings per share for nine months ended September 30, 2012 was based on the profit attributable to ordinary shareholders of US$ 76.9 million (nine months ended September 30, 2011: US$ 110.3 million), and a weighted average number of outstanding ordinary shares of 358.8 million (2011: 358.8 million).

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

The calculation of basic earnings per share for three months ended September 30, 2012 was based on the profit attributable to ordinary shareholders of US$ 41.0 million (three months ended September 30, 2011: profit of US$ 27.7 million), and a weighted average number of outstanding ordinary shares of 358.8 million (2011: 358.8 million).

The Company has no dilutive potential ordinary shares.

	actually issued shares (in million of shares)	shares with effect of share split and reverse share split (in million of shares)	weighted average number of shares with effect of share split and reverse share split (in million of shares)
Issued shares at January 1, 2011	717.588	358.794	358.794
Effect of reverse share split	(358.794)	-	-
Weighted average number of shares for the nine months ended September 30, 2011			358.794
Weighted average number of shares for the three months ended September 30, 2011			358.794
Issued shares at January 1, 2012	358.794	358.794	358.794
Weighted average number of shares for the nine months ended September 30, 2012			358.794
Weighted average number of shares for the three months ended September 30, 2012			358.794

12. Acquisitions and disposals

Acquisitions of non-controlling interests

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

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%.

Disposals of subsidiaries

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

13. Commitments and contingencies

a. Taxation and litigations

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

In October 2011, JSC FIC Alel ("Alel") received notifications from 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 off. Following this decision a liability of US$ 2.7 million had been provided for in the nine months ended September 30, 2012.

In June 2012, Société Minière de Dinguiraye ("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 considers this claim to be inconsistent and unjustified and will contest the decision. 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 accrued to contingent liabilities within the purchase price allocation on the date of the acquisition of the Crew Gold Corporation business in 2010. For the remaining part of the claim the outcome cannot currently be ascertained and so no provision has been made.

b. Capital commitments

At the reporting date the Group had contractual capital commitments of US$ 57.1 million (December 31, 2011: US$ 78.7 million).

14. Events after the reporting period

In October 2012, the Company made an offer ("Offer") to acquire the outstanding shares of High River Gold Mines Ltd. ("Shares") in exchange of either 0.285 Company's global depositary receipts or C$1.4 in cash for each Share. The Offer is open for acceptance until November 27, 2012 unless the Offer is extended or withdrawn.

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

These consolidated interim condensed financial statements were approved on 9 November, 2012 and were signed by:

NIKOLAY ZELENSKI ____________________________
Chief Executive Officer

SERGEY ZINKOVICH
Chief Financial Officer ____________________________