Prospectus

27th January 2011

This document constitutes a prospectus (the "Prospectus") relating to Nord Gold N.V. (the "Company") and its consolidated subsidiaries and subsidiary undertakings (together with the Company, the "Group") and has been prepared in accordance with Chapter 5.1 of the Dutch Financial Supervision Act and the rules promulgated thereunder (the "Dutch Financial Supervision Act"). This Prospectus has been approved by and filed with the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (the "AFM") and will be made generally available in accordance with the relevant provisions of the Dutch Financial Supervision Act. The Company has requested that the AFM provide the competent authority in the United Kingdom, the UK Listing Authority (as defined below), with a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Directive (Directive 2003/71/EC).

Application has been made to the Financial Services Authority (the "FSA") in its capacity as the UK competent authority under the Financial Services and Markets Act 2000, as amended (the "FSMA") (the "UK Listing Authority") for all of the ordinary shares, with a nominal value of €1.25 each, in the capital of the Company (the "Shares"), issued and to be issued, to be admitted to the premium listing segment of the Official List of the FSA, and to London Stock Exchange plc (the "London Stock Exchange") for all of the Shares to be admitted to trading on the main market of the London Stock Exchange ("Admission"). Subject to acceleration or extension of the timetable for the Offer, conditional dealings in the Shares are expected to commence on the London Stock Exchange on 11 February 2011. It is expected that Admission will become effective, and that unconditional dealings in the Shares will commence on 16 February 2011. Dealings on the London Stock Exchange before Admission will only be settled if Admission takes place. **All dealings before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned. No application is currently intended to be made for the Shares to be admitted to listing or dealt with on any other exchange.**

Investing in the Shares involves certain risks. See "Risk Factors" in Part 1 for a discussion of certain risks and other factors that should be considered prior to any investment in the Shares.

Nord Gold N.V.

(a public limited liability company (naamloze vennootschap) incorporated under the laws of the Netherlands with its statutory seat (statutaire zetel) in Amsterdam, the Netherlands)

Offer of 208,000,000 Shares with a nominal value of €1.25 per Share and admission to the premium listing segment of the Official List and to trading on the London Stock Exchange

Price per Share (the "Offer Price"): expected to be between 300 pence and 390 pence (inclusive) per Share (the "Offer Price Range")

The Offer Price and the actual number of Shares to be issued or sold under the Offer is expected to be determined on 11 February 2011 and will be determined by the Company and the Selling Shareholder on the basis of a book-building process taking into account the conditions and factors described in Part 13 "The Offer" below. The actual Offer Price may be higher or lower than the Offer Price Range. The Offer Price Range and/or the maximum number of Shares to be issued or sold under the Offer may also be changed. Any such change will be announced in a press release on the Company's website. The Offer Price and the actual number of Shares to be issued or sold under the Offer will be set out in a pricing statement that will be deposited with the AFM, and published in a press release on the Company's website and on the website of the Regulatory News Service of the London Stock Exchange (the "Pricing Statement"). Printed copies of the Pricing Statement will be made available at the Company's registered office.

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ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

Issued and fully paid up

Number	Nominal Value
830,688,360	€1.25

In connection with the Offer, Morgan Stanley, as Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Shares or effect other stabilisation transactions with a view to supporting the market price of the Shares at a higher level than that which might otherwise prevail in the open market. Such transactions, if entered into, may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings of the Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Offer.

In connection with the Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Shares up to a maximum of 20 per cent. of the total number of Shares comprised in the Offer (excluding any Shares sold pursuant to the Over-allotment Option). For the purposes of allowing the Stabilising Manager to cover short positions resulting from any such over-allotments and/or from sales of Shares effected by it during the stabilising period, it is expected that the Selling Shareholder will grant the Stabilising Manager the Over-allotment Option, pursuant to which the Stabilising Manager may purchase or procure purchasers for additional Shares up to a maximum of 15 per cent. of the total number of Shares comprised in the Offer (excluding any Shares sold pursuant to the Over-allotment Option) (the "Over-allotment Shares") at the Offer Price, with any remaining short positions resulting from such over-allotments to be covered by purchases of Shares in the open market by the Stabilising Manager. The Over-allotment Option will be exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th calendar day after the commencement of conditional dealings of the Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the other Shares, including for all dividends and other distributions declared, made or paid on the Shares, will be purchased on the same terms and conditions as the other Shares comprised in the Offer and will form a single class for all purposes with the other Shares.

Each of Credit Suisse Securities (Europe) Limited, Morgan Stanley & Co. International plc, TD Investments Limited and Canaccord Genuity Limited (the "Underwriters") is acting exclusively for the Company, the Selling Shareholder and no one else in connection with the Offer. None of the Underwriters will regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offer and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to their respective clients or for the giving of advice in relation to the Offer or any transaction, matter, or arrangement referred to in this Prospectus. Apart from the responsibilities and liabilities, if any, which may be imposed on the Underwriters by the FSMA or the regulatory regime established thereunder, none of the Underwriters nor any of their respective affiliates accepts any responsibility whatsoever for the contents of this Prospectus or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Shares or the Offer. The Underwriters and each of their respective affiliates, each accordingly disclaim all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this Prospectus or any such statement. No representation or warranty express or implied, is made by any of the Underwriters or any of their respective affiliates as to the accuracy, completeness or sufficiency of the information set out in this Prospectus.

The Shares have not been, and will not be, registered under the US Securities Act or under the applicable securities laws of any state of the United States. The Shares offered by this Prospectus may not be offered or sold in the United States, except to qualified institutional buyers ("QIBs"), as defined in, and in reliance on, the exemption from the registration requirements of the US Securities Act provided in Rule 144A under the US Securities Act ("Rule 144A") or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Prospective investors are hereby notified that the sellers of the Shares may be relying on the exemption from the provisions of section 5 of the US Securities Act provided by Rule 144A. In addition, until 40 days after the commencement of the Offer, an offer or sale of any of the Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if the offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another applicable exemption from registration under the US Securities Act.

THE SHARES OFFERED BY THIS PROSPECTUS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY OTHER FEDERAL OR STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER US REGULATORY AUTHORITY, NOR HAVE ANY SUCH AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFER OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

No actions have been taken to allow a public offering of the Shares under the applicable securities laws of any jurisdiction, including Australia, Canada, Japan, the Russian Federation, South Africa or the United States. Subject to certain exceptions, the Shares may not be offered or sold in, or to or for the account or benefit of, any national, resident or citizen of Australia, Canada, Japan, the Russian Federation, South Africa or the United States. This Prospectus does not constitute an offer of, or the solicitation of an offer to subscribe for or purchase, any of the Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Dated: 27 January 2011

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SUMMARY

This summary must be read as an introduction to this Prospectus only. Any decision to invest in Shares should be based on consideration of this Prospectus as a whole. No civil liability will attach to those persons responsible for this summary, including any translations of this summary, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State of the European Economic Area ("EEA"), the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Prospectus before legal proceedings are initiated.

Information on the Group

The Group is an established pure-play gold producer focused on emerging markets with eight producing mines, two development projects, 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, the Group has grown both by acquisitions and organically, increasing its production (including gold equivalent ounces of silver) from approximately 21 Koz in 2007 to approximately 534 Koz in 2009. The Group produced approximately 589 Koz on a fully consolidated basis in 2010, with LEFA mine production accounted for only from August 2010. The Group targets production of over 1.0 Moz from its operating mines and development projects on a fully consolidated basis by 2013. As of 1 November 2010, the Group's resource base consisted of 23.0 Moz of gold resources on a fully consolidated basis and 103 Moz of silver resources (represented by a 50 per cent. interest in the Prognoz silver deposit) classified as measured, indicated and inferred according to JORC and 8.9 Moz of proven and probable gold reserves according to JORC. In 2009 and the nine months ended 30 September 2010 the Group's Normalised EBITDA margin was 45.7 per cent. and 48.1 per cent. respectively and the Group's average total cash cost was approximately US$477/oz and US$540/oz respectively, which places the Group in the middle of the cost curve when compared with publicly traded West African and Russian peers.

In 2009 and the nine months ended 30 September 2010, the Group generated revenue of US$517.6 million and US$485.3 million, respectively, and Normalised EBITDA of US$236.3 million and US$233.6 million, respectively, reflecting margins of 45.7 per cent. and 48.1 per cent., respectively.

The Group organises its business into eight reporting segments across three core regions:

West Africa:

- *Somita:* This segment comprises the Taparko mine in Burkina Faso, an open pit gold mine consisting of three open pit deposits. In 2009, this segment generated Normalised EBITDA of US$50.0 million and production of 97.7 Koz of gold. In 2010, production was approximately 127 Koz. Somita's JORC compliant resources amount to approximately 0.9 Moz of gold as of 1 November 2010.
- *Crew Gold:* This segment comprises the LEFA mine in Guinea, an open pit gold mine consisting of two material open pit deposits. The Group acquired a 50.17 per cent. controlling stake in Crew Gold Corporation ("Crew Gold") on 26 July 2010, which increased to a 93.38 per cent. interest in September 2010 and 100 per cent. in January 2011. Results are consolidated from the date of acquisition of the controlling interest. In 2009, the mine produced 178 Koz of gold. From August to December 2010, production was approximately 73 Koz. LEFA's JORC compliant resources amount to approximately 5.6 Moz of gold as of 1 November 2010.
- *Development West Africa:* This segment comprises a number of mines in the development and exploration stage located in West Africa. The key development project in West Africa is at Bissa, which is expected to begin production in 2013. The Group also has over 30 exploration permits in Burkina Faso, where exploration works are being carried out, and assessment of exploration potential at licence areas that belong to Crew Gold in Guinea is currently underway.

Kazakhstan:

- *Celtic and Semgeo:* This segment comprises the Suzdal underground gold mine in Kazakhstan and gold deposits in the auxiliary open pit gold mines of Zherek and Balazhal in the vicinity of Suzdal, which are currently under technological review. In 2009, this segment generated Normalised EBITDA of US$60.5 million and production of 115.3 Koz of gold. In 2010, production was approximately 87 Koz. Suzdal's JORC compliant resources amount to approximately 1.4 Moz of gold as of 1 November 2010 with Zherek and Balazhal adding approximately 0.8 Moz of measured, indicated and inferred resources.

Russia:

- *Berezitovy:* This segment comprises an open pit gold mine located in the Amur region of the Russian Federation. In 2009, this segment generated Normalised EBITDA of US$36.8 million and production of 87.3 Koz of gold. In 2010, production was approximately 71 Koz. Berezitovy's JORC compliant resources amount to approximately 1.4 Moz of gold as of 1 November 2010.
- *Buryatzoloto:* This segment comprises the operations of Zun-Holba and Irokinda, two underground gold mines, located in the Buryatia Republic of the Russian Federation. In 2009, this segment generated Normalised EBITDA of US$69.6 million and production of 154.6 Koz of gold. In 2010, production was approximately 136 Koz. Their combined JORC compliant resources amount to approximately 0.5 Moz of gold as of 1 November 2010.
- *Neryungri-Metallik and Aprelkovo:* This segment comprises open pit gold mines in the Republic of Yakutia and Transbaikal region of the Russian Federation. In 2009, this segment generated Normalised EBITDA of US$23.1 million and production of 79.1 Koz of gold. In 2010, production was approximately 94 Koz. Their combined JORC compliant resources amount to 3.1 Moz of gold as of 1 November 2010.
- *Development Russia:* This segment comprises mines in the exploration and evaluation stage located in the Russian Federation. The primary focus of this segment is the Gross project.

The Company has two development projects and a large number of exploration projects and licences. The key development projects are Gross and Bissa:

- *Bissa:* Located in Burkino Faso, Bissa is an actionable late-stage development project which is expected to contribute 93 Koz and 161 Koz of production in 2013 and 2014, respectively. Bissa's JORC compliant resources amount to approximately 2.9 Moz of gold as of 1 November 2010.
- *Gross:* Located four kilometres from the Neryungri mine in the Republic of Yakutia in the Russian Federation, Gross is a development project expected to contribute 61 Koz and 110 Koz of production in 2013 and 2014, respectively. Gross's JORC compliant resources amount to approximately 5.4 Moz of gold as of 1 November 2010.

Key exploration projects include the LEFA and Banora corridors in Guinea, Bouly, Zinigma, Gougre and Labola in Burkina Faso and Prognoz, Nerchinsk, Uryakh and Vitimkan in Russia. Prognoz, located in the Republic of Yakutia in the Russian Federation, 444 kilometres north of Yakutsk, is one of the largest high grade undeveloped primary silver deposits in the world with current JORC compliant resources of 205 Moz of silver. Management believes that the significant existing resource base has further exploration potential. The Group holds its interest in Prognoz through its 72.64 per cent. interest in High River Gold, which in turn indirectly holds a 50 per cent. interest in Prognoz. In addition the purchase, subject to due diligence, of the remaining shares of Sacre-Coeur Minerals Ltd. will upon completion give the Group exposure to exploration projects in Guyana, South America.

Competitive strengths

The Directors believe that the Company's competitive strengths include:

Established international gold producer.

The Group is an established pure-play gold producer operating a diverse portfolio of eight producing assets located in Burkina Faso, Guinea, Russia and Kazakhstan. In 2009, the Group produced approximately 534 Koz of gold and approximately 589 Koz of gold in 2010 (including gold equivalent ounces of silver) with the three largest assets accounting for half of total 2010 production. The Group has approximately 23.0 million ounces of measured, indicated and inferred gold resources according to JORC as of 1 November 2010 on a fully consolidated basis, most of which are nearly equally distributed between West Africa (46 per cent.) and Russia (45 per cent.) with the remaining 9 per cent. located in Kazakhstan. It also has 103 Moz of silver resources through its 50 per cent. participation in the Prognoz project.

The Directors believe that the Group's geographic diversity and diversification of production across eight producing mines reduce single country risk and give the Group security of production when compared to competitors who are reliant on a single large deposit. The Directors also believe that the Group's presence and experience in these countries enable it to identify and participate in more attractive growth opportunities than the Group's competitors focused on a single country, and create synergies between existing and newly acquired assets through regional clustering as well as transfer of technology and human capital.

Track record of growth and value creation.

Over the last three years, the Group's annual production (including gold equivalent ounces of silver) has increased from approximately 20 Koz in 2007 to 534 Koz in 2009. For 2010, the Group produced approximately 589 Koz with a plan to increase production from existing assets to 1.0 Moz by 2013. The Group has achieved this growth through the following three-pillar strategy:

Value accretive M&A and integration. Since 2007, the Group has completed five acquisitions including Celtic Resources, controlling stakes in High River Gold and Crew Gold, as well as a number of other mines and licences.

Management's approach has been to identify and acquire assets at attractive valuations, in particular in situations where the assets are being operated below their potential or the target is in financial distress, and implement a rapid operational improvement programme. For example, following the Group's acquisition of High River Gold, total cash costs per ounce at Taparko, Berezitovy and Buryatzoloto were reduced by 44 per cent., 27 per cent. and 15 per cent., respectively, from 2008 to 2009.[1]

Organic expansion and development. The Group has been focused on organic growth and reserve and resource expansion having invested approximately US$109 million in exploration from 2008 to 30 September 2010. As a result, the Group has successfully increased resources at its mines from approximately 11 Moz (on the basis of aggregating the non-JORC compliant resources for each mine at the time of acquisition) to approximately 23 Moz, identified the Gross deposit with approximately 5.4 Moz of contained gold resources, more than doubled resources at Bissa to 2.9 Moz and built a portfolio of opportunities with further upside potential to significantly increase the Group's resource base. Gross and Bissa, both actionable development projects located in Russia and Burkina Faso respectively, are expected to start operations as soon as in 2013 contributing to the Company's growing production profile.

Operational optimisation. The management team works intensively with assets post acquisition to improve operational efficiency, cut costs and enhance the culture and strategic focus. For example, following the acquisition of Celtic Resources, the Group reduced the number of expatriate employees and rationalised the supplier base to improve its cost position and initiated plant capacity expansions and technology improvements to increase throughput and recovery. After the acquisition of a controlling stake in High River Gold, the management team resolved supplier disputes, optimised headcount, upgraded mining equipment, conducted necessary processing plant refurbishments and increased processing capacities at the acquired mines. As a result, the Group significantly increased production rates at a number of its assets from 2008 to 2010 with further increases planned for 2011.

Attractive, achievable growth profile.

The Group plans to leverage its proven strategy to continue growing its production across all of its core regions and assets. From 2010 to 2014, the Company plans to increase its production from approximately 589 Koz of gold to approximately 1.1 Moz representing nearly 17 per cent. CAGR. In addition to the current production plan, the Company has a large portfolio of exploration assets which, combined with future M&A, provide further upside to the production growth profile based on existing reserves and resources.

Strong financial profile.

From 2008 to 2009, the Group's Normalised EBITDA increased from US$69.8 million to US$236.4 million while the Normalised EBITDA margin increased from 36.5 per cent. to 45.7 per cent. Following Admission, the Group expects to have a substantial net pro forma cash position (after the paydown of related party loans as described in Part 13 "The Offer — Use of Proceeds") of approximately US$407.9 million which, combined with anticipated future operating cash flows, the Directors believe will provide the required financial capacity for the Group to execute its three-pillar strategy of growing its business both organically and through acquisitions.

Proven management team.

The Group benefits from the diverse background and experience of its senior management team, which combines highly qualified professionals with gold mining, general mining, operational, consulting and financial backgrounds. The Group's management team is supported by in-house technical teams both in Moscow and on the ground at the mine sites and is able to leverage when appropriate the technical resources of the Company's indirect majority shareholder, OAO Severstal. The Group's management team has led the formation of the Group since the first acquisitions in 2007 and has a proven track record in executing acquisitions successfully and increasing efficiency at acquired operations. The formation of the Group as well as the management team's previous experience provides in depth knowledge and expertise across the full cycle of project development from exploration to construction, operation and optimisation. The management team also has broad experience across the full range of gold mining operations, with the Group's asset base including both underground and open pit mines, and processing facilities ranging from customary heap leach operations at Aprelkovo and Neryungri to highly complex BIOX facilities at Suzdal.

(1) Based on information included in the 2008 and 2009 annual reports of High River Gold and calculated in accordance with the accounting policies of High River Gold (Canadian GAAP). Because the results of High River Gold were consolidated for only one month in the Group's 2008 results and due to the differences in accounting policies between High River Gold, on the one hand, and the Group on the other hand, the cash costs per ounce reported by High River Gold differ from the cash costs reported by the Group included elsewhere in this Prospectus.

Premium listed company with commitment to corporate transparency.

The Company has a strong commitment to corporate transparency. The Company's eight-member board of directors (the "Board") is led by Philip Baum, the independent chairman, who has more than 32 years of experience in the mining industry. The other three independent Non-Executive Directors all have extensive mining or financial background and are well-respected in the international mining community. The Group is fully committed to achieving and maintaining strict corporate transparency and disclosure standards.

Strategy

The Group's strategy is to continue creating shareholder value through its three pillar approach of value accretive acquisitions, organic expansion and development and operational optimisation.

Operational optimisation.

Following the acquisition of the Group's existing asset base, the Group has been successful in changing the culture, strategic focus and operational performance of its assets. Having addressed immediate cash constraints and short term operational issues, the Group has instituted a full audit of the management and operations of the mines and production facilities to increase production, efficiency and application of best practice.

The Directors believe that there is considerable potential for additional operational improvements and increased production at the Group's current operations. For example, at Taparko the Group has undertaken a number of equipment upgrades in order to increase gold recovery and plans to increase the mining rate and plant throughput to 1.75 million tonnes of ore per annum in 2011; at Suzdal the Group has installed an additional processing line to expand mine and plant throughput to 500,000 tonnes of ore per annum in 2011 (300,000 tonnes at the time of acquisition); and at Berezitovy the Group is expanding processing capacity to 2.0 million tonnes of ore per annum in 2011 having installed an additional ball mill (1.2 million tonnes at the time of acquisition). The Directors also believe, with modest capital expenditure, that the LEFA mine, which produced 178 Koz of gold in 2009, has significant potential to increase production to over 300 Koz in the next several years through optimisation of current capacities to increase processing plant throughput, which should materially reduce cash costs per ounce of gold produced.

The Directors believe that the Group's acquisition strategy of targeting underperforming assets will allow the Group to continue to create value through its operational expertise in the future.

Organic expansion and development.

Leveraging off the Group's central mining/geological expertise and its experience on the ground in its target geographies, the Group has made significant investments to expand the reserves for its current mines and to identify and develop new projects. In particular, the Group is currently developing two greenfield projects: Bissa in Burkina Faso and Gross in Russia. These projects are in the active development stage with combined full capacity production of 271 Koz expected in 2014 and first production expected in 2013. Bissa has completed a feasibility study and the Group plans to commence the engineering and design phase, while Gross is in the pre-feasibility study stage. Overall, the Group expects to invest approximately US$300 million to bring these projects on line with funding coming from the Group's operational cash flow. The Directors believe that there are substantial exploration opportunities in areas surrounding Bissa and Gross and significant potential further mineral resource expansion is possible as these areas become better developed and defined.

From 2008 to 30 September 2010, the Group has invested approximately US$109 million in exploration, which resulted in resource expansion at its existing mines and the identification of a broad portfolio of exploration projects. Currently, the Group is planning to invest approximately US$107 million in exploration in 2011 as part of the exploration campaign encompassing both satellite activity next to existing mines and the Group's prospective licence portfolio in Russia, Guinea and Burkina Faso in order to expand mine life, increase the overall gold resource base and identify potential new mine development opportunities. The Prognoz silver deposit, considered to be one of the world's largest undeveloped silver assets, represents a good example of an exploration project on which the Group is focused.

The Group intends to continue to focus on exploration of new resources and development of new greenfield and brownfield projects, and the Directors believe that the Group's technical expertise both at headquarters and on the ground in its target geographies makes the Group well positioned to successfully develop these resources and execute new projects in the future.

Value accretive acquisitions.

The Directors believe that the combination of the Group's successful acquisition track record, operational expertise, significant financial resources, and its ability to use Shares as acquisition currency following Admission, will position the Group to continue to pursue value-accretive acquisitions. To that effect, the Group has an M&A strategy which builds on its established presence in the gold industry, exercises financial discipline in the valuation of potential targets and leverages management acquisition expertise. The Group's M&A strategy focuses on identifying underperforming producing or late-stage development projects with a quality resource base located in the Group's core regions of the Russian Federation, Kazakhstan and West Africa and, potentially, South America, where the Directors believe the Group can create shareholder value via operational improvements and/or timely provision of required expertise and capital.

Summary financial information

The summary financial information set out below has been extracted without material amendment from Sections A and B of Appendix 1 "Financial Information" of this Prospectus, where it is shown with important notes describing some of the line items.

Consolidated income statements data

	Nine months ended 30 September		Year ended 31 December		
	2010	2009	2009	2008	2007
			($US 000)		
Sales	485,333	343,821	517,572	191,025	260
Cost of sales	(257,503)	(209,379)	(309,404)	(139,968)	(164)
Gross profit	227,830	134,442	208,168	51,057	96
General and administrative expenses	(29,622)	(18,316)	(26,515)	(11,996)	(789)
Taxes other than income tax	(29,067)	(24,015)	(36,361)	(8,999)	(1,202)
Other operating income/(expenses), net	12,648	(10,619)	(6,676)	75,168	(92)
Profit/(loss) from operations	181,789	81,492	138,616	105,230	(1,987)
Financial income	5,351	3,144	4,894	52,889	5,172
Financial expenses	(48,044)	(111,802)	(144,143)	(46,142)	(7,370)
Profit/(loss) before income tax	139,096	(27,166)	(633)	111,977	(4,185)
Income tax (expense)/benefit	(39,210)	(7,015)	(20,910)	14,572	(79)
Profit/(loss) for the period/year	99,886	(34,181)	(21,543)	126,549	(4,264)
Attributable to:					
Shareholders of the Company	67,919	(42,648)	(29,990)	128,868	(4,264)
Non-controlling interest	31,967	8,467	8,447	(2,319)	—

Consolidated statements of financial position data

	As at 30 September 2010	As at 31 December		
		2009	2008	2007
		($US 000)		
Assets				
Cash and cash equivalents	162,245	90,623	25,566	24,356
Total assets	2,377,465	1,387,818	1,307,718	854,775
Total debt (long term and short term borrowings)	427,558	233,776	607,699	431,973
Total liabilities	836,069	425,465	816,258	583,753
Total shareholders equity	1,316,180	733,897	359,538	229,603
Non-controlling interest	225,216	228,456	131,922	41,419

Consolidated statements of cash flows data

	Nine months ended 30 September		Year ended 31 December		
	2010	2009	2009	2008	2007
			($US 000)		
Cash flows from/(used in) operating activities	145,146	98,179	170,936	26,309	(4,548)
Cash flows used in investing activities	(312,299)	(71,801)	(156,334)	(60,844)	(331,610)
Cash flows from/(used in) financing activities	238,348	(5,763)	49,759	36,652	359,267

Non-IFRS measures and operational data

This Prospectus includes certain measures that are not measures defined by IFRS ("Non-IFRS measures"). These measures are Normalised EBITDA and Normalised EBITDA margin, total cash costs and net debt, and they are used by the management of the Group to assess the financial performance of the Group. However, these measures should not be used instead of or considered as alternatives to the Group's historical financial results based on IFRS. The table below presents these Non-IFRS measures, along with gold production and capital expenditure information, for 2008, 2009 and the nine month periods ended 30 September 2009 and 2010. Non-IFRS measures are unaudited.

	Nine months ended 30 September		Year ended 31 December		
	2010	2009	2009	2008	2007
			(US$ 000) (unaudited)		
Gold production (Koz)	392.2	367.7	528.6	192.8	
Silver production (gold equivalent) (Koz)	2.8	—	5.4	—	
Normalised EBITDA (US$000)	233,554	153,002	236,340	69,797	
Normalised EBITDA margin	48.1%	44.5%	45.7%	36.5%	
Total cash costs per ounce produced (US$/oz)	539.7	465.2	477.4	485.0	
Net debt (US$000)	265,313	587,247	143,153	582,133	
Capital expenditure (US$000)	114,135	57,660	99,772	98,615	12,568

Current trading and prospects

The volume of gold produced by the Group during the last three months of 2010 was approximately 193 Koz, which was higher than the volume produced by the Group during the same period in 2009, primarily due to the acquisition of Crew Gold as the Group started to include production at the LEFA mine in its total reported production figures from August 2010.

The average gold price over the fourth quarter of 2010 was US$1,382/oz, a 25 per cent. increase compared to the fourth quarter of 2009 and a 16 per cent. increase compared to the average for the nine months to September 2010.

The Group's cash costs per ounce for the full year 2010 are expected to be higher than in 2009 primarily due to the inclusion in the second half of the year of the LEFA mine which at acquisition had higher cash costs than the rest of the Group's mines. Since acquisition, LEFA's cash costs have been steadily decreasing.

The Group continues to execute its strategy of improving operations and ramping up production at LEFA as well as at Berezitovy and Suzdal following installation of additional processing capacity. As planned, these activities will continue through the first quarter of 2011 and part of the second quarter of 2011, which is expected to result in the Group's production volumes improving throughout the first half of 2011 and reaching a full capacity run-rate by the end of the first half of 2011. Separately, due to seasonality the Group's heap leach operations typically reach peak output in the second half of the year with the first quarter being the lowest quarter by production volumes.

Since acquiring its controlling interest in Crew Gold, the Group has implemented operational improvements, including on-site availability of spare parts and improved availability of conveying systems and milling circuits as well as mining fleet, improved the working capital position at the mine and made senior management changes. Production has increased since August 2010 with November 2010 productivity at LEFA up nearly 20 per cent. compared to the previous month due to improved equipment availability and debottlenecking, while December 2010 saw record high productivity. Management intends to continue to implement debottlenecking and increase operational efficiency in order to reach and sustain optimal mine productivity in 2011.

Dividend policy

Following Admission, the Directors intend to adopt a dividend policy under which the Company intends to declare dividends subject to the Company's financial state, need for investment and availability of funds. The Company's ability to pay dividends and to receive dividends from subsidiaries may be restricted by applicable law. Under the dividend policy, the Company will target to maintain a long-term average dividend payout ratio of approximately 25 per cent. of the average net profit calculated in accordance with IFRS, for the relevant period. It does not expect to pay dividends in respect of the financial year 2010.

The Offer

The Offer will comprise an issue by the Company of 113,100,000 new Shares (the "New Shares") and the sale by the Selling Shareholder of 94,900,000 existing Shares (the "Existing Shares"). In addition, a further 31,200,000 existing Shares (the "Over-allotment Shares") are being made available by the Selling Shareholder pursuant to the Over-allotment Option to cover short positions arising from over-allotments (if any) made in connection with the Offer and/or from sales of Shares effected by it during the stabilisation period.

It is expected that Admission will take place and unconditional dealings in the Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 16 February 2011. Prior to Admission, it is expected that dealings in the Shares will commence on a conditional basis on the London Stock Exchange at 8.00 a.m. (London time) on 11 February 2011.

Reasons for the Offer and use of proceeds

The Company intends to use the net proceeds from the issue of the New Shares to repay the net amount of loans outstanding to the Severstal Group and to fund its growth strategy via exploration, development of projects and potential acquisitions.

Relationship with principal shareholder

The Company has entered into a relationship agreement with OAO Severstal and the Selling Shareholder to ensure that it will be able, at all times, to carry on its business independently of each of OAO Severstal and the Selling Shareholder and that all transactions and relationships between the Company, OAO Severstal and the Selling Shareholder are at arm's length and on a normal commercial basis.

Lock-ups

Pursuant to the Underwriting Agreement and the Listing Agreement, each of the Company, the Directors, the Selling Shareholder and OAO Severstal have entered into certain lock-up arrangements. The Company has undertaken, *inter alia*, subject to customary exceptions, that it will not, without the prior written consent of the Joint Bookrunners during the period of 180 days from Admission (as defined herein), issue or sell any Shares or any securities convertible into or exercisable or exchangeable for Shares. The Directors, the Selling Shareholder and OAO Severstal have each undertaken, *inter alia*, subject to customary exceptions, that they will not, directly or indirectly, offer or sell any Shares held by them without the prior consent of the Joint Bookrunners, during the period of 180 days from Admission.

Directors and Senior Management

The Directors and Senior Management (as defined herein) of the Company are:

Directors

Name	Position
Philip Baum	Chairman
Nikolai Zelenski	Chief Executive Officer
Sergey Zinkovich	Chief Financial Officer
Vadim Larin	Non-Executive Director
Alexey Kulichenko	Non-Executive Director
Peter Lester	Independent Non-Executive Director
David Morgan	Independent Non-Executive Director
Michael Nossal	Independent Non-Executive Director

Senior Management

Name	Position
Oleg Pelevin	Head of strategy
Vladimir Shvetsov	Head of exploration
Sergei Stepanov	Chief operating officer
Bruce Lumley	Chief operating officer, Africa
Evgeny Tulubensky	Chief legal officer
Svetlana Krinichnaya	Head of human resources
Dmitriy Gudovskiy	Head of corporate communication and investor relations

Risk factors

Prior to investing in the Shares, prospective investors should consider carefully, together with the other information contained in this Prospectus, the risks associated therewith. The following list presents the material risks faced by the Group and the industry in which the Group operates:

Risks relating to the gold mining industry generally

- The Group's results of operations are significantly affected by changes in the market price for gold.
- Gold mining companies face many risks related to their operations that may adversely affect their cash flows and overall profitability.
- Exploration of gold mining sites can be uncertain and costly.
- Past and potential acquisitions of gold mine assets are based on assumptions which could prove inaccurate.
- Acquisition of new gold mine assets can be hindered by competition and scarcity of targets.
- Economic returns and development costs could differ materially from the Group's expectations.
- Failure by the Group to acquire and/or develop additional reserves will cause its reserves and production to decline materially from their current levels over time.
- The Group is subject to a significant number of laws and governmental regulations, and the costs of compliance or changes to applicable laws and regulations may negatively affect the Group's business, financial condition and results of operations.
- The Group's activities employ processes and chemicals that may be harmful to the environment and may be subject to compliance, clean-up and other costs which could materially adversely affect the Group's business, financial condition and results of operations.
- The Group's operations are subject to extensive environmental laws and regulations.
- Potential opposition to mining could lead to disruption of the Group's existing operations and exploration prospects.

Risks relating to the Group's operations

- The Group's production and cost expectations may not be achieved.
- The Group's stated mineral reserves and resources are only estimates based on a range of assumptions and there can be no assurance that the anticipated tonnages or grades will be achieved.
- The cost of electricity, particularly self-generated electricity, can be unstable. An increase in power costs will make production more costly and alternative power sources may not be available.
- Title to the Group's mineral rights may be challenged, which may prevent or severely curtail its use of the affected properties.
- Fluctuations in currencies may adversely affect the Group's business, results of operations and financial condition.
- The Group faces costs relating to environmental compliance and rehabilitation.
- The Group's business requires substantial ongoing capital expenditure.

- The Group's production, processing and product delivery rely on its infrastructure being adequate and remaining available.
- The Group does not maintain full insurance coverage on all risks.
- The Group does not have a history of operating independently.
- The Group depends on its personnel and third party service providers.
- The Group's business depends on good relations with its employees. A breakdown in these relations and/or restrictive labour and employment laws could have a material adverse impact on the Group.
- The Group may experience difficulty in obtaining future financing.
- The treatment of occupational health diseases and potential liabilities related to occupational health diseases may have an adverse effect upon the results of the Group's operations and its financial condition.

Risks relating to operating in emerging markets

- The Group operates in emerging markets which are subject to greater risks than more developed markets, including economic, political, social, legal and legislative risks.

Risks relating to the Group's structure

- The Major Shareholder will exercise significant control over the Group after the Offer and, as a result, investors may not be able to influence the outcome of important decisions in the future.
- A substantial portion of the Group's assets were obtained through the acquisition of interests in public companies, and limited due diligence was conducted in connection with such acquisitions.
- A significant subsidiary within the Group remains a public company with minority shareholders.
- The Group may face potential third party challenges or regulatory review in relation to the acquisition of certain of its businesses.
- The Group may enter into arrangements with related parties or affiliates.
- The Company may become subject to unanticipated tax liabilities that have a material adverse effect on the Company or its Shareholders.
- Tax treatment for non-Dutch investors in a Dutch company may vary.

Risks relating to the Shares

- There are risks associated with an investment in the Shares, for which there has been no prior public trading market, for which trading prices could be volatile, and rights under which will be governed by Dutch law, which could differ in some respects from the rights of shareholders in other countries.
- Depository Interest Holders must rely on the Depository to exercise their rights.

PART 1

RISK FACTORS

Any investment in the Shares is subject to a number of risks. Prior to investing in the Shares, prospective investors should carefully consider risk factors associated with any investment in the Shares, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below. The following factors constitute the material risks faced by the Group and the industry in which the Group operates. Additional risks and uncertainties relating to the Group that are not currently known to the Company, or that it currently deems immaterial, may also have an adverse effect on the Group's business, financial condition and/or results of operations. If this occurs the price of the Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Shares is suitable for them in light of the information in this Prospectus and their personal circumstances.

Risks relating to the gold mining industry generally

The Group's results of operations are significantly affected by changes in the market price for gold.

The market price for gold can fluctuate widely. These fluctuations are caused by numerous factors beyond the Group's control, including: financial market expectations regarding the rate of inflation; the strength of the US dollar (the currency in which the gold price trades internationally) relative to other currencies; speculative positions taken by investors or traders in gold; changes in the demand for gold use in jewellery, for industrial uses and for investment; changes in the supply of gold from production, disinvestment, scrap and hedging; changes in interest rates; actual or expected gold sales by central banks; gold sales by gold producers in forward transactions; global or regional political or economic events; and costs of gold production.

The price of gold is often subject to sharp, short-term changes resulting from speculative activities. While the overall supply of and demand for gold can affect its market price, because of the considerable size of aboveground stocks of the metal, in comparison to other commodities, these factors typically do not affect the price in the same manner or degree as the supply of and demand for other commodities tend to affect their market price.

The gold price reached a record high of US$1,421.00 per ounce in 2010. The gold price ranged from US$712.50 to US$1,011.25 per ounce in 2008, from US$810.00 to US$1,212.50 per ounce in 2009 and from US$1,058.00 to US$1,421.00 per ounce in 2010. The market price of gold on 17 January 2011 was US$1,360.50 per ounce, compared with the 2010 average price for gold of US$1,224.52 per ounce. These prices are significantly above the historic average price of gold and may decline significantly in the future. Future prolonged reductions or declines in world gold prices could have a material adverse effect on the Group's revenue and profitability and on the price of the Shares.

In the case of a significant and prolonged reduction in the price of gold, the Group may determine that it is not economically feasible to continue commercial production at some or all of its operations or the development of some or all of its current prospects, as applicable. In such a circumstance, the Group may curtail or suspend some or all of its exploration and production activities and/or be required to draw down (without replacement) and/or restate downwards its reserves, which could have a material adverse effect on the Group's revenue and profitability and on the price of the Shares.

Moreover, the Group has historically sold its gold production at market prices and has not entered into forward sales, derivative or other hedging arrangements to establish a price in advance for the sale of its future gold production. In general, hedging in this manner reduces the risk of exposure to a fall in the gold price. As the Group does not currently enter into transactions to hedge against the future price at which its gold production is sold and does not expect to in the near future, the Group is not protected against decreases in the gold price and if the gold price decreases significantly, the Group's revenues may be materially adversely affected.

Gold mining companies face many risks related to their operations (including their exploration and development activities) that may adversely affect their cash flows and overall profitability.

Gold mining is susceptible to numerous events that may have an adverse impact on a gold mining business. These events include, but are not limited to: environmental hazards, including discharge of metals, pollutants or hazardous chemicals; industrial accidents; underground fires; labour disputes; unexpected geological formations; unanticipated ground and water conditions; fall of ground accidents; failure of mining pit slopes and tailings dam walls; legal and regulatory restrictions and changes to such restrictions; and other natural phenomena, such as floods or adverse weather conditions.

These risks and hazards could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, particularly at the Group's underground mines, environmental damage, theft, business interruption and delays in mining, asset write-downs, monetary losses, certain licences being withdrawn, environmental damage and possible legal liability, and may result in actual production differing, potentially materially, from estimates of production, including those contained in this Prospectus, whether expressly or by implication. There can be no assurance that the realisation of operating risks and the costs associated with them will not materially adversely affect the business, results of operations or financial condition of the Group as well as the value of the Shares.

Exploration of gold mining sites can be uncertain and costly.

Exploration activities are speculative and can be unproductive. These activities also often require substantial expenditure to: establish gold reserves through drilling and metallurgical and other testing techniques; determine appropriate recovery processes to extract gold from the ore; and construct, renovate or expand mining and processing facilities. Once gold deposits are discovered it can take several years to determine whether gold reserves exist. During this time the economic viability of production may change. As a result of these uncertainties, the exploration programmes and acquisitions engaged in by the Group may not result in the expansion or replacement of the current production with new gold reserves or operations. This could adversely affect the Group's business, operating results and financial position and the price of the Shares.

Past and potential acquisitions of gold mine assets are based on assumptions which could prove inaccurate.

The Group considers from time to time the acquisition of gold reserves, development properties and operating mines, either as stand-alone assets or as part of companies. In 2007, the Group acquired a minority interest in Celtic Resources Holdings plc, with mine interests in Kazakhstan, which it increased to a 100 per cent. interest in 2008, and also acquired interests in the Aprelkovo and Neryungri mines in the Russian Federation. In 2008, the Group acquired a majority interest in High River Gold Mines Ltd., with mines in the Russian Federation and Burkina Faso, which it has since increased to a 72.64 per cent. interest. Most recently, the Group acquired in July 2010 a controlling 50.17 per cent. interest in Crew Gold Corporation, with mining operations in Guinea, and increased its interest to 93.38 per cent. in September 2010 and finally to 100 per cent. in January 2011. Its decisions to acquire these and other properties have historically been based on a variety of factors including historical operating results, estimates of and assumptions about future reserves, cash and other operating costs, estimation of potential optimisation and cost reduction measures and their effect, the gold price and projected economic returns, the age and quality of processing plant and available technology, the ability to integrate the acquisitions' operations and financial procedures into the Group's operations, and evaluations of existing or potential liabilities associated with the property and its operations.

For example, the Group's decision to invest in its interest in Crew Gold Corporation was based in part on its plan for optimisation of operations and implementation of upgrades to promote consistent output and eliminate bottlenecks. However, there can be no assurance that the Group will be able to meet its expectations from the operational acquisition of Crew Gold Corporation or from any other acquisition in the future, either in terms of earnings or costs. Failure to meet these expectations could adversely affect the Group's business, operating results and financial position and the price of the Shares.

Acquisition of new gold mine assets can be hindered by competition and scarcity of targets.

There is a limited supply of desirable mineral concessions and available properties with the potential to host economic mineral deposits, which leads to intense competition for the available properties. Because (i) the Group faces competition for new mineral concessions and properties from other exploration and mining companies, some of which may have greater financial resources than the Group, and (ii) the current owners of desirable properties may be unwilling to sell the property to the Group, the Group may be unable to acquire attractive new mineral concessions and/or properties on terms that it considers acceptable, or at all, which could adversely affect the Group's business, operating results and financial position and the price of the Shares.

Economic returns and development costs could differ materially from the Group's expectations.

The Group's results of operations depend, in part, on the actual economic returns and the actual costs of developing mines, which may differ significantly from the Group's current estimates. The development of the Group's mining projects may be subject to unexpected problems and delays. The Group's decision to develop a mineral property is typically based, in the case of an extension or a new development, on the results of a feasibility study. Feasibility studies derive estimates of expected or anticipated project economic returns. These estimates are based on assumptions about: future gold prices; anticipated tonnage, grades and metallurgical characteristics of ore to be

mined and processed; anticipated recovery rates of gold from the ore; anticipated capital expenditure and cash operating costs; and the anticipated return on investment.

Actual cash operating costs, production and economic returns may differ significantly from those anticipated by such studies and estimates. There are a number of uncertainties inherent in the development and construction of an extension to an existing mine, or in the development and construction of any new mine. These uncertainties include, in addition to those discussed immediately above: the timing and cost, which can be considerable, of the construction of mining and processing facilities; the availability and cost of skilled labour, power, water, consumables, such as cyanide, lubricants and fuel, and transportation facilities; unexpected labour shortages or strikes; natural phenomena, such as inclement weather conditions including heavy rain and snow and extreme cold, water availability, floods, and earthquakes; inability to reach the mines due to remote locations and harsh climatic conditions; equipment breakdowns and the need to upgrade outdated machinery periodically; the availability and cost of appropriate refining arrangements; the need to obtain necessary environmental and other governmental permits, and the timing of those permits; and the availability of funds to finance construction and development activities. Moreover, the Group has not yet completed a feasibility study for one of its largest projects at this time, Gross.

The costs, timing and complexities of mine development and construction can increase because of the remote location of many mining properties. New mining operations could experience unexpected problems and delays during development, construction and mine start-up. In addition, delays in the commencement of mineral production could occur. Accordingly, the Group's future development activities may not result in the expansion or replacement of current production with new production, and any new production sites or facilities may be less profitable than currently anticipated or may not be profitable at all.

Failure by the Group to acquire and/or develop additional reserves will cause its reserves and production to decline materially from their current levels over time.

To realise future production growth, extend the lives of its mines and ensure the continued operation of the business, the Group must continue to realise its existing identified reserves, convert resources into reserves, develop its resource base through the realisation of identified mineral potential, undertake successful exploration and/or acquire new reserves and resources.

The Group's reserves decline as gold is produced. Reserves are increased when the Group discovers or acquires rights to new deposits or operations or increases reserves of operating mines via additional exploration. Once mineralisation is discovered, it may take a number of years to complete the geological surveys to assess whether production is possible and, even if production is possible, the economic feasibility of production may change during that time. Substantial capital expenditure is required to identify and delineate ore reserves through geological surveying, drilling and sampling to determine metallurgical processes to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. Any acquisition that the Group may choose to complete may change the scale of the Group's business and operations and may expose the Group to geographic, political, operating, financial and geological risks. The Group's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms and integrate the acquired entity successfully.

The volume of production from properties generally declines as reserves are depleted. The Group's future production growth is dependent upon its success in finding or acquiring and developing additional reserves. There can be no assurance that the Group will be able to identify future reserves or continue to extend the mine life of its existing operations. In particular, given the relatively short term of reserves at the Irokinda and Zun-Holba mines, the addition of new reserves through exploration and drilling is especially important at those mines. There can be no assurance that the Group's ability to find new reserves in the future will be adequate to support the existing level of production at those mines. If the Group is unsuccessful in securing new reserves, the Group's total reserves and production will decline, which would materially adversely affect the Group's business, results of operations and financial condition and the price of the Shares.

The Group is subject to a significant number of laws and governmental regulations, and the costs of compliance or changes to applicable laws and regulations may negatively affect the Group's business, financial condition and results of operations.

The Group's exploration, development and operational activities are subject to extensive laws and regulations governing various matters. These include, but are not limited to, laws and regulations relating to taxation, environmental protection, management and use of hazardous substances and explosives, management of natural resources, licences over resources owned by the various applicable governments, exploration, development of mines, production and post-closure reclamation, the employment of expatriates, labour and occupational health and safety standards, including mine safety, and historic and cultural preservation.

In addition, the Group is required to seek and to comply with the terms of governmental licences, permits, authorisations and other approvals in connection with its exploration, construction, and operating activities, for example, in relation to its prospecting licences, prospecting licences reconnaissance, mining licences, environmental management, water supply and discharge and use of hazardous chemicals and explosives. Obtaining the necessary governmental permits can be a complex and time-consuming process and may involve costly undertakings. The duration and success of permit applications are contingent on many factors that are outside the Group's control. The Company believes that it currently has all of the material permits required for the conduct of the Group's current operations.

Licences can be revoked for even insignificant violations of the terms of the licences; however, such revocations are not customary. While the Group has violated certain provisions of certain licences and has been subject to inspections carried out by governmental authorities with respect to such violations, the Group is not aware of any decisions or sanctions on the revocation or termination of the licences from governmental authorities applied as a result of such violations. In August 2010, the regional financial police in Kazakhstan brought a criminal case against officials of FIC Alel JSC, the Group company which owns the Suzdal mine, for allegedly violating the terms of its annual extraction programme by extracting ore in excess of permitted volumes. The maximum fine which could be imposed on FIC Alel JSC in this case is KZT4,855,688,200 (approximately US$32.9 million). There can be no assurance as to the outcome of this case.

The costs associated with compliance with these laws, regulations and licences are substantial, and possible additional future laws and regulations, changes to existing laws and regulations (including, but not restricted to, the imposition of higher licence fees, mining royalties or taxes) or more stringent enforcement or restrictive interpretation of current laws and regulations by governmental authorities or rulings or clearances obtained from such governmental authorities, could cause additional expenditure (including capital expenditure) to be incurred or impose restrictions on, or suspensions of, the Group's operations and delays in the development of its properties. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety impacts of the Group's past and current operations, and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions.

The Group's activities employ processes and chemicals that may be harmful to the environment and may be subject to compliance, clean-up and other costs which could materially adversely affect the Group's business, financial condition and results of operations.

Mining activities are generally subject to environmental and safety hazards as a result of the processes and chemicals used in the extraction and production methods. In particular, the Group transports, uses and disposes of cyanide and other hazardous substances at its mines, which gives rise to the risk of spillage or seepage in areas where there could be damage or harm caused to the environment and/or to the public. In addition, environmental hazards may exist on the Group's properties, or may be encountered while its products are in transit, which are currently unknown to it or may arise irrespective of such compliance. Furthermore, the storage of tailings may present a risk to the environment, property and persons. There remains a risk of leakage from or failure of the Group's tailings dams, as has been experienced at Berezitovy and Irokinda, including as a result of theft and vandalism during the operating life of the mines or after their closure. While the Group's mines comply with national requirements, they fall short of international standards.

The Group may be liable for losses associated with environmental hazards and rehabilitation, have its licences and permits withdrawn or suspended, face negative reputational consequences or be forced to undertake extensive remedial clean-up action or to pay for government-ordered remedial clean-up actions, even in cases where such hazards have been caused by any previous or subsequent owners or operators of the property, by any past or present owners of adjacent properties or by acts of vandalism by trespassers. Any such losses, withdrawals, suspensions, reputational consequences, actions or payments may have a material adverse effect on the Group's business, results of operations and financial condition and the price of the Shares.

The Group's operations are subject to extensive environmental laws and regulations.

The jurisdictions in which the Group operates have adopted environmental regulations requiring industrial companies to undertake programmes to reduce, control or eliminate various types of pollution and to protect natural resources. The Group must actively monitor specific air emission levels, ambient air quality, quality of nearby surface water, level of contaminants in soil and creation of solid waste. The Group must also submit quarterly reports on emission levels and annual reports on water monitoring to environmental authorities. In addition, the environmental authorities conduct additional testing to validate the Group's results. If the Group exceeds certain emissions levels, the Group is required to make additional payments to the regulatory authorities. In addition, failure to comply with environmental regulations and the terms of the Group's subsoil use contracts may

subject the Group to significant civil and criminal penalties, including the loss of mining, land-use and other contracts, permits and licences as well as subject the Group's management to criminal sanctions.

As the risk of environmental pollution is greater when using heap leaching and cyanidation, compared with gravity concentration and flotation enrichment, the Group's use of these technologies requires greater efforts to comply with its environmental obligations.

Upon the cessation of mining operations, gold mining companies are obliged to close their operations and rehabilitate the lands that they mined. Estimates of the total ultimate closure and rehabilitation costs for gold mining operations are significant and are based principally on current legal and regulatory requirements that could change materially. The Group makes regular contributions into liquidation funds to be used upon the cessation of mining operations for environmental clean-ups of the territories covered by its subsoil use contracts. In the event that these funds are insufficient to meet the cost of the Group's clean-up obligations however, the Group is obliged to fund any such shortfall.

Environmental laws and regulations in the jurisdictions in which the Group operates are continually changing and are generally becoming more restrictive. The Group currently complies with all national standards and environmental regulatory requirements at each of its mines, but it does not currently comply with internationally recognised codes and guidelines at each of its mines. While the Group aims to adhere to international best practices across its asset base, there can be no assurance that it will be able to meet international best practices at all of its mines. If the Group's environmental compliance obligations were to change as a result of changes in the laws and regulations or in certain assumptions it makes to estimate liabilities, or if unanticipated conditions were to arise in its operations, the Group's expenses and provisions would increase to reflect these changes. If material, these expenses and provisions could adversely affect its business, operating results and financial position and the price of the Shares.

Potential opposition to mining could lead to disruption of the Group's existing operations and exploration prospects.

As a mining business, the Group may come under pressure in the jurisdictions in which it operates to demonstrate that, as it seeks to generate satisfactory returns on investment to Shareholders, other stakeholders — including employees, communities surrounding operations and the countries in which they operate — benefit and will continue to benefit from these commercial activities, and/or that the Group operates in a manner that will limit damage to the interests of those stakeholders. Such pressure may be especially high in those areas where the Group's operations constitute a major part of local business activities, as in the case of Buryatzoloto. In addition, non-governmental organisations ("NGOs"), some of which oppose globalisation and resource development, are often vocal critics of the mining industry, including its use of cyanide and other hazardous substances. Such pressures tend to be applied most strongly against companies whose activities are perceived to have a high impact on the social and physical environment of surrounding communities. The potential consequences of these pressures include reputational damage, legal suits and social spending obligations. While the Group attempts to maintain good relations with local communities in the areas in which it operates, the Group cannot rule out the possibility of local opposition arising in the future in respect of its existing operations or prospects or in relation to obtaining or renewing mineral rights permits for current or future projects.

If the Group experiences opposition in connection with its existing operations or were to experience new opposition to any future plans, it could interfere with the Group's ability to operate its mines or develop its prospects and therefore have a material adverse effect on the Group's business, results of operations and financial condition and the price of the Shares.

Risks relating to the Group's operations

The Group's stated mineral reserves and resources are only estimates based on a range of assumptions and there can be no assurance that the anticipated tonnages or grades will be achieved.

The majority of the resource and reserve estimates presented in the mineral expert report at Appendix 2 of this Prospectus have been prepared in accordance with definitions adopted by the Australasian Joint Ore Reserves Committee ("JORC") by Wardell Armstrong International or other international consultants, with the remainder classified under the Russian system upon which Wardell Armstrong International has made comment. No assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realised or that mineral reserves or resources can be mined or processed profitably. Actual reserves, resources or mineral potential may not conform to geological, metallurgical or other expectations, and the volume and grade of ore recovered may be below the estimated levels. In addition, there can be no assurance that further on site drilling or other exploratory work will result in the affirmation of previous estimates or that mineral recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on site conditions or during production. The estimated resources described in this Prospectus should not be interpreted as a statement of the commercial viability, potential or profitability of any future operations. Lower market

prices, increased production costs, reduced recovery rates and other factors may render the Group's reserves or resources uneconomic to exploit and may result in a reduction of its reserve estimates from time to time. Reserves data is not indicative of future results of operations. If the Group's actual mineral reserves and resources are less than current estimates or are rendered uneconomic, or if the Group fails to develop its resource base through the realisation of new mineral potential, the Group's business, results of operations and financial condition and the price of the Shares may be materially adversely affected.

The cost of electricity, particularly self-generated electricity, can be unstable. An increase in power costs will make production more costly and alternative power sources may not be available.

Power is one of the Group's single largest operating expenses. The mines of Aprelkovo, Irokinda, Zun-Holba and Berezitovy currently purchase power from the state controlled regional energy agencies, which charge consumers a rate based on tariffs that are modified from time to time. The Suzdal mine is supplied power through a local mining company which has its own hydro-generation facility. To a certain extent, these tariffs have been regulated, and any deregulation of the electricity industry in the Russian Federation or Kazakhstan could result in increases in the tariffs. In particular, deregulation of the electricity industry in the Russian Federation is in progress, and full deregulation for industrial consumers is set to occur in January 2011, which is expected to result in higher prices. If the price of electricity is increased, those operations will have higher energy costs. The mines of Neryungri, LEFA and Taparko currently purchase diesel and heavy fuel oil exclusively from GazPromNeft, Rosneft, Total and Shell, respectively, to supply their own electrical needs, and any increase in the costs of these supplies could result in overall higher fuel costs. If power costs increase, revenue and possibly production capacity could be negatively affected, which may result in a material adverse effect on the Group's business, results of operations and financial condition and the price of the Shares.

Title to the Group's mineral rights may be challenged, which may prevent or severely curtail its use of the affected properties.

Title to the Group's mineral rights may be challenged or impugned, and title insurance is generally not available. The governments of the Russian Federation, Kazakhstan, Burkina Faso and Guinea are the sole authorities able to grant mineral rights in the Group's countries of operation. The limited land registry and recording systems in these jurisdictions may severely constrain the Group's ability to ensure that it has obtained secure title to individual exploration licences or mineral rights. The Group's title may be affected by, among other things, undetected defects. In addition, the Group may be unable to conduct its activities or operations as permitted or to enforce its rights with respect to its properties. The Group's properties in Yakutia in the Russian Federation, which include the Neryungri mine and the Gross deposit, are governed by perpetual land use rights without any formalised lease agreements, which could be challenged. While the Group is not aware of any challenges of its land rights in respect of those properties, a successful challenge to the Group's mineral rights may result in the Group being unable to proceed with the development or continued operation of a mine or project which, in turn, may have a material adverse effect on the Group's business, results of operations and financial condition and the price of the Shares.

The Group does not maintain full insurance coverage on all risks.

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.

As a participant in exploration and mining activities, the Group may become subject to liability for risks that cannot be insured against, or against which it may elect not to be insured because of high premium costs. Losses from uninsured risks may cause the Group to incur costs that could have an adverse effect on the Group's business and financial condition, and no assurance can be given that such insurance will thereafter continue to be available, that it will be available at commercially reasonable premiums or that the Group will obtain or maintain such insurance.

Moreover, the insurance which the Group does maintain in respect of certain risks may not provide sufficient coverage for losses related to these or other risks or hazards. The Group does not have coverage for certain environmental losses and other risks, as such coverage cannot be purchased at a commercially reasonable cost. The lack of, or insufficiency of, insurance coverage could adversely affect the Group's cash flow and overall profitability and the price of the Shares.

Fluctuations in currencies may adversely affect the Group's business, results of operations and financial condition.

The Group's revenue is almost entirely in US dollars, while a proportion of the Group's costs is incurred in roubles, tenge, CFA francs and Guinean francs, and the functional currency of the Company is the euro. The Group's reporting currency is also US dollars, and currency fluctuations between the US dollar and the Group's functional currencies would cause foreign currency translation gains and losses. In 2009, the Group experienced a US$81.6 million net foreign exchange loss due to the revaluation of financial assets and liabilities denominated in the Group's functional currencies, particularly tenge and rouble. In the nine months ended 30 September 2010, the net foreign exchange loss was US$28.9 million.

The Group does not currently undertake any hedging activities in relation to currency fluctuation risk and accordingly, is fully exposed to any adverse fluctuations in the relevant exchange rates. As a result, if any of the rouble, tenge, CFA franc or Guinean franc were to strengthen against the US dollar, this could have a material adverse effect on the Group's business, results of operations and financial condition. If inflation in the Russian Federation, Kazakhstan, Burkina Faso or Guinea were to increase without a corresponding devaluation of the respective currencies relative to the US dollar, the Group's business, results of operations and financial condition and the price of the Shares could be materially adversely affected.

The Group's business requires substantial ongoing capital expenditure.

The mining business is capital intensive and the development and exploitation of gold reserves, the conversion of resources and the acquisition of machinery and equipment require substantial capital expenditure. In line with its strategy, the Group seeks to implement expansion and improvement plans and to develop exploration prospects, which will involve significant capital expenditure. Furthermore, the Group must continue to invest significant capital to maintain or increase its reserves and the amount of gold that it produces. Extensive capital expenditure is currently planned at the Group's development sites of Bissa in Burkina Faso and Gross in the Russian Federation. Some of the Group's expansion plans and exploration prospects may require greater investment than currently planned, and it may not be able to acquire necessary funding for capital expenditure when needed, on acceptable terms or at all, which could prevent the Group from undertaking such expansion or exploration. Any inability to fund necessary capital expenditure for such expansion or exploration could have a material adverse effect on the Group's business, results of operations and financial condition and the price of the Shares.

The Group's production, processing and product delivery rely on infrastructure being adequate and remaining available.

The Group's mining, processing, development and exploration activities depend on adequate infrastructure. A number of the Group's current operations and prospects are remotely located, difficult to access and subject to extreme weather conditions, resulting in long delivery times. The Group has experienced disruptions to its power supply in the past. The Group requires reliable roads, power sources and water supplies to access and conduct its operations and the availability and cost of this infrastructure affects capital and operating costs and the Group's ability to maintain expected levels of production and sales. Unusual weather or other natural phenomena, sabotage, theft or other interference in the maintenance or provision of such infrastructure could impact development of a project, reduce mining volumes, increase mining or exploration costs or delay the transportation of raw materials or inputs to the mines and projects and of gold doré to the market. Any such issues arising in respect of the infrastructure supporting or on the Group's sites could materially adversely affect the Group's results of operations and financial condition. Furthermore, any failure or unavailability of the Group's operational infrastructure (for example, through equipment failure or disruption to its transportation arrangements) could adversely affect the production output from its mines or impact its exploration activities and development of a mine or project.

The Group does not have a history of operating independently.

Since its creation, the Group has relied on its ultimate parent OAO Severstal and its subsidiaries (the "Severstal Group") for the provision of certain services and strategic support. For example, the Group's operations have not, in the past, necessitated a large standalone function due to the support of the larger Severstal Group. The Group has had to develop new standalone functions in certain areas, while in other areas, it will have access to the Severstal Group for the provision of certain services following Admission pursuant to the Framework Services Agreement. See Part 8 "*Major Shareholder and Related Party Transactions — Framework Services Agreement*" for a description of the Framework Services Agreement and the services it covers.

There can be no guarantee that the Severstal Group will be able to provide the services pursuant to the terms of the Framework Services Agreement to an adequate standard. In addition, there can be no guarantee that the services provided by the Severstal Group will not be subject to interruption or periods of unavailability. Any such

unavailability or interruption could result in business interruptions for the Group, which may have a material adverse effect on the Group's business, results of operations and financial condition. In addition, while the Group has established the scope and estimated cost of the services it requires, including from the Severstal Group, if further services have to be obtained and/or additional corporate functions fulfilled, or if its cost estimates are incorrect, the Group may need to incur further, potentially significant, expense in order to implement its business objectives. Changes in the Group's cost base may have a material adverse effect on the Group's results of operations and financial condition and the price of the Shares.

The Directors believe that the Company has taken reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its ongoing obligations under the Disclosure and Transparency Rules, the Listing Rules and the Dutch Financial Supervision Act. However, these procedures, systems and controls have only recently been implemented and after the Company's procedures have been in place for a longer period of time, the Company could determine that its procedures should be adjusted. In addition, a control system, no matter how well designed and operated, can only provide reasonable, not absolute assurances.

The Group depends on its personnel and third party service providers.

The Group's business depends in significant part upon the contributions of a number of the Group's key personnel, in particular its senior management team and its team of engineers and geologists. There can be no certainty that the services of its key personnel will continue to be available to the Group. Moreover, the Group competes with mining and other companies to attract and retain personnel at all levels with appropriate technical skills and operating and managerial experience necessary to continue to operate its business. The Group's future success will be dependent on its ability to attract and retain qualified personnel. Factors critical to both retaining the Group's present staff and attracting additional qualified personnel include the Group's ability to provide these individuals with competitive compensation arrangements. If the Group is not successful in retaining or attracting highly qualified individuals in key management positions and highly skilled engineers and geologists, its business may be materially harmed.

The long-term success of the Group's operations also depends upon its ability to localise as many of the key roles in the Group as possible and ensure a pipeline of local talent in order to avoid the higher costs associated with employing expatriates and to meet the expectations of the applicable government and local communities. In Burkina Faso and Guinea, for example, it may be difficult for the Group to hire sufficiently skilled and qualified people or to obtain all of the necessary expertise locally or at reasonable rates due to the shortage of appropriately qualified individuals. If qualified people or the necessary expertise cannot be obtained at satisfactory rates or at all, this could result in delays to or higher costs in respect of the Group's ongoing operations and the development of its projects.

In addition, the Group depends on certain key third party service providers for the goods and services they provide, which include repairs, drilling, blasting and communications technologies. An interruption of key contracted services or the provision of necessary supplies, such as fuel or cyanide, could result in production slowdowns or stoppages. In the event that these services were interrupted or terminated, the Group would be required to draw down on existing stockpiles, which may not be sufficient to support continued production until such services resume or alternate providers are engaged.

The Group's business depends on good relations with its employees. A breakdown in these relations and/or restrictive labour and employment laws could have a material adverse impact on the Group.

Although the Group believes its labour relations with its employees are good, there can be no assurance that a work slowdown or a work stoppage will not occur at any of the Group's operating units or exploration prospects. At the Taparko and Aprelkovo mines, there are collective bargaining agreements in place as well as labour unions; employees at the Suzdal operations also have a collective bargaining agreement; and at LEFA there is a labour union. In August 2010, the Group experienced an illegal strike at the LEFA mine which arose quickly on the basis of a minor grievance. Any future work slowdowns, stoppages, disputes with employee unions or other labour-related developments or disputes, including renegotiation of collective bargaining agreements, could result in a decrease in the Group's production levels and adverse publicity and/or increase costs, which could have a material adverse effect on the Group's business, results of operations and financial condition and the price of the Shares.

The Group may experience difficulty in obtaining future financing.

The further development and exploration of mineral properties in which the Group holds interests or which the Group may acquire may depend upon the Group's ability to obtain financing through joint ventures, debt financing, equity financing or other means. The recent turmoil affecting the banking system and financial markets has resulted in major financial institutions consolidating or going out of business, the tightening of credit markets, significantly lower liquidity in most financial markets and extreme volatility in fixed income, credit, currency and equity markets. There is no

assurance that the Group will be successful in obtaining any required financing as and when needed on acceptable terms or at all, which could prevent the Group from further development and exploration or additional acquisitions.

The Group's principal operations are located in the Russian Federation, Kazakhstan, Burkina Faso and Guinea, areas that have experienced past economic and political difficulties and may be perceived as unstable. This may make it more difficult for the Group to obtain debt financing from project or other lenders if it should determine that debt financing is the appropriate method of funding in the future. Failure to obtain additional financing on a commercial and timely basis may cause the Group to postpone development plans, forfeit rights in properties or reduce or terminate operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on the Group's business, financial condition, results of operations and future prospects.

The treatment of occupational health diseases and the potential liabilities related to occupational health diseases may have an adverse effect upon the results of the Group's operations and its financial condition.

The Group provides occupational health services to its employees at its mine clinics and it continues to improve preventative occupational hygiene initiatives. The primary areas of focus in respect of occupational health within the Group's operations are noise induced hearing loss and occupational lung diseases, which include pulmonary tuberculosis in silica dust-exposed individuals. The Group's occupational health programmes include pre-employment, periodic and exit health examinations for all employees. Increases in the costs associated with providing such occupational health services and treatments could have an adverse effect on the Group's business, results of operations and its financial condition and the price of the Shares.

Risks relating to operating in emerging markets

Investors in companies whose assets are located in emerging markets, such as the Russian Federation, Kazakhstan and West Africa, should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, regulatory, economic and political risks. Investors should also note that emerging economies are subject to rapid change and that the information set out in this Prospectus may become outdated relatively quickly.

Moreover, financial or political turmoil in any emerging market country tends to adversely affect prices in credit, equity and foreign exchange markets of all emerging market countries as investors move their money to more stable and developed markets. As it has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in the Russian Federation, Kazakhstan, Burkina Faso and Guinea and adversely affect their economies. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if the Russian, Kazakh, Burkina Faso and Guinean economies remain relatively stable, financial turmoil in any other emerging market country could adversely affect the Group's business, financial condition, results of operations and future prospects.

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of these risks, investing in the Shares is appropriate for them. Generally, investment in a company whose assets are located in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult with their own legal and financial advisors before making an investment in the Shares.

The legal framework in emerging market nations is not developed and is controversial.

Emerging market nations continue to develop their legal frameworks in accordance with international standards and the requirements of a market economy. Within the last twenty years in the Russian Federation, Kazakhstan, Burkina Faso and Guinea, laws relating to foreign investment, subsoil use, licensing, companies, taxes, customs, currency, capital markets, pensions, insurance, banking and competition have been enacted or are still developing. Consequently, certain areas of judicial practice are not yet fully developed are often difficult to predict and can result in arbitrary rulings.

Moreover, the delineation of authority and jurisdiction between national, regional and local authorities in emerging market nations is, in many instances, unclear and contested, particularly with respect to the division of authority over regulatory matters. Lack of consensus between national, regional and local authorities often results in the enactment of conflicting legislation at various levels that may lead to further political instability, for example, in the areas of privatisation, securities, corporate legislation and licensing. Land use and title systems are not developed to the extent found in more developed market economies and can rely on complex traditional ownership systems. As a result, the title of land that the Group might invest in may be unclear or in doubt. Moreover, the validity of the

Group's right to title or use of its properties may be successfully challenged or invalidated due to technical violations or defects in title. Such instability creates uncertainties in the operating environment in the emerging market nations, which could hinder the Group's long term planning efforts and may prevent the Group from carrying out its business strategy effectively and efficiently.

Political and social conflicts or instability could create an uncertain operating environment.

Ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, terrorist attacks. The failure of the state and many private enterprises to pay full salaries on a regular basis and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living have led in the past, and could lead in the future, to labour and social unrest which may have political, social and economic consequences, such as increased support for a renewal of centralised authority and increased nationalism, including restrictions on foreign involvement in the economy of the countries in which the Group operates, and increased violence. If such labour and social unrest escalates, significant political consequences could arise, including the imposition of a state of emergency in some or all regions in which the Group operates. Moreover, any terrorist attacks and the resulting heightened security measures could cause disruptions to domestic commerce and could have a material adverse effect on economic confidence in the Russian Federation, Kazakhstan, Burkina Faso or Guinea generally, which could have a material adverse effect on the Group's business, results of operations, financial condition and future prospects.

The Group could be subject to arbitrary government action.

Government authorities in emerging market countries often have a high degree of discretion and at times appear to act selectively or arbitrarily, without hearing or prior notice, and sometimes in a manner that may not be in full accordance with the law or that may be influenced by political or commercial considerations. For example, Guinea's military government has been reviewing the terms of the Group's mining concession in Guinea, which has resulted in Crew Gold having to pay additional amounts to the government and could result in further financial or other burdens being imposed on the Group. See "— *Risks Relating to Burkina Faso and Guinea — The current Government of Guinea has been reviewing the terms of existing mining permits and licences*". Moreover, government authorities also have the power in certain circumstances, by regulation or government act or any means of political discretion, to interfere with the performance of, nullify or terminate contracts.

Unlawful, selective or arbitrary governmental actions could include denial or withdrawal of licences, sudden and unexpected tax audits, forced liquidation, criminal prosecutions and civil actions. Although unlawful, selective or arbitrary government action may be challenged in court, such action, if directed at the Group or its shareholders, could have a material adverse effect on the Group's business, results of operations, financial condition and future prospects.

The taxation systems in emerging market countries are at an early stage of development and experience. The interpretation and application of tax laws and regulations are evolving, which significantly increases the risks with respect to the Group's operations and investment in emerging markets.

As tax legislation in emerging market nations has often been in force for only a relatively short time, tax risks in those countries are substantially greater than typically found in countries with more developed tax systems. Tax legislation is evolving and is subject to different and changing interpretations, as well as inconsistent enforcement. The Group pays subsoil users' and other taxes, including royalties, commercial discovery bonuses, corporate income tax, VAT, security tax, land tax, vehicle tax, property tax and customs duties, and has been making, and expects to continue to make, contributions to various social and governmental funds. Tax regulation and compliance is subject to review and investigation by the authorities who may impose extremely severe fines, penalties and interest charges.

Tax laws in emerging markets are not always clearly determinable and have not always been applied in a consistent manner. In addition, tax laws continue to evolve. The uncertainty of application and the evolution of tax laws create a risk of unexpected additional and substantial payments of tax by the Group, which could have a material adverse effect on the Group's financial position and results of operations and on the price of the Shares.

Inflation and government efforts to combat inflation may contribute significantly to economic uncertainty in emerging markets and could harm the Group's business.

Emerging markets have in the past experienced high rates of inflation. Inflation, along with government measures to combat inflation and with public speculation about possible future governmental measures, has significant negative effects on emerging economies, contributing to economic uncertainty. Certain of the Group's costs of operations,

such as wage costs, maintenance costs, construction costs and utilities costs are sensitive to rises in general price levels in the Russian Federation, Kazakhstan, Burkina Faso and Guinea.

In the Russian Federation, the annual inflation rate was approximately 8.8 per cent. in 2009, 13.3 per cent. in 2008 and 11.9 per cent. in 2007, according to the Central Bank of the Russian Federation. In Kazakhstan, the annual inflation rate was approximately 6.2 per cent. in 2009, 9.5 per cent. in 2008 and 18.8 per cent. in 2007, according to the National Bank of the Republic of Kazakhstan. In Burkina Faso, the annual rate of inflation has decreased from 10.7 per cent. in 2008 to 2.6 per cent. in 2009, according to the U.S. CIA World Factbook. In Guinea, the annual rate of inflation has increased from 9.0 per cent. in 2008 to 15.0 per cent. in 2009, according to the U.S. CIA World Factbook. Government measures to control inflation often include maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth and development. Alternatively, government actions, including interest rate decreases, intervention in the foreign exchange markets and actions to adjust or fix the value of any of the rouble, tenge, CFA franc or Guinean franc, may trigger increases in inflation.

Due to the fact that it sells its gold on the spot market, the Group may not be able to increase the prices that it receives for gold in order to preserve operating margins, when inflation is accompanied by real appreciation of any of the rouble, tenge, CFA franc or Guinean franc against the US dollar. Accordingly, high rates of inflation in the Russian Federation, Kazakhstan, Burkina Faso or Guinea could increase the Group's costs and decrease the Group's operating margins, which could have a material adverse effect on the Group's business, financial condition, results of operations and future prospects and the value of the Shares.

The Group may be affected by the relative underdevelopment of the physical infrastructure in emerging economies.

The physical infrastructure in emerging economies, including rail and road networks, airports, power generation and transmission, communication systems and building stock, is old and has not been adequately funded and maintained. Electricity and heating shortages in some regions of the Russian Federation and Kazakhstan have seriously disrupted the local economies. There is even less established infrastructure in Burkina Faso and Guinea.

The poor condition or further deterioration of the physical infrastructure in the Russian Federation, Kazakhstan, Burkina Faso or Guinea may harm the national economy, disrupt access to communications, increase the cost of doing business or disrupt business operations, any or all of which could have a material adverse effect on the Group's business, financial condition, results of operations and future prospects and the value of the Shares.

Crime and corruption could disrupt the Group's ability to conduct its business and could materially adversely affect the Group's financial condition and results of operations.

In emerging markets generally, the bribery of officials remains at a high level relative to developed markets. The Group's business, financial condition, results of operations and future prospects and the value of the Shares could be adversely affected by illegal activities by others, corruption or by claims, even if groundless, implicating the Group in illegal activities.

In November 2010, the general director of the Group's Buryatzoloto mining operations was arrested on allegations by authorities in the Republic of Uzbekistan that he committed theft by means of appropriation and misapplication of funds, non-compliance with construction legislation and signing false documents, all while employed in a management position at a metallurgical plant in Uzbekistan unrelated to the Group and at a time prior to his employment negotiations with the Group and his appointment to the position of general director of Buryatzoloto. The general director applied for political asylum in the Russian Federation. The Russian Federation has denied requests for his extradition into the Republic of Uzbekistan. As a result, Mr. Burkser was released from custody and continues to perform his duties as general director of Buryatzoloto. Nothing has been alleged against either the Group or the general director while employed by the Group.

Social instability caused by criminal activity and corruption could increase support for renewed centralised authority, nationalism or violence and thus materially adversely affect the Group's ability to conduct its business effectively. Organised criminal activity has increased significantly in the Russian Federation and Kazakhstan since the dissolution of the Soviet Union in 1991, particularly in large metropolitan centres. Criminal activity and corruption are prevalent in Guinea and Burkina Faso as well. Any of these could restrict the Group's operations and lead to a loss of revenue, which could have a material adverse effect on the Group's business, financial condition, results of operations and future prospects and the value of the Shares.

Judicial systems in emerging market economies may offer less certainty as to the judicial outcome or less effective forms of redress or a more protracted judicial process than is the case in mature economies.

Emerging legal systems are less developed than those in more established economies, which may result in risks such as: potential difficulties in obtaining effective legal redress in their courts, whether in respect of a breach of law or regulation, or in an ownership dispute; a higher degree of discretion and arbitrary or unpredictable actions on the part of governmental authorities; a lack of judicial or administrative guidance on interpreting applicable rules and regulations; inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; relative inexperience of the judiciary and courts in such matters; inconsistencies of legal frameworks within various branches or subdivisions of government; substantial gaps in the regulatory structure due to delay or absence of implementing legislation; lack of independence of certain members of the judiciary; court systems which are understaffed and underfunded; or bankruptcy procedures that are not well developed and are subject to abuse. In addition, the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to arbitrary revision or cancellation and legal redress may be uncertain or delayed.

All of these weaknesses could affect the Group's ability to enforce its rights under contracts, or to defend itself against claims by others, which could have a material adverse effect on the Group's business, financial condition, results of operations and future prospects and the value of the Shares.

Risks Relating to the Russian Federation

The Group has gold mine operations and gold deposits in the Russian Federation. In 2009, nearly 60 per cent. of the Group's gold production came from the Russian Federation, and as at 1 November 2010, over 24 per cent. of the Group's reserves and nearly 45 per cent. of the Group's measured, indicated and inferred resources (when including the reserves and resources of Crew Gold) came from the Russian Federation. There are certain risks associated with an investment in the Russian Federation. A description of the material risks related to the Group's operations in the Russian Federation appear below.

Shareholder liability under Russian legislation could cause the Group to become liable for the obligations of its applicable subsidiaries.

Under Russian law, the Group may be primarily liable for the obligations of its Russian subsidiaries jointly and severally with such entities if (i) the Group has the ability to make decisions for such Russian subsidiaries as a result of its ownership interest, the terms of a binding contract or in any other way, (ii) the Group has the ability to issue mandatory instructions to such Russian subsidiaries or joint venture entities and that ability is provided for by the charter of the relevant Russian subsidiary or in a binding contract and (iii) the relevant Russian subsidiary concluded the transaction giving rise to the obligations pursuant to the Group's mandatory instructions. In addition, the Group may have secondary liability for the obligations of its Russian subsidiaries if (i) the Group has the ability to make decisions for the relevant Russian subsidiary as a result of its ownership interest, the terms of a binding contract, or in any other way and (ii) the relevant Russian subsidiary becomes insolvent or bankrupt due to the Group's fault (i.e., the Group has used its ability referred to in (i) above, knowing that this would result in insolvency or bankruptcy of the relevant Russian subsidiary). This type of liability could result in significant losses, and could have a material adverse effect on the Group's business, financial condition, results of operations and future prospects and the value of the Shares.

In the event that the title to any company acquired by the Group through privatisation, bankruptcy sale or by other means is successfully challenged, the Group may lose its ownership interest in that company or its assets.

Some of the Group's assets consist of companies that have been acquired directly or indirectly from others who acquired them through privatisation, and the Group may seek to acquire additional companies that have been privatised or that have undergone bankruptcy proceedings. Privatisation and bankruptcy legislation in the Russian Federation is vague, internally inconsistent and in conflict with other elements of Russian legislation. Although the statute of limitations for challenging transactions entered into in the course of privatisations and as a result of bankruptcy proceedings is currently three years, privatisations and acquisitions of companies that have undergone bankruptcy proceedings may still be vulnerable to challenge, including through selective action by governmental authorities motivated by political or other extra-legal considerations.

If any of the Group's acquisitions is challenged as having been improperly conducted and the Group is unable successfully to defend itself, the Group may lose its ownership interests, which could have a material adverse effect on the Group's business, financial condition, results of operations and future prospects and the value of the Shares.

The Russian Federation's property law is subject to uncertainty and contradiction and title to some of the Group's mineral properties or production facilities may be challenged.

The legal framework relating to the ownership and use of land and other real property in the Russian Federation is not yet sufficiently developed to support private ownership of land and other real property to the same extent as is common in some of the more developed market economies, such as those of North America and Western Europe. During the Russian Federation's transformation from a centrally planned economy to a market economy, legislation has been enacted to protect private property against expropriation and nationalisation. However, it is possible that, due to the lack of experience in enforcing these provisions and due to political changes, these protections would not be enforced in the event of an attempted expropriation or nationalisation, or in the event that the Group's business is reorganised. It is often difficult to determine with certainty the validity and enforceability of title to land in the Russian Federation and the extent to which it is encumbered. Moreover, in order to use and develop real property in the Russian Federation, approvals, consents and registrations of various federal, regional and local governmental authorities are required, and this can be a lengthy and cumbersome process. Further, it is not always clear which governmental body or official has the right to lease or otherwise regulate the use of real property. In addition, building and environmental regulations often contain requirements that are impossible to fully comply with in practice. Failure to obtain or comply with the required approvals, consents, registrations or other regulations may lead to severe consequences including in respect of any current construction activities. If the real property owned or leased by the Group is found not to be in compliance with all applicable approvals, consents, registrations or other regulations, the Group may lose the use of such real property, which could have a material adverse effect on the Group's business, financial condition, results of operations and future prospects and the value of the Shares.

There is uncertainty as to whether the Law on Foreign Investments in Strategic Sectors applies to certain transfers of assets and shares to, and within, the Group.

The Federal Law "On the Procedure for making Foreign Investments in the Companies of Strategic Importance for the Defence and Security of the State" No. 57-FZ dated 29 April 2008 (the "Strategic Investments Law") in Russia, which came into effect in May 2008, requires the prior consent of a committee headed by the Prime Minister for transactions which, among other things, result in a foreign investor obtaining more than 50 per cent. of the voting shares of a company operating in a sector determined to be of strategic importance for the defence and security of the Russian Federation. Included in the list of companies deemed to be strategically important are companies that are involved in "production of explosives for industrial purposes and distribution thereof". Failure to obtain such consent could result in the transaction being treated as null and void or quorum and voting rights relating to the shares not being recognised.

Two Group companies, Neryungri-Metallic LLC, which owns the Neryungri mine and the Gross deposit and which accounted for 9.4 per cent. of the Group's gold production in 2009, and Mine Aprelkovo CJSC, which owns the Aprelkovo mine and which accounted for 5.4 per cent. of the Group's gold production in 2009, possess licences (the "Licences") for "production of explosives for industrial purposes" and were transferred from another Severstal Group company to the Company. Subsequently, the shares of the Company were transferred to the Selling Shareholder. It is unclear as to whether Neryungri-Metallic LLC and Mine Aprelkovo CJSC are "strategic" companies, as the Licenses do not allow distribution of explosives, only production, and, therefore, whether any consent to such transfer should have been obtained. In any case, even if they were "strategic" companies, the Company believes that their transfer (and subsequent change of control) falls within an exemption in the Strategic Investments Law for intra-group transfers and, thus, that prior approval was not required.

However, the Strategic Investments Law is a relatively new law and there is no regulatory guidance as to how it will be interpreted. Additionally, general weaknesses relating to the Russian legal system and a history in Russia of arbitrary government action create further uncertainty. As a consequence, there can be no assurance that a Russian regulator in charge of Strategic Investments Law compliance will not take a view in the future that the transfers in question required approval under the Strategic Investments Law. Any such adverse interpretation could lead to a variation in licensing provisions or an increase in royalty payments or might result in the transfer of the licences being treated as null and void. Any of these outcomes could have a material adverse effect on the Group's business, results of operations, financial condition or prospects and the trading price of the Shares.

Several members of the Group have net assets lower than the amount of their respective charter capitals or lower than the minimum amount required by law and may be subject to liquidation.

Russian law provides for certain requirements that should be complied with in the course of establishing and reorganising a Russian company, or during its operation. In particular, Russian law requires that a limited liability company (i) reduce its charter capital if the value of its net assets, taken in accordance with Russian accounting

standards, is lower than its charter capital as at the end of the second and each subsequent financial year following incorporation or (ii) be liquidated if the value of its net assets, taken in accordance with Russian accounting standards, is lower than the minimum amount of its charter capital specified by Russian law as at the end of the second and each subsequent financial year following incorporation. If such a company fails to comply with this requirement within a reasonable period of time, a court may order its liquidation and also the company's creditors may claim for early performance of the company's obligations and any damages. As at the end of 2009, the following Group companies (each of which has existed for more than 3 years) breached this requirement: (a) two Group companies, Altay Gold LLC, the holding company for the Group's interest in the Prognoz silver deposit, and Berezitovy Rudnik LLC, which owns the Group's Berezitovy mine and which accounted for 16.3 per cent. (including gold equivalent ounces of silver) of the Group's gold production in 2009, had negative net assets and (ii) the Company's subsidiary North Gold Mining Company LLC, which holds certain of the Group's exploration assets in the Russian Federation, had net assets which are lower than its charter capital. Accordingly, there is the risk that the Russian tax or other authorities may apply to order to liquidate these Group companies and/or the creditors may claim for acceleration of the obligations of such companies and payment of damages to creditors. In addition, Russian law requires that a limited liability company must not distribute profits to its participants if at the date of the company's decision on profit distribution the value of its net assets is, or will be in the event the profits are distributed, less than the company's charter capital and the reserve fund. Given this, Altay Gold LLC, Berezitovy Rudnik LLC and North Gold Mining Company LLC are also prohibited from distributing profits to their participants while in breach of the net assets requirement. The Group believes that none of its members should be subject to liquidation on such grounds because none of those violations are significant, cause any damage to any person, or have any other negative consequences. Although the Group is considering remedying the breach of the net assets requirement after the Offer by injecting in each of these Group companies funds such that their net assets would become higher than their respective charter capitals, there can be no assurance that the prior technical violations would not be used in a manner that could have a material adverse effect on the Group's business, results of operations, financial condition or prospects and the trading price of the Shares.

Risks relating to Kazakhstan

The Group has underground gold mine operations and gold deposits at Suzdal and adjoining areas in Kazakhstan. In 2009, nearly 22 per cent. of the Group's gold production came from Kazakhstan, and as at 1 November 2010, approximately 8 per cent. of the Group's reserves and approximately 9 per cent. of the Group's measured, indicated and inferred resources (when including the reserves and resources of Crew Gold) came from Kazakhstan. Accordingly, the Group's business, results of operations and financial condition could be adversely affected by factors specific to investing in assets in Kazakhstan. A description of the material risks related to the Group's operations in Kazakhstan appear below.

The Kazakh state may be entitled to exercise pre-emptive rights over Kazakh assets acquired by the Group, transfers of shares in the Group's subsidiaries completed prior to the Offer as well as over the issue and transfer of Shares in connection with the Offer.

The Group's Kazakh operating subsidiaries have obtained their mining rights in Kazakhstan pursuant to subsoil use contracts from the Kazakh State. The Kazakh Subsoil Law provides the Kazakh State (through its national operating holding companies, national companies or other authorised bodies) with a pre-emptive right to acquire previously awarded subsoil use rights and related objects associated with subsoil use, including participatory interests or shares in any legal entity holding subsoil use rights as well as any legal entity that directly and indirectly determines or influences decisions adopted by the relevant subsoil user if the principal activity of the subsoil user is related to subsoil use in Kazakhstan. In effect, this pre-emptive right permits the Kazakh State to purchase any subsoil use rights and object associated with subsoil use being offered for sale or transfer on terms no less favourable than those offered by other purchasers, and in case of transfers without payment, at a market value determined in compliance with the relevant Kazakh appraisal legislation, unless the relevant transferor has received a prior waiver from the Kazakh Government in relation to Kazakh State's exercise of its pre-emptive rights. If a prior waiver for the acquisition or transfer has not been received, the Kazakh Government may invalidate the transfer. In addition, if terms of the acquisition or transfer subsequently effected are different from the terms set forth in the transferor's waiver application, there is a risk that the Kazakh Government may revoke the waiver and invalidate the acquisition or transfer.

The Company cannot be certain that all previous acquisitions and transfers of the Group's Kazakh assets have complied with the Kazakh State's pre-emptive rights (including the terms of the relevant waivers of the state's pre-emptive rights), as some of these acquisitions and transfers occurred prior to the Group's acquisition of these assets.

The Company does not expect that the Kazakh Government will take retrospective action in relation either (i) to prior waivers of the Kazakh State's pre-emptive rights for completed acquisitions or (ii) to the transfer of the Group's Kazakh assets or that it will seek to assert that the waiver of its pre-emptive rights in relation to the issue and transfer of Shares in connection with the Offer is invalid or has not been complied with. However, there can be no assurance that the Kazakh Government will not seek to exercise the state's pre-emption right to invalidate one or more of the Group's past asset acquisitions or transfers or in relation to the issue and transfer of Shares in connection with the Offer.

The Group is exposed to the risk of adverse sovereign action by the Kazakh Government.

In August 2007, at a meeting of the Kazakh Cabinet of Ministers, Prime Minister Karim Masimov announced the Kazakh Government's disapproval of the delayed production by Agip KCO, the operator of the Kashagan oil field and a subsidiary of ENI. The Kazakh Government suggested that Agip KCO had failed to meet certain provisions of Kazakh environmental laws and threatened to revoke Agip KCO's operating permits. A settlement reached in January 2008 resulted in the terms of production sharing agreement relating to the Kashagan oil field being revised in favour of the government-controlled company KazMunaiGas, such that the share interest of KazMunaiGas doubled and the share interests of the other members of the consortium decreased.

There is a risk that the Kazakh Government could raise similar complaints, with or without merit, regarding the Group's operation of its Kazakh mines to those raised against Agip KCO. In addition, the Kazakh Government has the right to initiate reviews of subsoil use contract terms and to unilaterally terminate, potentially without compensation, subsoil use contracts in respect of deposits of "strategic importance". Any such actions by the Kazakh Government could have a material adverse effect on the Group's business, results of operations and financial condition and the price of the Shares.

Shareholder liability under Kazakh legislation could cause the Group to become liable for the obligations of its Kazakh subsidiaries.

Under Kazakhstan law, the Group may be jointly and severally liable for the obligations of its Kazakh subsidiaries, if the Group has the ability to make decisions for such Kazakh subsidiaries or as a result of its ownership interest or the terms of a binding contract, if (i) the relevant Kazakh subsidiary concluded the transaction giving rise to the obligations pursuant to the Group's mandatory instructions or (ii) the relevant Kazakh subsidiary becomes insolvent or bankrupt due to the Group's fault (i.e., the Group has used its ability in (i) above, knowing that this would result in the insolvency or bankruptcy of the relevant Kazakh subsidiary). This type of liability could result in significant losses, and could have a material adverse effect on the Group's business, financial condition, results of operations, future prospects and the value of the Shares.

Risks relating to Burkina Faso and Guinea

Two of the Group's productive mining operations and exploration prospects are located in West Africa, in Burkina Faso and Guinea. In 2009, over 18 per cent. of the Group's gold production came from West Africa, and as at 1 November 2010, approximately 68 per cent. of the Group's reserves and approximately 46 per cent. of the Group's measured, indicated and inferred resources (when including the reserves and resources of Crew Gold) came from West Africa. Accordingly, the Group's business, results of operations and financial condition could be adversely affected by factors specific to investing in assets in those countries. A description of the material risks related to the Group's operations in West Africa appear below.

Guinea has a history of political and economic instability. There can be no assurance that the national elections will bring more stability to the country.

Guinea has had a history of authoritarian rule since achieving independence from France in 1958 and has experienced three civil wars in the past decade. In December 2008, the Guinea military took over the government of the country, selecting Captain Moussa Dadis Camara as head of the junta and de facto head of state. The United Nations subsequently implicated Camara when security forces killed 150 unarmed pro-democracy marchers in September 2009. This in turn led to the African Union, United States and European Union imposing sanctions upon the incumbent Government of Guinea. In December 2009, following an assassination attempt that wounded Camara, Sekouba Konate took over as president of Guinea. Konate tasked a transitional government to prepare for presidential and national assembly elections. The first round of presidential elections were held in June 2010. Cellou Dalein Diallo, who polled highest in the first round, and second-placed Alpha Conde faced each other in a run-off election in November 2010. Mr Conde won the election and in December 2010 took office.

While the election was aimed at transitioning Guinea from military rule to a democratically elected government, Guinea's uncertain and unpredictable political and economic environment give rise to significant risks. For example, there can be no assurance that the results of the election will be respected by either the Guinean public or the military junta. There are also other risks of continued political and economic instability as a result of Guinea's past political upheaval, which could lead to civil unrest, military intervention, labour and social unrest, extreme fluctuations in currency exchange rates, high rates of inflation, expropriation and nationalisation of assets, increased illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation of funds, stricter currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, Guinea.

Continued political and economic instability in Guinea could have a material adverse effect on the Group's Guinean operations.

The Government of Guinea may review the terms of existing mining permits and licences.

Political instability and regime change in Guinea has resulted in uncertainty as to the resolution of issues raised by former Guinea government officials regarding the Guinean Mining Code, the persons authorised to negotiate the terms of mining concessions on behalf of the Government, the existing mining concessions of Crew Gold and other mining companies and the Government's policy of encouraging mining companies to have Government participation in their share capital. Current government officials also have been reported to have made statements indicating that a review of the Guinean Mining Code, re-negotiation of existing mining concessions and increased economic interest in mining companies may be appropriate.

In 2009, the then 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; the initial request by Guinea's former environmental minister had been for a cash deposit of US$170 million. Crew Gold never accepted this initial request as realistic or based in law.

In addition, Crew Gold had been in discussions with the former Government of Guinea regarding the valuation of, and the original amount paid in 2006 for, Crew Gold's acquisition from the Government of Guinea of the remaining 15 per cent. interest in Crew Gold's subsidiary Société Minière de Dinguiraye ("SMD"), which holds the LEFA mining concession. These discussions resulted in the former Minister of Mines proposing an agreement in which 7.5 per cent. 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. The new Minister of Mines has contacted the Company reiterating these proposals and stating its intention to renew negotiation on this subject.

In the 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 in 2010), citing Article 62 of the Guinean Mining Code. The new Minister of Mines has reiterated this claim. The Company believes that the provision does not apply to its acquisition of Crew Gold and has received legal advice confirming this position.

Given the uncertain political environment, issues raised and the statements reported to have been made, there can be no assurance that the new Government of Guinea will not seek significant payments or significant equity interests from the Company or modify its mining concessions whether based on the claims raised by the previous government, Article 62, amendments to or repeal of the Guinean Mining Code or other relevant legislation, import duty provisions or a re-negotiation of existing mining concessions, which could have a material adverse effect on the Group's business, results of operations and financial condition and the price of the Shares.

Constitutional reforms have been proposed in Burkina Faso, which, if enacted, could lead to socio-political unrest.

Since the adoption of Burkina Faso's current constitution in 1991 following a decade of dictatorial rule, Burkina Faso has experienced a period of relative political stability and relatively normal functioning of its democratic institutions. However, the possibility that constitutional reforms will be implemented has increased recently. In particular, the current presidential majority has expressed its desire to amend Burkina Faso's constitution to eliminate the term limit for the country's president. If this constitutional reform is implemented, the current president of Burkina Faso would no longer be prohibited from running in the next presidential election in 2015. Opposition political parties and the public have opposed this plan to amend the constitution. As a result, there is a

risk that if the constitution were amended to eliminate the current presidential term limit, this could lead to socio-political unrest, which, in turn, could have a material adverse effect on the Group's Burkina Faso operations.

The Guinea and Burkina Faso mining industries have been subject to labour unrest.

Guinea has a history of labour unrest in the mining industry. For example, output at the RUSAL Friguia alumina refinery in Guinea was almost completely halted by a 16-day strike over pay in April 2010. In early 2007, Crew Gold's LEFA mine was affected by two national strikes. In August 2010, the Group experienced a brief illegal strike at the LEFA mine which arose quickly on the basis of a minor grievance. In addition, wildcat strikes and blockades by residents are common in Guinea, with mining firms often being targeted in protests at the lack of basic infrastructure and utilities.

The Burkina Faso mining industry has also experienced labour unrest, in particular in relation to demands by workers for improving living and working conditions. In addition, workers frequently express dissatisfaction regarding the substantial difference in the treatment of local workers and expatriates.

Such labour unrest could have a material adverse effect on the Group's operations in Burkina Faso and Guinea.

The Group faces certain risks in dealing with malaria and a wide range of infectious diseases, which may have an adverse effect on its results of operations.

Malaria and a wide range of infectious diseases pose significant health risks to employees at the Group's operations in Burkina Faso and Guinea. Malaria is a major cause of morbidity and mortality in young children and pregnant women and is a leading cause of absenteeism in Group employees. Waterborne diseases and conditions (such as diarrhoea, dysentery and typhoid) are prevalent in rural areas and exacerbated by poor nutrition, lack of clean water and inadequate health services. While the Group has comprehensive malaria control programmes at its mine sites in Burkina Faso and Guinea, if such diseases are uncontrolled, they could have an adverse effect upon productivity and profitability levels of the Group's operations located in these regions. HIV and AIDS are prevalent throughout sub-Saharan Africa and could affect the Group's operations in the future.

Risks relating to the Group's structure

The Major Shareholder will exercise significant control over the Group after the Offer and, as a result, investors may not be able to influence the outcome of important decisions in the future.

Immediately following the Offer and Admission, OAO Severstal (the "Major Shareholder"), will beneficially own approximately 70 per cent. of the issued Shares in the Company (assuming the Over-Allotment Option is not exercised). As a result, the Major Shareholder, whose interests may differ from or be adverse to those of other Shareholders, will be able to exercise significant influence over all matters requiring shareholder approval, including the election of Directors, the approval of significant corporate transactions, the issuance of Shares or other equity securities and the payment of any dividends on the Shares. OAO Severstal is beneficially owned by Alexey Mordashov, and thus he indirectly controls the Company. In addition, OAO Severstal will be the provider of a number of services to the Group and, accordingly, is important to the Group from an operational perspective.

Although the Company has entered into the Relationship Agreement with the Major Shareholder to ensure that the Group is capable of carrying on its business independently, and to ensure that transactions and relationships between the Group and the Major Shareholder are at arm's length and on normal commercial terms, including the agreements relating to the supply of services by the Severstal Group to the Group set out in Part 8 "Major Shareholder and Related Party Transactions", there can be no assurance that the Major Shareholder will adopt such a course of action and the Major Shareholder is nevertheless in a position to exercise significant influence over matters requiring the approval of Shareholders and will be important to the Group from an operational perspective. See Part 8 "Major Shareholder and Related Party Transactions" for further information about the Relationship Agreement. In addition, although the Major Shareholder has agreed not to dispose of its Shares for a period of 180 days from Admission, the Major Shareholder may subsequently sell all or part of its holding of Shares. See Part 13 "The Offer — Lock-up arrangements" for further details of the lock-up restrictions.

Furthermore, the concentration of ownership may delay or deter a change of control of the Group (including deterring a third party from making a takeover offer for the Company), deprive Shareholders of an opportunity to receive a premium for their Shares through a sale of the Company and affect the market price and liquidity of the Shares.

The Company believes that the involvement of the Major Shareholder in the operation of the Group has been, and will continue to be, important in the pursuit and implementation of its business strategy. However, Severstal may not

remain the Major Shareholder in the future. The Group's business, results of operations and financial condition and the trading price of the Shares could be materially adversely affected if Severstal ceases to actively participate in the operations of the Group.

A substantial portion of the Group's assets were obtained through the acquisition of interests in public companies, and limited due diligence was conducted in connection with such acquisitions.

The Group holds the Irokinda, Zun-Holba, Berezitovy and Taparko mines, its interest in the Prognoz silver deposit and other exploration projects through its 72.64 per cent. interest in High River Gold Mines Ltd., a company listed on the Toronto Stock Exchange, which was acquired primarily in market transactions and after performing limited due diligence. Some of the Group's assets in Kazakhstan were originally obtained through market purchases of shares in a listed entity, Celtic Resources Holdings plc. Most recently, the Group's controlling interest in Crew Gold Corporation, a company listed on the Toronto Stock Exchange and the Oslo Stock Exchange, was obtained through a series of market transactions where the Group was not able to perform the same level of due diligence as it would otherwise be able to undertake in the acquisition of a private company. As a consequence, there can be no assurance that liabilities will not materialise of which the Group was not aware or that the target's operations and asset base are not worse than expected, all of which could have been exposed as part of a more thorough due diligence exercise. Such liabilities could include claims by third parties to challenge the validity of transactions entered into by the previous owner of the acquired assets, for which the Group had no direct responsibility. Any such liabilities could have a material adverse effect on the Group's operations and, consequently, on the value of the Shares.

A significant subsidiary within the Group remains a public company with minority shareholders.

The Group holds a controlling, but not 100 per cent., interest in High River Gold Mines Ltd., whose shares are listed on the Toronto Stock Exchange. Minority shareholders in High River Gold Mines Ltd. could sue for damages in respect of transactions entered into by High River Gold Mines Ltd. with related parties, including other Group entities or entities within the Severstal Group. While the Group's ability to enter into such transactions in the future would not be prohibited, the potential for lawsuits by minority shareholders could diminish the Group's incentives for engaging in transactions with related parties. Such actions by minority shareholders could also generate negative publicity for the Group and consume management resources, which could have a material adverse effect on the Group's operations and, consequently, on the value of the Shares.

The Group may face potential third party challenges or regulatory review in relation to the acquisition of certain of its businesses.

The Group's interests in High River Gold Mines Ltd. and Crew Gold Corporation were acquired in a competitive environment which included competitive bids from third parties, in circumstances where each target entity was experiencing financial difficulties which decreased their value. There can be no assurance that the Group's acquisition of interests in High River Gold Mines Ltd. or Crew Gold Corporation would not subsequently be challenged, either by the third parties against whom the Group was bidding or by the former shareholders whose shares were acquired in the context of each target's financial difficulties and the related impact on the price of each target's shares. Moreover, there can be no assurance that regulators, including the Toronto Stock Exchange in respect of High River Gold Mines Ltd. and Crew Gold Corporation and the Oslo Stock Exchange in relation to Crew Gold Corporation, would not investigate the validity of the Group's acquisition of interests in those entities. Any subsequent costs associated with such challenges or investigations, including the potential subsequent rescission of the sales contracts for the Group's interests in those entities, could have a material adverse impact on the Group's operations and, consequently, on the value of the Shares.

The Group may enter into arrangements or transactions with related parties or affiliates.

The Group has entered into, and will continue to enter into, arrangements or transactions with related parties, including OAO Severstal, companies controlled by it or in which it owns a controlling interest, and with entities in which the Executive and/or Non-Executive Directors are connected, which may be on terms that are not solely determined by market prices. The Company is aware of its obligations under the Listing Rules with respect to related party transactions and the Group will endeavour to ensure that prospective related party transactions are properly reported and approved, including by its Shareholders where necessary.

The Group may become subject to unanticipated tax liabilities that have a material adverse effect on the Group or the Shareholders.

The Group is subject to the tax laws of several jurisdictions, including the United Kingdom, Canada, the Netherlands, the Russian Federation, Kazakhstan, Burkina Faso and Guinea. The combined effect of the application to the Group of the tax laws of more than one of these jurisdictions and/or their interpretation by the relevant tax authorities could, under certain circumstances, produce contradictory results (including recognition of taxable permanent establishments and different application of transfer pricing rules) and/or materially and adversely affect the Group's business, financial conditions and operating results.

The Company is incorporated under Netherlands law and on this basis is subject to Netherlands tax laws as a Netherlands resident tax payer. The Company, as well as, in certain cases, the holders of Shares in the Company, may rely on the residency for tax purposes of the Company being solely in The Netherlands, including for the purposes of application of agreements for the avoidance of double taxation concluded by The Netherlands and other jurisdictions (tax treaties).

Tax liabilities of the Company and the non-Russian subsidiaries of the Company are determined on the assumption that such company is not subject to Russian profits tax because it does not have a permanent establishment in the Russian Federation. Generally, in most jurisdictions a foreign legal entity may be required to pay income tax if it is a tax resident of such jurisdiction or if its activities constitute a permanent establishment in such a jurisdiction. The concept of permanent establishment and tax residency for legal entities introduced by domestic and international law is subject to interpretation. It is possible that with the evolution of the interpretation of these rules and the changes in the approach of the Russian tax authorities, the non-taxable status of some of the foreign companies of the Group may be challenged in the Russian Federation.

Crew Gold Corporation, although incorporated in Canada, has taken the position that it either is, or for other reasons may be treated as, tax resident in the United Kingdom. Should the UK tax residency status of Crew Gold Corporation be confirmed one of its subsidiaries could also be deemed to be UK tax resident although it currently declares itself to be Canadian tax resident. If the Canadian tax authorities were to take the position that such entities have left Canada for tax purposes, they may be liable for departure and secondary exit taxes. See Note 26a (Commitments and contingencies-Taxation systems in the Russian Federation, Kazakhstan, Burkina Faso and Guinea) of Section B of Appendix 1 "Financial Information".

If the Group's tax position were successfully challenged by the applicable tax authorities, or if there were changes in tax laws or the interpretation or application thereof (which could in certain circumstances have retroactive effect) or in the manner in which the Group conducts its activities, the Group could become subject to tax liabilities. If, for example, the Company's sole residency in The Netherlands for tax purposes were successfully challenged by any tax authority or if there were changes in relevant tax treaties (including the termination or suspension of a tax treaty) or the interpretation or application thereof (which could in certain circumstances have retroactive effect), the Company, as well as holders of Shares in the Company, could become subject to unanticipated tax liabilities and holders of Shares in the Company could become subject to different tax treatment in respect of the acquisition, holding, redemption or disposal of Shares in the Company.

Tax treatment for non-Dutch investors in a Dutch company may vary.

Tax treatment of non-Dutch investors in a Dutch company will vary and depend on the country and/or state of citizenship, domicile or residence of the investor, the applicable law in the country and/or state of citizenship, domicile or residence of the investor, the applicability of any double taxation agreement between the Netherlands and the country and/or state of citizenship, domicile or residence of the investor and the terms of that double taxation agreement. For a general description of the Dutch, United Kingdom and United States tax consequences of the acquisition, holding and disposal of Shares reference is made to Part 14 "Taxation" below. Part 14 "Taxation" does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to acquire, to hold or to dispose of the Shares. Each prospective investor should consult a professional tax adviser regarding tax consequences of acquiring, holding and disposing of the Shares under the laws of their country and/or state of citizenship, domicile or residence.

Risks relating to the Shares

There has been no prior public trading market for the Shares, and an active trading market may not develop or be sustained in the future.

Prior to the Offer, there has been no public trading market for the Shares. Although the Company has applied to the Financial Services Authority for admission to the premium segment of the Official List and has applied to the

London Stock Exchange for admission to trading on its main market for listed securities, the Company can give no assurance that an active trading market for the Shares will develop or, if developed, can be sustained following the closing of the Offer. If an active trading market is not developed or maintained, the liquidity and trading price of the Shares could be adversely affected.

The share prices of publicly traded companies can be highly volatile.

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, the market price of the Shares may prove to be highly volatile. The market price of the Shares may fluctuate significantly in response to a number of factors, many of which are beyond the Group's control, particularly gold price fluctuations as well as variations in operating results in the Group's reporting periods; changes in financial estimates by securities analysts; changes in market valuation of similar companies; announcements by the Group of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments; additions or departures of key personnel; any shortfall in revenue or net income or any increase in losses from levels expected by securities analysts; future issues or sales of Shares; and stock market price and volume fluctuations. Any of these events could result in a material decline in the price of the Shares and could result in subscribers for the Shares losing their entire investment in the Shares.

Investors' rights as shareholders will be governed by Dutch law and may differ in some respect from the rights of shareholders under the laws of other countries.

The Company is a public limited liability company incorporated under the laws of the Netherlands. The rights of the Shareholders will be governed by the Articles of Association (as defined herein) and by Dutch law. These rights may differ in some respects from the rights of shareholders in corporations organised outside of the Netherlands. See Part 15 "Additional Information — Articles of Association" and "Additional Information — Dutch Law Considerations" for a summary of the Articles of Association as in force following Admission and applicable Dutch law. In addition, it may be difficult for investors to prevail in a claim against the Company under, or to enforce liabilities predicated upon, the securities laws of jurisdictions outside of the Netherlands. See Part 15 "Additional Information — Service of process and enforcement of civil liabilities".

The Company's ability to pay dividends will depend upon its freely distributable reserves and distributions by its subsidiaries.

Under Dutch law, the Company may make distributions to Shareholders and other persons entitled to distributable profits only up to the amount of the part of the Company's net assets which exceeds the nominal value of the issued share capital of the Company and its reserves which must be maintained by virtue of the law. The Company's subsidiaries own effectively all the Group's assets and conduct all of the Group's operations. Consequently, the Company's ability to pay dividends to Shareholders is dependent on the generation of cash flow by its subsidiaries and their ability to make cash available to the Company, by dividend or otherwise. Each subsidiary's ability to pay dividends will depend on the law of the jurisdiction in which such subsidiary is incorporated. In the event that the Company does not receive distributions from its subsidiaries, its ability to pay dividends would be limited.

Any offer for the Shares will be subject to the shared jurisdiction of the UK Takeover Panel and the AFM.

Any offer for the Shares will be subject to both the UK Takeover Code and the Dutch public offer rules as contained in the Dutch Financial Supervision Act and the related Decree on public offers (*Besluit Openbare Biedingen Wft*) (the "Dutch Public Offer Rules"). Since the Company is incorporated in the Netherlands and the Shares will be admitted to trading in the UK, the UK Takeover Code will apply in respect of consideration and procedural matters and the Dutch Public Offer Rules will apply in relation to matters relating to information to be provided to trade unions and employees and company law matters, including the convening of a shareholders meeting in the event of a public offer. There can be no certainty as to how the interplay of the UK Takeover Code and the Dutch Public Offer Rules will operate in practice, and Shareholders may be adversely affected in the event that a takeover offer is made for the Company.

Depository Interest Holders must rely on the Depository to exercise their rights.

Holders of the dematerialised depositary interests in respect of Shares ("Depository Interests" or "DIs") issued by the Depository do not have the rights attaching to the underlying Shares and must rely on the Depository or any custodian to either exercise those rights for their benefit or authorise them to exercise those rights for their own benefit.

Holders of Depository Interests ("Depository Interest Holders") do not have the rights that Dutch law and the Articles of Association confer on Shareholders, such as voting rights. In respect of the Shares underlying the Depository Interests those rights vest in the Depository or any custodian. Consequently, if the Depository Interest Holders want to exercise any of those rights they must rely on the Depository or any custodian to either exercise those rights for their benefit or authorise them to exercise those rights for their own benefit. Pursuant to the Deed Poll pursuant to which the Depository Interests are created, the Depository and any custodian must pass on to, and so far as they are reasonably able, exercise on behalf of the relevant Depository Interest Holders all rights and entitlements that they receive or are entitled to in respect of the underlying Shares and that are capable of being passed on or exercised. However, there can be no assurance that all such rights and entitlements will at all times be duly and timely passed on or exercised. See Part 13 "The Offer — CREST and Depository Interests" for more details on the Depository Interests, the Depository Agreement and the Deed Poll.

Future sales of Shares, or the possibility of future sales, could depress the market price of the Shares.

Following the Offer, the Selling Shareholder will continue to own approximately 75 per cent. of the Shares, or approximately 71 per cent. if the Over-Allotment Option is exercised in full. Any sales of substantial amounts of Shares in the public market, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Shares and could impair the Group's ability to raise capital through the sale of additional equity securities. The Company is unable to predict whether substantial amounts of Shares will be sold in the open market following the termination of the lock-up restrictions put in place in connection with the Offer.

Holders of Shares may not be able to exercise pre-emptive rights and as a result may experience substantial dilution upon future issuances of Shares.

Holders of Shares generally will have a pre-emptive right with respect to any issue of Shares or the granting of rights to subscribe for Shares, unless explicitly provided otherwise in a resolution by the general meeting of shareholders of the Company or, to the extent it is designated by the general meeting of shareholders of the Company or the Articles of Association for this purpose, by a resolution of the Board. On 25 January 2011, the Board was designated by the general meeting of Shareholders as the corporate body competent to limit or exclude 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), ending on 25 July 2012. See Part 15 "Additional Information — Articles of Association — Issue of Shares and pre-emptive rights". However, certain holders of Shares outside the Netherlands may not be able to exercise pre-emptive rights unless local securities laws have been complied with. In particular, shareholders located in the United States would not be able to exercise their pre-emptive rights in respect of any issue of Shares unless an effective registration statement was in place or an exemption from the registration requirements of the US Securities Act was available. There can be no assurance that the Company will file any such registration statement or that an exemption to the registration requirements of the US Securities Act will be available, which would result in shareholders located in the United States being unable to exercise their pre-emptive rights, which could in turn result in the substantial dilution of such shareholders' interests in the Company.

If securities or industry analysts do not publish research reports on the Group's business, or they adversely change or make negative recommendations regarding the Shares, the market price and trading volume of the Shares could decline.

The development of an active trading market for the Shares will be influenced by the availability and recommendations of research reports covering the Group's business. If research analysts do not cover the Group's business or do not make positive recommendations regarding the Shares, or if negative research is published on the industry or geographic markets the Group serves, the price and trading volume of the Shares could decline. If one or more research analysts cease to cover the Group's business or fails to regularly publish reports on our business, the Group could lose visibility in the financial markets, which could cause the market price or trading volume of the Shares to decline.

PART 2

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

Investors should rely only on the information in this Prospectus. No person has been authorised to give any information or to make any representations in connection with the Offer, other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, the Selling Shareholder, or any of the Underwriters. No representation or warranty, express or implied, is made by any of the Underwriters or any selling agent as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by any of the Underwriters or any selling agent as to the past, present or future. Without prejudice to any obligation of the Company to publish a supplement to this Prospectus pursuant to the Dutch Financial Supervision Act and/or FSMA, neither the delivery of this Prospectus nor any subscription or sale of Shares pursuant to the Offer shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Group since the date of this Prospectus or that the information contained herein is correct as of any time subsequent to its date.

The Company will update the information provided in this Prospectus by means of a supplement hereto if a significant new factor that may affect the evaluation by prospective investors of the Offer occurs prior to Admission or if this Prospectus contains any mistake or substantial inaccuracy. The Prospectus and any supplement thereto will be subject to approval by the AFM and will be made public in accordance with the relevant rules under the Dutch Financial Supervision Act. If a supplement to this Prospectus is published prior to Admission, investors shall have the right to withdraw their applications for Shares made prior to the publication of the supplement. Such withdrawal must be made within the time limits and in the manner set out in any such supplement (which shall not be shorter than two clear business days after publication of the supplement). For the avoidance of doubt, references in this paragraph to any supplement being published by the Company do not include the Pricing Statement.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Group and the terms of the Offer, including the merits and risks involved.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, the Selling Shareholder, or any of the Underwriters or any of their representatives that any recipient of this Prospectus should subscribe for or purchase the Shares. Prior to making any decision as to whether to subscribe for or purchase the Shares, prospective investors should read this Prospectus. Investors should ensure that they read the whole of this Prospectus and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this Prospectus, including the risks involved.

Investors who subscribe for or purchase Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on any of the Underwriters or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (ii) they have relied on the information contained in this Prospectus, and no person has been authorised to give any information or to make any representation concerning the Group or the Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Directors, the Selling Shareholder or any of the Underwriters.

None of the Company, the Directors, the Selling Shareholder or any of the Underwriters or any of their representatives is making any representation to any offeree, subscriber or purchaser of the Shares regarding the legality of an investment by such offeree, subscriber or purchaser.

In connection with the Offer, the Underwriters and any of their respective affiliates, acting as investors for their own accounts, may subscribe for and/or acquire Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this Prospectus to the Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, dealing or placing by, the Underwriters and any of their affiliates acting as investors for their own accounts. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Responsibility statement

The Directors and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

Information not contained in this Prospectus

No person has been authorised to give any information or make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this Prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Prospectus or that the information in this Prospectus is correct as of any time subsequent to the date hereof.

Presentation of financial information

The Company's audited consolidated financial statements as of and for the years ended 31 December 2007, 2008 and 2009 and as of the nine months ended 30 September 2010 included in this Prospectus have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The significant IFRS accounting policies applied in the financial information of the Company are applied consistently in the financial information in this Prospectus. The financial results for the nine months ended 30 September 2010 are not necessarily indicative of the results for the full year ending 31 December 2010 or for any other interim period or financial year.

The Company's financial year runs from 1 January to 31 December. The financial information included in Appendix 1 "Financial Information" consists of the annual and interim consolidated financial statements of the Company together with audit reports included in Sections A and B. The pro forma financial information of the Group is included in Section C.

Non-IFRS financial measures

This Prospectus includes certain measures that are not measures defined by IFRS ("Non-IFRS measures"). These measures are Normalised EBITDA and Normalised EBITDA margin, total cash costs and net debt, and they are used by the management of the Group to assess the financial performance of the Group. However, these measures should not be used instead of or considered as alternatives to the Group's historical financial results based on IFRS. Non-IFRS measures are unaudited. Each of the non-IFRS financial measures is described below.

Normalised EBITDA and Normalised EBITDA margin

Normalised EBITDA results from operating activities adjusted for income tax expense, financial income and expenses, 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 Company uses Normalised EBITDA in the management reporting of its segments and in assessing the Group's growth and operational efficiencies. The Normalised EBITDA margin is Normalised EBITDA as a percentage of sales.

Information regarding Normalised EBITDA and the Normalised EBITDA margin or similar measures is sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. There are no generally accepted principles governing the calculation of Normalised EBITDA or similar measures and the criteria upon which Normalised EBITDA or similar measures are based can vary from company to company. Normalised EBITDA, by itself, does not provide a sufficient basis to compare the Company's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity. For a reconciliation of Normalised EBITDA to the Group's historical financial results based on IFRS, see Part 10 "Selected Financial and Operational Information".

Total cash costs

Total cash costs measure what the Group 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. The calculations of total cash costs for each relevant period and segment appear in Part 11 "Operating and Financial Review" under "— *Results of Operations*". Cash costs are measured against total ounces of gold produced.

Net debt

In order to assess the Group's liquidity position, 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. For more information, see notes 12 and 20 to the financial statements included in Section A of Appendix 1 "Financial Information". For a calculation of net debt, see Part 11 "Operating and Financial Review" under "— *Liquidity and Capital Resources — Cash resources*".

Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises controlled, directly or indirectly, by the Company. The financial statements of subsidiaries are included in the Group's consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The non-controlling interests represent the non-controlling shareholders' proportion of the net identifiable assets of the subsidiaries, including the non-controlling shareholders' share of fair value adjustments on acquisitions. The non-controlling interests are presented in the statement of financial position within equity, separately from the Company's shareholders' equity.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the Group's consolidated financial statements; unrealised losses are also eliminated unless the transaction provides an evidence of impairment of the asset transferred.

Accounting for acquisitions of interests in companies under common control

IFRS provides no guidance on the accounting for acquisitions of entities under common control. Management adopted an accounting policy for such transactions based on the relevant guidance of accounting principles generally accepted in the United States. Management believes that this approach and the accounting policy disclosed below are in compliance with IFRS.

Acquisitions of controlling interests in companies that were previously under the control of the Company's ultimate parent, OAO Severstal, are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date on which control was obtained by OAO Severstal. The assets and liabilities acquired are recognised at their book values. The components of equity of the acquired companies are added to the same components within Group equity except that any share capital of the acquired companies is recorded as a part of additional capital. Cash consideration for such acquisitions is recognised as a liability to related parties, with a corresponding reduction in equity, from the date the acquired company is included in the Group's consolidated financial statements until the cash consideration is paid. The Shares issued in consideration for the acquired companies are recognised from the moment of the actual issuance.

Currency presentation

Unless otherwise indicated, all references in this Prospectus to "sterling", "pounds sterling", "GBP", "£", or "pence" are to the lawful currency of the United Kingdom. All references to "US dollars" or "US$" are to the lawful currency of the United States. All references to the "euro" or "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. All references to "roubles" or "RUR" are to the lawful currency of the Russian Federation. All references to "tenge" or KZT are to the lawful currency of Kazakhstan. All references to "CFA francs" are references to the Communauté Financière Africaine franc, the lawful currency of Burkina Faso. All references to "Guinean francs" are references to the lawful currency of Guinea.

The presentational currency of the consolidated financial statements of the Group is the US dollar. The functional currency of the Company is the euro. The functional currency for all Russian entities of the Group is the rouble. The functional currency for all Kazakh entities of the Group is the tenge. The functional currency of all Group entities in Burkina Faso is the CFA franc. The functional currency of all Group entities in Guinea is the Guinean franc.

The average exchange rates of the Group's main functional currencies, other than the US dollar, are shown relative to the US dollar below. The average rates in the table below are daily weighted averages, but they are not necessarily the rates

used to translate the Group's results due to the seasonality of its earnings. These exchange rates should not be construed as representations that the relevant currency could be converted into sterling at the rate indicated or at any other rate:

Rate against US dollar on	pounds sterling	euro	rouble	tenge	CFA franc	Guinean franc
31 December 2007	0.502	0.679	24.546	120.30	448.66	4289.00
31 December 2008	0.696	0.719	29.380	120.77	471.89	4984.00
31 December 2009	0.619	0.694	30.244	148.36	457.26	4997.00
31 December 2010	0.639	0.722	30.477	147.40	490.88	7050.00
14 January 2011	0.630	0.749	30.092	147.12	492.56	7400.00
Average rate against US dollar for the year ended	**pounds sterling**	**euro**	**rouble**	**tenge**	**CFA franc**	**Guinean franc**
31 December 2007	0.499	0.726	25.494	122.55	476.54	4494.91
31 December 2008	0.550	0.683	24.979	120.30	448.83	4633.76
31 December 2009	0.639	0.694	31.933	147.50	471.34	4977.96
31 December 2010	0.649	0.758	30.379	147.34	497.04	5675.42

Sources: For pounds sterling, the Bank of England; for euro, the European Central Bank; for rouble, the Central Bank of the Russian Federation; for tenge, the National Bank of the Republic of Kazakhstan; for CFA franc, Bloomberg; for the Guinean franc, Bloomberg. The average in respect of a year is calculated as the average of the exchange rates on the last business day of each month for the relevant year.

Roundings

Certain data in this Prospectus, including financial, statistical, and operating information has been rounded. As a result of the rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100 per cent.

Mineral reserve and mineral resource reporting

The majority of the resource and reserve estimates presented in this Prospectus have been prepared in accordance with the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") or by Wardell Armstrong International or other international consultants, with the remainder classified under the standards of the state commission on mineral reserves (*Gosudarstvennaia Komissia Po Zapasam*) of the Russian Federation ("GKZ") upon which Wardell Armstrong International has made comment. The JORC Code differs in several significant respects from SEC Industry Guide 7, which governs disclosures of mineral reserves in registration statements and reports filed with the SEC. In particular, Industry Guide 7 does not recognise classifications other than proven and probable reserves, and the SEC does not permit mining companies to disclose mineral resources in SEC filings.

Information contained in this Prospectus relating to estimates of ore reserves and mineral resources was audited by Wardell Armstrong International as of 1 November 2010. See Appendix 2 "Mineral Expert Report".

Mineral resource figures are estimates of the quantity and quality of material in the ground that has the potential to be exploited and ore reserve figures are estimates of that material which has been planned to be exploited as of the date of the estimate. The ore reserve and mineral resource estimates contained herein inherently include a degree of uncertainty and depend to some extent on geological assumptions and statistical inferences which may ultimately prove to have been unreliable. Consequently, ore reserve and mineral resource estimates should be regularly revised based on actual production experience or new information and should therefore be expected to change. Notably, should the Company encounter mineralisation or formations different from those predicted by past drilling, sampling and similar examinations, ore reserve and mineral resource estimates may have to be adjusted and mining plans may have to be altered in a way that might adversely affect the Company's operations. Moreover, if the price of gold declines, or stabilises at a price lower than recent levels, or if production costs increase or recovery rates decrease, it may become uneconomical to recover ore reserves containing relatively lower grades of mineralisation and consequently both the ore reserves and mineral resources may decrease. Similarly, should the price of gold stabilise at a materially higher price than currently assumed, or if production costs decrease or recovery rates increase, it may become economical to recover material at lower grades than that assumed here and consequently both the ore reserves and mineral resources may increase.

The Company confirms that all such data contained in this Prospectus has been accurately reproduced and, so far as the Company is aware and able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third-party information has been used in this Prospectus, the source of such information has been identified.

Definitions and glossary of technical terms

Certain terms used in this Prospectus, including all capitalised terms and certain technical and other items, are defined and explained in Part 16 "Definitions and Glossary of Technical Terms".

Information regarding forward-looking statements

This Prospectus includes forward-looking statements which involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on the Directors' current beliefs and expectations about future events. Forward-looking statements are sometimes indentified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Directors or the Group concerning, among other things, the results of operations, financial condition, prospects, growth, strategies, and dividend policy of the Group and the industry in which it operates. In particular, the statements under the headings "Summary", "Risk Factors", "The Business" and "Operating and Financial Review" regarding the Company's strategy and other future events or prospects are forward-looking statements.

These forward-looking statements and other statements contained in this Prospectus regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements. Such forward-looking statements contained in this Prospectus speak only as of the date of this Prospectus. The Company, the Directors, the Selling Shareholder and the Underwriters expressly disclaim any obligation or undertaking to update these forward-looking statements contained in this Prospectus to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, the Dutch Financial Supervision Act, the Listing Rules, or the Disclosure and Transparency Rules of the FSA.

Available information

For so long as any of the Shares are in issue and are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act, the Company will, during any period in which it is not subject to section 13 or 15(d) under the US Securities Exchange Act of 1934, as amended (the "US Exchange Act"), nor exempt from reporting under the US Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of a Share, or to any prospective purchaser of a Share designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the US Securities Act.

No incorporation of website information

The contents of the Company's websites do not form part of this Prospectus.

PART 3

DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS

Directors	Philip Baum Nikolai Zelenski Sergey Zinkovich Vadim Larin Alexey Kulichenko Peter Lester David Morgan Michael Nossal	
Company Secretary	TMF Corporate Administration Services Limited Pellipar House 1st Floor 9 Cloak Lane London EC4R 2RU United Kingdom	
Registered office of the Company	Strawinskylaan 3105 1077 ZX Amsterdam The Netherlands	
Sponsor, Joint Global Co-ordinator, Joint Bookrunner and Underwriter	Morgan Stanley & Co. International plc 25 Cabot Square Canary Wharf London E14 4QA United Kingdom	
Joint Global Co-ordinator, Joint Bookrunner and Underwriter	Credit Suisse Securities (Europe) Limited One Cabot Square London E14 4QJ United Kingdom	
Joint Bookrunner and Underwriter	TD Investments Limited 2-4 Arch. Makarios III Avenue Capital Center 9th Floor Nicosia 1065 Cyprus	
Co-Manager	Canaccord Genuity Limited Cardinal Place 7th Floor 80 Victoria Street London SW1E 5JL United Kingdom	
English, US, Dutch and Russian legal advisers to the Company	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS United Kingdom	Freshfields Bruckhaus Deringer LLP Kadashevskaya nab. 14/2 Moscow 119017 Russian Federation
	Freshfields Bruckhaus Deringer LLP Strawinskylaan 10 1077 XZ Amsterdam The Netherlands	

Kazakh legal advisers to the Company	GRATA Law Firm 104, M.Ospanov Str. Almaty, Kazakhstan	
Burkina Faso legal advisers to the Company	Kam & Some 35, Rue 3.08 Ouagadougou Villa n° 152 Cité AN III 01 BP 727 Ouagadougou 01 Burkina Faso	
Guinea legal advisers to the Company	Maitre Abdoul Kabele Camara Avocat a la Cour 1st floor, Salah Ankah Building 5th Avenue Manquepas Kaloum Conakry, BP 4057 Guinea	
English, US, Dutch and Russian legal advisers to the Sponsor, Joint Global Co-ordinators, Joint Bookrunners and Underwriters	Linklaters LLP One Silk Street London EC2Y 8HQ United Kingdom Linklaters LLP World Trade Centre Amsterdam Tower H, 22nd Floor Zuidplein 180 1077 XV Amsterdam The Netherlands	Linklaters CIS Paveletskaya sq. 2 bld. 2 Moscow 115054 Russian Federation
Reporting Accountants and Auditors	ZAO KPMG Naberezhnaya Tower Complex Block C 10 Presnenskaya Naberezhnaya Moscow 123317 Russian Federation	
Mineral Expert	Wardell Armstrong International Wheal Jane Baldhu Truro Cornwall TR3 6EH United Kingdom	
Depository	Capita Registrars Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom	

PART 4

EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND OFFER STATISTICS

Expected timetable of principal events

Event	Time and Date
Publication of the Pricing Statement containing the Offer Price	11 February 2011
Commencement of conditional dealings on the London Stock Exchange	8.00am on 11 February 2011
Admission and commencement of unconditional dealings on the London Stock Exchange	8.00am on 16 February 2011
CREST accounts credited with DIs	16 February 2011

It should be noted that, if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

All times are London times. Each of the times and dates in the above timetable is subject to change, which will be announced in a press release on the Company's website.

Offer statistics

Offer Price Range	300 pence to 390 pence (inclusive) per Share
Number of Shares in the Offer[(2)]	208,000,000
— to be issued by the Company	113,100,000
— to be sold by the Selling Shareholder[(2)]	94,900,000
Percentage of the enlarged issued Share capital in the Offer[(2)]	25%
Maximum number of Shares subject to the Over-allotment Option	31,200,000
Number of Shares in issue following the Offer	830,688,360
Estimated gross proceeds of the Offer receivable by the Selling Shareholder[(1)(2)]	£327 million
Estimated net proceeds of the Offer receivable by the Company[(1)(3)]	£367 million
Expected market capitalisation of the Company following the Offer[(1)]	£2,865 million

Notes:
(1) Assuming an Offer Price at the mid-point of the Offer Price Range.
(2) Assuming no exercise of the Over-allotment Option.
(3) After estimated fees and expenses of approximately £23 million.

PART 5

MARKET OVERVIEW

The following information relating to the gold market and industry overview has been provided for background purposes only. The information has been extracted from a variety of sources released by public and private organisations. The industry information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Gold Market Overview

Background

Gold is a dense, relatively soft and rare precious metal which occurs in natural form as nuggets or grains in rocks, underground veins and alluvial deposits. Over time, gold mining operations throughout the world have evolved from predominantly deep level underground mines to large low grade open pit operations with gold currently able to be commercially extracted from ore grades as low as 0.5 g/t. Gold has principally been used as a store of value and for jewellery production, however, certain physical properties of gold including malleability, ductility, electric conductivity, resistance to corrosion and reflectivity make it the metal of choice in a number of industrial applications as well.

Demand

Demand for gold includes fabrication, the main component of which is jewellery fabrication, and investment demand that combines private investment and official gold purchases by central banks, government bodies and supranational organisations. In 2009 total demand for gold equalled approximately 4,287 tonnes, the main components of which were jewellery fabrication at approximately 1,759 tonnes; other fabrication at 658 tonnes; implied net investment, including bar hoarding, at 1,616 tonnes; and net producer de-hedging at 254 tonnes.

Historically jewellery fabrication accounted for the majority of demand for gold. Over the last decade the increase in demand for gold is primarily attributed to increasing investment demand as fabrication demand has been declining. Investment demand as a percentage of total demand increased from 12 per cent. in 2002 to 38 per cent. in 2009. In 2008 and 2009 concerns over financial and economic stability triggered a surge in investment demand.

Net investment in gold in 2009 more than doubled from 716 tonnes in 2008 to approximately 1,616 tonnes. 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 over the past several years. While historically the official sector activity was mainly neutral or in a net sales position, in 2008 and 2009 net official sector sales declined sharply and 2010 was a year of net official sector purchases as central banks of many emerging economies, including China and Russia, sought to diversify their foreign reserves and increase their gold holdings. As a result of higher gold prices and an economic slowdown, fabrication demand fell 16 per cent. or by 472 tonnes in 2009 as compared to 2008 with its principal component, jewellery demand, declining by 20 per cent. Fabrication demand however continues to be an important component of total demand representing 56 per cent. of total global demand in 2009.

The Directors believe that the outlook for gold demand is positive as investment demand is currently expected to remain strong on the back of continued uncertainty in the global financial markets, inflation expectations and foreign currency volatility. Demand for gold also should be supported by fabrication demand from the jewellery sector, especially in the Emerging Markets of India and China. However, due to the high price sensitivity of jewellery demand it is likely that investment will remain the key component of overall demand in the short term.

Supply

Supply of gold consists of new production from mining, the recycling of gold scrap and releases from existing stocks of bullion. In 2009 total supply of gold equalled approximately 4,287 tonnes, of which mine production was 2,572 tonnes, supplies from scrap were 1,674 tonnes and official sector sales were 41 tonnes. Mine production represents the most important source of supply and has been steadily falling since 2001 as a decline in production due to lower grades and lack of investment during periods of low gold prices more than offset production from new mines. Mine production increased by 163 tonnes or 6.8 per cent. in 2009 representing the first annual increase for three years following strong growth from a number of new projects and operating mines. Scrap supplies have been volatile in the past but nevertheless consistently represents the second largest source of gold supply. Due to the record high gold prices in 2009, scrap supply expanded by 27 per cent. to reach an all time high. Existing stocks of

gold held by the official sector as of May 2010 amount to 30,527 tonnes of gold, which is equivalent to over 11 years of 2009 global mine production. Official sector sales have become an important provider of liquidity and incremental supply to the market in recent years, however, sales by Central Bank Gold Agreement ("CBGA") participant banks declined during the 2007 to 2009 period with other countries' central banks increasing their combined gold holdings during this period.

The outlook for mine production from all gold mining companies over the next five to ten years, which currently represents over 60 per cent. of total global supply, is one of gradual decline. The primary drivers for the global decline are a trend of lower grade production by many producers; increasing delays and impediments in bringing projects, especially large-scale projects, to the production stage; inflationary pressures on capital costs that have subsequently eased, but have been replaced by global financing conditions that constrain the ability of mining companies to finance projects; and a lack of global exploration success in recent years. A decrease in global industry production has the potential to increase the sustainable long-term gold price, assuming demand for gold remains at the current level.

Pricing

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 of gold can be brought back to 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 a small portion of the total potential supply of gold available for sale. This has meant that the price of gold has historically been less volatile than that of most other commodities. However rising investment demand against a backdrop of relatively flat supply as declining mine production and official sector sales offset rising scrap volumes has resulted in a steadily increasing gold price over the same period.

The price of gold has historically been significantly affected by macroeconomic factors, such as inflation, exchange rates, reserve policy and by global political and economic events. Gold is often purchased as a store of value in periods of price inflation and weakening currency. In particular, 2009 saw a record level of investment demand driven by concerns over financial stability, a weaker U.S. dollar, higher gold price expectations and growing concerns regarding future trends in inflation. This investment demand contributed to the gold price reaching a historic high in 2009 of US$1,218.25 per ounce on 3 December 2009. The gold price reached a new historic high of US$1,421.00 per ounce on 9 November 2010. The average gold price in 2010 was US$1,224.52 per ounce and the gold price on 17 January 2011 was US$1,360.50 per ounce.

Market outlook

A number of factors appear supportive of future gold demand and prices, including uncertainty in the global financial markets, the amount of monetary stimulus being injected into the global economy, possible inflationary pressures in the medium term from an exceptionally low interest rate environment, the possibility of currency revaluations, including US dollar depreciation, and a sharp increase in government spending globally in response to the financial crisis.

Sources:

(a) Gold prices have been sourced from London Bullion Market Association.

(b) All statistics (other than gold prices and gold reserves) have been sourced from GFMS 2010 Gold Survey.

(c) Gold reserves figures have been sourced from IMF statistics.

PART 6

THE BUSINESS

Investors should read this Part 6 "The Business" in conjunction with the more detailed information contained in this Prospectus including the financial and other information appearing in Part 11 "Operating and Financial Review". Where stated, financial information in this section has been extracted from Appendix 1 "Financial Information".

Overview

The Group is an established pure-play gold producer focused on emerging markets with eight producing mines, two development projects, 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, the Group has grown both by acquisitions and organically, increasing its production (including gold equivalent ounces of silver) from approximately 21 Koz in 2007 to approximately 534 Koz in 2009. The Group produced approximately 589 Koz on a fully consolidated basis in 2010, with LEFA mine production accounted for only from August 2010. The Group targets production of over 1.0 Moz from its operating mines and development projects on a fully consolidated basis by 2013. As of 1 November 2010, the Group's resource base consisted of 23.0 Moz of gold resources on a fully consolidated basis and 103 Moz of silver resources (represented by a 50 per cent. interest in the Prognoz silver deposit) classified as measured, indicated and inferred according to JORC and 8.9 Moz of proven and probable gold reserves according to JORC. In 2009 and the nine months ended 30 September 2010 the Group's Normalised EBITDA margin was 45.7 per cent. and 48.1 per cent. respectively and the Group's average total cash cost was approximately US$477/oz, and US$540/oz respectively which places the Group in the middle of the cost curve when compared with publicly traded West African and Russian peers.

The Group organises its business into eight reporting segments across three core regions:

West Africa:

- *Somita:* This segment comprises the Taparko mine in Burkina Faso, an open pit gold mine consisting of three open pit deposits. In 2009, this segment generated Normalised EBITDA of US$50.0 million and production of 97.7 Koz of gold. In 2010, production was approximately 127 Koz. Somita's JORC compliant resources amount to approximately 0.9 Moz of gold as of 1 November 2010.
- *Crew Gold:* This segment comprises the LEFA mine in Guinea, an open pit gold mine consisting of two material open pit deposits. The Group acquired a 50.17 per cent. controlling stake in Crew Gold Corporation ("Crew Gold") on 26 July 2010, which increased to a 93.38 per cent. interest in September 2010 and 100 per cent. in January 2011. Results are consolidated from the date of acquisition of the controlling interest. In 2009, the mine produced 178 Koz of gold. From August to December 2010, production was approximately 73 Koz. LEFA's JORC compliant resources amount to approximately 5.6 Moz of gold as of 1 November 2010.
- *Development West Africa:* This segment comprises a number of mines in the development and exploration stage located in West Africa. The key development project in West Africa is at Bissa, which is expected to begin production in 2013. The Group also has over 30 exploration permits in Burkina Faso, where exploration works are being carried out, and assessment of exploration potential at licence areas that belong to Crew Gold in Guinea is currently underway.

Kazakhstan:

- *Celtic and Semgeo:* This segment comprises the Suzdal underground gold mine in Kazakhstan and gold deposits in the auxiliary open pit gold mines of Zherek and Balazhal in the vicinity of Suzdal, which are currently under technological review. In 2009, this segment generated Normalised EBITDA of US$60.5 million and production of 115.3 Koz of gold. In 2010, production was approximately 87 Koz. Suzdal's JORC compliant resources amount to approximately 1.4 Moz of gold as of 1 November 2010 with Zherek and Balazhal adding approximately 0.8 Moz of measured, indicated and inferred resources.

Russia:

- *Berezitovy:* This segment comprises an open pit gold mine located in the Amur region of the Russian Federation. In 2009, this segment generated Normalised EBITDA of US$36.8 million and production of 87.3 Koz of gold. In 2010, production was approximately 71 Koz. Berezitovy's JORC compliant resources amount to approximately 1.4 Moz of gold as of 1 November 2010.

- *Buryatzoloto:* This segment comprises the operations of Zun-Holba and Irokinda, two underground gold mines, located in the Buryatia Republic of the Russian Federation. In 2009, this segment generated Normalised EBITDA of US$69.6 million and production of 154.6 Koz of gold. In 2010, production was approximately 136 Koz. Their combined JORC compliant resources amount to approximately 0.5 Moz of gold as of 1 November 2010.

- *Neryungri-Metallik and Aprelkovo:* This segment comprises open pit gold mines in the Republic of Yakutia and Transbaikal region of the Russian Federation. In 2009, this segment generated Normalised EBITDA of US$23.1 million and production of 79.1 Koz of gold. In 2010, production was approximately 94 Koz. Their combined JORC compliant resources amount to approximately 3.1 Moz of gold as of 1 November 2010.

- *Development Russia*: This segment comprises mines in the exploration and evaluation stage located in the Russian Federation. The primary focus of this segment is the Gross project.

The Company has two development projects and a large number of exploration projects and licences. The key development projects are Gross and Bissa:

- *Bissa:* Located in Burkino Faso, Bissa is an actionable late-stage development project which is expected to contribute 93 Koz and 161 Koz of production in 2013 and 2014, respectively. Bissa's JORC compliant resources amount to approximately 2.9 Moz of gold as of 1 November 2010.

- *Gross*: Located four kilometres from the Neryungri mine in the Republic of Yakutia in the Russian Federation, Gross is a development project expected to contribute 61 Koz and 110 Koz of production in 2013 and 2014, respectively. Gross's JORC compliant resources amount to approximately 5.4 Moz of gold as of 1 November 2010.

Key exploration projects include the LEFA and Banora corridors in Guinea, Bouly, Zinigma, Gougre and Labola in Burkina Faso and Prognoz, Nerchinsk, Uryakh and Vitimkan in Russia. Prognoz, located in the Republic of Yakutia in the Russian Federation, 444 kilometres north of Yakutsk, is one of the largest high grade undeveloped primary silver deposits in the world with current JORC compliant resources of 205 Moz of silver. Management believes that the significant existing resource base has further exploration potential. The Group holds its interest in Prognoz through its 72.64 per cent. interest in High River Gold, which in turn indirectly holds a 50 per cent. interest in Prognoz. In addition the purchase, subject to due diligence, of the remaining shares of Sacre-Coeur Minerals Ltd. will upon completion give the Group exposure to exploration projects in Guyana, South America.

Brief financial and operational performance overview

In 2009 and the nine months ended 30 September 2010, the Group generated revenue of US$517.6 million and US$485.3 million, respectively, and Normalised EBITDA of US$236.3 million and US$233.6 million, respectively, reflecting margins of 45.7 per cent. and 48.1 per cent., respectively. In 2009 and the nine months ended 30 September 2010, the Group's total cash costs of gold production per ounce sold were US$477.4/oz and US$540/oz respectively.

The table below sets out the Group's gold production output and revenue for the years ended 2008 and 2009 and the nine month periods ended 30 September 2009 and 2010. The table below also sets out the Group's Normalised EBITDA and cash costs for the years ended 31 December 2008 and 2009 and the nine month periods ended 30 September 2009 and 2010, which have been calculated as set forth in Part 10 "Selected Financial and Operational Information" and Part 11 "Operating and Financial Review", respectively.

Summary of production, revenue, costs and EBITDA

	Nine months ended 30 September		Year ended 31 December	
	2010	2009	2009	2008
Gold production (Koz)	392.2	367.7	528.6	192.8
Silver production (gold equivalent) (Koz)	2.8	—	5.4	—
Revenue (US$(000))	485,333	343,821	517,572	191,025
Total cash costs (US$(000))[1]	211,670	171,046	252,361	93,516
Cash costs/ounce produced (US$/oz)[1]	539.7	465.2	477.4	485.0
Normalised EBITDA (US$(000))[1]	233,554	153,002	236,340	69,797

(1) Unaudited

History

The Severstal Group, a Russian-based international steel and mining conglomerate headed by OAO Severstal, began to expand into gold mining in 2007, with the acquisition in August 2007 of a 22 per cent. stake in Celtic Resources Holdings plc ("Celtic Resources"), which at the time held interests in the licences of the Suzdal and Zherek mines in Kazakhstan. In October 2007, the Severstal Group purchased the Aprelkovo and Neryungri mines from subsidiaries of the Arlan Investment Company through acquisitions of 100 per cent. of the shares of the Russian based companies Neryungri-Metallic LLC and Mine Aprelkovo CJSC, which held licences to the Neryungri and Aprelkovo mines, respectively. Throughout the rest of 2007 and into 2008 the Group acquired a further six exploration permits in Russian state auctions. In December 2007, the Group acquired a controlling 86.3 per cent. interest in Celtic Resources.

In January 2008, after the Severstal Group acquired the remaining share capital of Celtic Resources, Celtic Resources was de-listed from the Alternative Investment Market of the London Stock Exchange ("AIM"). In August 2008, the Severstal Group acquired Semgeo, which included the Balazhal mine in Kazakhstan. In November 2008, the Severstal Group acquired a 53.8 per cent. controlling stake in High River Gold Mines Ltd. ("High River Gold") (including the Irokinda, Zun-Holba and Berezitovy mines in Russia and the Taparko mine in Burkina Faso, as well as the Bissa exploration project in Burkina Faso and a 50 per cent. interest in the Prognoz silver exploration project in Russia), whose ordinary shares are listed on the Toronto Stock Exchange.

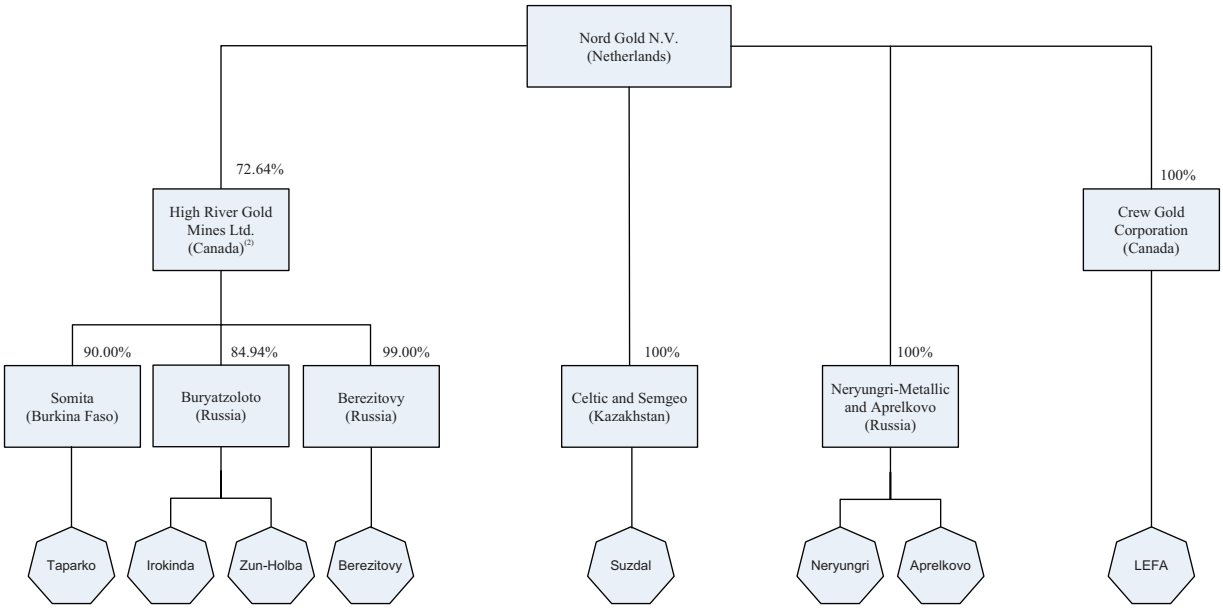
In July 2009, the Severstal Group began a reorganisation of its gold mining operations which resulted in the Company, dormant since its incorporation in 2005, acquiring all of the Severstal Group's gold mining assets and the formation of the Group.

In February 2010, the Severstal Group acquired a 27 per cent. stake in Crew Gold, which operates the LEFA gold mine in Guinea and which is also listed on the Toronto Stock Exchange as well as the Oslo Stock Exchange. The Severstal Group subsequently transferred its interest in Crew Gold to the Group, and through a series of transactions in July 2010, the Group brought its interest in Crew Gold to 50.17 per cent., and in August 2010, the Group exercised warrants to increase its interest in High River Gold to 70.38 per cent. In September 2010, the Group increased its interest in Crew Gold to 93.38 per cent. In October 2010, the Group increased its interest in High River Gold to 72.64 per cent. In January 2011, the Group increased its interest in Crew Gold to 100 per cent.

For more detailed descriptions on each of the assets of the Group, see below at "— *Operations — Mines*" and "— *Mineral Rights, Mining Taxes and Operating Licences*".

Operational Structure

The current operational structure of the Group is as follows[1]:



Notes:

(1) This chart does not include the Group's development projects of Bissa and Gross. For information on those development projects, see "— *Exploration and Development — Development Projects*" below.

(2) High River Gold Mines Ltd. is listed on the Toronto Stock Exchange.

Competitive Strengths

The Directors believe that the Company's competitive strengths include:

Established international gold producer.

The Group is an established pure-play gold producer operating a diverse portfolio of eight producing assets located in Burkina Faso, Guinea, Russia and Kazakhstan. In 2009, the Group produced approximately 534 Koz of gold and approximately 589 Koz of gold in 2010 (including gold equivalent ounces of silver) with the three largest assets accounting for half of total estimated 2010 production. The Group has approximately 23.0 million ounces of measured, indicated and inferred gold resources according to JORC as of 1 November 2010 on a fully consolidated basis, most of which are nearly equally distributed between West Africa (46 per cent.) and Russia (45 per cent.) with the remaining 9 per cent. located in Kazakhstan. It also has 103 Moz of silver resources through its 50 per cent. participation in the Prognoz project.

The Directors believe that the Group's geographic diversity and diversification of production across eight producing mines reduce single country risk and give the Group security of production when compared to competitors who are reliant on a single large deposit. The Directors also believe that the Group's presence and experience in these countries enable it to identify and participate in more attractive growth opportunities than the Group's competitors focused on a single country, and create synergies between existing and newly acquired assets through regional clustering as well as transfer of technology and human capital.

Track record of growth and value creation.

Over the last three years, the Group's annual production (including gold equivalent ounces of silver) has increased from approximately 20 Koz in 2007 to 534 Koz in 2009. For 2010, the Group produced approximately 589 Koz with a plan to increase production from existing assets to 1.0 Moz by 2013. The Group has achieved this growth through the following three-pillar strategy:

Value accretive M&A and integration. Since 2007, the Group has completed five acquisitions including Celtic Resources, controlling stakes in High River Gold and Crew Gold, as well as a number of other mines and licences. Management's approach has been to identify and acquire assets at attractive valuations, in particular in situations where the assets are being operated below their potential or the target is in financial distress, and implement a rapid operational improvement programme. For example, following the Group's acquisition of High River Gold, total cash costs per ounce at Taparko, Berezitovy and Buryatzoloto were reduced by 44 per cent., 27 per cent. and 15 per cent., respectively, from 2008 to 2009.[(1)]

Organic expansion and development. The Group has been focused on organic growth and reserve and resource expansion having invested approximately US$109 million in exploration from 2008 to 30 September 2010. As a result, the Group has successfully increased resources at its mines from approximately 11 Moz (on the basis of aggregating the non-JORC compliant resources for each mine at the time of acquisition) to approximately 23 Moz, identified the Gross deposit with approximately 5.4 Moz of contained gold resources, more than doubled resources at Bissa to 2.9 Moz and built a portfolio of opportunities with further upside potential to significantly increase the Group's resource base. Gross and Bissa, both actionable development projects located in Russia and Burkina Faso respectively, are expected to start operations as soon as in 2013 contributing to the Company's growing production profile.

Operational optimisation. The management team works intensively with assets post acquisition to improve operational efficiency, cut costs and enhance the culture and strategic focus. For example, following the acquisition of Celtic Resources, the Group reduced the number of expatriate employees and rationalised the supplier base to improve its cost position and initiated plant capacity expansions and technology improvements to increase throughput and recovery. After the acquisition of a controlling stake in High River Gold, the management team resolved supplier disputes, optimised headcount, upgraded mining equipment, conducted necessary processing plant refurbishments and increased processing capacities at the acquired mines. As a result, the Group significantly increased production rates at a number of its assets from 2008 to 2010 with further increases planned for 2011.

(1) Based on information included in the 2008 and 2009 annual reports of High River Gold and calculated in accordance with the accounting policies of High River Gold (Canadian GAAP). Because the results of High River Gold were consolidated for only one month in the Group's 2008 results and due to the differences in accounting policies between High River Gold, on the one hand, and the Group, on the other hand, the cash costs per ounce reported by High River Gold differ from the cash costs reported by the Group included elsewhere in this Prospectus.

Attractive, achievable growth profile.

The Group plans to leverage its proven strategy to continue growing its production across all of its core regions and assets. From 2010 to 2014, the Company plans to increase its production from 589 Koz of gold to approximately

1.1 Moz representing nearly 17 per cent. CAGR. In addition to the current production plan, the Company has a large portfolio of exploration assets which, combined with future M&A, provide further upside to the production growth profile based on existing reserves and resources.

Strong financial profile.

From 2008 to 2009, the Group's Normalised EBITDA increased from US$69.8 million to US$236.3 million while the Normalised EBITDA margin increased from 36.5 per cent. to 45.7 per cent. Following Admission, the Group expects to have a substantial net pro forma cash position (after the paydown of related party loans as described in Part 13 "The Offer — Use of Proceeds") of approximately US$407.9 million which, combined with anticipated future operating cash flows, the Directors believe will provide the required financial capacity for the Group to execute its three-pillar strategy of growing its business both organically and through acquisitions.

Proven management team.

The Group benefits from the diverse background and experience of its senior management team, which combines highly qualified professionals with gold mining, general mining, operational, consulting and financial backgrounds. The Group's management team is supported by in-house technical teams both in Moscow and on the ground at the mine sites and is able to leverage when appropriate the technical resources of the Company's indirect majority shareholder, OAO Severstal. The Group's management team has led the formation of the Group since the first acquisitions in 2007 and has a proven track record in executing acquisitions successfully and increasing efficiency at acquired operations. The formation of the Group as well as the management team's previous experience provides in depth knowledge and expertise across the full cycle of project development from exploration to construction, operation and optimisation. The management team also has broad experience across the full range of gold mining operations, with the Group's asset base including both underground and open pit mines, and processing facilities ranging from customary heap leach operations at Aprelkovo and Neryungri to highly complex BIOX facilities at Suzdal.

Premium listed company with commitment to corporate transparency.

The Company has a strong commitment to corporate transparency. The Company's eight-member board of directors (the "Board") is led by Philip Baum, the independent chairman, who has more than 32 years of experience in the mining industry. The other three independent Non-Executive Directors all have extensive mining or financial background and are well-respected in the international mining community. The Group is fully committed to achieving and maintaining strict corporate transparency and disclosure standards.

Strategy

The Group's strategy is to continue creating shareholder value through its three pillar approach of value accretive acquisitions, organic expansion and development and operational optimisation.

Operational optimisation.

Following the acquisition of the Group's existing asset base, the Group has been successful in changing the culture, strategic focus and operational performance of its assets. Having addressed immediate cash constraints and short term operational issues, the Group has instituted a full audit of the management and operations of the mines and production facilities to increase production, efficiency and application of best practice.

The Directors believe that there is considerable potential for additional operational improvements and increased production at the Group's current operations. For example, at Taparko the Group is undertaking a number of equipment upgrades in order to increase gold recovery and plans to increase the mining rate and plant throughput to 1.75 million tonnes of ore per annum; at Suzdal the Group has installed an additional processing line to expand mine and plant throughput to 500,000 tonnes of ore per annum; and at Berezitovy the Group is expanding processing capacity to 2.0 million tonnes of ore per annum having installed an additional ball mill. The Directors also believe that, with modest capital expenditure, the LEFA mine, which produced 178 Koz of gold in 2009, has significant potential to increase production to over 300 Koz in the next several years through optimisation of current capacities to increase processing plant throughput, which should materially reduce cash costs per ounce of gold produced.

The Directors believe that the Group's acquisition strategy of targeting underperforming assets will allow the Group to continue to create value through its operational expertise in the future.

Organic expansion and development.

Leveraging off the Group's central mining/geological expertise and its experience on the ground in its target geographies, the Group has made significant investments to expand the reserves for its current mines and to identify and develop new projects. In particular, the Group is currently developing two greenfield projects: Bissa in Burkina Faso and Gross in Russia. These projects are in the active development stage with combined full capacity production of 271 Koz expected in 2014 and first production expected in 2013. Bissa has completed a feasibility study and the Group plans to commence the engineering and design phase, while Gross is in the pre-feasibility study stage. Overall, the Group expects to invest approximately US$300 million to bring these projects on line with funding coming from the Group's operational cash flow. The Directors believe that there are substantial exploration opportunities in areas surrounding Bissa and Gross and significant potential further mineral resource expansion is possible as these areas become better developed and defined.

From 2007 to 30 September 2010, the Group has invested approximately US$109 million in exploration, which resulted in resource expansion at its existing mines and the identification of a broad portfolio of exploration projects. Currently, the Group is planning to invest approximately US$107 million in exploration in 2011 as part of the exploration campaign encompassing both satellite activity next to existing mines and the Group's prospective licence portfolio in Russia, Guinea and Burkina Faso in order to expand mine life, increase the overall gold resource base and identify potential new mine development opportunities. The Prognoz silver deposit, considered to be one of the world's largest undeveloped silver assets, represents a good example of an exploration project on which the Group is focused.

The Group intends to continue to focus on exploration of new resources and development of new greenfield and brownfield projects, and the Directors believe that the Group's technical expertise both at headquarters and on the ground in its target geographies makes the Group well positioned to successfully develop these resources and execute new projects in the future.

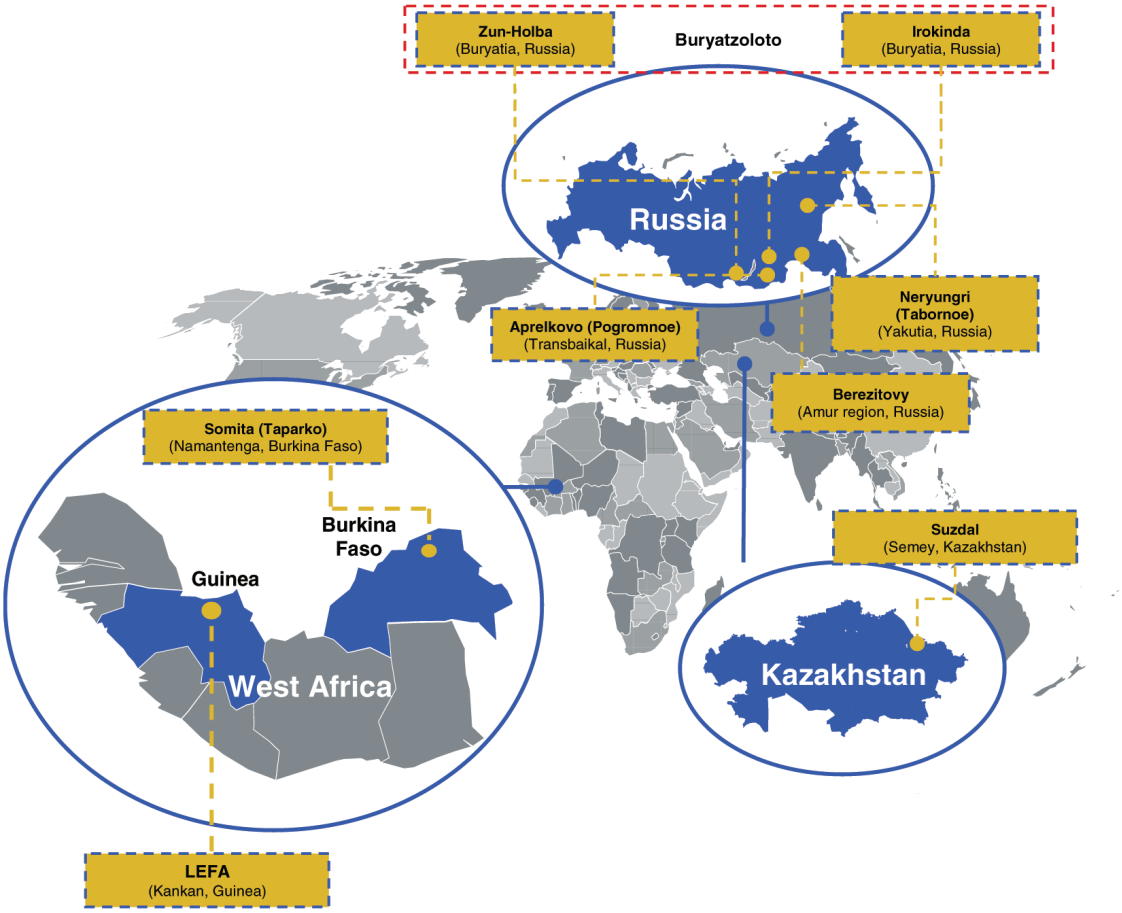
Value accretive acquisitions.

The Directors believe that the combination of the Group's successful acquisition track record, operational expertise, significant financial resources, and its ability to use Shares as acquisition currency following Admission, will position the Group to continue to pursue value-accretive acquisitions. To that effect, the Group has an M&A strategy which builds on its established presence in the gold industry, exercises financial discipline in the valuation of potential targets and leverages management acquisition expertise. The Group's M&A strategy focuses on identifying underperforming producing or late-stage development projects located in the Group's core regions of the Russian Federation, Kazakhstan and West Africa and, potentially, South America, where the Directors believe the Group can create shareholder value via operational improvements and/or timely provision of required expertise and capital.

Operations

The Group currently operates eight producing mines in Burkina Faso, Guinea, Kazakhstan and the Russian Federation. The Taparko mine in Burkina Faso, as well as the Irokinda, Zun-Holba and Berezitovy mines in the Russian Federation, are owned through High River Gold, in which the Group holds a 72.64 per cent. controlling interest, and the LEFA mine in Guinea is owned through Crew Gold, in which the Group holds a 100 per cent. interest. The Company maintains a 100 per cent. interest in each of the Neryungri, Aprelkovo and Suzdal mines. The map on the following page indicates the locations of the Group's producing assets.

Location of Producing Assets



Production

The Group's production (including gold equivalent ounces of silver) has increased from 192.8 Koz in 2008 to 534.0 Koz in 2009 and approximately 589 Koz in 2010. In 2009, production from the Group's mines in the Russian Federation accounted for 60 per cent. of the Group's total production, while the Group's mines in Kazakhstan and West Africa accounted for 22 per cent. and 18 per cent., respectively. Over time, the proportion of production from the Russian Federation is expected to decrease relative to production from West Africa, including from the LEFA mine in Guinea. The table below presents historical production data for the Group by region.

Production by region, 2008, 2009 and 2010

	2010	2009	2008
	(Gold in Koz) (including gold equivalent ounces of silver)		
Russian Federation	301.4	315.6	82.4
Kazakhstan	87.0	115.3	105.2
West Africa	200.5	97.7	5.3
Total	**588.9**	**528.6**	**192.8**

Reserves

The Group's proven and probable reserves totalled 8.9 Moz as at 1 November 2010. Of this total, reserves in West Africa accounted for 68 per cent. while reserves in the Russian Federation and Kazakhstan accounted for 24 and 8 per cent., respectively. The table below presents the reserve summary of the Group as at 1 November 2010 and has been extracted without material adjustment from Appendix 2 "Mineral Expert Report".

Reserve Summary

Area	Deposit	Category	Tonnes (kt)	Au (g/t)	Gold (kg)	Gold (koz)
		Proven	487	3.23	1,572	51
	Bissa	Probable	28,676	1.74	49,845	1,602
		Proven + Probable	**29,163**	**1.76**	**51,417**	**1,653**
		Proven	—	—	—	—
Burkina-Faso	Taparko	Probable	6,122	2.75	16,854	542
		Proven + Probable	6,122	2.75	16,854	542
		Proven	—	—	—	—
	Bouroum F12	Probable	999	2.64	2,639	85
		Proven + Probable	999	2.64	2,639	85
	Area Total	Proven + Probable	**36,284**	**1.95**	**70,910**	**2,280**
		Proven	67,873	1.28	86,877	2,798
Guinea	**All Assets**	Probable	20,277	1.53	31,024	1,001
		Proven + Probable	**88,151**	**1.34**	**118,122**	**3,796**
		Proven	266	7.57	2,014	65
Kazakhstan.	Suzdal	Probable	2,821	6.83	19,263	619
		Proven + Probable	**3,087**	**6.89**	**21,277**	**684**
		Proven	7,814	1.18	9,206	296
Russia	Aprelkovo	Probable	7,462	0.93	6,935	223
		Proven + Probable	**15,275**	**1.06**	**16,141**	**519**
		Proven	10,129	1.98	20,105	646
	Berezitovy	Probable	6,199	1.95	12,085	389
		Proven + Probable	**16,328**	**1.97**	**32,190**	**1,305**
		Proven	5,194	0.91	4,703	151
	Neryungri	Probable	17,867	0.77	13,773	443
		Proven + Probable	**23,062**	**0.80**	**18,475**	**594**
	Area Total	Proven + Probable	**54,665**	**1.22**	**66,806**	**2,148**
Total (all areas). . . .			**182,187**	**1.52**	**277,115**	**8,908**

Resources

The Group's measured and indicated resources totalled 12.3 Moz as at 1 November 2010, while inferred resources totalled 10.7 Moz, for a total of measured, indicated and inferred resources of 23.0 Moz. The Group also has 103 Moz of silver resources through its 50 per cent. interest in the Prognoz project. Of this total, resources in West Africa accounted for 46 per cent. while resources in the Russian Federation and Kazakhstan accounted for 45 and 9 per cent., respectively. The following table presents the resource summary of the Group as at 1 November 2010 and has been extracted without material adjustment from Appendix 2 "Mineral Expert Report".

Resource Estimate (Measured and Indicated)

				Measured			Indicated			Measured + Indicated		
Area	Deposit	Ore Type	Cut-off (g/t)	Tonnage (kt)	Au (g/t)	Au Metal (koz)	Tonnage (kt)	Au (g/t)	Au Metal (koz)	Tonnage (kt)	Au (g/t)	Au Metal (koz)
Burkina-Faso	Zingma	All Types	0.5	—	—	—	—	—	—	—	—	—
	Bissa	All Types	0.5	497	3.33	53	57,570	1.40	2,596	58,068	1.42	2,649
	Bouly	All Types	0.6	—	—	—	—	—	—	—	—	—
	Gougre	All Types	0.5	—	—	—	—	—	—	—	—	—
	Taparko Mine	Zone 3/5	0.5	—	—	—	3,998	2.95	379	3,998	2.95	379
		Zone 2N2K	0.5	—	—	—	1,515	1.93	94	1,515	1.93	94
		Zone GT	0.5	—	—	—	640	4.55	94	640	4.55	94
		All Zones	0.5	—	—	—	6,153	2.86	567	6,153	2.86	567
	Boroum — Taparko Exploration Areas	F12	0.5	—	—	—	2,364	2.52	191	2,364	2.52	191
		Welcome Stranger	0.5	—	—	—	—	—	—	—	—	—
	Yeou	All Types	0.4	—	—	—	—	—	—	—	—	—
	Ankouma	All Types	0.5	—	—	—	—	—	—	—	—	—
	Area Total			**497**	**3.33**	**53**	**66,087**	**1.58**	**3,353**	**66,585**	**1.59**	**3,407**
Guinea	Lefa Corridor	All Types	Various	86,708	1.16	3,245	35,866	1.24	1,429	122,574	1.19	4,674
	Regional	All Types	Various	2,196	1.70	119	598	1.50	29	2,794	1.65	148
	Area Total			**88,904**	**1.18**	**3,364**	**36,464**	**1.24**	**1,458**	**125,368**	**1.20**	**4,822**
Kazakhstan	Balazhal	All Types	0.4	49	3.01	5	174	2.87	16	223	2.90	21
	Suzdal	Sulphide	1.5	128	8.77	36	4,123	6.11	810	4,250	6.19	846
	Zherek	All Types		—	—	—	346	1.86	21	346	1.86	21
	Area Total			**177**	**7.15**	**41**	**4,643**	**5.67**	**847**	**4,819**	**5.73**	**888**
Russia	Aprelkovo	Total	0.5	7,592	1.31	319	8,029	1.03	265	15,621	1.16	584
	Berezitovy	Sulphide	0.3	10,764	2.00	691	10,357	1.64	547	22,121	1.82	1,238
	Gross	Oxide	0.5	—	—	—	21,834	0.73	511	21,834	0.73	511
	Irokinda	All Types		—	—	—	157	16.30	83	147	16.30	83
	Tabornoe	Oxide	0.3	5,079	0.98	160	25,097	0.79	635	30,177	0.82	795
	Visokiy	All Types	0.5	—	—	—	—	—	—	—	—	—
	Zun-Holba	All Types		—	—	—	41	14.30	19	41	14.30	19
	Area Total			**23,435**	**1.55**	**1,170**	**65,515**	**0.98**	**2,060**	**88,941**	**1.13**	**3,229**
Total	**All Areas**			**113,013**	**1.27**	**4,628**	**172,709**	**1.39**	**7,718**	**285,713**	**1.34**	**12,346**

The table below presents the total of measured and indicated and inferred resources. The measured and indicated and inferred resources are extracted without material adjustment from Appendix 2 "Mineral Expert Report".

Resource Estimate (Measured, Indicated and Inferred)

				Measured + Indicated			Inferred			
Area	Deposit	Ore Type	Cut-off (g/t)	Tonn-age (kt)	Au (g/t)	Au Metal (koz)	Tonn-Au (g/t)	Au Metal age (kt)	(koz)	Total (koz)
Burkina-Faso	Zingma	All Types	0.5	—	—	—	**3,687**	1.17	139	139
	Bissa	All Types	0.5	58,068	1.42	2,649	5,657	1.20	218	2,867
	Bouly	All Types	0.6	—	—	—	9,607	0.82	253	253
	Gougre	All Types	0.5	—	—	—	2,930	2.39	225	225
		Zone 3/5	0.5	3,998	2.95	379	691	2.34	52	431
		Zone 2N2K	0.5	1,515	1.93	94	531	1.97	34	128
		Zone GT	0.5	640	4.55	94	67	4.46	10	104
	Taparko Mine	All Zones	0.5	6,153	2.86	567	1,290	2.30	95	662
	Booroum — Taparko Exploration Areas	F12	0.5	2,364	2.52	191	646	2.74	57	248
		Welcome Stranger	0.5	—	—	—	210	5.03	34	34
	Yeou	All Types	0.4	—	—	—	1,066	2.39	82	82
	Ankouma	All Types	0.5	—	—	—	1,816	1.26	74	74
	Area Total			**66,585**	**1.59**	**3,407**	**26,909**	**1.36**	**1,177**	**4,584**
Guinea	Lefa Corridor	All Types	Various	122,574	1.19	4,674	24,511	1.12	882	5,556
	Regional	All Types	Various	2,794	1.65	148	4,805	1.40	214	362
	Area Total			**125,368**	**1.20**	**4,822**	**29,316**	**1.16**	**1,096**	**5,918**
Kazakhstan	Balazhal	All Types	0.4	223	2.90	21	5,081	3.21	524	545
	Suzdal	Sulphide	1.5	4,250	6.19	846	2,893	6.11	569	1,415
	Zherek	All Types		346	1.86	21	1,603	4.17	214	235
	Area Total			**4,819**	**5.73**	**888**	**9,577**	**4.24**	**1,307**	**2,195**
Russia	Aprelkovo	Oxide	0.5	15,621	1.16	584	8,638	0.84	235	819
	Berezitovoye	Sulphide	0.3	22,121	1.82	1,238	2,571	1.59	132	1,370
	Gross	Oxide	0.5	21,834	0.73	511	220,389	0.68	4,851	5,362
	Irokinda	All Types		147	16.30	83	192	18.30	113	196
	Tabornoe	Oxide	0.3	30,177	0.82	795	73,315	0.63	1,493	2,288
	Visokiy	All Types	0.5	—	—	—	1,048	0.96	32	32
	Zun-Holba	All Types		41	14.30	19	553	13.20	235	254
	Area Total			**88,941**	**1.13**	**3,229**	**306,706**	**0.72**	**7,090**	**10,319**
Total	**All Areas**			**285,713**	**1.34**	**12,346**	**372,508**	**0.89**	**10,670**	**23,016**

Process

Ore is mined either from underground mines or from open pits. The ore is then crushed and ground into a finer consistency (or stored until it is able to be), to be processed to obtain gold through one of the methods noted below. Most methods used by the Group and the industry as a whole involve the use of cyanide to draw out the gold and other chemical processes that separate the gold from other elements in the ore. Gold is then extracted from the solution onto metal cathode bars, which are melted down and poured into doré bars, which primarily contain gold but which can also contain a small amount of silver or copper.

Once the gold is poured into doré bars, the doré is collected and stored securely at the mines until an appropriate amount of doré has accumulated, when it is boxed and transported, via secure truck, helicopter or aircraft, to the refinery, where the doré is refined into gold bullion bars. The gold bullion is transferred to safe storage at a bank, which holds the gold until the Group makes the decision to sell on the spot market.

Technology

Each mine in the Group is either an underground or open pit mine, and each mine employs one or more of a number of processing technologies. These processes, roughly presented from the simplest to most complex, are as follows:

Heap leach. Crushed material is laid on a slightly sloping, impervious pad where it is irrigated with a cyanide leach solution to dissolve gold. The leaching solution, once impregnated with the gold particles, is gathered in pools from which the gold is extracted.

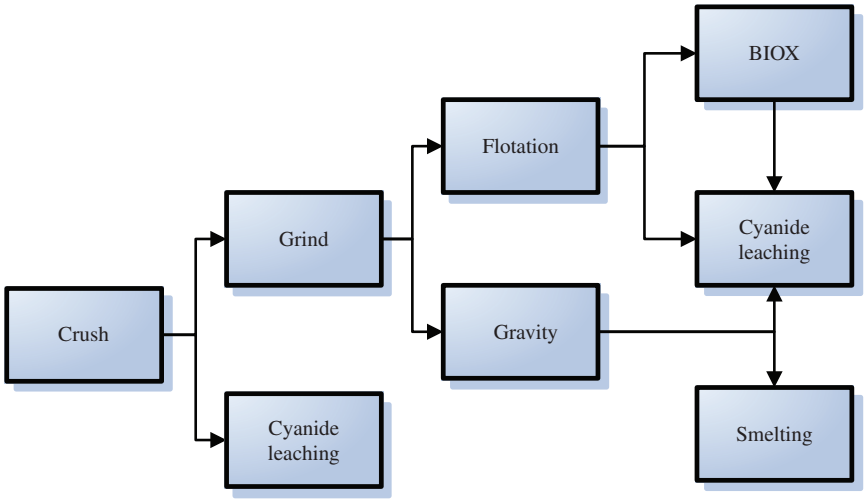
Carbon-in-pulp ("CIP"). This is a technique in which granular activated carbon particles much larger than the ground ore particles are added to a cyanide pulp which is already impregnated with the gold particles. The activated carbon and pulp are agitated together to enable the solubilised precious metals to become adsorbed onto the activated carbon. The loaded activated carbon is mechanically screened to separate it from the barren ore pulp and processed to remove the gold and prepare it for reuse.

Carbon-in-leach ("CIL"). A method of recovering gold in which a slurry of gold-bearing ore, carbon, and cyanide are mixed together simultaneously, rather than after the cyanide solution has been impregnated with the gold particles, as in CIP processing. The cyanide dissolves the gold from the surrounding material, and the activated carbon subsequently absorbs the dissolved gold.

Flotation. This process involves the use of a milling process to create a foamy layer several inches thick in a liquid medium. This results in gold particles being induced to become attached to bubbles in the froth and float while other particles sink. The flotation concentrate is further treated at a cyanidation plant.

Bacterial oxidation ("BIOX"). The BIOX process uses a combination of three bacteria to break down the sulphide mineral matrix in the flotation concentrate being treated, thus freeing the 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. The washed BIOX product is treated in a conventional cyanidation plant from which the gold is finally recovered.

These processes are summarised in the diagram below.



The table below summarises the primary operating characteristics of each mine.

Technology Summary of the Group's Mines

	Mine type	Technologies
Taparko	Open pit	CIL
LEFA	Open pit	CIP
Suzdal	Underground	Flotation, BIOX, CIL
Irokinda	Underground	Gravity, flotation
Zun-Holba	Underground	Gravity, flotation, CIP
Berezitovy	Open pit	CIP
Aprelkovo	Open pit	Heap leach
Neryungri	Open pit	Heap leach

Mines

Taparko-Bouroum, Burkina Faso, West Africa

Overview

The Taparko gold mine is located in the Namantenga province of Burkina Faso, West Africa, approximately 200 kilometres northeast of Ouagadougou, Burkina Faso's capital and largest city, and is accessible from the national highway. Bouroum is a deposit situated approximately 49 kilometres from the main Taparko site, which is planned to provide ore feed to the Taparko processing plant. Burkina Faso is a politically stable country in West Africa with a developed mining code and a history of government support of foreign direct investment in mining operations. Production began at the Taparko mine in late 2007. The mine is operated by SOMITA SA, a company owned 90 per cent. by High River Gold and a 10 per cent. carried interest belongs to the government of Burkina Faso as a matter of law.

Operational improvements since acquisition

The interest in Taparko was acquired in late 2008 as part of the acquisition of a controlling interest in High River Gold. At the time of acquisition by the Severstal Group, Taparko faced a number of operational problems, as a result of both financial difficulties and working capital constraints as well as more general management and technical shortcomings.

The construction of the Taparko facility suffered from foundational defects which caused the ball mill to vibrate heavily, which caused frequent stoppages. In addition, the inability of High River Gold to provide Taparko with adequate working capital led to a failure to pay suppliers, which in turn caused a reduction in supplies, including spare parts, resulting in long lead times to repair breakdowns as parts had to be specifically ordered, paid for and delivered before the repair could be made. The frequent and prolonged breakdowns and concerns over salary payments going forward caused the morale of the expatriate and local workforce to deteriorate and strained relations with the government.

Following acquisition, Severstal's gold operations management team, which would become the Group's management on creation of the Group, promptly assessed the problems at Taparko in order to establish a plan for a fast and effective turnaround. The management team started by immediately committing adequate funds to meet working capital needs in order to instil confidence in suppliers and employees and restore the supply chain in order to source needed supplies and spare parts. A longer term strategic plan was established over the course of a number of visits by the management team and geologists, as well as other specialists from across the Severstal Group gold operations to restore production and exceed the expectations of the prior management of Taparko.

The key actions taken following acquisition of control in Taparko were as follows:

Address working capital constraints. The Group injected adequate funds to meet working capital needs, allowing for improvements in general maintenance and ability to keep spare parts on-site to reduce downtime during repairs. Management immediately met with key suppliers and instituted a plan to pay all outstanding invoices.

Address problems with equipment to increase throughput. Prior to the acquisition in November 2008 throughput at Taparko experienced diminished throughput due to frequent stoppages, such that the installed capacity target set by previous management of 125 tonnes/hour was never achieved. In order to prevent frequent production stoppages going forward, targeted investments were made to fix the ball mill foundation, replace faulty mill gear mechanisms and other equipment. As a result of the above measures throughput increased to 140 tonnes/hour by September 2009. Throughput reached 175 tonnes/hour after installation of an additional sixth cyclone in May 2010 and reached 220 tonnes/hour in December 2010 following the installation of 10 cyclones at the end of September 2010.

Replace key personnel. Key management personnel were mobilised to the site, in particular Bruce Lumley, who previously headed the Group's operations in Kazakhstan. Bruce took charge of a complete overhaul of the Taparko operation and took on the role of director of integration. Several key personnel changes were made where necessary and promotions were made from within where possible. The manager of mining operations, whose familiarity with the mine and expertise were valuable to retain, was promoted to mine general manager.

Improve morale among employees. Management met with employees at all levels to demonstrate their commitment to the operation and development plan for the mine and plant. Retention and production bonuses were introduced to incentivise managers and promote more ambitious production targets.

Renew commitment to health and safety. Newly implemented safety policies and on-the-ground training for employees led to improved morale and safety record. A tracking system, which previously was not compliant with international standards, was replaced with an internationally recognised system to monitor health and safety issues,

exemplifying management's commitment to health, safety and environmental initiatives. Following introduction of above measures Taparko has had no lost time injuries ("LTI") during the past year.

Improve relations with government, local officials and community. Management met with Burkina Faso government officials, including the president and prime minister of Burkina Faso and the minister of mines and energy to introduce new management and their approach and commitment to Burkina Faso. The local government was assured the Group's financial support for Taparko and the Group today benefits from a strengthened relationship with the government. Taparko has a special agreement with the government providing lower income taxes, royalty payments and custom charges for imported equipment. Government is fully supportive of the Group's activities in the region and encourages further exploration programs and development initiatives.

Management also undertook certain initiatives to improve the lives of employees and the communities that surround the mine. Excess water supply capacity was used to provide drinkable water to children at the local school, with the director of the school authorised to sell excess water to other villages for the benefit of the school. The Group funded development of a new school near the Bissa area and has recently submitted a proposal to the Burkina Faso government on future plans for corporate social responsibility.

Following implementation of the above action points, production at Taparko increased from approximately 31 Koz of gold in 2008 to approximately 100 Koz in 2009, which exceeded the targeted production estimates of the former management of the mine; and approximately 127 Koz in 2010. The Directors currently expect 2010 production to exceed 2009 production through incremental maintenance and efficiency improvements. Total cash costs per ounce of gold decreased at Taparko from 2008 to 2009 and decreased further in the nine months ended 30 September 2010 as shown in the table below. The Group's strategy going forward is to continue undertaking efficiency improvements and to explore for deposits in the vicinity of Taparko, to increase the reserve and resource base and operate a network of mines in close proximity to each other, including making further use of the satellite deposit at Bouroum, 50 kilometres away from Taparko.

Operations

The mine consists of three open pits. The processing plant operates crushing, ball milling and CIL circuits. Recently, an additional cyclone unit was added to the CIL circuit to increase processing capacity, and management expanded the fleet of trucks used for transporting ore to the processing plant.

The site also has waste rock dumps, tailing containment, water management ponds and associated facilities, as well as a modern camp which accommodates approximately 200 workers. Electricity is generated on site from fuel oil with back-up/peak power loads met with the assistance of diesel generators. Fuel requirements are supplied from a main fuel storage station which includes two tanks of 650,000 litres each.

Ore mining currently occurs at 1.3 Mtpy. By the end of 2011, ore mining is expected to increase to 1.75 Mtpy and minor extensions to the plant are expected to increase the plant's current processing capacity from 1.5 Mtpy to 1.75 Mtpy. Processing plant overall recoveries range from 90 to 95 per cent.

Process water is supplied from a water storage dam 4.3 kilometres from the processing plant. A pipeline from a new pump station located at the Yalgo reservoir (approximately 9.6 kilometres away) supplies this storage dam. All water used in ore processing is sent with the residue to the tailings pond, drained to the return water dam and pumped back to the plant. The tailings storage facility, the return water dam and all trenches containing the various pipelines are lined with individual waterproof liners, so that great care is taken to reduce the risk of environmental contamination. Potable water for the camp and mine site is sourced from the Yalgo reservoir and treated on-site, and excess potable water is shared with the students and teachers at the local school. The Group is considering options for the sourcing of additional water supplies for future production increases, including drilling for water, tailings water filtering and storing runoff rainwater.

As at 31 December 2009, a total of 534 workers were employed at Taparko.

The table below presents some key operating statistics relating to the Taparko mine for the nine months ended 30 September 2010 and 2009 and for the years ended 31 December 2009 and 2008.

Operating Statistics, Taparko

	9M 2010	9M 2009	2009	2008
Ore mined (Kt)	963	524	813	266
Ore milled (Kt)	912	518	814	369
Head grade (g/t)	3.3	4.3	4.0	3.0
Mill recovery (%)	91.4	93.1	94.9	91.4
Gold produced (Koz)[1]	90.9	65.3	97.7	30.7
Cash costs ($/oz)[2]	379	481	484	506

(1) The gold produced as shown in the table does not include gold equivalent ounces of silver.

(2) Unaudited. Due to the acquisition of a controlling interest in High River Gold in late 2008, the cash costs per ounce produced calculated in accordance with the Group's accounting policies reflect only one month of 2008 rather than the full year. Cash costs per ounce produced based on information included in the 2008 and 2009 annual reports of High River Gold and calculated in accordance with the accounting policies of High River Gold (Canadian GAAP) were US$838 and US$469, respectively.

Geology and Exploration

Gold at the Taparko property occurs predominantly in a northwest trending broad shear zone in Birimian greenstone. Gold mineralisation is concentrated in a system of quartz veins and veinlets, dipping between 40 and 50 degrees to the northeast, that occur throughout most of the known length of the Taparko shear zone. The width of the zones varies between 5 and 20 metres. While the Taparko deposit has been well explored, satellite deposits can still be found.

The Taparko deposit is open at depth, and as such the addition of reserves is possible. Prior to the acquisition of Taparko, exploration consisted of a small team looking to source the least expensive ways to develop easily accessible deposits of oxidised ore. Management has since expanded the exploration programme to take a proactive, long-term approach to exploration and to evaluate all potential local deposits.

Exploration is expected to define additional resources to extend the mine life. A systematic drilling programme was initiated at the end of 2010 to test the potential of the flanks of the Taparko deposit and of satellite vein type occurrences within the Taparko and Bouroum mining concession and adjacent areas.

The tables below set out the mineral resources and ore reserves of Taparko as at 1 November 2010 and have been extracted without material adjustment from Appendix 2 "Mineral Expert Report".

Reserves, Taparko

		Total
Proven	Tonnage (kt)	—
	Gold (g/t)	—
	Metal kg	—
	koz	—
Probable	Tonnage (kt)	6,122
	Gold (g/t)	2.75
	Metal kg	16,854
	koz	542
Proven and Probable	Tonnage (kt)	6,122
	Gold (g/t)	2.75
	Metal kg	16,854
	koz	542

Resources, Taparko

		Total
Measured	Tonnage (kt)	—
	Gold (g/t)	—
	Metal kg	—
	koz	—
Indicated	Tonnage (kt)	6,153
	Gold (g/t)	2.86
	Metal kg	17,625
	koz	567
Measured and Indicated	Tonnage (kt)	6,153
	Gold (g/t)	2.86
	Metal kg	17,625
	koz	567
Inferred	Tonnage (kt)	1,290
	Gold (g/t)	2.30
	Metal kg	2,967
	koz	95

LEFA, Guinea, West Africa

Overview

The LEFA gold mine is located in Guinea, approximately 700 kilometres northeast of Conakry, the country's capital and largest city, and is connected to an all-season road with close access to an air strip. Commercial production began at the LEFA mine in 2008. The mine was acquired by the Group in 2010 as part of the Crew Gold acquisition.

Recent acquisition and planned improvements

The Group acquired its interest in the LEFA mine through its acquisition of a controlling interest in Crew Gold in July 2010. The site benefits from a large deposit with exploration potential in the surrounding area. Prior to the acquisition by the Group, the LEFA plant suffered from poor construction, with problems in each of its two ball mills and two semi-autogenous grinding ("SAG") mills, which caused intermittent delays and prevented the mine from running at full capacity. Cash costs were prohibitively high, at an average of approximately US$809/oz in 2009. Despite the exploration potential in the surrounding areas, prior management had not invested in an exploration programme in the preceding three years. On acquiring control, the Group deployed the same management team that evaluated possible improvements at Taparko to assess the mine and develop a strategy for improvements.

The Group's plans at LEFA include the replacement of the pumps involved in the leaching process as well as adding extra leaching tanks, repairing the conveyor belt and purchasing more trucks for the transport of ore. The Directors believe that production, which stood at approximately 178 Koz of gold in 2009, could increase to above 230 Koz in 2011, which is closer to the estimated current plant capacity of 250 Koz. The increase in production could improve cash costs to approximately US$650/oz in 2011. With the elimination of further production process bottlenecks and by adding a second conveyor belt to transfer ore from the open pits to the processing plant, the plant could reach an annualised capacity of over 300 Koz by the end of 2012. Management does not expect total capital expenditure through the first half of 2011 to exceed US$20 million.

Going forward, the Group expects to use its positive experience at Taparko in Burkina Faso to implement education programmes to train local workers, in order to improve efficiency and increase loyalty and morale while ultimately reducing headcount and reliance on expatriate employees. In addition, exploration is expected to be an important focus at LEFA, and a long-term exploration plan and budget are currently being prepared.

Operations

LEFA consists of two main open pits, Lero-Karta and Fayalala, as well as several smaller satellite pits, an 8-kilometre conveyer belt from Lero-Karta to the processing plant, a processing plant with a crushing circuit, two SAG mills, two ball mills and a CIP circuit, waste rock dumps, a specially constructed tailing storage facility, water management ponds and associated facilities. Electricity is generated on site. The power plant electrical generation system has been fully commissioned and converted to operate with heavy fuel oil instead of diesel. Management believes that the change to heavy fuel oil power generation will reduce cash operating costs per ounce considerably.

Additionally, the storage capacity of 3.5 million litres of heavy fuel oil provides a buffer against possible disruption to supply during Guinea's July-to-October wet season.

Current processing plant design capacity is 7 Mtpy, but management expects that this could be expanded to 8 Mtpy with de-bottlenecking efforts. Processing plant overall recovery stands at approximately 90 per cent. Since 2007, there has been reduced production at the LEFA site due to problems with the processing plant, in particular, with frequent breakdowns of one of the ball mills or the SAG mills; however, major upgrade and refurbishment works have been undertaken since late 2009 and are now substantially completed.

LEFA's processing plant consists of several major unit processes. Following crushing, the ore is fed into the grinding circuit comprising two SAG mills and two ball mills where it is ground to 80 per cent. pass 150 microns. The density is then increased to around 50 per cent. solids in a thickener and the ore is then pumped to the leach circuit, where sodium cyanide is added to dissolve the gold. The ore is leached for approximately 24 hours before passing to the adsorption circuit. Activated carbon is added to the circuit to adsorb the dissolved gold. The loaded carbon is recovered and washed with a hot solution of sodium hydroxide and sodium cyanide in the carbon strip columns. Gold is recovered from this concentrated solution by electrolysis, which causes it to be deposited onto steel wool cathodes. The dried precipitate from the cathodes is then smelted to produce doré bullion. Tailings are pumped to the specially constructed tailing storage facility.

As at 31 December 2009, a total of 1,888 workers were employed at LEFA.

The table below presents some key operating statistics relating to the LEFA mine for the nine months ended 30 September 2010 and 2009 and for the years ended 31 December 2009 and 2008.

Operating Statistics, LEFA

	9M 2010	9M 2009	2009	2008
Ore mined (Kt)	4,491	3,443	4,774	3,885
Ore milled (Kt)	3,807	2,994	4,422	3,085
Head grade (g/t)	1.3	1.4	1.4	2.1
Mill recovery (%)	89.0	90.7	90.2	92.5
Gold produced (Koz)	138.1	122.8	177.6	197.6
Cash costs ($/oz)[1]	802	768	809	827

Source: Crew Gold quarterly results for the nine months ended 30 September 2010 and annual results for the year ended 31 December 2009.

(1) Unaudited. These cash cost figures were calculated in accordance with the accounting policies of Crew Gold and not in accordance with the accounting policies of the Group.

Geology and Exploration

Within the total mining and exploration concession at the LEFA site of approximately 2,550 square kilometres, over 70 per cent. of the ground is Birimian geology coverage and less than 5 per cent. is drilled off. The high priority area for regional exploration in the short term is the Banora Diguile Bouremfe Corridor in the south that runs sub-parallel to the LEFA Corridor. Management believes that the Banora Diguile Bouremfe Corridor has the potential for similar quantities of ore to the LEFA Corridor and exploration work has restarted on this area.

The skarn deposits Firifirini and Toume Toume are located in the north of the LEFA mining concession. The gold mineralisation in these deposits is associated strongly with magnetite. Where the ore is close to the surface at Firifirini, the aeromag survey has produced magnetic anomalies. These are to be followed up in the short term with ground surveys that should be able to delineate the Toume Toume deposit better and pick up any further targets between Firifirini and Toume Toume.

Since acquisition, the Group has been developing a new plan for exploration and development around the LEFA site.

The tables below set out the mineral resources and ore reserves of LEFA as at 1 November 2010 and have been extracted without material adjustment from Appendix 2 "Mineral Expert Report".

Reserves, LEFA

Proven	Tonnage (kt)	67,873
	Grade (g/t)	1.28
	Gold (koz)	2,798
Probable	Tonnage (kt)	20,277
	Grade (g/t)	1.54
	Gold (koz)	1,001
Proven and Probable	Tonnage (kt)	88,151
	Grade (g/t)	1.34
	Gold (koz)	3,796

Resources, LEFA

Measured	Tonnage (kt)	86,708
	Grade (g/t)	1.16
	Gold (koz)	3,245
Indicated	Tonnage (kt)	35,866
	Grade (g/t)	1.24
	Gold (koz)	1,429
Inferred	Tonnage (kt)	24,511
	Grade (g/t)	1.12
	Gold (koz)	882

Suzdal, Kazakhstan

Overview

The Suzdal gold mine is an underground mine located in eastern Kazakhstan, approximately 55 kilometres southwest of the city of Semipalatinsk, which has a railway station and an airport, and the mine is served by an all-season road. In addition to Suzdal, the Group's other assets in Kazakhstan include Zherek and Balazhal, two auxiliary open pit mines south of Suzdal.

Operational improvements since acquisition

The Suzdal mine was acquired as part of the Severstal Group's acquisition of a 100 per cent. stake in Celtic Resources Holdings in January 2008. At the time of the acquisition, Suzdal had experienced delays in commencing operations and in reaching targeted production levels, in part because of the complex and advanced technologies employed at Suzdal, including the first BIOX processing circuit in Eurasia that is used to treat refractory sulphide ore. The previous management faced challenges in setting up the BIOX technology to operate in the cold climate of Kazakhstan and in adjusting the flotation circuit to obtain suitable recoveries.

The key actions taken following acquisition of control in Suzdal were as follows:

Optimise production process. The processing circuit was optimised by recommissioning an abandoned flotation circuit in order to increase recovery rates. Three more leaching tanks were also added to the circuit, which allowed to increase both processing capacity and recovery rates. With minimal capital expenditure in 2008 and 2009, the management team increased the overall recovery rate at Suzdal from 72 per cent. in 2008 to 74 per cent. in 2009.

Expand production capacity. In 2008, the management team decided to double the production capacity at Suzdal. This plant expansion commenced operations at the end of the third quarter of 2010. The Directors believe this expansion will increase annual processing capacity to 550 Kt in 2011.

Control costs. Due to the technologically advanced processing techniques utilised at Suzdal necessary to extract gold from the deposit's refractory sulphide ore, cash costs would be relatively high were it not for the high grade of the ore. As the ore grade decreases at Suzdal, cash costs per ounce of gold produced could increase. In order to keep

costs low at Suzdal despite a gradual decrease in grade, management conducted a thorough review of the organisational structure and replaced many expensive expatriate workers with skilled local workers. In addition, procurement and financial controls at Suzdal were placed under central control and review.

Establish exploration programme. Exploration activity was largely neglected by previous management. The Group's management established and is actively pursuing an extensive exploration programme in the vicinity of the deposit as well as on the flanks and deeper levels. The exploration program is aimed at establishing areas of higher grade ore and thereby supporting increased production and reduced cash costs. As a result of exploration activity Suzdal's JORC compliant resources increased from 0.4 Moz in 2006 based on SRK estimates to approximately 1.4 Moz as of 1 November 2010 based on the latest estimates by WAI, which takes into account mined out ore during the period.

Operations

The Suzdal mine uses the sublevel stoping method to mine 0.3 Mtpy. The mine facility contains a processing plant with crushing, grinding, flotation, BIOX and CIL circuits. A recent expansion of the processing plant increased processing capacity from 0.3 Mtpy to an expected 0.55 Mtpy in 2011; a corresponding increase in ore mined is to be achieved through mine expansion. The operations at Suzdal are among the most technologically advanced in the Group, as the plant possesses the technology necessary to process refractory sulphide ore, which the Group's other mines are not currently able to do. Processing plant overall recoveries using BIOX technology with refractory sulphide ore stand at approximately 78 per cent. Suzdal mined an average grade of approximately 14 g/t over the course of 2008 and 2009. Upon the conversion of inferred resources into ore reserves, management believes that high grade ore up to the inferred resource base grade can be mined over the remaining life of the mine.

Suzdal is the only mine in Kazakhstan where BIOX is implemented, which offers the potential in the future to use it as a hub for processing refractory concentrates from other mining operations which could not otherwise be processed in Kazakhstan, in an amount up to 20-30 Ktpy. Suzdal is currently processing high-grade concentrate from an external source under a contract agreed by prior management in 2007, which increases production without increasing mining costs, and has the potential to process pyrite concentrate from Zherek and Balazhal. However, as the price of gold has increased, the profitability of future purchases of ore concentrate from third parties has diminished. Depending on the results of exploration and technological studies at the nearby deposits of Zherek and Balazhal, the Group could process concentrate from these mines at Suzdal, though currently the Group does not have definite plans to do so.

The mine is connected to the Kazakh power grid. There is a permanent camp for workers built on site.

As at 31 December 2009, a total of 869 workers were employed at Suzdal.

The table below presents some key operating statistics relating to the Suzdal mine for the nine months ended 30 September 2010 and 2009 and for the years ended 31 December 2009 and 2008.

Operating Statistics, Suzdal

	9M 2010	9M 2009	2009	2008
Ore mined (Kt)	244.8	246.7	340	331
Ore milled (Kt)	232.2	235.8	317	302
Head grade (g/t)	10.3	12.9	13.4	14.5
Mill recovery (%)	75.9	74.0	74.8	71.8
Gold produced (Koz)	61.5	72.7	103.3	102.9
Cash costs ($/oz)[1]	434.2	402.0	397.9	376.4

(1) Unaudited

Geology and Exploration

The Suzdal gold deposit represents typical shear-hosted mesothermal gold mineralisation distributed within a late Palaeozoic turbidite sequence. The gold mineralisation at the Suzdal deposit is hosted by a steeply south-east dipping (approximately 75 degrees), Late Palaeozoic turbidite sequence. The mineralisation is associated with zones of silicification, quartz-carbonate veining and sulphide alteration distributed along north-east trending shear zones in the turbidites. A significant proportion of the gold is refractory and requires oxidation of the sulphide minerals prior to leaching of the gold.

Exploration at Suzdal is underway to increase the resources at flanks and deeper horizons, thereby seeking to avoid decreases in mined grades. Tests are being conducted to determine whether additional tonnage could also be mined at Zherek and Balazhal in order to increase mine life and fully supply the processing plant at Suzdal.

Zherek produced approximately 7.6 Koz of gold in 2010 from its remaining oxidised ore reserve. The deposit at Zherek has a resource base of 235 Koz of measured, indicated and inferred resources related to refractory sulphide ore. The Group is currently reviewing options for how best to utilise this sulphide ore.

Balazhal has estimated remaining resources of 545 Moz, and further research is required to convert resources into reserves. Technological tests are underway to determine if there are worthwhile bodies of sulphide ore located at the deposit, and if there are, what would be the optimal course of action with respect to those ore bodies.

The tables below set out the mineral resources and ore reserves of Suzdal as at 1 November 2010 and have been extracted without material adjustment from Appendix 2 "Mineral Expert Report".

Reserves, Suzdal

Ore Type		Total
Cut off grade (g/t)		4.0
Proven	Tonnage (kt)	266
	Grade (g/t)	7.57
	Gold kg	2,014
	koz	65
Probable	Tonnage (kt)	2,821
	Grade (g/t)	6.83
	Gold kg	19,263
	koz	619
Proven and Probable	Tonnage (kt)	3,087
	Grade (g/t)	6.89
	Gold kg	21,277
	koz	684

Resources, Suzdal

Ore Type		Sulphide
Cut off grade (g/t)		1.5
Measured	Tonnage (kt)	128
	Gold (g/t)	8.77
	Metal kg	1,119
	koz	36
Indicated	Tonnage (kt)	4,123
	Grade (g/t)	6.11
	Gold kg	25,205
	koz	810
Measured and Indicated	Tonnage (kt)	4,250
	Grade (g/t)	6.19
	Gold kg	26,325
	koz	846
Inferred	Tonnage (kt)	2,893
	Grade (g/t)	6.11
	Gold kg	17,687
	koz	569

Berezitovy, Amur region, Russian Federation

Overview

The Berezitovy gold mine is located in the Amur region of the Russian Federation, approximately 50 kilometres north of Urusha, a town of 5,000 people, and is accessible from an all-season road, most of which is paved. The mine is located 50 kilometres from the Trans-Siberian railroad and 100 kilometres from the Skovorodino railroad station. Production began at the Berezitovy mine in 2007. The Berezitovy mine is owned by High River Gold, which holds a 99 per cent. interest in Berezitovy.

Operational improvements since acquisition

The interest in Berezitovy was acquired in late 2008 as part of the acquisition of a controlling interest in High River Gold. At the time of acquisition, Berezitovy suffered from the cash flow problems facing each of the High River Gold mines, and as a consequence there was a problem obtaining supplies and spare parts, which led to long downtimes due to frequent problems with the tailings water filter plant and the use of refurbished equipment.

The key actions taken following acquisition of control of Berezitovy were as follows:

Address working capital constraints. Capital was injected to meet immediate working capital needs at the mine, allowing for improvements in general maintenance and ability to keep spare parts on-site to reduce downtime during repairs.

Replace key personnel. Certain key management functions were replaced. Group specialists made frequent trips to the mine site to work with local management to optimise the operations.

Increase production capacity. Post-acquisition, additional tailings filtration capacity was installed in the tailings water filter plant with further capacity additions planned in order to increase overall plant throughput to 2 Mtpy of ore. Management also expanded the elution circuit of the CIP unit to increase recovery. Finally, a second ball mill was installed to eliminate the strain on the first ball mill and ensure more reliable performance and increased production capacity. Total plant throughput is expected to reach 2.0 Mtpy in 2011 for approximately US$5 million of capital expenditure. Additional mining equipment was also introduced to the open pit operation to enable the mining rate to increase to 1.8 Mtpy in 2010.

Total cash costs per ounce of gold produced decreased at Berezitovy from 2008 to 2009 as shown in the table below but increased in the nine months ended 30 September 2010 primarily due to an extended maintenance and plant refurbishment that is largely complete as well as a slight decrease in head grade. Management believes that at 2.0 Mtpy production levels, total cash costs per ounce should return to 2009 levels.

Operations

The Berezitovy mine has one open pit. Ore mining currently occurs at approximately 1.8 Mtpy. By the end of 2011, ore mining is expected to rise to 2.0 Mtpy. Following the launch of the new ball mill, the plant's processing capacity is expected to increase from 1.5 Mtpy to 2.0 Mtpy. Processing plant overall recoveries are approximately 90 per cent. Berezitovy mined an average grade of approximately 2.6 g/t over the course of 2008 and 2009. Management believes that Berezitovy can potentially achieve grades in the range of 2.2 — 2.4 over the life of the mine based on existing mining plans for the mine.

The Berezitovy processing plant contains crushing, SAG and ball milling and CIP circuits, a tailings water filter plant and dry tailings storage facility, a water reservoir and potable water wells located on the Khaikta River, a sanitary landfill, a sewage treatment plant, mine water settling ponds, as well as a modern camp which accommodates approximately 415 workers.

The mine is connected to the regional power grid, which provides inexpensive hydroelectric power. Low cost and reliable power is provided to the site from the main substation at Skovorodino through a 101 kilometre, 110 kilowatt power line. Backup power is provided at site by 2 diesel generators. The Khaitka River passes near the mine and provides an abundant water supply. The water supply comes from a reservoir located on the border of the site, and potable water is produced on site.

As at 31 December 2009, a total of 941 workers were employed at Berezitovy.

The table below presents some key operating statistics relating to the Berezitovy mine for the nine months ended 30 September 2010 and 2009 and for the years ended 31 December 2009 and 2008.

Operating Statistics, Berezitovy

	9M 2010	9M 2009	2009	2008
Ore mined (Kt)	1,400	983	1,342	833
Ore milled (Kt)	799	812	1,092	691
Head grade (g/t)	2.3	2.8	2.78	2.49
Mill recovery (%)	89.6	87.3	87.3	89.4
Gold produced (Koz)[1]	55.2	63.6	87.3	15.7
Cash costs ($/oz)[2]	623	526	544	913

(1) The gold produced as shown in the table does not include gold equivalent ounces of silver.

(2) Unaudited. Due to the acquisition of a controlling interest in High River Gold in late 2008, the cash costs per ounce produced calculated in accordance with the Group's accounting policies reflect only one month of 2008 rather than the full year. Cash costs per ounce produced based on information included in the 2008 and 2009 annual reports of High River Gold and calculated in accordance with the accounting policies of High River Gold (Canadian GAAP) were US$775 and US$564, respectively.

Geology and Exploration

The Berezitovy deposit is gold-polymetallic, low-sulphide type mineralisation with sulphide mineral content in the range of 5 to 10 per cent. Less than 7 per cent. of total mineable reserves are oxidised. Gold mineralisation in and around the Berezitovy property is related to explosive breccia within granitic gneisses. At the Berezitovy deposit, this is present within a north-northwest trending and steeply southwest dipping zone of brecciated and hydrothermally altered granodiorite. This zone, and several other zones of similar orientation in the general area, may represent regional scale tension gashes developed between the east-northeast trending Severa and Yuzhna Sergachinsky faults. The uplifted block, which contains the gold mineralised zones, is in contact with younger sedimentary rocks on either side. Several granitic dikes are parallel to the regional trend and are mineralised close to the main zone.

Exploration at the Berezitovy deposit has the potential to define additional resources to extend the mine life and increase annual production. A permit for the Sergachinsk property 50 kilometres from the Berezitovy mine was obtained in 2006 and affords exploration potential in an area where Berezitovy is the only gold mining enterprise in the local region.

The tables below set out the mineral resources and ore reserves of Berezitovy as at 1 November 2010 and have been extracted without material adjustment from Appendix 2: "Mineral Expert Report".

Reserves, Berezitovy

Ore Type			Sulphide
Cut off grade (g/t)			0.51
Proven	Tonnage (kt)		10,129
	Gold (g/t)		1.98
	Metal	kg	20,105
		koz	646
Probable	Tonnage (kt)		6,199
	Gold (g/t)		1.95
	Metal	kg	12,085
		koz	389
Proven and Probable	Tonnage (kt)		16,328
	Gold (g/t)		1.97
	Metal	kg	32,190
		koz	1,305

Resources, Berezitovy

Ore Type			Sulphide
Cut off grade (g/t)			0.3
Measured	Tonnage (kt)		10,764
	Gold (g/t)		2.00
	Metal	kg	21,492
		koz	691
Indicated	Tonnage (kt)		10,357
	Gold (g/t)		1.64
	Metal	kg	17,008
		koz	547
Measured and Indicated	Tonnage (kt)		22,121
	Gold (g/t)		1.82
	Metal	kg	38,499
		koz	1,238
Inferred	Tonnage (kt)		2,571
	Gold (g/t)		1.59
	Metal	kg	4,098
		koz	132

Buryatzoloto (Irokinda and Zun-Holba), Republic of Buryatia, Russian Federation

Overview

Buryatzoloto comprises the underground gold mines of Irokinda and Zun-Holba in the Republic of Buryatia in the Russian Federation. The Irokinda gold mine is located approximately 75 kilometres from the town of Taksimo, where the Baikal-Amur railroad station and airport are located, and is accessible from an all-season road. The Zun-Holba gold mine is located approximately 315 kilometres from the village of Kultuk, which is on the Trans-Siberian railroad line, and 80 kilometres from the city of Irkutsk and is also accessible by an all-season road. Production began at the Irokinda mine in 1985 and at the Zun-Holba mine in 1986. The Irokinda and Zun-Holba mines are owned by High River Gold, which holds an 84.94 per cent. interest in Buryatzoloto.

Operational improvements since acquisition

The interest in Buryatzoloto was acquired in late 2008 as part of the acquisition of a controlling interest in High River Gold. At the time of acquisition, Buryatzoloto faced a number of problems: its cash costs were very high and were rising; High River Gold was not able to provide the working capital to obtain needed parts and services; there was no funding available for exploration to extend the short lives of the deposits at Irokinda and Zun-Holba or to increase production capacity; there was limited security oversight of the extracted free gold pieces; there were limited health and safety policies in place; and there was a general lack of discipline among mine management and personnel.

The key actions taken following acquisition of control of Buryatzoloto were as follows:

Replace key personnel. The Group's management conducted an extensive overhaul of the organisational structure at Buryatzoloto replacing the general director, chief geologist, financial director, human relations, health and safety and procurement directors and Zun-Holba mine and plant managers.

Implement discipline and financial controls. Strong financial controls and procedures were put in place, discipline/morale restored to the workforce and security measures were increased to protect the free gold.

Reduce work force and improve productivity through training programs. Having conducted a detailed review of the functions of the large work force at the mines, the management team reduced the workforce by nearly 800 employees, cutting unnecessary administrative functions and disposing of a non-essential exploration service provider which employed approximately 600 workers. Extensive training programs were implemented for mining staff resulting in increased ore output per miner and increased total ore output despite reduced headcount levels.

Expand and modernise production capacity. The management team implemented an extensive capital expenditure programme of under US$20 million at the Zun-Holba and Irokinda mines and plant facilities, which included modernisation of equipment, installation of a fourth processing circuit at Zun-Holba plant, including a ball mill, gravitation, flotation and leaching tanks, which increased annual production capacity by 25 per cent. Targeted improvements and replacements were also made to mining equipment. Tailings storage facilities were expanded at both the Zun-Holba and Irokinda mines in order to allow for continued production.

Restore exploration programme. The mining operations of Irokinda and Zun-Holba had operated for many years and have usually maintained a relatively short mine-life, with exploration for sufficient reserves/resources to cover several years of operation being carried out on an on-going basis. Due to cash constraints prior to the acquisition by the Group, the exploration work had been neglected, resulting in a lower level of reserves compared to average historic levels. Following acquisition the management team increased the exploration budget substantially in order to define new resources and reserves and to increase the mine life.

Improve commitment to health and safety. A full-time employee was hired to overhaul health and safety practices at Zun-Holba and Irokinda mines, trained and certified in Canada and now based in Buryatia. Previously health and safety oversight was conducted by an employee who was based off-site and only undertook several visits to the mine on an annual basis.

As a result of these actions, total cash costs per ounce produced at Irokinda and Zun-Holba were reduced from 2008 to 2009 as shown in the table below. Total cash costs per ounce of gold produced increased in the nine months ended 30 September 2010 primarily due to a decrease in head grade which management does not expect to continue.

Operations

The Irokinda and Zun-Holba mines are both relatively mature underground operations. Because the rock is sufficiently hard, mining at Irokinda utilises the room-and-pillar method with the rooms following the dip of the vein. Each individual vein is typically developed through the use of separate adits due to the mountainous relief and the physical distance between veins. As the rock at Zun-Holba is softer than at Irokinda, mining methods currently used at Zun-Holba are cut and fill stoping, timbered (square set) stoping and shrinkage stoping. Mining at Zun-Holba is currently focussed on the lower sections of the ore body.

Each of Irokinda and Zun-Holba contains a processing plant with crushing, grinding, gravity and flotation circuits, and the processing plant at Zun-Holba also contains a CIP circuit and related facilities. For processing, there are two crushing stages, two grinding stages using ball mills, followed by gravity separation, which produces concentrates for both the gravity and flotation circuits. The gravity circuit is used to recover free gold, after which smelting produces doré bars. Flotation is used to recover finer gold particles into a flotation concentrate. The flotation concentrate from Irokinda is shipped to the Zun-Holba CIP plant, via truck and rail, for further treatment. Processing plant overall recoveries are approximately 90-95 per cent., and both plants operate at close to their design capacity for a total capacity of 700 Ktpy. Buryatzoloto mined an average grade of approximately 8.1 g/t over the course of 2008 and 2009. Management believes that Buryatzoloto can potentially achieve similar grades over the life of the mine as the reserve base is replenished as a result of an ongoing drilling programme.

Irokinda is located near the Irokinda village, where there is a hospital as well as a school. There is a permanent camp at the Zun-Holba mine. Both mines are connected to the regional power grid and have an abundant water supply.

As at 31 December 2009, a total of 3,778 workers were employed at the Irokinda and Zun-Holba mines.

The table below presents some key operating statistics relating to the Irokinda and Zun-Holba mines for the nine months ended 30 September 2010 and 2009 and for the years ended 31 December 2009 and 2008.

Operating Statistics, Irokinda and Zun-Holba

	9M 2010	9M 2009	2009	2008
Ore mined (Kt)	467	469	626	596
Ore milled (Kt)	487	443	632	563
Head grade (g/t)	6.9	8.2	7.9	8.3
Mill recovery (%)	91.7	93.2	92.7	95.4
Gold produced (Koz) (1)	100.3	100.3	154.6	145.8
Cash costs ($/oz) (2)	519	384	412	550

(1) The gold produced as shown in the table does not include gold equivalent ounces of silver.

(2) Unaudited. Due to the acquisition of a controlling interest in High River Gold in late 2008, the cash costs per ounce produced calculated in accordance with the Group's accounting policies reflect only one month of 2008 rather than the full year. Cash costs per ounce produced based on information included in the 2008 and 2009 annual reports of High River Gold and calculated in accordance with the accounting policies of High River Gold (Canadian GAAP) were US$580 and US$494, respectively.

Geology and Exploration

At Irokinda, gold mineralisation occurs within quartz veins hosted in Archean gneiss. Quartz veins are controlled by three main tectonic zones gently dipping to the west at 25-45 degrees. Individual veins have strike lengths ranging from 60 metres to 400 metres and are generally traced up to 300 metres or more down dip. Thicknesses of the individual veins range from 0.1 to 5 metres. Gold mineralisation within the veins is discontinuous with local rich bonanza-type ore shoots measuring from 30 to 350 metres along the strike and up to 350 metres down dip. Approximately 90 per cent. of gold occurs as free gold hosted by quartz with approximately 10 per cent. of gold hosted by sulphides. Gold is relatively coarse grained with grain sizes from 1 to 2 millimetres and occasionally up to 2 centimetres.

The Zun-Holba deposit occurs within a narrow northwest trending sequence of strongly folded and metamorphosed Proterozoic metasediments (limestones, sandstones, schists and tuffs) tectonically wrapped in between Archean and Paleozoic granitic massifs. Gold mineralisation is structurally controlled by 3 subparallel vertical shear zones running from north west to south east. Gold mineralisation occurs within 13 sub vertical, en echelon-like gold-bearing mineralised ore bodies containing quartz-sulphide veins with strike lengths from 50 to 100 metres and with thicknesses from 0.3 to 8 metres. Ore mineralisation runs 3 kilometres along the strike and has been traced down to more than 1 kilometre deep. Gold mineralisation is largely associated with quartz-sulphide veins, with some occurring in altered host rocks as well. Pyrite amounts to 7-8 per cent. of the mineralised rock by volume. Gold occurs as tiny (grain size less than 70 microns) free gold in sulphides and, to a lesser extent, in a quartz-carbonate matrix.

Since the mines began production, they have traditionally maintained approximately 600 Koz of confirmed resource, with annual exploration programmes aimed at replenishing mined out resources. Because there is evidence of significant resource upside at flanks and parallel structures, extensive prospective drilling has been initiated in 2010 in order to prepare a new resource base.

The table below sets out the mineral resources of Irokinda and Zun-Holba as at 1 November 2010 and has been extracted without material adjustment from Appendix 2 "Mineral Expert Report".

Resources, Irokinda and Zun-Holba

			Irokinda	Zun-Holba
Measured	Tonnage (kt)		—	—
	Gold (g/t)		—	—
	Metal	—	—	—
		koz	—	—
Indicated	Tonnage (kt)		157	41
	Grade (g/t)		16.3	14.3
	Gold	kg	2,574	591
		koz	83	19
Measured and Indicated	Tonnage (kt)		147	41
	Grade (g/t)		16.3	14.3
	Gold	kg	2,574	591
		koz	83	19
Inferred	Tonnage (kt)		192	553
	Grade (g/t)		18.3	13.2
	Gold	kg	3,506	7,285
		koz	113	235

Neryungri, Yakutia, and Aprelkovo, Transbaikal, Russian Federation

Overview

The Neryungri mine (Tabornoe deposit) is located in Yakutia and the Aprelkovo (Pogromnoe deposit) mine is located in the Transbaikal region, both in the Russian Federation. The Neryungri gold mine is located approximately 200 kilometres from the town of Chara and is accessible from an all-season road. The Aprelkovo gold mine is located approximately 200 kilometres from the city of Chita and is easily accessible by a paved road.

Operational improvements since acquisition

The Neryungri and Aprelkovo mines were acquired in 2007 from subsidiaries of the Arlan Investment Company. At the time of acquisition, the mines suffered from derelict equipment which frequently broke down.

The key actions taken following acquisition of control of Neryungri and Aprelkovo were as follows:

Change management and key personnel. The general managers and several heads of key functions at both Neryungri and Aprelkovo were replaced.

Increase production. Management replaced old mining equipment at both mines, added mobile crushers and expanded the adsorption/desorption circuit, where gold is recovered from cyanide solution, at Neryungri. Management improved the use of the mining fleet by instituting best practices for fleet maintenance and has replaced a portion of the fleet with larger trucks.

Improve infrastructure. Due to the remoteness of the location, access to Neryungri was previously only possible by helicopter or off-road vehicle in the summer and by ice road in the winter. Construction of an all-season road now allows year-round access to the site.

Establish exploration programme. Exploration in the vicinity of Neryungri and Aprelkovo was neglected by previous management. Following acquisition management launched an exploration programme which has led to the discovery of the Gross deposit and an expansion of the resource base of both mines (see "— Exploration and Development — Development Projects — Gross Project" below).

Operations

Operations at Neryungri and Aprelkovo utilise the simplest heap leach extraction method available due to highly oxidised, low grade ore. The gold recovery at Neryungri is approximately 75 per cent. while at Aprelkovo it is approximately 70 per cent. The low gold content grade of approximately 1 g/t at each mine, coupled with the remote location of the mines, explains the relatively high production cash costs associated with the mines.

Neryungri mined an average grade of approximately 1.1g/t and had a recovery rate of 75 per cent. over the course of 2008 and 2009. Management believes that Neryungri can potentially achieve ore grades in the range of 0.95-1.0 g/t and similar recovery rates over the life of the mine based on existing mining and production plans.

Aprelkovo mined an average grade of approximately 1.1g/t and had a recovery rate of 70-75 per cent. over the course of 2008 and 2009. Management believes that Aprelkovo can potentially achieve similar ore grades and recovery rate in the range of 60-70 per cent. over the life of the mine based on the existing mining and production plans of the mine.

Production at the mines is subject to significant seasonal variation due to harsh winter temperatures. The majority of crushing and stockpiling of ore occurs from May to September, and the majority of production occurs from July to December, as the cyanide spray used in the heap leach process cannot penetrate the frozen ore.

The Neryungri and Aprelkovo mines are both open pit mines and each contains a processing plant with crushing and heap leach extraction capabilities. Neryungri utilises a diesel generator for electricity, and Aprelkovo is connected to the regional power grid.

As at 31 December 2009, a total of 895 workers were employed at the Neryungri mine, and 603 workers were employed at the Aprelkovo mine.

The tables below present some key operating statistics relating to the Neryungri and Aprelkovo mines for the nine months ended 30 September 2010 and 2009 and for the years ended 31 December 2009 and 2008.

Operating Statistics, Neryungri

	9M 2010	9M 2009	2009	2008
Ore mined (Kt)	1,696	1,560	2,230	1,526
Ore milled (Kt)	1,711	1,820	2,251	1,677
Head grade (g/t)	1.22	1.07	1.12	1.13
Mill recovery (%)	n/a	n/a	75.0	75.0
Gold produced (Koz)	34.6	26.8	50.2	37.5
Cash costs (US$/oz)[1]	680	604	539	530

(1) Unaudited

Operating Statistics, Aprelkovo

	9M 2010	9M 2009	2009	2008
Ore mined (Kt)	1,237	1,114	1,586	863
Ore milled (Kt)	1,284	1,243	1,704	1,351
Head grade (g/t)	1.17	0.99	1.04	1.01
Mill recovery (%)	n/a	n/a	70.7	74.4
Gold produced (Koz)	24.0	16.4	28.9	29.7
Cash costs ($/oz)[1]	650	701	665	586

(1) Unaudited

Geology and Exploration

The Tabornoe deposit (Neryungri mine) is hosted by early Proterozoic sandstones of the Olonnokonskiy Formation. The sandstones are massive, fine to medium grained, and of quartz-feldspar and feldspar-quartz composition. The sandstones are horizontal or shallow dipping to the north, northeast and east, typically at dips of 10-30 degrees. A diabase dyke of Riphean Age, striking from east to west and dipping at 70 degrees to the south is heavily altered and disrupted, has a maximum thickness of 25 metres, a proven strike length of 700 metres and is mineralised, often carrying good gold grades. Tabornoe comprises a complex set of ore bodies occurring in altered sandstone and diabase. Gold bearing mineralisation occurs in all altered rocks types, notably including the diabase dyke.

The ore zone of the Pogromnoe deposit (Aprelkovo mine) has a length of up to 500 metres with a thickness of 35-50 metres. Approximately 87 per cent. of gold occurs as free gold accessible for cyanide leaching, with the remaining 13 per cent. hosted by sulphides and gangue.

Exploration in the vicinity of Tabornoe focuses on the deposits of Tyomnoe, Gross and Usinskoe for possible mine expansion. There is limited production growth potential at the Aprelkovo mine, with a decreasing recovery rate from the current 70 per cent. down to 65 per cent. as the ore becomes more refractory. However, there is potential for development of a new mine based on the Nerchinsk and Kunikan deposits in the vicinity of the Aprelkovo mine, and CIL processing will be considered as soon as the recovery rate starts to decrease.

The tables below set out the mineral resources and ore reserves of each of Neryungri and Aprelkovo as at 1 November 2010 and have been extracted without material adjustment from Appendix 2 "Mineral Expert Report".

Reserves, Neryungri

			Total
Cut off grade (g/t)			**0.27**
Proven	Tonnage (kt)		5,194
	Gold (g/t)		0.91
	Metal	kg	4,703
		koz	151
Probable	Tonnage (kt)		17,867
	Gold (g/t)		0.77
	Metal	kg	13,773
		koz	443
Proven and Probable	Tonnage (kt)		23,062
	Gold (g/t)		0.80
	Metal	kg	18,475
		koz	594

Resources, Neryungri

			Total
Measured	Tonnage (kt)		5,079
	Grade (g/t)		0.98
	Gold	kg	4,966
		koz	160
Indicated	Tonnage (kt)		25,097
	Grade (g/t)		0.79
	Gold	kg	19,757
		koz	635
Measured and Indicated	Tonnage (kt)		30,177
	Grade (g/t)		0.82
	Gold	kg	24,724
		koz	795
Inferred	Tonnage (kt)		73,315
	Grade (g/t)		0.63
	Gold	kg	46,453
		koz	1,493

Reserves, Aprelkovo

			Total
Proven	Tonnage (kt)		7,814
	Grade (g/t)		1.18
	Gold	kg	9,206
		koz	296
Probable	Tonnage (kt)		7,462
	Grade (g/t)		0.93
	Gold	kg	6,935
		koz	223
Proven and Probable	Tonnage (kt)		15,275
	Grade (g/t)		1.06
	Gold	kg	16,141
		koz	519

Resources, Aprelkovo

			Total
Measured	Tonnage (kt)		7,592
	Gold (g/t)		1.31
	Gold	kg	9,928
		koz	319
Indicated	Tonnage (kt)		8,029
	Gold (g/t)		1.03
	Gold	kg	8,250
		koz	265
Measured and Indicated	Tonnage (kt)		15,621
	Gold (g/t)		1.16
	Gold	kg	18,178
		koz	584
Inferred	Tonnage (kt)		8,638
	Gold (g/t)		0.84
	Gold	kg	7,298
		koz	235

Mineral Rights, Mining Taxes and Operating Licences

The following is a summary of the material mineral rights held by the Group in respect of its operating mines and the material tax and other payments that it is subject to.

In Burkina Faso, for exploration purposes, research permits are granted upon the submission of an application, designated budget and schedule of work for the first year. This permit is issued for three years and can be renewed twice for consecutive periods of three further years. Activity must commence within six months, and the permit applies to a maximum surface area of 250 square kilometres. Upon the second renewal, the area must reduce in size by one fourth and ultimately contain only the area of interest by the final application. A research permit can be upgraded to a Production Permit upon application. An exploitation permit for gold is in place for the Taparko deposit and covers an area of 666.5 square kilometres. It was granted in August 2004 and is valid for 20 years with the possibility for a further five-year extension. The Group currently holds exploration rights under research permits to 4,290 square kilometres in Burkina Faso.

In Guinea, the Ministry of Mines has the ability to grant prospecting licences and exploitation permits, while the President of Guinea has the ability to grant mining concessions, which are grants reserved for large ore deposits that entail significant investment and infrastructure requirements as defined by a relevant feasibility study. The LEFA mine and its surrounds comprise an exploitation permit under the Convention de Base (as described under Part 9 "Regulation — Mining concessions — SMD/DGM Convention de Base") and one contiguous granted prospecting licence, covering an aggregate area of 1,593 square kilometres.

In Kazakhstan, the state grants individuals and entities subsoil use rights for the exploration and extraction of mineral deposits. The Suzdal deposit is subject to an extraction licence over 5.9 square kilometres. The Zherek deposit is covered by an exploitation licence over 1.35 square kilometres.

In the Russian Federation, mining minerals requires a subsoil licence with respect to an identified mineral deposit, as well as the right to use the land where the licensed mineral deposit is located. There are licences for both exploration and production, and they are issued by the federal executive bodies. Below is a summary of the mineral rights at each of the Group's mines in the Russian Federation.

Berezitovy. The Berezitovy mine is covered by one subsoil licence over a total area of 17 square kilometres and allows exploration and mining to be carried out until 2017. The nearby Sergachinskaya field is covered by a subsoil licence over 162.7 square kilometres which allows exploration and mining to be carried out until 2032.

Buryatzoloto. The Irokinda deposit is covered by one subsoil licence over 227 square kilometres which allows exploration and mining to be carried out until 31 December 2012. The Zun-Holba mine is covered by three licences covering four deposits over approximately 72.5 square kilometres, which expire in 2013, 2019 and 2024, respectively.

Neryungri (including Gross). The Tabornoe deposit of the Neryungri mine is covered by a subsoil exploration and mining licence over 0.93 square kilometres until the end of 2020. In addition, the Tabornoe, Black Tabornoe and Gross deposits are covered by an exploration licence over 58 square kilometres which expires on 31 December 2011.

Aprelkovo. The mine is covered by a subsoil exploration and mining licence over 6.6 square kilometres which expires on 31 December 2020. The Group is currently seeking approval to obtain a licence for a large-scale mining operation.

Prognoz. The Prognoz deposit is covered by an exploration licence over 56 square kilometres which expires in 2025.

Nerchinsk. The Nerchinsk deposit is covered by an exploration and mining licence over 34.6 square kilometres which expires in 2033.

Uryakh. The Uryakh deposit is covered by an exploration and mining licence over 52.2 square kilometres which expires in 2032.

Vitimkan. The Vitimkan deposit is covered by an exploration and mining licence over 1,394 square kilometres which expires in 2032.

For more details on mining licence requirements, see Part 9 "Regulation".

Mining taxes

In Burkina Faso, the standard mining tax rate is 5 per cent. of total sales, but under the Group's licence at Taparko, it is required to pay only 3 per cent. for the life of the Taparko mine. Similarly, while income tax in Burkina Faso is 30 per cent., the income tax rate in respect of Taparko is only 20 per cent. and will remain so for the life of the mine, and the Group does not have to pay any customs duties on equipment purchased for Taparko. The Group will discuss with the government of Burkina Faso the tax rates to apply in respect of Bissa in connection with its application for a mining licence at that deposit.

In Guinea, the mining tax rate is 5 per cent., and there is an additional 0.4 per cent. tax payable to the local municipality, calculated on the basis of total sales.

In Kazakhstan, the mining tax rate is 5 per cent. of total gold produced multiplied by the average trading price of gold for each quarter.

In the Russian Federation, the mining tax rate is 6 per cent. of total gold produced multiplied by the average sale price of gold for each month.

Mineral Development Agreements

In Burkina Faso and Guinea, the Group has entered into mineral development agreements with the government. These agreements provide for the tax and fiscal stabilisation of long-term mining projects and specify terms of environmental compliance.

Operating Licences

The Group has all material licences required for the operation of its business. Licences are required in the Russian Federation for production, usage and storage of explosives, land surveying, handling of dangerous waste and operating dangerous objects. In Kazakhstan, licences are required for processing of mineral materials, mine design and exploitation, use of poisons and activities related to mining precursors for the Suzdal gold mine and the deposits at Zherek and Balazhal.

Exploration and Development

Overview

The Group has grown its reserve and resource base and resulting production through a combination of acquisitions and an exploration strategy. Following on the successful track record of resource expansion at existing mines and identification of a broad portfolio of exploration projects, the Directors believe that the Group will be in a position, due to its increased financial resources and flexibility, to expand its exploration activities, from a geographic and scale perspective, as well as further progress its development targets. The Group's most recent exploration focus has been in West Africa and the Russian Federation. The Group's near term target organic production growth has been focused on the Bissa and Gross projects. See "— *Development Projects*" below.

Management believes that the Group has now achieved a critical mass which enables it to share expertise from across its network of mines in the establishment of brownfield and greenfield projects and to rely on its own team of centralised specialists rather than use external consultants, across the exploration, construction and production phases. The Group's exploration team in the head office in Moscow consists of 12 employees who are specialists in the exploration and mining areas with experience from 15 to 37 years, and the team supervises a significant number of local exploration specialists at mine and exploration sites, as well as independent contractors engaged on a regular basis. Each specialist has a solid knowledge of and qualification in the mining sector and geographically focuses on various projects in the Group. The exploration team is currently in the process of restructuring and expansion, including intensive development of projects and implementation of new technologies (for example, an integrated mine planning and grade control system based on SQL Gems digital technology).

Development Projects

Bissa Project, Burkina Faso, West Africa

The Bissa deposit is located in Burkina Faso, 100 kilometres north of the capital Ouagadougou. The current JORC compliant resources estimate is over 2.9 Moz, with a resource potential in the range of approximately 3-5 Moz. At the surface, the deposit contains mostly oxidised ore, but further exploration is being conducted to determine the quantity of higher grade, harder rock underneath. The current life of mine schedule is targeting an annual mining rate of 3 Mtpa with gold recovery using CIL processing. The Directors believe that there is significant potential

synergy between the Bissa project and the Taparko mine, such as obtaining volume discounts on procurement contracts and transferring management personnel who have made the production improvements at the Taparko mine to the construction and operation of the Bissa mine.

When the Severstal Group acquired its interest in the Bissa project as part of its interest in High River Gold, exploration of Bissa was slow with many interruptions due to a lack of funding from High River Gold. Management provided funds to continue the feasibility study, and the Group intends to apply to the government of Burkina Faso for a mining permit in early 2011. If the Group receives a mining permit, it would expect to construct a processing facility similar to the one at Taparko but would allow for expansion in the design should the resource potential increase in size or complexity upon further exploration, and production could start as early as 2013.

As at Taparko, the management team will undertake a disciplined review of the investment programme at Bissa in order to develop the site in a way that ensures its efficient operation with appropriate capital expenditures. Given the Group's experience at Taparko and its expertise across the Group's mines, the Group expects to be able to save costs by using its experienced team to set up the new plant at Bissa rather than relying on expensive third party service providers.

The tables below set out the mineral resources and ore reserves of Bissa as at 1 November 2010 and have been extracted without material adjustment from Appendix 2 "Mineral Expert Report".

Reserves, Bissa

			Total
Cut off grade (g/t)			0.62
Proven	Tonnage (kt)		487
	Grade (g/t)		3.23
	Gold	kg	1,572
		koz	51
Probable	Tonnage (kt)		28,676
	Grade (g/t)		1.74
	Gold	kg	49,845
		koz	1,602
Proven and Probable	Tonnage (kt)		29,163
	Grade (g/t)		1.76
	Gold	kg	51,417
		koz	1,653

Resources, Bissa

			Total
Measured	Tonnage (kt)		497
	Grade (g/t)		3.33
	Gold	kg	1,657
		koz	53
Indicated	Tonnage (kt)		57,570
	Grade (g/t)		1.40
	Gold	kg	80,730
		koz	2,596
Measured and Indicated	Tonnage (kt)		58,068
	Grade (g/t)		1.42
	Gold	kg	82,386
		koz	2,649
Inferred	Tonnage (kt)		5,657
	Grade (g/t)		1.20
	Gold	kg	6,768
		koz	218

Gross Project, Republic of Yakutia, Russian Federation

The Gross deposit is located in Yakutia, 4 kilometres from the Neryungri mine. Currently, there are 5.4 Moz of JORC compliant resources, with resource potential up to 10 Moz. While the grade of ore at Gross is low at approximately 0.7 g/t, given the low stripping ratio at the site and the prevalence of soft, oxidised ore, processing

will be simple heap leaching and cash costs are expected to be low as a result. Management expects an annual mining rate of approximately 8 Mtpa and production in excess of 100 Koz. There is potential synergy between the Gross project and the Neryungri mine, such as the use of Neryungri transportation infrastructure and management personnel at Gross.

The table below sets out the mineral resources of Gross as at 1 November 2010 and has been extracted without material adjustment from Appendix 2 "Mineral Expert Report".

Resources, Gross

			Total
Measured	Tonnage (kt)		—
	Gold (g/t)		—
	Metal	kg	—
		koz	—
Indicated	Tonnage (kt)		21,834
	Gold (g/t)		0.73
	Metal	kg	15,884
		koz	511
Measured and Indicated	Tonnage (kt)		21,834
	Gold (g/t)		0.73
	Metal	kg	15,884
		koz	511
Inferred	Tonnage (kt)		220,389
	Gold (g/t)		0.68
	Metal	kg	150,873
		koz	4,851

Prognoz (silver) Project

The Prognoz silver deposit is located in the Republic of Yakutia in the Russian Federation, 444 kilometres north of Yakutsk. The current JORC compliant resources are 205 Moz of silver with grading of approximately 680 g/t. Prognoz is one of the largest high grade undeveloped primary silver deposits in the world, with 56 square kilometres of property and 30 epithermal veins averaging 2-4 metres wide, several kilometres long and several hundred metres deep. A metallurgical bulk sample test demonstrated 91 and 98 per cent. gravity and flotation silver recovery. Management believes that there is substantial resource potential available for further exploration.

The Group holds its interest in the Prognoz deposit through High River Gold, which, in turn, indirectly owns a 50 per cent. interest in Prognoz Silver LLC, which owns rights in the Prognoz deposit. The balance is owned by ZAO Agentum, an unrelated third party. Currently, Prognoz is under insolvency proceedings, which will need to be resolved before the site is developed. There is no certainty at this stage as to the outcome of these proceedings; however, the Company expects that the Group as a major creditor of Prognoz Silver LLC may be able to participate or control such proceedings and may also be able to acquire the Prognoz licences in any bankruptcy auction.

The table below set out the mineral resources of Prognoz as at 1 November 2010 and has been extracted without material adjustment from Appendix 2 "Mineral Expert Report".

Resources, Prognoz

Cut off grade (g/t)			**100**
Indicated	Tonnage (Mt)		4.49
	Grade (g/t Ag)		704
	Silver	t	3,165
		Moz	102
Inferred	Tonnage (Mt)		4.87
	Grade (g/t Ag)		659
	Silver	t	3,209
		Moz	103

Other exploration prospects

The Group also has a portfolio of 30 exploration properties in Burkina Faso of which the most promising targets are the Labola permit, Bouly (Namtenga permit) and Zinigma (Yargo permit), extensive potential exploration acreage in the LEFA and Banora-Diguili- Bouremfe corridors in Guinea and six gold exploration properties in East Siberia including Uryakh, Nerchinsk, Vitimkan, Kunikan, Ostanstovy and Yuzhno-Uguyskaya.

Labola, Burkina Faso

The Labola gold exploration prospect is located in the north end of the Banfora greenstone belt in southwestern Burkina Faso over an area of 250 square kilometres. The Labola target has potential to generate large, high-grade vein-type deposits acceptable for both open pit and underground development.

The permit was acquired to assess an area of significant artisanal mining where gold was mined from a series of parallel quartz veins with a total strike length of 11 kilometres and within a 300-metre wide deformation corridor. Of the 186 rock samples taken during preliminary reconnaissance work carried out in 2004, 91 samples returned assay results of greater than 1 g/t of contained gold and 41 samples returned assay results of greater than 5 g/t with maximum value of 73 g/t Au. The gold mineralisation is associated with a subparallel network of quartz veins and with host rocks that consist of strongly deformed and altered volcano-sediments. The thickness of the quartz veins varies from a fewmillimetres to 50 centimetres. Sulphide boxworks are observed in the host rocks as well as in the quartz veins. Based on the artisanal gold workings at the surface, the width of the zones varies from 5 to 50 metres. Exploration programs in early 2005 consisted of geological mapping, and an I.P. resistivity gradient array geophysical survey followed by a widely-spaced first-pass drill programme to assess gold grades and true widths of the vein systems. As a result of reverse circulation and diamond drilling in 2007 and 2008, gold mineralisation was confirmed at 7 veins with the best intersections 7.73 g/t at 9 metres, 7.06 g/t at 5 metres, 23.56g/t at 2 metres, 11.05 g/t at 4 metres and 32.82 g/t at 2 metres. The prospect is now ready for resource delineation drilling, and a new reverse circulation drilling programme commenced in September 2010. Approximately US$1 million was spent for the fall of 2010 and management plans to expand drilling activity in 2011 with a preliminary budget of approximately US$6 million.

Bouly, Burkina Faso

Bouly exploration prospect is located within 10 km distance to the southeast of Bissa Hill deposit and has significant potential for the generation of a large tonnage, low grade porphyry gold and copper deposit.

Bouly exploration prospect is located in the 68.56 square kilometre Namtenga Permit. Preliminary works identified a circular soil anomaly of approximately 4 square kilometres in area, with results of 320 parts per billion of gold maximum in the soil, 1.12 and 1.03 g/t in two rock samples and 0.57 g/t maximum in two trenches. A diamond core intersected 2.50g/t over 30.6 metres and had an average grade of 0.94 g/t over 126 metres. The results of this early exploration work outlined a strong gold-copper bedrock anomaly which continues under the alluvium into the Bissa permit to the southwest. In 2009 the area was further tested by a 60 hole programme of air core drilling with a total of some 5,000 metres drilled. The work has indicated 15-20 metres of cover and a depth of weathering of around 50 metres in the drilled part of the area; mineralisation is open at depth and along strike. Preliminary results have identified 253 Koz of inferred resources in the area and management believes that the project has significant potential for generation of a large tonnage low grade gold and copper deposit. Bouly is a target for further drilling, and preliminary plans for 2011 include a 10,000 metre reverse circulation drilling programme with a suggested preliminary budget of US$2.2 million.

Zinigma, Burkina Faso

The Zinigma exploration prospect lies within the Yargo permit that is part of the Kindo group of permits in Burkina Faso. Preliminary results have identified 139 Koz of inferred resources in the area, and management believes that results are highly encouraging and warrant additional exploration work on the property.

The mineralised zone is interpreted as being shallowly dipping toward the southwest with an average strike approximately east-southeast to west-northwest. In 2010, a reverse circulation drill programme has followed on from previous rotary air blast and reverse circulation holes and has been able to define a low angle quartz graphtic mineralised zone which showed continuity. The best results from drilling included 6 metres at 2.19g/t, 12 metres at 2.91g/t and 5 metres at 5.39g/t. For 2011 there are preliminary plans to drill approximately 15,000 metres at Zinigma with an approximate budget of US$2.3 million.

LEFA corridor and Banora-Diguili- Boureme corridor, Guinea

The LEFA corridor is a highly prospective zone that is approximately 10 kilometres wide and situated within the 1,500 square kilometre Dinguiraye concession. The Banora-Diguili-Boureme corridor in the south runs sub-parallel to the LEFA corridor and is also a high priority area for regional exploration.

Limited exploration work was carried out in the past in the area with less than 5 per cent. explored in detail due to cash constraints and focus on resolving operational issues. Over 70 percent. of the ground is Birimian geology, and geological studies suggest that discoveries in the LEFA corridor to date are peripheral to a much larger mineralisation system that has not yet been discovered. Only restricted exploration and preliminary studies occurred in 2010, and the property is still under inhouse evaluation to plan a comprehensive further work programme. Thus detailed plans for 2011, together with budget requirements, are being developed. Despite the acquisition of the Dinguiraye concession being very recent, the general framework of the exploration programme already exists, and approximately US$21 million has been allocated for ground geophysical works, mapping, drilling (more than 1000 drill holes planned) and trenching.

Uryakh, Irkutsk region, Russian Federation

The Uryakh gold exploration prospect located in the Bodaybinskiy district of Irkutsk region is a highly prospective area containing several different types of gold mineralization including high-grade quartz veins and mineralized zones. The Uryakh target has potential to generate medium to large size deposit acceptable for both open pit and underground development.

The Uryakh prospect is located over an area of 52 square kilometers in the Bodaybinskiy district of Irkutsk region on the border with the Republic of Buryatia and the Transbaikal region. The project lies approximately 75 kilometres north of the main Baikal-Amurskaya (BAM) railway. The recent exploration programme comprises (i) a soil sampling programme in a 100 square metre grid to outline geochemical anomalies for gold, silver and non-ferrous metals; (ii) a geophysical induced polarisation and resistivity gradient survey in a 100 metre by 20 metre grid; and (iii) a 2,500 metre trenching programme to assess known veins and zones of mineralisation. Previous exploration work in 2008 and 2009, despite budget cuts in 2009, has involved stream sediment sampling; an airborne survey (magnetic plus gamma-spectral); geological mapping and recognisance trenching and drilling of 7,000 metres. The results of exploration program to date are highly encouraging with the best intersections in the trenches are 4.8 g/t at 13 metres and 17.5 g/t at 5 metres, and the best intersection in the drill holes is 1.35 g/t at 36 metres. Recent work will result in an outline of significant drill targets which are planned to be tested in 2011. The preliminary budget for 2011 is US$7.5 million, which includes approximately 21,000 metres of drilling, and 200,000 cubic metres planned for trenching and access roads.

Nerchinsk, Transbaikal region, Russian Federation

The Nerchinsk gold exploration prospect is a greenfield area located in the Transbaikal region within 15 kilometres distance from Aprelkovo mine. Management believes that preliminary exploration results are encouraging and plans to continue exploration work.

The Nerchinsk prospect has an area 35 square kilometers. The exploration programme at the Nerchinsk property was initiated in 2008. First steps included soil sampling, magnetic and an induced polarisation and resistivity gradient survey. Later in 2009 the property was subjected to remapping, and 3,000 meters of trenches were used to test geochemical and geophysical anomalies. In 2010 a 5,000 meter drilling programme was initiated targeting the Perevoznyi, Yuzhnyi, and Zaslonnyi occurrences. The first 2,000 metres had been drilled already. The best intersections to date in the drill holes are 1.14 g/t at 75 metres and 0.77 g/t at 65 metres. As part of preliminary planning of 2011 programme, approximately US$2.26 million was budgeted for further exploration including 7,000 meters of drilling and 24,500 cubic metres of trenching and access roads.

Vitimkan, Buryatia, Russian Federation

The Vitimkan gold exploration prospect is a 1,394 square kilometre greenfield area located in Buryatia region which includes two prospective gold bearing zones. Management believes that initial exploration results are encouraging and plans to continue exploration work.

A regional geophysical airborne survey and stream sediment sampling programme were performed on the licence area in 2008 and 2009. The exploration programme for 2010 included soil sampling, induced polarisation and resistivity gradient survey at the Davyksha and Karaftit occurrences. The best samples collected are graded at 5-12 g/t gold. A small trenching programme was completed in August 2010 to test soil gold anomalies at the Davyksha occurrence, and results of this programme are pending. At the Davyksha occurrence the alteration zone

with some mineralisation has a length of 4 kilometres and is 100 to 800 metres wide. The Karaftit occurrence has zones with sulphide dissemination and vein type mineralisation over an area that is 5 kilometres in length and 1 kilometre wide. The preliminary plan for 2011 includes a continuation of geophysical and geochemical surveys and extensive trenching and exploration drilling (10,000 metres) with a preliminary budget of US$6.4 million.

Transportation, Refining and Sales

Market for gold and gold price

Benchmark prices for gold are generally based on the London gold market quotations. Due to the size of the international bullion market and stockpiles of gold reserves, individual gold producers or other market participants generally do not significantly influence pricing or total quantities offered and sold. Since there has historically been a large number of available gold purchasers, the Group is not dependent upon the sale of gold to any one customer.

The price of gold, while impacted by factors of supply and demand, has historically been significantly affected by macroeconomic factors, such as inflation, changes in interest rates, exchange rates, reserve policy by central banks and by global political and economic events. In times of price inflation and currency devaluation, gold is often bought as a store of value, which increases demand for and support of the price of gold. In the environment of quantitative easing, the potential impact on inflation and the weaker US dollar, the gold price reached a record high in 2009 of US$1,212.50 per ounce. The gold price ranged from US$712.50 to US$1,011.25 per ounce in 2008, from US$810.00 to US$1,212.50 per ounce in 2009 and from US$1,058.00 to US$1,421.00 in 2010. The gold price reached a new historic high of US$1,421.00 per ounce on 9 November 2010, and the average gold price in 2010 was US$1,224.52 per ounce (as compared to an average of US$972.35 per ounce in 2009).

There are a number of factors that appear supportive of future gold demand and prices, if trends continue. The most significant of these is investment demand for gold as a "safe haven" in the face of continued economic uncertainty on the one hand and possible inflationary measures and currency revaluations in the medium term on the other hand, driven by the quantum of monetary stimulus and quantitative easing. For a description of risks related to the price of gold and its effects on the Group's operations, see Part 1 "*Risk Factors — Risks relating to the gold mining industry generally — The Group's results of operations are significantly affected by changes in the market price for gold*".

Production, transportation and sales by the Group

The Group sells its gold in the form of bullion, which is kept for sale in gold accounts at Nomos Bank for the Group's Russian operations, at Metalor for the Kazakh and Burkina Faso operations, and MKS Finance S.A. for its Guinean operation. Russian gold is refined from doré at the Prioksky refinery in the Ryazan Region of the Russian Federation before being transported to Nomos Bank in Russia. Gold doré from the Group's mines in Kazakhstan and Burkina Faso is refined at Metalor in Switzerland, and gold doré from the Group's mine in Guinea is refined at Pamp, Switzerland. Kazakh gold is stored at Metalor, while gold from Burkina Faso is transported to and held for sale at Standard Bank in Switzerland. Gold from Guinea is all sold directly to MKS Finance S.A., Geneva.

Gold doré is transported from the mines to the refinery by a mixture of armoured car, secured helicopters and planes. The refiner or carrier agent, as applicable, assumes the risk of loss on the gold following the release of the gold from the Group's premises and is required to provide insurance for all risks while the gold doré is in transit from the Group's premises or the specified location to the refinery. The Group maintains legal title to the gold, which does not pass from the Group until the gold is sold.

Most sales are currently made at the spot price. The decision whether to sell is made depending on the current market environment and sales are typically made at least every quarter. The exception is gold from Guinea refined at Pamp. An advance of approximately 90 per cent. of the estimated value of each shipment is obtained from MKS Finance S.A. at the London Gold Market p.m. gold fixing (the "London PM price") on the day the shipment arrives at Zurich airport. The balance is sold, again at the London PM price, once the final outturn is known, approximately six working days later.

In 2008, 2009 and the nine months ended 30 September 2010, the Group's average realised price was higher than the weighted average market price.

Supplies

The principal supplies purchased by the Group in its operations are electricity and consumables such as explosives, drilling bits, fuels and lubricants. The Group has a centralised procurement department based in Moscow for bulk purchases of mining and other equipment and in certain circumstances aggregates its purchases with members of the Severstal Group in order to obtain volume discounts. Any purchases in excess of US$500,000 must be approved in consultation with the central procurement team in Moscow. Supplies subject to central procurement policies are

agreed upon in accordance with Group policy and include grinding balls, ammonium nitrate, explosives and mining equipment. Historically, the prices paid for certain supplies have been determined based on the aggregate volumes required by the Group as well as other Severstal entities in order to obtain a higher volume discount. The Group intends to continue to obtain certain supplies in this manner in the future when it is advantageous to do so.

Fuel and electricity

The extraction and processing of gold requires significant amounts of electricity. The majority of the Group's energy costs comprise electricity expenses. In the Russian Federation, energy at the Neryungri mine is supplied by fuel oil, but at all other mines electricity is provided from the national electric grid at tariffs of 1.95 — 2.41 RUR/kWh (approximately US$.06-.08). Deregulation of the electricity industry in the Russian Federation is set to occur in January 2011, which is expected to result in higher prices. In Kazakhstan, electricity is provided from the national electric grid at a tariff of 7.1 tenge/kWh (approximately US$.05). In Burkina Faso and Guinea, electricity is generated on-site by diesel and heavy fuel oil. Fuel oil is supplied by Rosneft in the Russian Federation and Shell in Burkina Faso. For a description of risks related to the price of energy and its effects on the Group's operations, see Part 1 "*Risk Factors — Risks relating to the Group's operations — The cost of electricity, particularly self-generated, can be unstable. An increase in power costs will make production more costly and alternative power sources may not be available*".

Research and Development

Apart from as described above in "— *Exploration and Development*", the Group does not have any material research and development activities.

Information Technology, Management Systems and Intellectual Property

The Group has implemented a system of reporting procedures which collect financial and operational information from each mine on a daily, weekly and monthly basis. Each mine is electronically connected to the central office in Moscow and sends reports and spreadsheets for review centrally in order to ensure conformity with the Group's budget and ensure spending discipline across the mines. The Group's chief executive officer reviews internal management reports for each of the Group's segments on at least a monthly basis. The Group does not use any specialised software for central management currently but is considering options for Group-wide implementation.

The Group does not currently own any registered intellectual property rights material to its business.

Environment, Health and Safety

The Directors believe that the health and safety of the Group's employees, respect for the environment and active engagement with local communities are fundamental to the success of the Group's business. As a result, the Group is continually examining ways to improve its results and performance in this regard.

The Group's health, safety and environmental policy is based on the principles that: (i) employee safety is a primary value, (ii) accidents and professional injuries can be avoided, (iii) preventing accidents and injuries positively impacts operations, (iv) health, safety and environmental targets should be made clear to all employees, (v) it is the responsibility of every worker to observe safety rules and (vi) management is directly responsible for prevention of accidents and injuries. The Group currently intends to allocate an additional US$5 million per year towards environmental, health and safety initiatives.

Commitment to international best practices

Presently, all assets are in compliance with national standards and environmental regulatory requirements. The Group aims to adhere to international best practices across its asset base. The Group is already engaged in various projects to continuously raise its operating standards and will achieve the highest of either internationally recognised codes and guidelines such as the IFC Environmental, Health and Safety Guidelines, International Cyanide Management Code and World Bank Performance Standards or national standards, laws and practices.

In an effort to achieve international best practices, such as the aforementioned standards, the Group has, for example at LEFA in Guinea, developed a social and environmental management system action plan which outlines actions across a range of areas including: EAI closure plans, environmental monitoring, waste management and community planning.

Similarly, in Burkina Faso, the Group has developed a follow-up plan for environmental management at the Taparko mine site ("PSGE"). The PSGE is an official document to guide all company actions with regards to environmental

actions and minimise any potential negative project impacts. Further, the Group is currently implementing a formal social and community relations programme which better aligns with international best practices in this area.

Overall, the Group will continue to seek to meet the requirements of international best practices standards for health, safety and environment. This will be achieved through the maintenance and improvement of existing health, safety and environmental systems and programmes and the alignment of these systems and programmes with such international standards.

Environmental

In common with other natural resources and mineral processing companies, the Group's operations generate hazardous and non-hazardous waste, effluents and emissions into the atmosphere, water and soil. The Group is subject to national environmental laws and regulations that apply to the Group's operations and development projects in each of the jurisdictions in which it operates. These laws and regulations address such matters as protection of the natural environment, air and water quality and emissions standards and disposal of waste.

Management's environmental objective is to prevent pollution, to reduce greenhouse gas emissions, to use energy and natural resources rationally and to manage waste efficiently. Management is committed to complying with all applicable environmental legislation as well as continuously improving technical processes and equipment.

For more information on environmental risks relating to the Group, see Part 1 "*Risk Factors — Risks relating to the gold mining industry generally — The Group's activities are subject to environmental hazards as a result of the processes and chemicals used in the Group's extraction and production methods*" and "*— The Group's operations are subject to extensive environmental laws and regulations"*.

Health and safety

Mining, and in particular underground mining, is an industry that presents health and safety risks. The Group has established a significant health and safety risk management system for its mining operations in order to understand the risks, learn from incidents that have occurred, implement risk mitigation processes and technologies and encourage appropriate behaviour patterns. Each mine has an environmental specialist and a health and safety specialist to focus on compliance with applicable health and safety regulations and the Group's own health and safety principles and policies. Three health and safety specialists also operate at Group level in order to track safety performance, oversee all Group health and safety principles and policies and undertake regular health and safety audits.

The Group's management views the health and safety of the Group's workforce as a first priority and a critical component to the Group's operations. Management believes that any injuries can be prevented and that all employees of the Group are responsible for preventing such occurrences in order to make the workplace injury-free. The Group is also committed to preventing people from being exposed to occupational risks in the workplace and accepts its responsibility to put in place measures that safeguard the health of its employees.

The Group's target lost time injury frequency rate ("LTIFR") is 2.0. In 2009, the Group had an LTIFR of 2.4, which was a 25 per cent. reduction from an LTIFR of 3.2 in 2008. For the nine months ended 30 September 2010, the Group had an LTIFR of 2.82.

The total number of incidents in the Group decreased to 34 in 2009 from 47 in 2008, with a two-thirds decrease in serious incidents from nine to three and the number of fatal incidents decreasing from four to three. As at 30 September 2010, the total number of incidents for 2010 was 29, with nine serious incidents and five fatal incidents.

The Group's highest priority is to prevent fatal incidents. While progress has been made in this regard the safety of the Group's employees will remain the core focus until a zero incident rate is achieved. Every incident is subject to an in-depth incident investigation and analysis process in order to understand the causes of what happened and identify and act upon the preventative actions in order to avoid new incidents.

Various health and safety training initiatives have been implemented to promote improved safety performance among workers. Through these initiatives the Group continues its efforts to lower incidents rates on an annual basis.

Managers at the Group's operations engage in regular safety visits to observe employees at work and discuss operational and safety issues with them in order to strengthen the safety culture. Behavioural-based safety programs have been implemented to improve hazard identification, improve awareness of the risks and encourage personal responsibility among employees for managing these risks.

The Group is committed to increasing the effectiveness of management controls currently in place to reduce safety risks and achieving improved safety performance across its operations.

Insurance

The Group's operations are subject to numerous operating risks, including environmental hazards, industrial incidents, unusual or unexpected geological conditions, labour force disruptions, unavailability of materials and equipment, weather conditions, pit wall failures, rock bursts, cave-ins, flooding, seismic activity, interruptions to power supplies and industrial and other accidents at mines, processing plants or related facilities. In addition, civil disturbances and criminal activities, such as trespass, illegal mining, theft and vandalism have caused disruptions to the Group's operations in the past and may do so in the future. While management has set up internal controls to try to prevent and mitigate these events, these risks and hazards could result in damage to or destruction of, mineral properties or processing facilities, personal injury or death, environmental damage, delays in mining and monetary losses and possible legal liability.

The Group has insured its property and equipment to compensate for losses arising from accidents. The Group also has 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. 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 on mine levels.

For more information on insurance risks relating to the Group, see Part 1 "*Risk Factors — Risks relating to the Group's operations — The Group does not maintain full insurance coverage on all risks*".

Corporate social responsibility

The Group believes that operating its business in a socially responsible way and earning trust with the local governments and communities are fundamental to its successful operations and to delivering long-term value to investors. The Group appreciates that only through development of more prosperous and empowered communities it can gain and maintain the social and legal rights to operate and that contribution to the well-being and prosperity of the host communities will support the Group's activities, in particular given the Group's focus on developing countries.

The Group is committed to improving the community development outcomes of its activities and has made investments in social initiatives across its operations including schools in the Taparko, Suzdal and Buryatzoloto mine areas, road repairs and infrastructure construction in the Suzdal mine area, clean water supply to villages in the LEFA mine area and local community and workforce support programs at Berezitovy, Neryungri and Aprelkovo mines. These investments and initiatives were originated by local teams at each mine rather than by the Group's management, who focused their efforts on integration and driving operational improvements at acquired assets. Going forward the Group is planning to develop a comprehensive Group-wide framework for managing social performance in order to establish the credentials of a responsible corporate citizen and a welcome partner for the host governments and communities of the regions where it operates.

Employees

The table below sets out the number of people employed in the Group, as at 31 December 2007, 2008 and 2009:

Employees by location (full and part time)[1]

	As at 31 December		
	2009	2008	2007
Moscow office	47	17	—
Foreign offices (Toronto, London)	6	22	48
Aprelkovo	603	539	535
Neryungri	895	726	627
Kazakhstan	869	903	607
Buryatzoloto	3,778	4,791	4,766
Berezitovy	941	799	825
Somita	535	375	410
HRG exploration, Burkina Faso	69	50	34
Total	7,743	8,222	7,852

(1) Employees at mines in Russia and Kazakhstan work in long-term shifts, not year-round, and at any given point approximately half of the workers will be working while the others will not be.

Employee relations

The Company believes that maintaining good relations with its employees can help it avoid strikes and other labour stoppages. The Taparko and Aprelkovo mines have collective bargaining agreements and labour unions in place. In addition, the Suzdal mine has a collective bargaining agreement and the LEFA mine has a labour union. Otherwise, there are no collective bargaining agreements or labour unions in place in the Group. The Company considers its relations with its employees to be good. The Group utilises bonuses and other retention payments in order to incentivise and retain key staff members.

Management

The Group's management has experience in international production and exploration and has the capability to expand the scope of the Group's activities as opportunities arise. Management selects value-enhancing opportunities and has executed a successful strategy of acquiring assets at attractive valuations, in particular in situations where the assets were being operated below their potential or were in financial distress and implementing a rapid operational improvement program in order to deliver growth in shareholder value. The Group leverages off an effective network of influential industry, political and institutional relationships.

PART 7

DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

Directors

The following table lists the names and positions of the Directors:

Name	Position
Philip Baum	Chairman
Nikolai Zelenski	Chief Executive Officer
Sergey Zinkovich	Chief Financial Officer
Vadim Larin	Non-Executive Director
Alexey Kulichenko	Non-Executive Director
Peter Lester	Independent Non-Executive Director
David Morgan	Independent Non-Executive Director
Michael Nossal	Independent Non-Executive Director

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 had a 32 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 non-executive director of Ruukki Group plc. Mr Baum holds a B.Com., LL.B. and a Higher Diploma in Tax Law from the University of the Witwatersrand (South Africa).

Nikolai Zelenski (Chief executive officer)

Mr Zelenski joined OAO 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 Zelenski was an engagement manager at McKinsey & Company in the mining sector. Mr Zelenski holds an MS degree from the Saint Petersburg State Technical University (Russia), a Ph.D. in molecular genetics from the University of Texas (United States), and an MBA from Vanderbilt University (United States).

Sergey Zinkovich (Chief financial officer)

Mr Zinkovich joined OAO 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, Mr Zinkovich 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).

Vadim Larin (Non-Executive Director)

Mr Larin joined the Board as a Non-Executive Director in October 2010 and is a member of the safety and sustainable development committee. He joined OAO Severstal in 2003 and has managed its coal operations at Intaugol and Kuzbassugol. From August 2007 to September 2010 he served as chief executive officer of Vorkutaugol. Effective 1 September 2010 Mr Larin was appointed as acting chief executive officer of the Severstal Resources division of the Severstal Group. Prior to joining the Severstal Group, Mr Larin worked at McKinsey & Company. He graduated from the Moscow State Institute of Radio Engineering, Electronics and Automation (Russia). Mr. Larin also holds an MBA from INSEAD (France).

Alexey Kulichenko (Non-Executive Director)

Mr Kulichenko joined the Board as a Non-Executive Director in October 2010 and is a member of the nomination committee and the remuneration committee. He joined Severstal in 2005 as chief financial officer of Severstal Resources and was appointed chief financial officer of OAO Severstal in July 2009. Prior to joining OAO Severstal, Mr Kulichenko held leading management positions at Sun Interbrew and Unimilk, where he was chief financial officer. Mr Kulichenko graduated from the Omsk Institute of World Economy with a Degree in Economics (Russia).

Peter Lester (Independent Non-Executive Director)

Mr Lester joined the Company in October 2010 as an independent Non-Executive Director. He is also chairman of the safety and sustainable development committee and a member of the audit committee. 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. Prior to a recent takeover, he was an executive director of Citadel Resource Group. Previously he was the executive general manager for corporate development for Oxiana and OZ Minerals. His activities have covered Australia, South East and Central Asia, the Middle East and the Americas. Mr Lester has a Bachelor of Engineering (Mining-Hons) from the University of Melbourne and is a member of the Australian Institute of Company Directors and the Australian Institute on Mining and Metallurgy.

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. He is a member of the Institute of Chartered Accountants in England and Wales. He serves as chairman of the advisory boards of Conduit Ventures Limited and as a member of the supervisory board of SFC Energy AG. 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 a member of the audit committee. He is a member of the executive committee of Minerals and Metals Group where he has been since January 2010 and 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

The Company's current senior management ("Senior Management"), in addition to the chief executive officer and the chief financial officer, is as follows:

Name	Position
Oleg Pelevin	Head of strategy
Vladimir Shvetsov	Head of exploration
Sergei Stepanov	Chief operating officer
Bruce Lumley	Chief operating officer, Africa
Evgeny Tulubensky	Chief legal officer
Svetlana Krinichnaya	Head of human resources
Dmitriy Gudovskiy	Head of corporate communication and investor relations

Oleg Pelevin (Head of strategy)

Mr Pelevin joined OAO Severstal in 2004 and has served as a director of High River Gold since November 2008. Previously, Mr Pelevin served as a consultant at American Appraisal Russia and as the head of the investment department at Alphayurservis.

Vladimir Shvetsov (Head of exploration)

Mr Shvetsov joined OAO Severstal in 2007 and has 34 years of experience in the geology industry. Previously, Mr Shvetsov has served as chief executive officer of InterGeo Consulting and has held management positions at a number of geological enterprises.

Sergei Stepanov (Chief operating officer)

Mr Stepanov joined the Group in November 2010 in his current role. Previously, Mr Stepanov was director of coal production and refining for DTEK in Ukraine, and prior to that he was chief operating officer of the Severstal Group coal mining company Vorkutaugol. Mr Stepanov studied economics and finance at Moscow State University Lomonosov.

Bruce Lumley (Chief operating officer, Africa)

Mr Lumley joined OAO Severstal in 2007 with the acquisition of Celtic Resources, where he held the position of general director of Kazakhstan operations. Mr Lumley has over 25 years of experience in the mining sector.

Evgeny Tulubensky (Chief legal officer)

Mr Tulubensky joined the Severstal Group in 2005 as a lawyer in its steel division and became chief legal officer for the gold division of the Severstal Group in 2008. Mr Tulubensky has been a director of High River Gold since 2008. Previously Mr Tulubensky worked as a consultant at Ernst & Young. Mr Tulubensky obtained a law degree from Saint Petersburg State University in 2004 and an economics degree from Saint Petersburg State University of Engineering and Economics in 2008.

Svetlana Krinichnaya (Head of human resources)

Ms Krinichnaya joined the Severstal Group in 2005 in the human resources department of Severstal Vtormet and became head of human resources for the gold division of the Severstal Group in 2008. Previously Ms Krinichnaya held senior human resources positions at a number of companies in the Russian Federation. Ms Krinichnaya studied Romanian philology at the State Linguistic University of Irkutsk.

Dmitriy Gudovskiy (Head of corporate communication and investor relations)

Mr Gudovskiy joined the Severstal Group in 2005 as senior manager in the mergers and acquisitions department of OAO Severstal. He joined the Group in his current position in October 2010. Previously, Mr Gudovskiy also served as head of South American business development for Severstal Resources. Mr Gudovskiy studied economics and finance at the Plekhanov Russian Academy of Economics.

Corporate governance

Dutch Corporate Governance Code

On 9 December 2003 the Dutch Corporate Governance Committee, also known as the Tabaksblat Committee, released the Dutch Corporate Governance Code. Since 1 January 2004 Dutch companies whose shares are listed on a regulated market (such as the London Stock Exchange) are required under Dutch law to disclose in their annual reports whether or not they apply the provisions of the Dutch Corporate Governance Code and, in the event that they do not apply a certain provision, to explain the reasons why.

In December 2008, the Dutch Corporate Governance Code was amended on the recommendation of the Dutch Corporate Governance Code Monitoring Committee, following three years of monitoring compliance and application. The amendments came into force on 1 January 2009.

The Company acknowledges the importance of good corporate governance. The Board has reviewed the Dutch Corporate Governance Code and supports the best practice provisions thereof. Therefore, except (i) where the Dutch Corporate Governance Code cannot be reconciled to the UK Corporate Governance Code, (ii) as noted below or (iii) in the case of any future deviation, subject to explanation thereof at the relevant time, the Company intends to comply with the relevant best practice provisions of the Dutch Corporate Governance Code.

The Company is not in compliance with the best practice provisions of the Dutch Corporate Governance Code that require a majority of the Board to be independent Non-Executive Directors since only four of the eight members of the Board are independent Non-Executive Directors.

UK Corporate Governance Code

From Admission, except as noted below, the Board intends to comply with the UK Corporate Governance Code, published by the Financial Reporting Council in June 2010. As envisaged by the UK Corporate Governance Code, the Board has established three committees: an audit committee, a nomination committee and a remuneration committee. If the need should arise, the Board may set up additional committees as appropriate.

The UK Corporate Governance Code recommends that at least half the board of directors of a UK-listed company, excluding the chairman, should comprise non-executive directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement. The Company will not comply with the requirements of the UK Corporate Governance Code in that regard since only three members of the Board, excluding the Chairman, are independent Non-Executive Directors. In addition, the Company is not in compliance with the UK Corporate Governance Code requirements of independence of the remuneration committee, which includes one non-independent Director.

Board Practices

In the Netherlands, statutory law provides for a two-tier governance structure, i.e. a separate management board and a separate supervisory board.

Currently, Dutch law does not provide for a one-tier governance structure, i.e. a board consisting of executive and non-executive directors. It is, however, established practice in the Netherlands to have a structure in the management board (*bestuur*) which is similar to a one-tier structure. Although all members of the management board are formally managing directors (*bestuurders*), the articles of association can provide that certain directors have tasks and obligations which are similar to those of executive directors and certain directors have tasks and obligations which are similar to those of non-executive directors. The articles of association can provide that some directors are responsible for the day-to-day management of a company and other directors are responsible for supervising the day-to-day management of a company. All responsibilities are subject to the overall responsibility of the management board.

Legislation introducing a one-tier board is pending in the Dutch Parliament but at this time it is uncertain when such legislation will come into effect. Until such time, all statutory provisions relating to the members of a management board apply in principle to all members of a "one-tier board".

The Board will meet regularly throughout the year. To enable the Board to perform its duties, each Director will have full access to all relevant information. If necessary, the Non-Executive Directors may take independent professional advice at the Company's expense.

In line with the Dutch Corporate Governance Code and the UK Corporate Governance Code, the Company has established three committees: an audit committee, a remuneration committee and a nomination committee. The members of the audit and remuneration committees are appointed from among the Non-Executive Directors. The terms of reference of the nomination committee prescribe that a majority of the members of this committee shall be Non-Executive Directors. As a result, the terms of reference of the nomination committee are not in line with the Dutch Corporate Governance Code, which prescribes that all members shall be Non-Executive Directors. The terms of reference of each of these committees have been supplemented with additional provisions from the UK Corporate Governance Code. The Company is not in compliance with best practice provision III.5.1 of the Dutch Corporate Governance Code, since the terms of reference of these committees will not be published on the Company's website.

Apart from the audit, remuneration and nomination committees, the Company has also established a safety and sustainable development committee. A brief description of the terms of reference of each of the committees, is set out below.

Audit committee

The audit committee operates pursuant to the terms of reference approved by the Board. The audit committee's role is to assist the Board with the discharge of its responsibilities in relation to internal and external audits and controls, including reviewing the Group's annual financial statements, considering the scope of the annual audit and the extent of the non audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal control systems in place within the Group. The audit committee will normally meet not less than three times a year.

The audit committee is chaired by David Morgan and its other members are Peter Lester and Michael Nossal. Members of the audit committee shall be appointed by the Board on the recommendation of the nomination committee in consultation with the chairman of the audit committee. The UK Corporate Governance Code recommends that all members of the audit committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment and the Dutch Corporate Governance Code requires that all members of the audit committee be non-executive directors and that all but one be independent. The Board considers that the Company complies with the requirements of the UK Corporate Governance Code and the Dutch Corporate Governance Code as to the composition of the audit committee, because the audit committee only contains independent, Non-Executive Directors.

Nomination committee

The nomination committee operates pursuant to terms of reference approved by the Board. The nomination committee assists the Board in determining the composition and make up of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors, as the need may arise. The nomination committee also determines succession plans for the Chairman and Chief Executive. The nomination committee will meet when appropriate.

The nomination committee is chaired by Philip Baum and its other members are David Morgan and Alexey Kulichenko. Members of the nomination committee are appointed by the Board. The UK Corporate Governance Code recommends that a majority of the nomination committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or

would be likely to, or appear to, affect their judgment and the Dutch Corporate Governance Code requires that all members of the nomination committee be non-executive directors and that all but one be independent. The Board considers that the Company does not comply with the requirements of the UK Corporate Governance Code as to the composition of the nomination committee, because the nomination committee contains two non-independent Non-Executive Directors. The Board considers that the Company complies with the requirements of the Dutch Corporate Governance Code as to the composition of the nomination committee, because, for purposes of the Dutch Corporate Governance Code, Mr Baum is considered independent and, as such, the nomination committee contains two independent Non-Executive Directors.

Remuneration committee

The remuneration committee operates pursuant to terms of reference approved by the Board. The remuneration committee recommends the policies the Company should adopt on executive remuneration, determines the levels of remuneration for the Executive Directors and recommends and monitors the remuneration of members of senior management. The remuneration committee will also generate an annual remuneration report to be approved by the members of the Company at the annual general meeting. The remuneration committee will normally meet not less than twice a year.

The remuneration committee is chaired by Michael Nossal and its other members are David Morgan and Alexey Kulichenko. 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 UK Corporate Governance Code recommends that all members of the remuneration committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. The Dutch Corporate Governance Code requires that all members of the remuneration committee be non-executive directors and that all but one be independent. The Board considers that the Company does not comply with the requirements of the UK Corporate Governance Code, because the remuneration committee contains one non-independent Non-Executive Director.

Safety and sustainable development committee

The safety and sustainable development ("SSD") committee operates pursuant to terms of reference approved by the Board. The SSD committee monitors and evaluates reports on the effectiveness of SSD and sustainable development policies, management standards, strategy, performance and governance across the Group and reports to the Board on key SSD and sustainable development issues. The SSD committee will normally meet not less than twice a year. The remuneration committee is chaired by Peter Lester and its other members are Philip Baum and Vadim Larin. Members of the SSD committee are appointed by the Board.

Share dealing code

The Company has adopted an internal code on securities dealing in relation to Shares and financial instruments the value of which is determined by the value of the Shares, 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 the rules promulgated thereunder in the Decree on Market Abuse pursuant to the Dutch Financial Supervision Act (*Besluit marktmisbruik Wft*) (the "Market Abuse Decree") and is at least as rigorous as the model code as published in the Listing Rules. The code adopted will apply to the Directors and other relevant employees of the Group.

This code, *inter alia,* includes rules relating to:

- notifications by or on behalf of persons associated with the Company who are required to make notifications to the AFM of transactions in the Company's securities;
- the obligations of employees, directors, managers and Directors with respect to the ownership of, and transactions in, the Shares and related securities;
- if relevant, the period during which such persons may not effect transactions in the Shares and related securities.

In the event of violation of the Dutch market abuse regulations, the AFM may take enforcement action. It may impose administrative fines and issue injunctions. Furthermore, the AFM is in principle obliged to publish the fact that it has imposed an administrative fine and/or issued an injunction, mentioning the name of the offender. In addition, non-compliance with certain prohibitions and obligations qualifies as a criminal offence.

Furthermore, the Company has drawn up a list of those persons working for the Group who could have access to inside information on a regular or incidental basis and has informed the persons concerned of the rules on insider trading and market manipulation, including the sanctions which can be imposed in the event of a violation of those rules.

Relationship Agreement

The Company has entered into a relationship agreement with OAO Severstal and the Selling Shareholder (the "Relationship Agreement") to ensure that it will be able, at all times, to carry on its business independently of each of OAO Severstal and the Selling Shareholder and that all transactions and relationships between the Company, OAO Severstal and the Selling Shareholder (and the associates of each of them) are at arm's length and on a normal commercial basis. See Part 8 "Major Shareholder and Related Party Transactions — Relationship Agreement" for a more detailed description of the Relationship Agreement.

Framework Services Agreement

The Company has entered into a framework services agreement with OAO Severstal (the "Framework Services Agreement") under which OAO Severstal has agreed to provide certain services to the Company and to existing service agreements between members of the Severstal Group and the Group. See Part 8 "Major Shareholder and Related Party Transactions — Framework Services Agreement" for a more detailed description of the Framework Services Agreement.

Conflicts of interest

Mr Larin and Mr Kulichenko are nominee Directors appointed by OAO Severstal. Mr Larin and Mr Kulichenko are directors of other members of the Severstal Group and will continue to hold such directorships following Admission. Mr Larin is also chief executive officer of the Severstal Resources division of the Severstal Group and Mr Kulichenko is chief financial officer of OAO Severstal. These directorships and positions give rise to situations in which these Directors could have a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.

Mr. Zelenski and Mr. Pelevin are each parties to an agreement with an entity within the Severstal Group (but outside of the Group) pursuant to which they will receive payments following the Offer based upon the total capitalisation of the Group following the Offer. The first payment will be made immediately following the Offer based upon market capitalisation of the Group at that time and a second payment will be made three months later based upon market capitalisation at that date.

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

PART 8

MAJOR SHAREHOLDER AND RELATED PARTY TRANSACTIONS

Overview

The Company is wholly owned by the Selling Shareholder, which is in turn beneficially owned by OAO Severstal, the Major Shareholder. Following Admission, it is expected that OAO Severstal will hold a 75 per cent. beneficial ownership interest in the Company. The Group relies on the Severstal Group for the provision of certain services. The description below outlines the transfer of assets from members of the Severstal Group to the Company and the arrangements governing the relationship and provision of services between the Group and the Severstal Group.

The creation of the Group

During 2009, the Company completed acquisitions of controlling stakes in a number of companies previously controlled by the Severstal Group. In November 2009, the Company issued 4,955,962 Shares in consideration for Neryungri-Metallic LLC, Mine Aprelkovo CJSC, North Gold Mining Company LLC, High River Gold Mines Ltd and paid US$12.3 million for shares of High River Gold Mines Ltd, held by other subsidiaries of the Severstal Group.

In December 2009, the Company issued 4,796,885 shares in consideration for Centroferve Limited, the holding company for Celtic Resources, and paid US$26.6 million for 100 per cent. of the issued share capital of Semgeo LLP, held by other subsidiaries of the Severstal Group.

In July 2010, the Group obtained control of Crew Gold Corporation by acquiring 9.79 per cent. of the shares and voting interests from a third party. As a result, the Group's equity interest in Crew Gold Corporation increased from 40.38 per cent. to 50.17 per cent. This acquisition was performed by a number of transactions with third parties for a total consideration of US$155.5 million for a stake of 23.58 per cent. and a transaction with Bluecone Ltd, an entity within the Severstal Group, for a total consideration of US$123.9 million for a 26.59 per cent. stake. In August 2010, the Group exercised warrants to increase its interest in High River Gold to 70.38 per cent. In September 2010, the Company acquired a further 43.21 per cent. interest in Crew Gold for a total consideration of US$215 million, bringing its total interest in Crew Gold to 93.38 per cent. In October 2010, the Company acquired a further 2.26 per cent. interest in High River Gold for a total consideration of US$19.6 million, bringing its total interest in High River Gold to 72.64 per cent. In January 2011, the Group increased its interest in Crew Gold to 100 per cent. for a total consideration of US$32.9 million.

Transactions and arrangements with the Major Shareholder

Framework Services Agreement

On 27 January 2011 the Company and OAO Severstal entered into the Framework Services Agreement to supplement the terms of the existing service agreements and any future service agreements for the provision of certain services by OAO Severstal (or any member of the Severstal Group) to the Company (or any member of the Group) for the ongoing operation by the Company of the gold mining business (the "Service Agreements"). The Framework Services Agreement is governed by English law and the Service Agreements are governed by Russian law. In the event of any inconsistency between the Framework Services Agreement and any Service Agreement, the provisions of the former will prevail.

Pursuant to the terms of the Framework Services Agreement:

(a) OAO Severstal will provide, or procure the provision of, various existing and future services to the Group which, at present, include consulting services; the sublease of office space and premises; treasury services; human resources and payroll services (the "Services");

(b) the annual fee payable by the Company for the Services will be the aggregate of the individual annual amounts specified in the Service Agreements;

(c) all Services will be provided on arm's length commercial terms and may contain terms for the reimbursement to the relevant members of the Severstal Group of an appropriate proportion of any overheads reasonably incurred by the Severstal Group in providing the Services; and

(d) if any change is to be made to the Services, such change will only be effective to the extent that it is consistent with the provisions of the Framework Services Agreement.

The Framework Services Agreement may be terminated by:

(a) written agreement of the Company and OAO Severstal; or

(b) either party by (i) providing two months' written notice if OAO Severstal no longer holds (directly or indirectly) at least 50 per cent. of the issued share capital of the Company or no longer controls a majority of the voting rights in the Company; or (ii) written notice with immediate effect if there are no longer any Service Agreements in operation; or (iii) written notice with immediate effect on the usual grounds of insolvency or liquidation of the other party.

Any Service Agreement may be terminated by:

(a) either party by providing (i) two months' written notice if OAO Severstal no longer holds (directly or indirectly) at least 50 per cent. of the issued capital of the Company or no longer controls a majority of the voting rights in the Company; or (ii) written notice with immediate effect on the usual grounds of insolvency or liquidation of the other party;

(b) the relevant member of the Group by serving 3 months' written notice on OAO Severstal stating that it no longer wishes to be provided with a given Service; or

(c) the relevant member of the Severstal Group (i) at any time by serving written notice and with immediate effect if: (A) the original party that entered into the Services Agreement on behalf of the Group, ceases to be a member of the Group; or (B) the relevant member of the Group fails to pay a validly invoiced fee due and properly payable under the relevant Service Agreement which has been outstanding for more than 30 days and the parties have been unable to reach an agreement on the dispute through the requisite dispute resolution procedure; or (ii) by serving 6 months' written notice to the Company stating that it no longer wishes to provide a given Service.

In addition, each party has a right to terminate any Service Agreement with immediate effect if the other party (or a member of its respective group) has committed a material breach of any provision of the Framework Services Agreement or any Service Agreement and such breach has not been remedied within 30 days.

Each of the Company and OAO Severstal will (and will procure that each of their respective affiliates will) procure the grant to the other of a royalty-free, non-transferable, non-exclusive licence (with the right to sub-license to the extent necessary to receive the Services) of its proprietary intellectual property rights solely for the purposes of receiving or benefitting from the Services for the duration of the relevant Service Agreement (the "IP Licence"). In the event that an IP Licence is granted, the licensor will indemnify the licensee and its affiliates on demand for any loss or damage suffered as a result of actual or alleged infringement by the licensee and its affiliates of any third party intellectual property rights in connection with the provision or receipt of the Services. This mutual indemnity does not apply if (a) the third party intellectual property rights were not used in accordance with the provision or receipt of the Services on the terms of the Framework Services Agreement or any Service Agreement; or (b) if the third party intellectual property rights were modified by or on behalf of the licensee and its affiliates without the prior written consent of the licensor.

Subject to the applicable laws, the maximum aggregate liability for either party for loss or damage in connection with: (a) any Service Agreement will not exceed the amount of the fee specified in that particular Service Agreement; or (b) the Framework Services Agreement will not exceed the aggregate amount of all the fees paid under each of the Service Agreements, in each case provided that the relevant party will not be entitled to recover damages or obtain payment, reimbursement or indemnity more than once in respect of any one liability.

Each party provides standard warranties to the other that it is duly constituted and validly existing under the laws of its incorporation and that it has the requisite authority to perform its obligations under the Framework Services Agreement and any Service Agreement the provisions of which will not result in a breach of, amongst other things, its constitutional documents, any agreement, licence, instrument or order.

Save in respect of the specific circumstances set out in the Framework Services Agreement, the Company and OAO Severstal are subject to strict mutual confidentiality obligations, including the non-disclosure or use of any information obtained in connection with the Framework Services Agreement which relates to the existence and provisions of the Framework Services Agreement; the provision of the Services; or the members of the Group or the Severstal Group.

Service Agreements

Under the Framework Services Agreements, the Group has entered into the following Service Agreements (as sublessee or customer, as the context requires):

- Services agreement dated 1 September 2010 between Severstal-Gold LLC (as customer) and CJSC Severstal-Resource (as contractor). Pursuant to the terms of this agreement, CJSC Severstal-Resource shall provide Severstal-Gold LLC with a range of services specified in annexes to the Services Agreement. At present these services include the following: legal and tax consulting services, human resources services, credit monitoring services, labour protection services, purchasing services, risk management services and internal audit services.

- Sublease agreement between Severstal-Gold LLC (as sublessee) and CJSC Severstal-Resource (as lessee) dated 1 October 2010. According to this agreement, Severstal-Gold LLC leases premises No. 29, 30, 31, 32, 70, 71, 79, 80, 81, 82, 83, 84, 85, 86 located at 5th floor, bld. 1, 2/3 Klary Tsetkin Street, Moscow, Russia, as well as utility facilities and equipment of such premises. The premises were leased by CJSC Severstal-Resource from OAO Severstal (as lessor) under the non-residential premises lease agreement No. AP 0196 dated 1 October 2010.

- Sublease agreement between North Gold Mining Company LLC (as sublessee) and CJSC Severstal-Resource (as lessee) dated 1 October 2010. According to this agreement, North Gold Mining Company LLC leases premises No. 72 with total area of 12.3 sq.m. located at 5th floor, bld. 1, 2/3 Klary Tsetkin Street, Moscow, Russia, as well as utility facilities and equipment of such premises. The premises were leased by CJSC Severstal-Resource from OAO Severstal (as lessor) under the non-residential premises lease agreement No. AP 0196 dated 1 October 2010.

- Agreement on maintenance of accounting records No. 10 between Severstal-Gold LLC (as customer) and LLC Severstal-ETsO (as contractor) dated 1 November 2010. Pursuant to the terms of this agreement, CJSC Severstal-ETsO shall provide Severstal-Gold LLC with accounting, bookkeeping and tax preparation services in accordance with the requirements under Russian law and international financial reporting standards. The services provided under the agreement include the following services: tax and accounting control of primary documentation, computation of taxes, preparation of accountings, record keeping of payment operations, financial placements and lendings, communication with credit organizations.

- Agreement on maintenance of accounting records No. 11 between North Gold Mining Company LLC (as customer) and LLC Severstal-ETsO (as contractor) dated 1 November 2010. Pursuant to the terms of this agreement, CJSC Severstal-ETsO shall provide North Gold Mining Company LLC with accounting, bookkeeping and tax preparation services in accordance with the requirements under Russian law and international financial reporting standards. The services being provided under the agreement include: tax and accounting control of primary documentation, computation of taxes, preparation of accountings, record keeping of payment operations, financial placements and lendings, communication with credit organizations.

- Agreement on SAP software support between Severstal-Gold LLC (as customer) and LLC Severstal-ETsO (as contractor) dated 1 January 2011. Pursuant to the terms of the draft agreement which we were provided with, LLC Severstal-ETsO shall render services relating to informational and technical maintenance of the software used by Severstal-Gold LLC in order to ensure safe operation of the software, proper elimination of arising incidents and proper update of the software. Particular details of the services to be rendered are described in annexes to the draft agreement.

- Agreement on maintenance of personnel records between North Gold Mining Company LLC (as customer) and LLC Severstal-ETsO (as contractor) dated 1 November 2010. Pursuant to the terms of the draft agreement which we were provided with, LLC Severstal-ETsO shall render human resources services which are specified in Annex 2 to the agreement and include inter alia the following services: preparation of orders, labour and civil-law contracts with individuals, as well as serialization of such documents, payroll accounting, human resources record-keeping and accounting.

- Agreement on maintenance of personnel records between Severstal-Gold LLC (as customer) and LLC Severstal-ETsO (as contractor) dated 1 November 2010. Pursuant to the terms of the draft agreement that we have reviewed, LLC Severstal-ETsO shall render human resources services which are specified in Annex 2 to the agreement and include inter alia the following services: preparation of orders, labour and civil-law contracts with

individuals, as well as serialization of such documents, payroll accounting, human resources record-keeping and accounting.

The Group also plans to enter into the following Service Agreements under the Framework Services Agreement in the near future:

- Services agreement between Severstal-Gold LLC (as customer) and OAO Severstal (as contractor) (on treasury services). Pursuant to the terms of the draft agreement which we were provided with, OAO Severstal shall render financing attracting services which are specified in Annex 1 to the agreement and include conducting tenders among potential clients, negotiation of main commercial provisions (with a bank), providing information for approval of a credit limit, negotiation of the texts of the credit documents, maintenance of the process of signing documents. Cost of services – 0.15% of the amount of the attracted financing. According to the information provided to us, the agreement between Severstal-Gold LLC and OAO Severstal will be concluded should there be a need to attract financing.

- Under the Framework Services Agreement, OAO Severstal (as contractor) shall enter into Service Agreements with various Group members for the provision of services, including installation and maintenance of software, creating reserve back-up databases, modification and adjustment of systems, consulting the customer regarding the systems usage and rendering help desk services via phone and e-mail.

Related Party Loans

Details of the loan arrangements between Group members and members of the Severstal Group can be found in Sections A and B of Appendix 1 "Financial Information" at notes 11 (Related Party Balances) and 20 (Debt Finance) as well as note 27 (Events after the reporting period) in Section B. The Directors intend to use a portion of the proceeds of the Offer to repay in full all outstanding loan financing from related parties of the Group.

Other Related Party Agreements

Depository agreement between the Company (as depositor) and LLC Depository "Algoritm" (as depository) dated 26 November 2009. Pursuant to the terms of this agreement, LLC Depository "Algoritm" shall commit obligations of services provisioning for securities storage (securities certificates), accounting and securities rights certification, transfer of securities rights of the Company properties by way of opening and maintaining a separate depository account in the name of the Company and also of the depository transactions performed on the basis of the Company or authorized persons' instructions.

Consulting services agreement between Mine Aprelkovo CJSC (as customer) and LLC Depositary Algoritm (as contractor) dated 1 October 2009. Pursuant to the terms of this agreement, LLC Depositary Algoritm shall provide Mine Aprelkovo CJSC with consulting services regarding bringing the shareholders register and register system in line with Russian law. These services include development of accounting methods and methods of rights certification, preparation of obligatory internal documents of Mine Aprelkovo CJSC such as rules for maintenance of the register of shareholders and rules for documents workflow and control, giving recommendations relating to measures for provision of safety of documents and data composing the register system.

Relationship Agreement

On 27 January 2011, OAO Severstal, the Selling Shareholder and the Company entered into the Relationship Agreement which will, conditional upon Admission, regulate the ongoing relationship between OAO Severstal, the Selling Shareholder and the Company. The principal purpose of the Relationship Agreement is to ensure that the Company is capable at all times to carry on its business independently of each of OAO Severstal and the Selling Shareholder, and that all transactions and relationships between the Company and each of OAO Severstal and the Selling Shareholder and the associates of either of them (as defined in the Listing Rules) are at arm's length and on a normal commercial basis.

The Relationship Agreement will terminate upon the earlier of (a) the Shares ceasing to be listed on the Official List and traded on the London Stock Exchange's main market for listed securities; and (b) OAO Severstal ceasing to own or control (directly or indirectly) in aggregate 15 per cent. or more of (i) the legal or beneficial interest in the issued ordinary share capital; or (ii) the aggregate voting rights of the Company (the "Minimum Interest").

Pursuant to the Relationship Agreement, OAO Severstal, the Selling Shareholder and the Company have agreed, among other things that:

(a) each of OAO Severstal and the Selling Shareholder undertakes that it will and undertakes that it will procure that each member of the Severstal Group, or the Selling Shareholder Group, respectively will, insofar as it is legally able to do so:

  (i) conduct all agreements, arrangements, transactions and relationships with any member of the Group on arm's length terms and on a normal commercial basis and exercise all its powers to ensure that each member of the Group is capable of carrying on its business independently from each of OAO Severstal or any member of the Severstal Group and the Selling Shareholder or any member of the Selling Shareholder Group;

  (ii) not take any action (or omit to take any action) to prejudice the Company's status as a listed company or its suitability for listing after Admission has occurred or the Company's ongoing compliance with the Listing Rules and the Disclosure and Transparency Rules, provided this does not prevent any member of the Severstal Group or the Selling Shareholder Group from accepting an offer for the Company made in accordance with the City Code and the relevant provisions of the Dutch Financial Supervision Act (in each case, to the extent applicable) or making such an offer for all the Shares (other than those it already owns);

  (iii) exercise all its powers to ensure that the business and affairs of the Company will be conducted in accordance with the Articles of Association and all applicable laws for the benefit of the Company's shareholders as a whole and independently of the Selling Shareholder and OAO Severstal, and not exercise any of its voting rights or other powers to procure any amendment to the Articles of Association which would be inconsistent with the Relationship Agreement;

  (iv) abstain from voting on any resolution to approve (A) any Related Party Transaction involving any member of the Severstal Group or any member of the Selling Shareholder Group or their respective associates (as defined in the Listing Rules) as the related party; or (B) any agreement or arrangement in relation to which the directors nominated by the Selling Shareholder or OAO Severstal (through the Selling Shareholder) (the "Shareholder Directors") are ineligible to vote by virtue of the Relationship Agreement;

  (v) comply with all applicable provisions of the Act, the Listing Rules, the Disclosure and Transparency Rules, the admission and disclosure standards and other requirements of the London Stock Exchange, the FSMA, the DCC and the Dutch Financial Supervision Act; and

(b) save as disclosed in this Prospectus or as otherwise agreed by a majority of the Board (including at least half of the Independent Directors (as defined herein)), the Selling Shareholder will, to the extent permitted by law and so far as it is able to, and will procure that each other member of the Selling Shareholder Group will exercise its powers so that the Company is managed in accordance with the principles of good governance set out in each of the UK Corporate Governance Code and the Dutch Corporate Governance Code.

Non-compete undertaking

The Relationship Agreement restricts OAO Severstal and members of the Severstal Group from having a competing interest with that of the Company for such time as OAO Severstal's direct or indirect Interest in the Company is greater than 30 per cent. In the event that such Interest is reduced to 30 per cent. or less, the non-compete undertakings in the paragraphs below will remain effective for one year from the date of such sell down but will cease to bind any member of the Severstal Group thereafter.

OAO Severstal:

(a) represents and warrants that neither it nor any member of the Severstal Group directly or indirectly, currently owns, or otherwise has any interest in any company or business which engages in exploration for, or mining of, gold or silver deposits (the "Competing Business") other than through the Company or another member of the Group. A Competing Business will not include a company or business which (i) engages in any mine or mineral asset where the primary focus is the exploration for, or mining of, base metals or precious metals other than gold or silver; and (ii) mines, produces and sells gold or silver as a by-product or is incidental to such exploration, mining or processing of base metals or precious metals other than gold and silver. The Relationship Agreement acknowledges that OAO Severstal has an interest in certain exploration assets where the classification of the mineral deposits are uncertain and/or subject to determination by further exploratory work (the "Unclassified Exploration Assets");

(b) undertakes and will use its reasonable endeavours to procure that each member of the Severstal Group will not directly or indirectly acquire or have any interest or involvement in any company or business which engages in a Competing Business other than through its shareholding interest in the Company or any member of the Group, except that such prohibition will not apply with regards to:

(i) any acquisition of an interest in Unclassified Exploration Assets or a company or business which owns and/or undertakes exploration work in relation to Unclassified Exploration Assets, provided that if it is subsequently determined that an Unclassified Exploration Asset is predominantly a gold or silver asset, the Severstal Group will first offer the sale of such asset to the Group. If the Group declines such offer, OAO Severstal may then offer to sell that asset to a third party on substantially similar terms as those first offered to the Group; or

(ii) any acquisition of (A) a company or business which owns, holds or controls gold or silver assets; or (B) an asset portfolio which includes base metals or precious metals in addition to gold and silver, provided in each case that the acquisition of the gold or silver asset is not the primary focus of such acquisition. Following any such acquisition, the Severstal Group undertakes that it will not take any action to develop or expand such gold or silver assets unless the action is taken with a view to effecting a sale of such assets within 12 months of the acquisition. If the Severstal Group wishes to sell the asset, OAO Severstal will procure that the asset is first offered to the Company or another member of the Group. If no member of the Group is willing to purchase that asset it may then be offered to a third party within 6 months after the date on which the offer was declined by the Group, on terms overall no more favourable than those first offered to the Group.

OAO Severstal and any member of the Severstal Group are not restricted from acquiring or investing in a Competing Business if (a) the acquisition or investment has been approved by the Board or 15 Business Days have elapsed since the proposal was put to the Board for approval and there has been no objection by the Board; or (b) if the interest acquired comprises no more than 10 per cent. of securities of any company listed or traded on a public stock exchange and the primary business of that company is not a Competing Business; or (c) if the interest acquired in such a Competing Business is by way of a passive investment only in any fund, limited partnership, partnership, company or similar entity (the "Portfolio Company"), provided that the Severstal Group has no influence over or involvement in the management of such Portfolio Company and, as far as the Severstal Group is aware, no more than 25 per cent. of the Portfolio Company's investments by value are in a Competing Business; or (d) the Company is prohibited by law, regulation or governmental decision from acquiring or investing in such Competing Business.

Non-solicitation undertaking

OAO Severstal undertakes that neither it nor any member of the Severstal Group will, for a period of 12 months after Admission, induce or seek to induce any Senior Employee to become engaged (whether as employee, consultant or otherwise) by any member of the Severstal Group, unless (a) such engagement has been approved by the Board; or (b) 20 Business Days have elapsed since the proposal was put to the Board for such approval and there has been no objection. This prohibition does not apply where a Senior Employee seeks such engagement without inducement on the part of any member of the Severstal Group.

The Board

The Selling Shareholder will exercise all of its powers to procure, so far as it is reasonably able to, that at all times, (a) the audit committee of the Company will consist only of Independent Directors; (b) the nomination committee and the remuneration committee of the Company will consist of a majority of Independent Directors; and (c) at least half the members of any other committee of the Board to which significant powers, authorities or discretions are delegated will be Independent Directors.

For such time as OAO Severstal has an Interest:

(a) in 50 per cent. or more of the Company, the Selling Shareholder shall be entitled to nominate such number of candidates to be elected as Shareholder Directors as when aggregated with the Executive Directors shall not exceed the number of Independent Directors, plus the Chairman;

(b) in 25 per cent. or more of the Company, it (acting through the Selling Shareholder) shall be entitled to nominate up to three Shareholder Directors (including for this purpose the Chairman); and

(c) in 15 per cent. or more of the Company, it (acting through the Selling Shareholder) shall be entitled to nominate up to two Shareholder Directors (including for this purpose the Chairman),

provided that at all times the number of Independent Directors, together with the Chairman, is not less than half of the total number of Directors on the Board.

Information Sharing

Subject to its compliance with legal and regulatory requirements, the Company will share financial and other information with OAO Severstal or any member of the Severstal Group to the extent reasonably required by OAO Severstal to comply with its financial and other regulatory obligations including (a) the preparation and audit of consolidated accounts; (b) preparation of monthly management accounts; (c) any legal or regulatory requirements to report its reserves of gold, silver, other precious metals or base metals; and (d) ordinary course communications with markets and investors.

PART 9

REGULATION

Republic of Guinea

The Guinean Mining Code

The Guinean Mining Code of 1997 provides that deposits of minerals or fossil substances located below or on the surface of the ground, as well as underground water and geothermal resources, in the Republic of Guinea belong to the State of Guinea. However, the Guinean Mining Code provides that holders of the mining titles described below have ownership rights to extracted substances.

The Guinean Mining Code sets forth three major types of mining titles (collectively, "mining titles"):

- *Prospecting licence* grant exclusive rights to explore for all the substances specified in the permit.
- *Exploitation permits* grant exclusive rights for, and free disposal of, all the mineral substances specified in the permit for areas that comprises ore deposits and the surface installations, generally as defined by the relevant feasibility study.
- *Mining concession*s are grants reserved for large ore deposits that entail significant investments and infrastructure requirements as defined by the relevant feasibility study.

The Guinean Ministry of Mines is responsible for issuing prospecting licences and exploitation permits, but only the President of Guinea may issue mining concessions.

Holders of mining titles must:

- carry out operations in such a manner as to ensure sustainable development of national mineral resources. For such purposes enterprises must follow standard technical procedures accepted by the mining industry;
- carry out operations in such a way as to ensure environmental protection in accordance with the Guinean environmental code, including taking all steps necessary to prevent pollution of the environment, to treat wastes and discharges and to preserve forests and water resources;
- indemnify the Government of Guinea or any other person for damages and injury caused by them under prevailing statutory and regulatory provisions;
- give preference to Guinean enterprises for all construction, supply or service contracts, provided that such enterprises offer prices, quantities, qualities and delivery schedules that are at least comparable;
- give preference to Guinean workers, giving them access to every job they are capable of performing. Mine and quarry title holders are obliged to set up a training program and make sure that as much of its personnel as possible is Guinean; and
- carry on business in such a way as to encourage the transfer of technology and skills to Guinean enterprises and human resources.

Mining tax regime/duty and customs exemptions

Mining titles or permits for trade in mine or quarry substances and their renewal, extension, continuation, assignment, transfer and sublease are subject to payment of a fixed fee at rates determined by joint order of the Guinean Minister of Finance and the Guinean Minister of Mines.

Mining titles are subject to annual payment of a surface tax, the rates of which are fixed by joint order of the Minister of Finance and the Minister of Mines.

The Government of Guinea provides mineral extraction companies with certain duty and customs exemptions, including:

- during the exploitation phase, a temporary exemption for duty and customs taxes is provided for designated lists of equipment;
- during the construction, expansion and start-up phases, equipment, materials, heavy vehicles and tools are subjected to a duty and customs registration fee of 0.5 per cent. of the cost, insurance and freight (CIF) value;
- during exploitation, processing plants (processing ore in semi-finished or finished products) are subject to a full exemption from duty and customs taxes; and

- for extractive operations, a 5.6 per cent. duty and customs tax is levied on the free-on-board (FOB) value of materials, equipment, heavy vehicles, consumables (including fuel), diesel oil and lubricants not used in the processing of the ore in finished or semi-finished products.

Prospecting licences

The Government of Guinea has granted Sociéité Minière de Dinguiraye ("SMD"), an indirect wholly owned subsidiary of the Group, one prospecting licence conferring exclusive rights to prospect for specified minerals in set areas totalling 93 square kilometres in Guinea for the time specified. This prospecting licence is contiguous with the area covered by the SMD/DGM Convention de Base described below under "— *Mining concessions — SMD/DGM Convention de Base*".

Prospecting licences are issued by order of the Guinean Minister of Mines on recommendation of the Government Centre of Mining Promotion and Development ("CMPD"), to applicants who apply in accordance with the requirements of the Guinean Mining Code. The application consists of a letter addressed to the Minister of Mines following identification of the prospecting area by a geologist.

If two applications are made for the same site, priority is given to the applicant offering the better conditions and guarantees to the Government of Guinea. When conditions and guarantees are similar, priority for the grant of the prospecting licence is given to the first applicant.

Prospecting licences confer on their holders the exclusive right to prospect for mining substances for which the permit has been issued. During the life of the permit, only its holder has the right to an exploitation permit or concession for the deposits found within the prospecting site.

The administrative order granting a prospecting licence sets a minimum work program that the licence holder must carry out during the term of the licence, and the minimum financial effort the holder is expected to devote to prospecting during each year of the licence and renewals thereof. Holders of prospecting licences must start prospecting work within six months of the permit being issued and continue this work diligently and according to recognised standards.

Holders of prospecting licences have the right to dispose freely of all products extracted in the course of their prospecting and assays, provided they do not proceed to operations and provided that they declare these products to the Guinean Direction Nationale des Mines.

The area for which an individual prospecting licence is issued may not exceed 500 km^2, unless a derogation is granted. Prospecting licences are issued for a maximum term of three years. A prospecting licence may be renewed twice, for maximum periods of two years for each renewal.

A prospecting licence is renewed by operation of law if the holder has met all of its obligations and its application for renewal sets out a minimum program of work building on the results of the preceding period and representing a financial effort at least equal, for the corresponding time period, to that set in the administrative order granting the previous prospecting licence. With each renewal, the area of the prospecting licence is reduced by half.

An applicant who has made a discovery of a deposit that is economically exploitable may be granted either an exploitation permit or a mining concession to exploit the deposit.

Exploitation permits

An exploitation permit confers on its holder the exclusive right to search, prospect, develop and freely dispose of the minerals within the relevant site.

Exploitation permits are issued by order of the Guinean Minister of Mines on recommendation of the CPDM and in conjunction with a mining agreement and a document of reference annexed to the administrative order. Exploitation permits are issued to holders of prospecting licences who have:

- met all their obligations under the Guinean Mining Code throughout the term of their prospecting licences;
- made an application in accordance with the provisions of the Guinean Mining Code; and
- provide proof in a feasibility study of the existence of an economically exploitable deposit within the perimeter of the prospecting licence.

Issuance of an exploitation permit replaces the rights of the prospecting licence within the perimeter of the exploitation permit, but the prospecting licence continues to be valid for the remainder of its term in the areas outside of such perimeter.

When no valid prospecting licence is in existence, exploitation permits are issued at the discretion of the Guinean Minister of Mines, based on the technical and financial capacity of the applicant, the interest of the proposed operating program, the value of the applicant's technical choices and the amount of its commitment. When more than one application has been made providing equal guarantees, commitments, technical value and equivalent capacity, priority is given to the first applicant.

If a substance is discovered other than the one for which the prospecting licence was issued, the holder has pre-emptive rights for an exploitation permit for its development. These rights must be exercised within 18 months after the date that the Government of Guinea is advised of such discovery.

The area for which exploitation permits are issued is defined in the administrative order granting the permit. It is limited to the deposits as designated in the feasibility studies. The perimeter of the exploitation permit must generally be entirely situated within the perimeter of the site granted in the preceding prospecting licence.

The term of an exploitation permit is renewable for several periods of five years or more, upon application of the holder and under the same conditions as its original grant, when the holder has met all obligations incumbent upon him upon the issuance or renewal of the title and all those arising from the Guinean Mining Code and the document of reference or the mining agreement.

Mining concessions

Overview

A mining concession is issued by Guinean Presidential decree on recommendation of the Guinean Minister of Mines, subject to the conditions of a mining convention, or a so-called Convention de Base, annexed to the administrative order, and confers on its holder the exclusive right to carry out all kinds of prospecting and development of deposits of mineral substances for which the concession is granted, within the limits of its perimeter, and without limits as to depth.

Mining concessions are issued by priority to holders of prospecting licences who have:

- met all obligations under the Guinean Mining Code during the term of such permits;
- made an application that includes a feasibility study in accordance with the Guinean Mining Code; and
- supplied proof of the existence of commercially exploitable deposits within the area defined in their prospecting licence.

When no valid prospecting licence exists, mining concessions are issued taking into account the technical and financial capacity of the applicant, the size of the proposed operations and the value of technical choices operated.

Mining concessions may only be issued where one or more deposits are discovered upon evidence duly constituted by a feasibility study, and for which operations require sizable works and investments.

When more than one application for a mining concession is received providing equal guarantees, commitments, technical value and equivalent capacity, priority is given to the first applicant.

The area for which a mining concession is issued is defined in the administrative order granting the concession. It must correspond as closely as possible to the boundaries of the deposits, as defined in the feasibility study, unless derogation is permitted. Granting of a mining concession cancels any prospecting licence or exploitation permit previously issued to the holder for the area defined in the concession. Unless otherwise prescribed by the administrative order, the obligations incumbent upon the holder of a prospecting licence or exploitation permit are reduced or increased to take into account the reduction or increase of the area that was covered under such permits.

Mining concessions are issued for a maximum term of 25 years. The term of a concession may be renewed, upon application of the holder and under the same conditions as its original issuance, one or more times for a maximum period of 10 years for each renewal, provided the holder meets all the obligations incumbent upon the holder under the administrative order, renewals, documents of reference and the Guinean Mining Code.

Convention de Base

All mining concessions are based on an agreement called a Convention de Base ("foundation agreement") with the Government of Guinea. This document is based on the terms of a pre-feasibility study and a feasibility study.

The Convention de Base defines the rights and obligations of the respective parties and sets out the legal, financial, tax, economic and labour conditions which govern the mine operation for the duration of the agreement. A

Convention de Base is expected to constitute a guarantee to the holder of the operating permit or concession that the agreed conditions will remain unvaried. The Convention de Base signed by the Guinean Minister of Mines and prospective title holders binds the parties after being ratified by the Guinean Parliament and then promulgated by the President of Guinea. According to the Guinean Mining Code, once in effect the Convention de Base may only be amended by written agreement of the parties. Amendments take effect only when the above-described procedural steps have been followed, including ratification by the Guinean Parliament and promulgation by the President of Guinea.

SMD/DGM Convention de Base

In 1984, the Government of Guinea created a protocol for exploring and exploiting gold, diamonds and other minerals on the Dinguiraye Concession and in the surrounding regions. A subsidiary of Guinor Gold Corporation, which is now a subsidiary of Crew Gold, became involved in the concession in 1986 when the interests of certain parties were transferred to it.

In 1989, a Convention de Base (the "SMD/DGM Convention de Base") was issued to SMD. The parties to the SMD/DGM Convention de Base are Delta Gold Mining Ltd (DGM), an indirect wholly owned subsidiary of the Crew Gold, and the Government of Guinea. Under the SMD/DGM Convention de Base, the Government of Guinea agreed to grant long-term mining licences to SMD, and DGM agreed to oversee and manage the exploration and mining operations of SMD, with an obligation to actively explore and develop any resources discovered. The SMD/DGM Convention de Base sets out the objectives of SMD as the exploration for and mining of gold, diamonds and other associated minerals and the development of mines and processing plants in the concession area.

Under the SMD/DGM Convention de Base, the Government of Guinea granted SMD an exclusive, irrevocable mining concession for gold, diamonds, and associated minerals totalling 1,559.3 km^2 in the Dinguiraye area of Guinea. The concession has a duration of 25 years and expires in 2024, with an automatic renewal of five years under the same conditions and subsequent five-year renewals based on negotiations between the parties. The terms of the SMD/DGM Convention de Base were confirmed in an agreement executed by the Government of Guinea and Crew Gold in November 2004.

The SMD/DGM Convention de Base also requires a 5.0% royalty and 0.4% levy for infrastructure projects to be paid by SMD on the sales of minerals and establishes the tax rate on net profits at 30%. The convention also exempts SMD from specified import and export duties. The Guinean Customs department is currently reviewing import duties with a view to potentially increase them in advance of the dates stated in the SMD/DGM Convention de Base.

In addition, as of 30 September 2010, the Government of Guinea owed Crew Gold US$22.3 million of VAT refunds. The Group believes that the VAT refunds are not recoverable in the short term but will be recoverable in the long term. The VAT refunds have been reclassified to mineral rights and will be amortised gradually. While the SMD/DGM Convention de Base states that VAT owing to a mine would be refunded, the Government of Guinea is currently not up to date with these refunds. Royalty payments were previously offset against VAT but are currently required to be paid by Crew Gold without offset.

Crew Gold has also been in discussions with the Government of Guinea for approximately two years regarding the valuation of, and the original amount paid in relation to, Crew Gold's acquisition from the Government of Guinea of the remaining 15% interest in SMD in June 2006. Recently, the Minister of Mines proposed a resolution to these discussions in the form of a protocol to extend the duration of the SMD/DGM Convention de Base to 21 March 2034. In consideration for this extension, DGM, as party to the SMD/DGM Convention de Base, would give the Government of Guinea a 7.5 per cent. interest in the share capital of SMD and would pay to the Government of Guinea a bonus fee of US$1.5 million, US$0.5 million of which would be dedicated to community projects. The Company was considering the reasonableness of this proposal when a new Government took office. The new Minister of Mines has contacted the Company reiterating these proposals and stating its intention to renew negotiation on this subject.

See "Risk Factors — Risks relating to Burkina Faso and Guinea — The current Government of Guinea may review the terms of existing mining permits and licences".

Transfer of mining rights

In accordance with Article 62 of the Guinean Mining Code, any contract or agreement by which a mining title holder promises to make over, cede or transfer or by which he does actually make over, cede or transfer, all or some of the rights and obligations arising out of a mining title, must receive prior approval from the Minister of Mines.

In the case of the acquisition of a controlling interest in Crew Gold by the Company, in November 2010 the now former Minister of Mines of Guinea alleged that such acquisition without prior formal approval of the Minister of Mines violated Article 62. The new Minister of Mines has reiterated this claim. The Company has taken advice from Guinean counsel and responded to the former Minister of Mines that, since the acquisition of a controlling interest in Crew Gold did not result in a direct transfer of mining rights, which remain held by DGM, an indirect subsidiary of Crew Gold, there was no violation of Article 62.

Revocation

Mining titles granted under the Guinean Mining Code may be revoked by the issuing authority (i.e., the Guinean Ministry of Mines in relation to prospecting licences and exploitation permits and the President of Guinea in relation to mining concessions) on any of following grounds:

- when the prospecting, operation or development period is suspended for more than six months in the case of exploration, and more than 18 months in the case of operations, or severely restricted without legitimate grounds and in such a way as to be detrimental to the public interest;
- when the feasibility study shows the existence of an economically and commercially operable deposit within the perimeter set out in a prospecting licence but no development follows within 36 months from the date of the grant;
- for violation of one of the provisions of the Guinean Mining Code;
- mining costs and expenses of the title holder are less over a total of two consecutive years than the whole of the minimum program for works or the minimum amount of expenses forecast for such period by the mining title or documents of reference of the concession, except in cases of justifiable force majeure, providing they do not exceed 18 months;
- failure by the holder to keep regular registers in respect of extraction, sales and shipping and in accordance with standards established by the prevailing regulations, or refusal to produce such registers to the qualified agents of the Guinean Direction Nationale des Mines;
- development activities undertaken when a prospecting licence is held;
- failure to pay taxes or duties;
- prospecting or development activities are carried out outside the perimeter of the mining title or for substances not designated therein;
- loss of financial guarantees or technical capacity; and
- assignment, transfer or sub-leasing of mining rights without prior authorisation.

Environmental regulation

Environmental regulation in Guinea is governed primarily by Decree N°045/PRG/87 of 10 March 1989 (the "Guinean Environment Code"). The Guinean Environment Code, administered by the Guinean Conseil National de l'Environment ("National Environment Council"), sets out specific protective measures in relation to (i) soil and sub-soil; (ii) continental water (that is inland water); (iii) marine water; (iv) air; (v) human settlements; (vi) fauna and flora; (vii) waste; (viii) toxic or dangerous chemicals; and (ix) noises and smells. In general, it is the responsibility of all mining facilities to minimise the damage they do to the environment. The Guinean Environment Code imposes specific sanctions for breach of its provisions.

In relation to mining activities, the Guinean Environment Code and the Guinean Mining Code provide that a holder of mining rights must submit a rehabilitation plan for agricultural and forestry purposes for approval by the Guinean Minster of Mines and the Guinean National Environment Council. If the mining rights holder fails to comply with such plans they are liable to a fines and criminal prosecution. A rehabilitation plan is normally submitted at the time that mining rights are awarded.

SMD is obligated under the SMD/DGM Convention de Base to protect the environment and reforest any areas disturbed at the end of the project. This liability is recognised in the consolidated accounts of Crew Gold as of 30 September 2010, and amounted to approximately US$9.5 million on a discounted basis.

The Government of Guinea, through the Minister of Environment, has been reviewing the requirements for reclamation upon ultimate closure for all mines in Guinea. A closure fund in Guinea will be required to cover the related existing balance sheet liability for the mines. While the SMD/DGM Convention de Base calls for the closure

process to be funded by the Crew Gold at the end of the mine's life, the Government of Guinea has requested a cash deposit to cover the expected liability and in LEFA's case the agreed deposit amount was US$5.0 million, which was paid in 2009.

Burkina Faso

The Burkina Faso Mining Code

In Burkina Faso, the mining sector is open to free enterprise. However, all mining activity on any part of the national territory of Burkina Faso is subject to the prior issue of mining titles or authorisations by the competent authorities, since the surface and sub-surface of the land are, by operation of law, State property.

The different types of mining titles are as follows:

- exploration permits;
- permits for exploitation on an industrial scale for large or small mines; and
- permits for non-industrial, semi-mechanised exploitation.

Mining titles are accompanied by a mining agreement between the State and the permit holder, which supplements the Mining Code in order to determine the rights and obligations attached to the mining titles.

Exploration permits

Exploration permits are granted by the Minister of Mines to all persons (natural or legal) who have submitted an application which complies with the mining regulations. The application must be accompanied by a work programme which the applicant proposes to carry out during the first year of the validity of the permit, as well as the corresponding budget.

The exploration permit confers upon the permit holder, within the scope of its surface and sub-surface perimeter, the exclusive right to explore for minerals requested, as well as to dispose of the products extracted for the purpose of the exploration in accordance with the conditions provided for in the Mining Code. The holder of an exploration permit may request and obtain an extension of the exploration permit to include other mineral substances within the scope of its perimeter.

The exploration permit is valid for three years from the date of grant. It is renewable by law twice for consecutive three year periods subject to compliance with the laws and obligations provided for in the mining regulations.

The holder of an exploration permit must carry out the exploration programme which such holder has submitted at the beginning of each year to the Mining Administration and must spend on these works the minimum amount per square kilometre provided for in the mining regulations. Any derogation from the exploration programme must be submitted to and must be the subject of a declaration by the Mining Administration.

The holder of an exploration permit has the right to the free use of products extracted as a result of the exploration and of any tests which may form part of the exploration on the condition that the exploration works do not assume the character of exploitation works and that the permit holder makes a declaration to the Mining Administration.

Exploitation permits

There are two types of exploitation permit: exploitation permits on an industrial scale and permits for non-industrial, semi-mechanised exploitation. Both types of permits confer on the permit holder, within the surface and subsurface scope of its perimeter, the exclusive right of exploitation of the mineral substances which are found there.

Permits for exploitation on an industrial scale of a large or small mine are granted by law to a holder of an exploration permit who has complied with the obligations placed on such holder pursuant to the Mining Code and who has presented an application which complies with the regulations at least three months before the expiration of the period of validity of the exploration permit by virtue of which the application is made. The decision is taken by order by the Counsel of Ministers on the proposal of the Minister of Mines, after review by the Minster of the Environment and the National Mining Commission.

The application for an exploitation permit on an industrial scale for a large or small mine must be accompanied by a file comprising a feasibility study, a development plan and a plan for the exploitation of the deposits.

The exploitation permit on an industrial scale for a large mine is valid for 20 years from the date of grant. It is renewable by law for consecutive 5 year periods until the exhaustion of the deposits. For small mines, permits are valid for 10 years only.

Permits for non-industrial, semi-mechanised exploitation are granted by the Mining Administration following consultation with the competent administrative authorities and the relevant local communities.

Such a permit is valid for 5 years. It is renewable by periods of 3 years (by order of the authority which issued the permit and on the same terms) if the permit holder has complied with the obligations placed on him and has presented an application which is compliant with the mining regulations. The maximum surface area for which a permit for non-industrial, semi-mechanised exploitation may be granted is 100 hectares.

The rights and obligations attached to mining titles

The State guarantees to holders of mining titles:

- the right to freely dispose of their real or personal property, tangible or intangible, and to organise their business which is, in particular, safeguarded against any measure of nationalisation, expropriation or requisition;
- the protection of private property in all legal and commercial aspects, its features and splitting up, its transferral and the contracts to which it is subject;
- the free transfer of moneys necessary for mining activities, of profits to be distributed to partners not from the Economic Community of West African States ("UEMOA"), of profits and funds resulting from the sale of shares, and savings realised by employees;
- the free circulation and free marketing of finished and semi-finished products, as well as all substances and products originating from exploitation activities.

Mining permit holders are obliged:

- not to carry out any prospecting, exploration or exploitation work on the surface at less than 100 metres from prohibited or protected zones;
- to indemnify owners of land and goods located there and other occupants of land which is necessary for prospecting, exploration or the exploitation of mineral substances and for related industries;
- to co-operate with other operators in the creation or use of infrastructure which present a common interest;
- to use, as far as possible, local services and raw materials as well as products made in Burkina Faso;
- to give priority to the employment of local personnel with a view to permitting their accession to all jobs depending on their professional qualifications;
- to develop and apply internal rules relating to public health and safety at work;
- to immediately declare to the Minister of Mines, any discovery of archaeological value; all treasures and all other items judged to be of value and to conduct works in a manner so as not to damage such items;
- to submit to the State at the expiration of any exploration permit or at the expiration of its possible period of renewal, a definitive report, as well as all reports, all maps, all drilling cores, all aerial surveys and any raw data which the title holder has acquired in the course of the period of exploration;
- to give to the State, 10% of the shares in the exploitation company, and to maintain this level of ownership in the event of an increase in share capital.

The withdrawal of mining titles

Holders of mining titles can have their rights withdrawn, without indemnification or compensation, in the following situations:

- the holder of an exploration permit engages in exploitation activities within the area defined by the permit;
- for holders of industrial exploitation permits, exploration activity is postponed or suspended, without authorisation, for more than two years and, with authorisation, for more than six years;
- for holders of permits for non-industrial, semi-mechanised exploitation, preparation for exploitation or exploitation is delayed or suspended, without authorisation, for 6 months, and, with authorisation, for a year;
- the unauthorised sale or transfer of mining titles;

- the non-payment of taxes;
- the non-compliance with the annual minimum unitary expenditure requirements under the mining regulations;
- the default of the permit holder;
- failure to comply with the obligations relating to the analysis or notice of environmental impact and to a public investigation;
- a serious breach of the rules relating to public health and safety at work.

In the event of a withdrawal of a mining title, the permit holder has a right to appeal.

The tax treatment of mining activities

Mining exploration and exploitation activities are subject to the payment of various taxes and royalties. However, they benefit from several tax benefits.

Mining taxes and royalties

All holders of a mining title are liable for the payment of fixed duties and proportional duties.

Fixed duties are fixed on a lump sum basis and paid only once by all applicants at the time of grant, renewal, or upon the transfer of mining titles.

Proportional duties are made up of area taxes and proportional royalties. The area taxes are fixed on the basis of the surface area occupied, of the nature of the substances sought, for exploration permits, and of the type of exploitation, for exploitation permits. The proportional royalties are due annually. The proportional royalties are calculated as a percentage of the value of the revenue generated by the sale of the extracted products. Their rate is fixed according to the type of product.

Tax benefits

Tax benefits consist of exemptions and the stability of the tax regime.

Exemptions

The mining regulations give to the holders of title deeds to land many exemptions which vary according to the level of activity.

During the exploration phase, the holders of exploration permits, within the framework of their operations, are exempted from the payment of all taxes and duties of any kind. They also benefit from a reduction in import duties.

During the period of preparatory works, holders of exploitation permits are exempted from VAT for a period of two years (which is renewable once) for materials, machinery and equipment, as well as spare parts which are listed in an annex to the exploitation permit.

Exploitation permit holders are also exempted, for the entire preparatory phase, from all customs duties, with the exception of community duties (*droits communautaire*) and statistical royalties (*redevance statistique*), in connection with the importation of equipment, raw materials, fuel and lubricants for use in the production of energy and the operation of vehicles and equipment relating to the preparatory works, as well as spare parts.

During the exploitation phase, permit holders benefit from a reduction in the tax rate on income and on income derived from securities.

They benefit from a temporary maximum exemption of seven years on the minimum lump sum tax on industrial and commercial professions, patents taxes, employers tax and training tax and the tax on mortmain property.

They are also exempted from the payment of registration duties on all actions relating to the increase of share capital.

They are obliged to pay an import tax at the cumulative rate of 7.5 per cent. provided for goods in Category I of the tariff nomenclature of UEMOA.

Notwithstanding this special customs regime, the holder of an exploitation permit or the beneficiary of an exploration authorisation can request the benefit of Temporary Admission, which is a customs duty relief mechanism that allows its beneficiaries to introduce public works equipment into the customer territory of the UEMOA on a partially duty-free basis, with the commitment to re-export the equipment or to store it in warehouses after it is used.

The holder of an exploitation permit is authorised to create, free of the tax on industrial and commercial profits, a reserve for the restoration of the mining site.

The stability of the tax and customs regime

During the period of validity of the mining permit, the rates and base levels of the taxes and duties remain they unchanged from the rates and levels in effect on the date of the permit, and no new duty or taxation of any nature whatsoever will be applied to the permit holder during this period, with the exception of mining duties, taxes and royalties.

Respect for environmental law

Activities regulated by the Mining Code must be carried out in such manner as to ensure the preservation and management of the environment and the rehabilitation of sites which have been exploited.

Any holder of a mining permit must, before undertaking any work on site which may affect the environment and, following consultation with the population concerned, prepare and submit for the approval of the Minister of Mines and the Minister of the Environment, a study on the impact on the environment or a notice of environmental impact.

The study on the impact on the environment must be accompanied by a programme of preservation and management of the environment, including a rehabilitation plan for the sites to be exploited.

Any modification must be the subject of prior authorisation from the Mining Administration.

Kazakhstan

Regulation of mineral rights

Overview

The majority of Kazakhstan's current subsoil use contracts were concluded in accordance with the Decree of the President of the Republic of Kazakhstan No. 2828 of 27 January 1996 "On Subsoil and Subsoil Use" (the "1996 Subsoil Law").

On 24 June 2010, Kazakhstan adopted a new Law "On Subsoil and Subsoil Use" (the "2010 Subsoil Law"), which came into effect on 6 July 2010. The 2010 Subsoil Law replaced the 1996 Subsoil Law and the Law "On Oil" of 28 June 1995. The 2010 Subsoil Law included changes to the structure and responsibilities of Kazakh State bodies that had been established as a result of Presidential Decree No. 936 issued on 12 March 2010 (the "936 Decree"). Prior to 12 March 2010, the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan (the "MEMR") had acted as the main governmental authority for the supervision of the mining and oil industries, or the competent body (the "Competent Body"). The MEMR was vested with the authority to represent the Kazakh State in granting subsoil use rights, executing and monitoring compliance with subsoil use legislation and dealing with regulatory approvals applicable to merger and acquisition transactions in the Kazakhstan mining industry. Pursuant to Presidential Decree No. 936, the MEMR was reorganised and its functions were assigned and transferred to the Ministry of Industry and New Technologies (the "MINT") and Ministry of Oil and Gas. As a result, the Competent Body for subsoil use rights is now the MINT.

The 1996 Subsoil Law

Overview

Under the 1996 Subsoil Law, subsoil and any useful minerals contained therein are owned by the Kazakh State. The state, in turn, grants individuals and entities subsoil use rights for the exploration and extraction of mineral deposits.

Prior to August 1999, subsoil use rights in Kazakhstan were granted on a "licence-and-contract" basis. Under this system, the Kazakh Government granted subsoil use licences to licensees who were then required to enter into a contract for subsoil use with a designated Kazakh ministry or other government agency. Subsoil use contracts would typically set out in detail the licensee's rights and obligations and were based on a template of the 1997 Model Contract. The licence-and-contract system has subsequently been superseded by the developments described below.

The 1999 amendments to the 1996 Subsoil Law

In August 1999, the 1996 Subsoil Law was amended by Law No. 467-I "Concerning the Introduction of Amendments and Additions to Several Legislative Acts on Subsoil and Petroleum Operations in the Republic of Kazakhstan" (the "1999 Amendments"). The 1999 Amendments simplified the process of granting subsoil use

rights, allowing the so-called Competent Body (currently, the MINT) to grant subsoil use rights by entering into contracts without first having issued a licence. In practice, subsoil use rights are typically granted following a tender process. In addition to simplifying the process for granting subsoil use rights, the 1999 Amendments expressly provided that all valid subsoil use licences issued under the former system remained valid and the suspension, revocation, termination or invalidation of licences issued prior to August 1999 remain governed by the laws and regulations in effect prior to the 1999 Amendments.

The 2004 amendments to the 1996 Subsoil Law

The 1996 Subsoil Law was further amended by Law No. 2-III on the "Introduction of Amendments and Additions to Certain Legal Acts on Subsoil Use and Subsoil Operations" dated 1 December 2004 (the "2004 Amendments"). The 2004 Amendments provide the State of Kazakhstan with a pre-emptive right in connection with any transfer of subsoil use rights and/or any transfer of equity interest in any subsoil user and give the state a right of first refusal in respect of any such transfers on terms "no less favourable than those offered by other prospective purchasers". The 2004 Amendments provided that this pre-emptive right applies to future contracts as well as retroactively to all existing contracts. While the 2004 Amendments did not contain detailed procedures that the State of Kazakhstan must follow in order to exercise its pre-emptive right, the Inter-Agency Commission on state pre-emptive right matters (the "IAC") was established by government decree to consider the pre-emptive right of the state in situations where subsoil use rights and/or equity interests in any subsoil user are offered for sale or transfer and to make recommendations to the Kazakh Government, which, in turn, was to make the ultimate decision as to whether or not to exercise the state's pre-emptive right.

Other provisions in the 2004 Amendments include a requirement that subsoil users purchase goods and services from Kazakh producers (provided such goods and services comply with the applicable national and/or international standards) and a prohibition on subsoil users from purchasing goods and services from foreign entities in circumstances where comparable Kazakh goods and services are available. In addition, the 2004 Amendments require subsoil users to conduct tenders for the purchase goods and services in the territory of the Republic of Kazakhstan (and upon the consent of the competent authority, abroad).

The 2004 Amendments specifically provided that the functions of the licensing body with respect to the licences for subsoil use that were issued prior to August 1999 and remained in force were to be performed by the Competent Body.

The 2007 amendments to the 1996 Subsoil Law

The Subsoil Law was further amended by Laws No. 213-III of 9 January 2007, No. 178-III of 12 January 2007 and No. 2-IV of 24 October 2007 (collectively, the "2007 Amendments"). The 2007 Amendments included a right of the Competent Authority to terminate unilaterally the subsoil use contracts on fields having strategic meaning for the Kazakh State in cases where the relevant subsoil users had breached their obligations under such contracts. While the 2007 Amendments did not set forth a definition of fields having "strategic meaning", the Kazakh Government was given the power to approve a list of fields having strategic meaning. The list was approved on 13 August 2009 pursuant to Government Decree No. 1213.

The 2009 amendments to the 1996 Subsoil Law

The 1996 Subsoil Law was further amended by Laws No. 135-IV of 13 February 2009, No. 188 of 17 July 2009 and No. 233-IV of 29 December 2009 (collectively, the "2009 Amendments"). The 2009 Amendments included an exception setting forth those companies that are not required to observe the requirement to purchase goods and services in accordance with the Kazakh the subsoil regulations. Under the 2009 Amendments, this exception applied to subsoil users carrying out operations on common minerals, as well as subsoil users where fifty per cent or more directly or indirectly belong to the national operating holding and national subsoil company.

Other provisions of the 2009 Amendments stipulated that the pre-emptive right of the State of Kazakhstan was to be exercised by the state represented by the Kazakh Government or upon the government decree by a national operating holding company or a national subsoil company.

The 2009 Amendments regulated local content issues, including provisions providing that where expenses from the purchase of goods and services were incurred in defiance of the requirements stipulated by the law, these expenses were to be excluded from the amount to be reimbursed by the State.

The 2010 Subsoil Law

The 2010 Subsoil Law replaced the 1996 Subsoil Law. In so doing, the 2010 Subsoil Law retained the above-discussed provisions of the 1996 Law, as amended, except as otherwise stated below.

The 2010 Subsoil Law 2010 sets forth more detailed procedures to be followed in awarding contracts for subsoil use. The law provides for the conclusion of any contract for combined exploration and production on the basis of a decision by the Kazakh Government and then only in relation to the subsoil areas and fields that are of strategic meaning or a complicated geological structure. However, the 2010 Subsoil Law does not describe the process for the conclusion of a contract for combined exploration and production, in particular, for the timing for the conclusion of the contract.

In addition, the 2010 Subsoil Law has introduced a number of new provisions regarding the process of the alienation or transfer by a user of the subsoil use right or associated objects. The 2010 Subsoil Law included additions to the list of assets for transfers that require a permit of the Competent Body following a waiver of the state's pre-emptive right. As a result, in addition to a permit for the subsoil use right, a permit is now required for the transfer of the so-called objects associated with the subsoil use right. Objects associated with the subsoil use right include:

- a participating share in a subsoil user;
- a participating share in the entity having the ability to directly or indirectly make a decision and/or influence the decision of the subsoil user, if the relevant legal entity's principal activity is connected with subsoil use in the Republic of Kazakhstan;
- securities confirming the right of ownership of the shares, or convertible into the shares of the subsoil user; and
- securities confirming the ownership of shares, or convertible into shares, of the legal entity having the ability to directly or indirectly make a decision and/or influence the decisions of the subsoil user if the principal activity of the legal entity is connected with subsoil use in the Republic of Kazakhstan.

In addition to the deemed transfers of subsoil use rights that existed under the 1996 Subsoil Law, the 2010 Subsoil Law introduced two new categories for deemed transfers of subsoil use rights:

- enforcement of security over the right of subsoil use and associated objects, including under a pledge; or
- obtaining the right to the share of the legal entity possessing a subsoil use right or legal entity that has the ability directly and/or indirectly to determine decisions and/or influence decisions made by such subsoil user, if the principal activity of the legal entity is connected with subsoil use in the Republic of Kazakhstan, through an increase of the charter capital via the additional contributions of one or more participants, as well as by acceptance of a new participant into the legal entity.

The 2010 Subsoil Law does not include a definition of "principal activity". In light of this, "principal activities" are understood in practice to mean activities connected with the holding of shares or participation interest in a Kazakh subsoil user.

Under the following exceptions, it is not necessary to obtain a state waiver of its pre-emptive right:

- transactions for the alienation of shares or other securities confirming title to shares, or securities convertible to shares, that are traded on an organised securities market and are issued by a subsoil user that is a legal entity that has the possibility to directly or indirectly determine and/or influence the decisions of such subsoil user if such legal entity's principal activity is connected with subsoil use in the Republic of Kazakhstan;
- the transfer, in full or in part, of the subsoil use right or objects associated with the subsoil use right:
  - in favour of a subsidiary, where not less than 99 per cent. directly or indirectly belongs to the subsoil user, provided that the subsidiary is not registered in a state with a tax preference system;
  - between legal entities in which not less than 99 per cent. of the participatory interest (shareholdings) is owned by one person, provided that the purchaser of the subsoil use rights (in full or in part) is not registered in a state with a tax preference system; or
- the transfer of shares (participatory interests) in a subsoil user if, as a result of such transfer, an entity acquires the right to directly or indirectly (through third parties) dispose of less than 0.1 per cent. of shares (participatory interests) in the charter capital of a subsoil user, and/or a legal entity having the possibility to directly or indirectly determine the resolutions and/or influence the decisions of such subsoil user, if the principal activity of such legal entity is connected with subsoil use in the Republic of Kazakhstan.

The State of Kazakhstan's pre-emptive right effectively permits the state to purchase any subsoil use rights and/or objects associated with subsoil use rights that are being offered for sale or transfer on terms no less favourable than those offered by other purchasers, and in the case of transfers without payment, at a market value to be determined in compliance with the Kazakhstan appraisal legislation. Transfers made without a state waiver are deemed invalid. These provisions apply both to Kazakh and non-Kazakh entities with soil use rights.

The 2010 Subsoil Law outlines the following procedure for receiving a permit for the transfer of a subsoil use right and/or associated object:

- the entity that has an intention to transfer a subsoil use right or object associated with a subsoil use submits an application to the to the Competent Body (i.e., the MINT for mining subsoil use contracts);
- within 20 business days thereafter, the Competent Body sends the application and supporting documentation to the IAC;
- within 30 business days thereafter, the IAC issues its opinion and submits its minutes to the Competent Body, outlining the IAC's recommendation to exercise the pre-emptive right or to refuse to exercise the pre-emptive right. In the former case, the IAC requests that the Competent Body designate a national holding company or a national company as a purchaser;
- within five business days thereafter, the Competent Body submits these materials to an expert committee;
- within ten business days thereafter, the expert committee issues its opinion on the issuance or refusal to issue the transfer permit; and
- within five business days thereafter, the Competent Body issues its decision on the issuance or non-issuance of the transfer permit, together with its decision on the exercise of the state's pre-emptive right. In the case where the decision is to exercise the pre-emptive right, the purchaser national holding company or national company initiates negotiations with the applicant, with the State of Kazakhstan being required to have completed the transaction within six months.

The 2010 Subsoil Law does not entitle the subsoil user to directly refer any dispute regarding the Competent Body's decision to arbitration. At the same time, in accordance with the law "On Investment" of 8 January 2003, if an investment dispute cannot be resolved through negotiations, the resolution of the disputes must be settled in accordance with international agreements and legislative acts in local courts and international arbitration courts, as determined by the agreement of the parties.

According to the 2010 Subsoil Law, protection of the rights of subsoil users from legislative change is not applicable to the changes in the legislation of the Republic of Kazakhstan in the areas of:

- defence and national security;
- ecological safety;
- healthcare; and
- taxation and customs.

For risks related to the transfers of the Group's Kazakh assets and the issue and transfer of the shares in the Offer, see Part 1 "Risk Factors — Risks relating to Kazakhstan — The Kazakh state may be entitled to exercise pre-emptive rights over Kazakh assets acquired by the Group, transfers of shares in the Group's subsidiaries completed prior to the Offer as well as over the issue and transfer of Shares in connection with the Offer".

Terms and conditions of subsoil use contracts

The Group's Kazakh subsoil use contracts are based on the 1997 Model Contract and the 2001 Model Contract. The 2001 Model Contract, which replaced the 1997 Model Contract, grants a subsoil user the right to make use of any products resulting from mining activities (including mineral resources specified in the contract) at its own discretion, construct structures for production and social purposes within the contract area, hire subcontractors and assign all or part of its rights to third parties or terminate its activities, if such assignment or termination is permitted under the terms of the contract and Kazakh law. Subsoil users are obliged to operate using the most efficient methods and technologies based on international standards, use the contract area only for the purposes specified in the subsoil use contract, comply with all Kazakh legislation and the terms of the works programme, give preferential treatment to Kazakh citizens in hiring and Kazakh businesses in purchasing goods and services, invest a certain percentage of total investments in training programmes for Kazakh employees and make timely payments of all applicable taxes and other mandatory payments to the Kazakh Government.

The subsoil user is also obliged to comply with Kazakhstan's environmental and health and safety standards and requirements. The 2001 Model Contract requires a subsoil user to give priority to environmental considerations, including monitoring the impact of its operations on the environment, limiting desertification and soil erosion and preventing the pollution or depletion of groundwater supplies. Upon the termination of mining operations, the subsoil user is required to conduct an environmental clean-up of the contract area.

To the extent that there are any disputes that cannot be resolved through negotiations between the subsoil user and the Kazakh Government, the 2001 Model Contract provides that such disputes are to be submitted either to the Kazakh courts or to arbitration.

Under the 1996 Subsoil Law, the initial term of exploration under a subsoil use contract was six years and could be extended twice for two years each time. The term of mining (production) under a subsoil use contract was 25 years and in respect of fields with unique or large reserves the term of mining (production) was 45 years. The term of mining (production) could be extended, and the term of extension was not limited by the 1996 Subsoil Law. Pursuant to the Subsoil 2010 Law, the term of exploration is six years (with no extension for contracts on solid minerals, except for the prolongation for the term of commercial appraisal). The term of mining (production) is now determined by the production project and it is not limited under the 2010 Subsoil Law.

Regulatory bodies

General

The Kazakh State plays three roles in the management of the subsoil. Firstly, the Kazakh Government is responsible for organising and managing state-owned reserves, outlining subsoil allotments, defining the list of commonly occurring minerals, defining the procedures for the conclusion of contracts, approving model contracts and appointing the Competent Authority. Secondly, the Competent Body, which is currently the MINT, has the power, among other things, to execute and implement subsoil use contracts. Thirdly, local Kazakh executive bodies have responsibility for, among other things, granting land plots to subsoil users, supervising the protection of the land and participating in negotiations with subsoil users regarding environmental and social protection.

The MINT

The Ministry of Industry and New Technologies is the ministry designated by the Kazakh Government to enter into contracts with subsoil users. In addition, the 2010 Subsoil Law provides that the MINT is the Competent Body with respect to subsoil use contracts for the exploration, production and combined exploration and production of solid minerals (except for common minerals and contracts for exploration, production and combined exploration and production of minerals from technogenic mineral formations. As a result, the MINT is responsible for:

- organising tenders of subsurface use rights for exploration, production or combined exploration and production of solid minerals;
- executing and registering subsurface use contracts on solid minerals;
- monitoring compliance with the terms of subsurface use contracts on solid minerals;
- issuing permits for the transfer of subsurface use rights under subsurface contracts on solid minerals and registration of transactions involving pledges of subsurface use rights under subsurface contracts on solid minerals; and
- suspending and terminating subsurface use contracts on solid minerals in accordance with the procedures set forth in the 2010 Subsoil Law.

Other regulatory bodies

Other Kazakh government ministries and bodies that regulate aspects of gold mining operations in Kazakhstan include:

- the Ministry of Environmental Protection, which is responsible for environmental protection and the preservation of mineral resources;
- the Ministry of Emergency Situations, which, among other things, supervises mining operations;
- various government bodies, which are responsible for the approval of construction projects and the use of water and land resources;

- the Sanitation and Epidemiological Service, an agency of the Public Health Ministry, which is responsible for monitoring compliance with health standards;
- the Ministry of Labour and Social Protection of the Population, which is responsible for investigating labour disputes and complaints from individual employees and which monitors compliance with the obligations of subsoil users to give preference to Kazakh citizens and compliance with the provisions of the subsoil use contracts on employing a certain minimum percentage of Kazakh citizens;
- the governmental agency for standardisation, metrology and certification, which is responsible for testing equipment used for weighing ore and measuring gold content;
- regional and municipal regulatory bodies, which are responsible for registering properties, pledges and mortgages; and
- national and regional tax authorities.

Environmental regulation

The Group's Kazakh operations are subject to laws, regulations and other requirements relating to the protection of the environment in Kazakhstan, including the discharge of substances into the air and water, the management of the disposal of waste and the clean-up of mining sites. Environmental protection in Kazakhstan is regulated primarily by Environmental Code No. 212-III ZRK dated 9 January 2007 (the "Kazakh Environmental Code").

According to Article 69 of the Kazakh Environmental Code, individuals and legal entities may carry out emissions into the environment, including discharge of pollutants or sewage or disposal of wastes, only in accordance with the terms of their emissions permits. Emissions permits are granted by the Ministry of Environmental Protection, its regional departments (Departments of Ecology) or local executive authorities (*Akimats*). Emissions permits are granted to mining companies for terms of three years. To obtain an emissions permit, a company must submit to the authorised body a number of documents, including a plan setting forth environmental protection measures. The plan must be approved by the body granting the permit. The company is required to adhere to the approved plan. Failure to do so, may lead to the suspension or the cancellation of the emissions permit.

The Group's Kazakh operating subsidiary FIC Alel JSC was granted its current emissions permit on 14 December 2009. The permit is scheduled to expire on 5 October 2012.

Under Kazakh law, the Group is also required to obtain a number of other certificates, permits and licences from various Kazakh government ministries, departments and agencies in relation to the use of water, potentially toxic chemicals, the transportation of hazardous materials, the importation of sodium cyanide and explosive materials for blasting.

The Tax Code of the Republic of Kazakhstan dated 10 December, 2008 (the "Kazakh Tax Code") establishes a "pay for emissions" regime that is administered by national and local authorities. While emissions permits set forth limits on emissions into the environment for specific sources of emissions, the Kazakh Tax Code sets forth the rates of payment for emissions, with local representative authorities (*Maslikhats*) having the right to increase these rates not more than twofold of the amounts set forth in the Kazakh Tax Code. In the event that emissions exceed the limits provided by the emissions permits (or in the event of emissions without a valid permit), the rates of payment may be increased tenfold. The payment of these rates does not relieve the violator from its responsibility to take environmental protection measures and undertake restoration and clean-up activities.

Special water use permits

The Kazakh Water Code dated 9 July 2003 No. 481 (the "Kazakh Water Code") is aimed at implementing governmental policy in relation to the utilisation and protection of water resources. The Kazakh Water Code sets out obligations in relation to water use and discharges into water on the basis of water use permits ("SWUPs").

The Group's SWUPs may be withdrawn if the terms of use specified in Kazakh water legislation and in the relevant SWUP are breached. These terms include monitoring of the quality of underground water, submission of statistical reports and monitoring reports, compliance with requirements relating to water protection during mining operations and regular checking of equipment. The term of a SWUP may be extended, subject to compliance with the requirements specified within the relevant SWUP.

In cases of the reconstruction of water utilisation systems or a change of any of the Group's circumstances in relation to its water use, the Group is obliged to obtain a new SWUP.

Enforcement

Article 116 of the Kazakh Environmental Code specifies which state officials are responsible for monitoring environmental compliance and implementing proceedings for breaches of environmental laws and regulations. These officials include the Kazakh Chief State Inspector, the Kazakh Deputy of the Chief State Inspector, other chief state inspectors, senior state inspectors and state inspectors representing the heads and deputy heads of departments and divisions of the Kazakh Ministry of Environmental Protection. In addition, regional prosecutors have the authority to supervise environmental compliance and initiate judicial proceedings.

Article 117 of the Kazakh Environmental Code authorises the relevant state officials, in their enforcement of environmental protection measures, to:

- inspect facilities and request documents and test results;
- initiate the withdrawal of licences and/or rescission of contracts for the use of natural resources;
- initiate the suspension or termination of emission permits in cases of violations of environmental rules that inflict significant harm on the environment or human health;
- submit orders requiring the elimination of violations of the environmental legislation to individuals and legal entities;
- institute claims for the suspension, abridgment or prohibition of activities carried out in violation of environmental legislation;
- review cases regarding administrative violations in the field of environmental protection;
- assess the amounts of damage caused to the environment as a result of the violations of the environmental legislation, submit orders to individuals and legal entities to compensate for such damage or institute claims on compensation for the damage to the courts; and
- make proposals for the Competent Body to terminate subsoil use contracts in cases specified by legislation.

The decisions of the relevant environmental state official are required to be implemented by all persons but may be challenged in accordance with court procedures.

Environmental liability

According to Article 918.2 of the Kazakh Civil Code, if an industrial activity causes or may cause damage to the environment or otherwise, this activity may be prohibited by a court decision. However, a court decision does not release the violator from being required to compensate for the resulting damage. Compensation for damage caused as a result of emissions into the environment without an emission permit, or in excess of limits established by the emission permit, is calculated in accordance with the rules set forth in the Kazakh Environmental Code and the Rules of Economic Assessment of Damage Caused by Contamination of the Environment approved by a Decree of the Kazakh Government dated 27 June 2007. The amounts of required compensation may be high. Article 178 of the Kazakh Civil Code provides for a three year time limit for bringing proceedings for compensation of damage caused as a result of a breach of environmental requirements

In addition, any company or official that fails to comply with environmental regulations may be subject to administrative liability, and officials of violating entities may be held criminally liable, with prison terms of up to eight years. In addition, fines for administrative violations in the field of environmental protection may be significant. According to the Kazakh Code on Administrative Violations dated 30 January 2001 (the "Kazakh AV Code"), activities carried out in violation of the environmental legislation may be suspended or prohibited by a court decision. Subsoil licences and contracts granted or entered into by the Kazakh Government also typically impose environmental obligations. For failure to fulfil the environmental obligations of subsoil use contracts, the Kazakh AV Code provides for administrative penalties.

The Russian Federation

Regulation of the gold mining industry in the Russian Federation

In the Russian Federation the gold mining industry is regulated by general civil and administrative law provisions and special legislation relating to, inter alia, subsoil use, licensing of mining activity, quality standards, industrial safety, the environment and labour relations.

Nevertheless, the Federal Law "On Precious Metals and Precious Stones" No. 41-FZ dated 26 March 1998, as amended (the "Law on Precious Metals"), introduced special regulations of relations, arising, inter alia, in

connection with geological exploration, and mining of precious metals deposits, production, utilisation and turnover of precious metals in the Russian Federation.

The state regulation of exploration, mining, production, utilisation and turnover of precious metals is achieved by the following means:

- licensing of subsoil use of precious metals deposits;
- pre-emptive right of Ministry of Finance (regional governing bodies) to buy precious metals for replenishment of State Fund of Precious Metals and Gems (regional funds of precious metals and gems);
- setting up the order of precious metals registration, certification, storage, transporting and turnover;
- legal standardisation of actions of entities (and individual entrepreneurs) dealing with precious metals and their special registration;
- exercise of control over observation of the law prescriptions in the area exploration, mining, production, utilisation and turnover of precious metals;
- setting up the customs control over import into and export from the Russian Federation of precious metals;
- setting up the order of certification of precious metals.

The Law on Precious Metals also provides for the administrative liability for the breach of rules set forth for extraction, production, utilisation, turnover, storage of precious metals and criminal liability for illegal turnover of precious metals.

The Federal Law "On Technical Regulation" No. 184-FZ dated 27 December 2002, as amended (the "Technical Regulation Law"), sets out rules relating to the development, enactment, application and enforcement of obligatory technical requirements for production and for associated processes of manufacturing, construction, storage, transportation, sale and utilisation.

The Technical Regulation Law supersedes the Laws of the Russian Federation "On Certification of Goods and Services" No. 5151-1 dated 10 June 1993 and "On Standardisation" No. 5154-1 dated 10 June 1993 and will be followed by the revision of existing legislation and technical rules falling within the scope of its regulation. Under the Technical Regulation Law, technical rules and regulations relating to industrial safety and environmental protection can be enacted by federal laws, decrees of the president and resolutions of the Government.

In those cases where the Technical Regulation Law provides for mandatory confirmation of product compliance with the established technical regulations (standards), certain Group companies are obliged to obtain certificates of compliance evidencing that their products meet the requirements of technical regulations, standards, codes of practice or terms and conditions of contracts.

Federal, regional and local regulatory authorities governing the gold mining industry

Under the Law on Precious Metals, the main regulatory authority in the gold mining industry is the Government of the Russian Federation, which is responsible for, inter alia, carrying out of uniform state policy in this sphere and defining the procedure for licensing of activities connected with geological exploration. At the federal level, regulatory authority over the gold mining industry as such is the Ministry of Natural Resources and Ecology. The Ministry of Natural Resources and Ecology is responsible for the development of governmental policy and regulation in the sphere of natural resources, including subsoil. The Ministry of Natural Resources and Ecology passes regulations, inter alia, setting safety requirements to the process of exploration, development of natural resources, the order of re-issuance and transfer of subsoil licences, the rules of access to the geological information, which belongs to the state, and establishes rules of accounting for natural resources on the state balances and of classification and evaluation of natural resources).

Apart from the Ministry of Natural Resources and Ecology the other federal level authorities in the gold mining industry are the Ministry of Finance and the Ministry of Industry and Trade. The Ministry of Finance determines governmental policy and forms regulation in the sphere of production, processing and turnover of precious metals. The Ministry of Industry and Trade regulates Russian exports and imports of gold and is responsible for the development of governmental policy in, and regulation of, the industry.

On 14 February 2009, the Government created the Government's Commission on development of metals production sector (the "Commission"). The main functions of the Commission is to coordinate the above-mentioned regulatory authorities' actions concerning development and implementation of state policy in the sphere of gold mining industry.

The federal ministries in the Russian Federation are not responsible for control over and management of state property and provision of services, which are directed by the federal services and the federal agencies, respectively. The federal services and agencies that are relevant to the Group's activities include:

- the Federal Service for Environmental, Technological and Nuclear Supervision (the "Rostekhnadzor"), which sets procedures for, and oversees compliance with, industrial safety and environmental rules and issues licences for certain industrial activities and activities relating to safety and environmental protection;
- the Federal Agency for Subsoil Use, which organises auctions and issues licences for subsoil use and approves design documentation for subsoil production activities;
- the Federal Agency for Technical Regulation and Metrology, which determines and oversees levels of compliance with obligatory state standards and technical regulations; and
- the Federal Service for the Supervision of the Use of Natural Resources ("Rosprirodnadzor"), which exercises supervision over the observance of environmental legislation (including legislation relating to handling of hazardous wastes), controls geological exploration, the rational use and protection of subsoil (including compliance with the relevant terms and conditions of subsoil licences) and exercises the land control.

Aside from the above federal agencies and services, which are directly involved in regulating and supervising the gold mining sector in the Russian Federation, there are a number of other federal regulators that, together with their structural subdivisions, have authority over general issues relevant to the Russian gold mining industry, such as defence, internal affairs, security, border services, justice, tax enforcement, rail transport and other matters.

Generally, regional and municipal authorities with jurisdiction over the specific territory in which a mining enterprise is located have authority in certain matters, in particular with regard to land-use allocations.

Licensing of operations

The Group is required to obtain numerous licences, authorisations and permits from Russian governmental authorities for its operations. The Federal Law "On Licensing of Certain Types of Activities" No. 128-F2 of 8 August 2001, as amended (the "Licensing Law"), as well as other laws and regulations, set forth the activities subject to licensing and establish procedures for issuing licences for gold mining operations. In particular, some of the Group's Russian companies are required to obtain licences, permits and approvals of executive authorities to carry out certain activities, including, inter alia:

- the use of subsoil, which is described in more detail below under "— Subsoil Licensing";
- the exploitation of chemically hazardous, explosive and flammable industrial objects;
- the collection, utilisation, deactivation, transportation and disposing of hazardous waste of hazard classes I to IV;
- the production, storage and utilisation of explosives for industrial use (three different licences);
- surveying works; and
- transportation activities.

These licences are usually issued for a period of five years and in most cases may be extended upon application by the licensee. Licences for carrying out of certain types of geological surveys may be issued for a period of ten years. Licences for the use of natural resources may be issued for shorter or longer periods. In particular, licences for the use of subsoil water resources may be issued for periods of up to 25 years, although the Group's licences extend from three to five years. Certain types of licences may also have unlimited terms.

As part of the Group's obligations under licensing regulations and the terms of its licences and permits, the Group must comply with numerous industrial standards, employ qualified personnel, maintain certain equipment and a system of quality controls, monitor operations, maintain and make appropriate filings and, upon request, submit specified information to the licensing authorities that control and inspect their activities. Failure to comply with these requirements may result in suspension and subsequent revocation of licences by the court order. Special rules apply to suspension and revocation of subsoil licences.

Subsoil licensing

In the Russian Federation, mining minerals requires a subsoil licence with respect to an identified mineral deposit, as well as the right (through ownership or lease) to use the land where the licensed mineral deposit is located. In addition, as discussed above, operating permits are required with respect to specific mining activities.

The licensing regime for use of subsoil for geological research, exploration and production of mineral resources is established primarily by the Law of the Russian Federation "On Subsoil" No. 2395-1 dated 21 February 1992, as amended (the "Subsoil Law"). The procedure for subsoil use licensing, as well as certain rules of exploration and production of mineral resources, was established by Resolution of the Supreme Soviet of the Russian Federation on 15 July 1992, as amended (the "Licensing Regulation").

There are two major types of subsoil licences: (1) an exploration licence, which is a non-exclusive licence granting the right of geological exploration and assessment within the licence area, and (2) a production licence, which grants the licensee an exclusive right to produce minerals from the licensed area. In practice, many of the subsoil licences are issued as combined licences, which grant the right to explore, assess and produce minerals from the licensed area.

There are two major types of payments with respect to the use of subsoil: (1) periodic payments for geological exploration under the Subsoil Law and (2) the minerals extraction tax under the Russian Tax Code. Failure to make these payments could result in the suspension or termination of a subsoil licence.

Under the Law on Precious Metals, mining companies exercise extraction of the ore either using their own resources or resources of other companies on the contractual basis. In the latter case, each of the mining companies must possess all the necessary licences.

Subsoil mineral deposits of federal importance

Strategic Investments Law (as particularly set out below) defines a number of activities that are considered to be strategically important for state defence and security, including geological exploration and/or production of natural resources within subsoil deposits of federal importance. The criteria for determining whether a subsoil mineral deposit is of federal importance (the "Strategic Deposit") are set in the Subsoil Law. These include, inter alia, subsoil deposits that contain not less than 50 tonnes of vein gold reserves, according to the state balance of mineral deposits. The list of the Strategic Deposits has been published in Rossiyskaya gazeta, an official publication of the Russian Federation. Once a subsoil deposit has been included in such list, it will retain its status of the Strategic Deposit, notwithstanding any changes to the criteria for recognition subsoil mineral deposits as the Strategic Deposits.

Issuance of subsoil licences

The Federal Agency for Subsoil Use issues subsoil licences. Most of the currently existing production licences owned by Russian mining companies derive from (1) pre-existing rights granted during the Soviet era and up to the enactment of the Subsoil Law to state owned enterprises that were subsequently reorganised in the course of post-Soviet privatisations; or (2) tender or auction procedures held in the post-Soviet period. The Subsoil Law and the Licensing Regulation set out the major requirements relating to such tenders and auctions.

Amendments to the Subsoil Law passed in August 2004 significantly changed the procedure for awarding exploration and production licences, including, in particular, the abolition of the joint grant of licences by federal and regional authorities. Under the 2004 amendments, production licences and combined exploration and production licences are awarded by tender or auction conducted by the Federal Agency for Subsoil Use. While the auction or tender commission may include a representative of the relevant region, separate approval of regional authorities is no longer required for the granting of subsoil licences. The winning bidder in the tender is selected on the basis of the submission of the most technically competent, financially attractive and environmentally sound proposal meeting the published tender terms and conditions. At an auction, the success of the bid is determined by the attractiveness of the financial proposal.

Exploration licences are generally awarded without a tender or auction by the special commission formed by the Subsoil Agency, which includes the representatives of the relevant regional executive authority. The Ministry of Natural Resources and Ecology maintains an official list of deposits in respect of which exploration licences can be issued. The company may obtain a licence for geological exploration (which will be conducted at the company's own expense) of the deposit included into the above-mentioned list by filing an application with the Subsoil Agency (or its regional department). Unless there is more than one application with respect to the same deposit (in which case the Subsoil Agency sets up an auction for combined exploration and production licence for the deposit) the special commission makes the decision to grant the licence upon examination of the application.

The Subsoil Law allows for production licences to be issued without a tender or auction procedure only in limited circumstances. For example, when a mineral deposit is discovered by the holder of an exploration licence at its own expense during the exploration phase, the production licence will be issued as a matter of practice to the holder of

the exploration licence. However, the right of the holder of the exploration licence to receive the production licence in the event of discovery is not legally guaranteed.

The Russian Government may restrict participation in any auction or tender for the right of subsoil use in a Strategic Deposit of Russian entities with the participation of foreign investors. Production licences and combined licences for a Strategic Deposit are issued pursuant to a decision of the Russian government. Generally, this decision is based on the results of a tender or auction. However, the licence may be granted without a tender (auction) to an entity (not being contracted by the government) that discovered a subsoil deposit that satisfies the criteria of the Strategic Deposit or that is located at the same site as the existing Strategic Deposit. Under a combined licence, production at a Strategic Deposit may only commence after the geological exploration is fully completed, and commencement of production at the Strategic Deposit is authorised by a decision of the Russian Government. This rule is different from the general rule (applicable to other deposits) that production under a combined licence may be conducted simultaneously with geological exploration.

Only production licences and combined licences may be issued for Strategic Deposits. Exploration licences may be issued for subsoil deposits that do not qualify as Strategic Deposits. If, as a result of discovery of natural resources made in the course of geological exploration, a subsoil deposit satisfies the criteria for the Strategic Deposit, issuance of the production licence to the subsoil user that has made the discovery may be denied by decision of the Russian Government if the subsoil user has foreign participants, and this creates a threat to the national defence and security of Russia.

The provisions relating to discoveries of the mineral resources at Strategic Deposits under a combined licence only apply to additional subsoil deposits discovered after May 7, 2008. They do not apply to subsoil deposits if the geological study was completed and production operations at such deposits began before May 7, 2008. The licences for the production of natural resources at the Strategic Deposits that were issued prior to May 7, 2008 may not be revoked for the reason that a subsoil user is an entity with foreign participants.

Extension of subsoil licences

The term of a subsoil licence is set forth in the licence and runs from the date the licence is registered. Prior to amendments to the Subsoil Law in January 2000, exploration licences could have a maximum term of five years, production licences a maximum term of 20 years and combined exploration, assessment and production licences a maximum term of 25 years. Under the January 2000 amendments, exploration licences may still have a maximum term of five years (except for exploration licences in relation to inland sea waters, territorial seas and continental shelfs, which may be issued for a term of up to ten years); production licences may have a one-year term in a limited number of special cases, but are generally granted for a term matching the expected operational life of the field based on a feasibility study; and combined exploration, assessment and production licences may be granted for the term of the expected operational life of the field based on a feasibility study. These amendments did not affect the terms of licences issued prior to January 2000, but permit holders of such licences to apply for extensions of such licences for the term of the expected operational life of the field in accordance with the amended Subsoil Law.

The Subsoil Law permits a subsoil licensee to request an extension of a production licence in order to complete the production from the subsoil plot covered by the licence or the procedures necessary to vacate the land once the use of the subsoil is complete, provided the user complies with the terms and conditions of the licence and the relevant regulations.

In order to extend a subsoil licence, a company must file an application with the federal authorities to amend the licence. The Order of the Ministry of Natural Resources No. 439-r dated 31 October 2002 requires that the following issues should be considered by the relevant governmental authorities when determining whether to approve an amendment: (1) the grounds for the amendments, with specific information as to how the amendments may impact payments by the licensee to the federal and local budgets; (2) compliance of the licensee with the terms and conditions of the licence; and (3) the technical expertise and financial capabilities that would be required to implement the conditions of the amended licence.

In practice, the factors that may affect a company's ability to obtain the approval of licence amendments include its compliance with the licence terms and conditions and its management's experience and expertise relating to subsoil issues, including experience in amending licences.

Maintenance and termination of subsoil licences

A licence granted under the Subsoil Law is generally accompanied by a licensing agreement. The licensing agreement sets out the terms and conditions for the use of the subsoil licence. Prior to the August 2004 amendments to the Subsoil Law, the relevant regional authority, the Ministry of Natural Resources and the licensee were each

party to a licence agreement. Under the August 2004 amendments, only the Federal Agency for Subsoil Use and the licensee are parties to licence agreements.

Under a licensing agreement, the licensee gives certain environmental, safety and production commitments, including extracting annually an agreed target amount of reserves, conducting agreed mining and other exploratory and development activities, protecting the environment in the licence areas from damage, providing geological information and data to the local authorities, submitting on a regular basis formal progress reports to regional authorities, making all obligatory payments when due and commitments with respect to social and economic development of the region. When the licence expires, the licensee must return the land to a condition that is suitable for future use. Most of the conditions set out in a licence are based on mandatory rules contained in Russian law, and these conditions are generally not negotiable. The Group expects that it will be able to meet the commitments set forth in its Russian licensing agreements.

The fulfilment of a subsoil licence's conditions is a major factor in the good standing of the licensee. If the subsoil licensee fails to fulfil the licence's terms and conditions, upon notice, the licence may be terminated by the licensing authorities. However, if a subsoil licensee cannot meet certain deadlines or achieve certain volumes of exploration work or production output as set forth in a licence, the licensee may apply to amend the relevant licence conditions, though such amendments may be denied.

The Subsoil Law and other Russian legislation contain extensive provisions for licence termination. A licensee may be fined or the licence may be limited, suspended or terminated for the reasons noted above, as well as for repeated breaches of the law, upon the occurrence of a direct threat to the lives or health of people working or residing in the local area or upon the occurrence of certain emergency situations. A licence may also be limited, suspended or terminated for violations of "material" licence term. Although the Subsoil Law does not specify which terms are material, failure to pay subsoil taxes and failure to commence operations in a timely manner have been common grounds for suspension or termination of licences. Consistent underproduction, failure to meet obligations to finance a project, to submit data reports (as required by law) and to protect the environment would also likely constitute violations of material licence terms. In addition, certain licences provide that the violation by a subsoil licensee of any of its obligations may constitute grounds for limiting, suspending or terminating the licence.

If the licensee does not agree with a decision of the licensing authorities (including a decision relating to a licence limitation, suspension or termination or the refusal to reissue an existing licence), the licensee may appeal the decision through administrative or judicial proceedings. In certain cases of termination, the licensee has the right to attempt to cure the violation within three months of receipt of notice of the violation. If the issue has been resolved within such a three month period, no termination or other action may be taken.

Licences may be transferred only under those certain limited circumstances identified in the Subsoil Law, including the reorganisation of the licence holder or in the event that an initial licence holder transfers its licence to a legal entity in which it has at least a 50 per cent. ownership interest, provided that the transferee possesses the equipment and authorisations necessary to conduct the exploration or production activity that is covered by the transferred licence.

Land use rights

Land use rights are needed and granted for the portions of the subsoil licence area being used, including the plot being mined, access areas and areas where other mining related activities occur.

Under the Land Code of the Russian Federation of 25 October 2001, as amended (the "Land Code"), legal entities may generally have the rights of ownership or lease with regard to land plots in the Russian Federation.

A majority of land plots in the Russian Federation are owned by federal, regional or municipal bodies, which can sell or lease land to private users.

Legal entities may also have a so called "right of perpetual use" of land plots, provided such type of title was obtained by them prior to the enactment of the Land Code; however, the Federal Law on Introduction of the Land Code of 25 October 2001, with certain exceptions, requires legal entities using land plots on the right of perpetual use to purchase or to lease the respective land plot from the relevant federal, regional or municipal authority by 1 January 2012.

The Group's Russian mining subsidiaries generally have a right of perpetual use of their plots or have entered into long-term lease agreements. A land plot lessee has a priority right to enter into a new land lease agreement with a lessor upon the expiration of a land lease. To renew a land lease agreement, the lessee must apply to the lessor (usually state or municipal authorities) for a renewal prior to the expiration of the agreement. Any lease agreement

(save for the lease agreement entered into for indefinite term) for a period of one year or more must be registered with the relevant state authorities.

Environmental considerations

The Group is subject to laws, regulations and other legal requirements relating to the protection of the environment, including those governing the discharge of substances into the air and water, the management and disposal of hazardous substances and waste, the clean-up of contaminated sites, flora and fauna protection and wildlife protection. Environmental protection matters in the Russian Federation are regulated primarily by the Federal Law "On Environmental Protection" No. 7-FZ of 10 January 2002, as amended (the "Environmental Protection Law"), as well as by a number of other federal and local laws and regulations.

Pay-to-pollute

The Environmental Protection Law establishes a "pay-to-pollute" regime administered by federal and local authorities. The Ministry of Natural Resources and Ecology, the Rostekhnadzor, the Federal Agency on Water Resources and other government agencies establish guidelines for setting limits for different types of permissible impact on the environment, including the emission, disposal of substances and waste disposal, and extraction of natural resources. A company may obtain approval for exceeding these statutory limits from the federal or regional authorities, depending on the type and scale of environmental impact. As a condition to such approval, a plan to reduce of the emissions or disposals must be developed by the company and approved by the appropriate governmental authority. Fees are assessed on a sliding scale for both the statutory or individually approved limits on emissions and effluents and for pollution in excess of these limits: the lowest fees are imposed for pollution within the statutory limits, intermediate fees are imposed for pollution within the individually approved limits, and the highest fees are imposed for pollution exceeding such limits. Payments of such fees do not relieve a company of its responsibility to take environmental protection measures and undertake restoration and clean-up activities.

Environmental approvals

Any activities that may affect the environment are subject to state ecological approval by the Russian federal authorities in accordance with the Federal Law "On Ecological Expert Examination" No. 174-FZ of 23 November 1995, as amended. Conducting operations that may cause damage to the environment without state ecological approval may result in the negative consequences described under "— Environmental Liability" below.

Enforcement authorities

The Rosprirodnadzor, the Rostekhnadzor, the Federal Service for Hydrometrology and Environmental Monitoring, the Federal Agency on Subsoil Use, the Federal Agency on Forestry and the Federal Agency on Water Resources (along with their regional branches) are involved in environmental control, implementation and enforcement of relevant laws and regulations. The federal government and the Ministry of Natural Resources and Ecology are responsible for co-ordinating the activities of the regulatory authorities in this area. These regulatory authorities, along with other state authorities, individuals and public and non-governmental organisations, also have the right to initiate lawsuits for the compensation of damage caused to the environment. The statute of limitations for such lawsuits is 20 years.

Environmental liability

If the operations of a company violate environmental requirements or cause harm to the environment or any individual or legal entity, a court action may be brought to limit or ban these operations and require the company to remedy the effects of the violation. Any company or employees that fail to comply with the requirements of applicable environmental laws and regulations may be subject to administrative and/or civil liability, while individuals may be subject to either civil liability or criminal liability. Courts may also impose clean-up obligations on violators in lieu of or in addition to imposing fines.

Subsoil licences generally require certain environmental commitments. Although these commitments can be substantial, the penalties for failing to comply and the clean-up requirements are generally low.

Health and safety

The principal law regulating industrial safety is the Federal Law "On Industrial Safety of Dangerous Industrial Facilities" No. 116-FZ of 21 July 1997, as amended (the "Safety Law"). The Safety Law applies, in particular, to mining facilities and sites where certain activities are conducted, including sites where lifting machines and high-

pressure devices are used, flammable, toxic and explosive substances are produced, used, stored, processed and transported and where certain types of mining are executed. The Safety Law also contains a comprehensive list of dangerous substances and their permitted concentration, and extends to facilities and sites where these substances are used.

There are also regulations that address safety rules for mining works.

Any construction, reconstruction, liquidation or other activities in relation to regulated mining sites is subject to a state industrial safety review. Any deviation from project documentation in the process of construction, reconstruction and liquidation of industrial sites is prohibited unless reviewed by a licensed expert and approved by the Rostekhnadzor.

Companies that operate such mining facilities and sites have a wide range of obligations under the Safety Law and the Labour Code of the Russian Federation effective 1 February 2002, as amended (the "Labour Code"). In particular, they must limit access to such sites to qualified specialists, maintain industrial safety controls and carry insurance for third party liability for injuries caused in the course of operating industrial sites. The Safety Law also requires these companies to enter into contracts with professional wrecking companies or create their own wrecking services in certain cases, conduct personnel training programmes, create systems to cope with and inform Rostekhnadzor of accidents and maintain these systems in good working order.

In certain cases, companies operating industrial sites must also prepare declarations of industrial safety which summarise the risks associated with operating a particular industrial site and measures the company has taken and will take to mitigate such risks and use the site in accordance with applicable industrial safety requirements. Such declaration must be adopted by the chief executive officer of the company, who is personally responsible for the completeness and accuracy of the data contained therein. The industrial safety declaration, as well as a state industrial safety review, are required for the issuance of a licence permitting the operation of a dangerous industrial facility.

The Safety Law also provides that the use of technical equipment at dangerous industrial facilities is subject to Rostekhnadzor permit issuance.

The Rostekhnadzor has broad authority in the field of industrial safety. In case of an accident, a special commission led by a representative of the Rostekhnadzor conducts a technical investigation of the cause. The company operating the hazardous industrial facility where the accident took place bears all costs of an investigation. The officials of the Rostekhnadzor have the right to access industrial sites and may inspect documents to ensure a company's compliance with safety rules. The Rostekhnadzor may suspend or terminate operations or impose administrative liability.

Any company or individual violating industrial safety rules may incur administrative and/or civil liability, and individuals may also incur criminal liability. A company that violates safety rules in a way that negatively impacts the health of an individual may also be obligated to compensate the individual for lost earnings, as well as health related damages.

Investments in Russian companies of strategic importance

The Federal Law No. 57-FZ "On the Procedure for Making Foreign Investments in the Companies of Strategic Importance for the Defence and Security of the State" (the "Strategic Investments Law") establishes certain restrictions for foreign investments made into Russian companies which are deemed strategically important for the defence and security of the Russian Federation ("Strategic Companies"). The Strategic Investments Law provides for the list of activities that have strategic importance for the national defence and security. This list inter alia includes (a) geological exploration of and production on Strategic Deposits (as defined above) (including land plots with vein gold reserves not less than 50 tonnes) and (b) production of explosives for industrial purposes and activity relating to distribution thereof.

Under the Strategic Investments Law, an establishment by foreign entity (or any other person that is a member of the group with the participation of a foreign entity) of direct or indirect control over a Strategic Company requires a permit of the competent state authority. Therefore, *inter alia,* an acquisition by a foreign entity (or its group member) of a stake in a Strategic Company which vests an acquirer with right to exercise certain percentage of voting rights (ranging from 5 to 50 per cent. depending on type of the foreign investor and type of the Strategic Company) in the charter capital of the Strategic Company, requires obtaining a prior permit of the competent state authority. If an acquisition of a stake over the relevant percentage happens without obtaining such prior permit, the acquisition transaction is treated as null and void. A court may apply consequences of a void transaction upon the

claim of any interested party (including the Federal Antimonopoly Service of the Russian Federation) or take a decision to deprive the acquirer of voting rights which correspond to the stake acquired in the Strategic Company.

Competition and mergers control

Federal Law No. 135-FZ "On the Protection of Competition" dated 26 July 2006, as amended (the "Competition Law"), establishes a merger control regime and requires that the Federal Antimonopoly Service of the Russian Federation (the "FAS") be notified of certain transactions.

Under the Competition Law, an investor or several entities constituting "a group of entities and/or individuals" should apply for the prior consent of the FAS or submit to it a post-completion notification in relation to:

- an initial acquisition of more than 25 per cent. of the voting shares in a joint stock company, or more than 33.3 per cent. of the participation interest in a limited liability company, provided that the acquirer did not have any shares (participation interest) in such company or had less than the above threshold before the acquisition;
- a subsequent acquisition of the voting shares in a joint stock company or participation interests in a limited liability company such that the level of the holding of the company's shares (participation interest) passes the thresholds of 50 per cent. or 75 per cent. of the voting shares in a joint stock company or 50 per cent. or 66.6 per cent. of the participation interests in a limited liability company;
- acquisition or lease of production and/or intangible assets (other than land and non-industrial buildings, constructions, premises and parts thereof or constructions in progress) if the book value of such assets exceeds 20 per cent. of the book value of the production and intangible assets of the transferor; or
- an acquisition of rights to determine the terms of conduct of business of another entity (e.g. rights to give binding instructions to another entity or control the decision making process in another entity, including rights to exercise powers of the sole executive body of another entity).

The FAS' prior consent for an acquisition is required if (i) either the aggregate balance sheet value of the assets of the acquirer and the target and the companies of their respective groups exceeds RUR 7 billion or the aggregate revenues of the same entities in the last calendar year exceeds RUR 10 billion and, (ii) the aggregate balance sheet value of the assets of the target and the companies of its group exceeds RUR 250 million or, alternatively, one of the entities mentioned above is entered in the Register of Entities Holding a Dominant Position or Entities with a Market Share Exceeding 35 per cent.

A post-completion notification on acquisition is required if (i) either the aggregate balance sheet value of the assets of the acquirer and the target and the companies of their respective groups exceeds RUR 400 million or the aggregate revenues of the same entities in the last calendar year exceeds the same amount and, (ii) the aggregate value of assets of the target and the companies of its group exceeds RUR 60 million. Under the Competition Law, a transaction without prior FAS approval may be invalidated by a court resolution held upon the FAS claim, provided that such transaction has led or may lead to the restriction of competition, for example, by strengthening a dominant position in the relevant market.

More generally, Russian law provides for civil, administrative and criminal liability for the breach of anti-monopoly law.

Intra-group transfers are subject to merger control. They may be exempt from the prior approval requirement and may be subject to post-completion notification if:

- an intra-group transfer is made to a transferee (a) in which the transferor holds more than 50 per cent. of voting shares or (b) which holds more than 50 per cent. of voting shares in the transferor; or
- not later than 1 month prior to completion a list of group members is disclosed to the FAS in accordance with Article 31 of the Competition Law. The list should specify the grounds for including each of the group members in the group. The list submitted to the FAS will be published on the FAS website.

The Competition Law expressly provides for its extraterritorial application to transactions and actions made outside of Russia between Russian and/or foreign entities if such transactions or actions relate to production and/or intangible assets located in the territory of Russia or to the shares (participation interests) in, or rights in relation to, companies operating in the territory of Russia, or otherwise impact the competition environment in Russia.

As part of its competition monitoring activities, the FAS keeps a Register of Entities Holding a Dominant Position or Entities with a Market Share Exceeding 35 per cent.

The FAS may rule that even certain companies that do not appear on the register have a dominant position in the market. Such companies are subject to more rigorous governmental regulation including the imposition of price controls.

PART 10

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 2007, 2008 and 2009 and for the nine month periods ended 30 September 2009 and 2010. The financial information as at and for the years ended 31 December 2007, 2008 and 2009 has been extracted from the Nord Gold N.V. audited annual consolidated financial statements included in Section A of Appendix 1 "Financial Information" of this Prospectus, where it is shown with important notes describing some of the line items. The financial information as at and for the nine month periods ended 30 September 2009 and 2010 has been extracted from the Nord Gold N.V. audited interim consolidated financial statements included in Section B of Appendix 1 "Financial Information" of this Prospectus, where it is shown with important notes describing some of the line items.

Consolidated income statements data

	Nine months ended 30 September		Year ended 31 December		
	2010	2009	2009	2008	2007
			($US 000)		
Sales	485,333	343,821	517,572	191,025	260
Cost of sales	(257,503)	(209,379)	(309,404)	(139,968)	(164)
Gross profit	227,830	134,442	208,168	51,057	96
General and administrative expenses	(29,622)	(18,316)	(26,515)	(11,996)	(789)
Taxes other than income tax	(29,067)	(24,015)	(36,361)	(8,999)	(1,202)
Other operating (expenses)/income, net	12,648	(10,619)	(6,676)	75,168	(92)
Profit/(loss) from operations	181,789	81,492	138,616	105,230	(1,987)
Financial income	5,351	3,144	4,894	52,889	5,172
Financial expenses	(48,044)	(111,802)	(144,143)	(46,142)	(7,370)
Profit/(loss) before income tax	139,096	(27,166)	(633)	111,977	(4,185)
Income tax (expense)/benefit	(39,210)	(7,015)	(20,910)	14,572	(79)
Profit/(loss) for the period/year	99,886	(34,181)	(21,543)	126,549	(4,264)
Attributable to:					
Shareholders of the Company	67,919	(42,648)	(29,990)	128,868	(4,264)
Non-controlling interest	31,967	8,467	8,447	(2,319)	—

Consolidated statements of financial position data

	As at 30 September 2010	As at 31 December		
		2009	2008	2007
		($US 000)		
Assets				
Cash and cash equivalents	162,245	90,623	25,566	24,356
Total assets	2,377,465	1,387,818	1,307,718	854,775
Total debt (long term and short term borrowings)	427,558	233,776	607,699	431,973
Total liabilities	836,069	425,465	816,258	583,753
Total shareholders equity	1,316,180	733,897	359,538	229,603
Non-controlling interest	225,216	228,456	131,922	41,419

Consolidated statements of cash flows data

	Nine months ended 30 September		Year ended 31 December		
	2010	2009	2009	2008	2007
			($US 000)		
Cash flows from/(used in) operating activities	145,146	98,179	170,936	26,309	(4,548)
Cash flows used in investing activities	(312,299)	(71,801)	(156,334)	(60,844)	(331,610)
Cash flows from/(used in) financing activities	238,348	(5,763)	49,759	36,652	359,267

Non-IFRS measures

This Prospectus includes certain measures that are not measures defined by IFRS ("Non-IFRS measures"). These measures are Normalised EBITDA and Normalised EBITDA margin, total cash costs and net debt, and they are used by the management of the Group to assess the financial performance of the Group. However, these measures should not be used instead of or considered as alternatives to the Group's historical financial results based on IFRS. The table below presents these Non-IFRS measures, along with gold production and capital expenditure information, for 2008, 2009 and the nine month periods ended 30 September 2009 and 2010. Non-IFRS measures are unaudited.

	Nine months ended 30 September		Year ended 31 December		
	2010	2009	2009	2008	2007
			(US$ 000) (unaudited)		
Gold production (Koz)	392.2	367.7	528.6	192.8	
Silver production (gold equivalent) (Koz)	2.8	—	5.4	—	
Normalised EBITDA (US $000)[1]	233,554	153,002	236,340	69,797	
Normalised EBITDA margin	48.1%	44.5%	45.7%	36.5%	
Total cash costs per ounce produced (US$/oz)[2]	539.7	465.2	477.4	485.0	
Net debt (US $000)[3]	265,313	587,247	143,153	582,133	(407,616)
Capital expenditure (US $000)	114,135	57,660	99,772	98,615	12,568

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

Reconciliation of consolidated (loss)/profit to Normalised EBITDA

	Nine months ended 30 September		Year ended 31 December	
	2010	2009	2009	2008
		(US$ 000) (unaudited)		
Sales	485,333	343,821	517,572	191,025
Net profit/(loss) for the period	99,886	(34,181)	(21,543)	126,549
Income tax expense/(benefit)	39,210	7,015	20,910	(14,572)
Financial income	(5,351)	(3,144)	(4,894)	(52,889)
Financial expenses	48,044	111,802	144,143	46,142
Depreciation and amortisation	64,292	60,370	86,403	41,920
Impairment of non-current assets	848	8,543	8,543	149
Other operating expense/(income)	522	499	480	(2,587)
Negative goodwill	—	—	—	(75,310)
Equity remeasurement gain	(16,084)	—	—	—
Net result from disposal of property, plant and equipment	2,187	2,098	2,298	395
Normalised EBITDA	**233,554**	**153,002**	**236,340**	**69,797**
Normalised EBITDA margin	**48.1%**	**44.5%**	**45.7%**	**36.5%**

The tables below present the reconciliation from the profit/(loss) for the period of each segment to Normalised EBITDA.

	Nine months ended 30 September 2010								
	Neryungri-Metallik and Aprelkovo		Celtic & Semgeo		Somita	Buryatzoloto			
	Neryungri	Aprelkovo	Suzdal	Other*	Taparko	Irokinda and Zun-Holba	Berezitovy	Others*	Total
					(US$ 000) (unaudited)				
Sales (external)	45,881	29,067	75,903	9,098	106,973	128,202	67,308	—	485,333
Net profit/loss for the period	5,941	884	6,938	8,141	34,468	43,402	2,969	5,351	99,886
Income tax expense/(benefit)	1,151	1,320	15,638	1,351	9,632	8,127	3,376	(1,850)	39,210
Financial income	—	—	(2,892)	(904)	—	(1,277)	(299)	790	(5,351)
Financial expenses	4,836	1,945	7,031	(6,375)	17,437	159	11,809	7,146	48,044
Depreciation and amortisation	5,530	5,133	19,370	603	10,084	10,599	8,747	28	64,292
Impairment of non-current assets	—	—	—	272	—	—	127	449	848
Other operating expense/(income)	31	20	—	—	56	313	14	88	522
Equity remeasurement gain	—	—	—	—	—	—	—	—	—
Net result from disposal of PPE	—	—	—	—	—	—	—	(16,084)	(16,084)
	80	94	(32)	(1)	263	1461	315	7	2,187
Normalised EBITDA	**17,569**	**9,396**	**46,053**	**3,087**	**71,940**	**62,784**	**27,058**	**(4,075)**	**233,554**
	Nine months ended 30 September 2009								
Sales (external)	20,986	12,610	72,530	7,967	62,484	106,786	60,458	—	343,821
Net profit/(loss) for the period	(5,447)	(4,087)	53	(3,784)	11,980	31,650	(2,687)	(61,859)	(34,181)
Income tax expense/(benefit)	(1,376)	(964)	(1,770)	1,936	(333)	8,005	1,179	338	7,015
Financial income	—	—	(1,051)	(2,082)	—	(578)	—	567	(3,144)
Financial expenses	6,296	3,223	13,796	4,408	4,027	5,233	18,880	55,939	111,802
Depreciation and amortisation	3,644	3,320	19,639	1,148	14,193	9,739	8,670	17	60,370
Impairment of non-current assets	—	—	8,543	—	—	—	—	—	8,543
Other operating expense/(income)	146	21	—	41	—	282	9	—	499
Negative goodwill	—	—	—	—	—	—	—	—	—
Net result from disposal of PPE	240	376	(5)	31	—	219	1,236	1	2,098
Normalised EBITDA	**3,503**	**1,889**	**39,205**	**1,698**	**29,867**	**54,550**	**27,287**	**(4,997)**	**153,002**
	2009								
Sales (external)	47,416	29,139	—	114,125	99,072	143,701	84,119	—	517,572
Net (loss)/profit for the year	(561)	(3,198)	9,368	(265)	14,022	40,199	(2,489)	(78,619)	(21,543)
Income tax expense/(benefit)	746	(868)	2,486	1,919	3,471	10,720	2,157	279	20,910
Financial income	—	—	(1,973)	(2,742)	(2,036)	(769)	—	2,626	(4,894)
Financial expenses	8,275	4,241	15,573	112	14,707	5,360	23,869	72,006	144,143
Depreciation and amortisation	6,667	6,900	25,533	2,127	19,735	13,376	12,043	22	86,403
Impairment of non-current assets	—	—	8,543	—	—	—	—	—	8,543
Other operating expense/(income)	226	10	—	(241)	55	420	10	—	480
Net result from disposal of PPE	239	378	(5)	41	—	341	1,259	45	2,298
Normalised EBITDA	15,592	7,463	59,525	951	49,954	69,647	36,849	(3,641)	236,340
	2008								
Sales (external)	42,734	35,826	—	92,439	4,265	12,181	3,580	—	191,025
Net profit/(loss) for the year	10,399	5,006	26,918	(2,987)	14,461	(5,246)	(14,045)	92,043	126,549
Income tax expense/(benefit)	(5,140)	(624)	(12,516)	4,104	(710)	69	553	(308)	(14,572)
Financial income	(1,443)	(195)	(217)	(1,998)	(19,687)	(95)	—	(29,254)	(52,889)
Financial expenses	5,649	2,923	8,788	(2,818)	4,804	2,587	13,064	11,145	46,142
Depreciation and amortisation	6,644	4,850	25,661	1,130	1,473	1,633	520	9	41,920
Impairment of non-current assets	—	—	—	149	—	—	—	—	149
Other operating expense/(income)	157	49	—	(2,955)	—	102	—	60	(2,587)
Negative goodwill	—	—	—	—	—	—	—	(75,310)	(75,310)
Net result from disposal of PPE	1	10	112	1	41	200	—	30	395
Normalised EBITDA	16,267	12,019	48,746	(5,374)	382	(750)	92	(1,585)	69,797

* Including consolidation adjustments.

(2) A reconciliation of the Group's total cash costs per ounce of gold produced for the nine month periods ended 30 September 2010 and 2009 appears below in Part 11 "Operating and Financial Review" at *"Results of Operations — Results of operations for the nine months ended 30 September 2010 and 2009*". A reconciliation of the Group's total cash costs per ounce of gold produced for the years ended 31 December 2009 and 2008 appears below.

Total cash costs for the Group for 2009 and 2008

	Year ended 31 December	
	2009	2008
	(US$ 000) (unaudited)	
Cost of sales	**309,404**	**139,968**
(Less)/plus items in income statement:		
Depreciation and amortisation	(85,911)	(41,645)
Provision for asset retirement obligations	(3,234)	(634)
Allowance for slow-moving and obsolete inventories	(24)	(159)
Work-in-progress and finished goods fair value adjustment	(2,389)	(13,979)
Unused vacation	(8,331)	(1,546)
Employees' bonuses	(3,401)	(452)
Exceptional items	(1,006)	132
Change in finished goods (less items above capitalised in finished goods)	3,625	(5,387)
Revenue of by-products	(5,237)	(67)
Cost of production	**203,497**	**76,231**
General and administrative expenses	**26,515**	**11,996**
(Less)/plus items in income statement:		
Depreciation and amortisation	(458)	(255)
Corporate overheads	(10,403)	(2,247)
Allowance for bad debts	60	(337)
Unused vacation	(1,645)	(660)
Employees' bonuses	(1,218)	(114)
Exceptional items	(316)	—
Mining administrative expenses	**12,534**	**8,383**
Taxes other than income tax	**36,361**	**8,999**
(Less):		
Corporate overheads	(32)	(97)
Exceptional items	—	—
Taxes other than income tax	**36,329**	**8,902**
Total cash cost	**252,361**	**93,516**
Total gold produced, Koz	**528.6**	**192.8**
Total cash cost produced, US$/oz	**477.4**	**485.0**

(3) A reconciliation of the Group's net debt appears below in Part 11 "Operating and Financial Review" at *"Liquidity and Capital Resources — Cash resources"*.

Operational information

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

	Mine Type	Technology	Gold Production, Koz		Total Cash Costs, US$/oz.[1]		Reserves Koz	Resources[2] Koz
			2009	2010	2009	9M 2010		
Taparko	Open pit	CIL	97.7	127.2	484	379	542	662
LEFA	Open pit	CIP	—	73.3	809[3]	802[3]	3,796	5,556
Suzdal	Underground	Flotation, BIOX, CIL	103.3	79.4	398	434	684	1,415
Berezitovy	Open pit	CIP	87.3	71.4	544	623	1,035	1,370
Buryatzoloto[4]	Underground	Gravity, flotation, CIP	154.6	136.1	412	519	—	450
Neryungri	Open pit	Heap leach	50.2	58.9	539	680	594	2,288
Aprelkovo	Open pit	Heap leach	28.9	35.0	665	649	519	819
Bissa	—	—	—	—	—	—	1,653	2,867
Gross	—	—	—	—	—	—	—	5,362
Other	—	—	12.0[5]	7.6[5]	—	—	85[6]	2,227[7]
Total			**534.0[8]**	**588.9[9]**	**477.4**	**539.7**	**8,908**	**23,016**

(1) Unaudited.

(2) Measured, indicated and inferred resources.

(3) Source: Crew Gold quarterly results for the nine months ended 30 September 2010 and annual results for the year ended 31 December 2009. These cash cost figures were calculated in accordance with the accounting policies of Crew Gold and not in accordance with the accounting policies of the Group.

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

(5) Includes the Zherek mine and Balazhal deposit.

(6) Comprises the Bouroum F12 deposit in Burkina Faso.

(7) Comprises the Zherek and Balazhal deposits in Kazakhstan, the Visokiy deposit in the Russian Federation, the Zinigma, Bouly, Gougre, Bouroum F12, Welcome Stranger, Yeou and Ankouma deposits in Burkina Faso and the Group's other deposits in Guinea.

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

(9) Includes 4.2 Koz of gold equivalent of silver.

PART 11

OPERATING AND FINANCIAL REVIEW

This Part 11 "Operating and Financial Review" should be read in conjunction with Part 2 "Presentation of Financial and Other Information", Part 5 "Market Overview", Part 6 "The Business" and Appendix 1 "Financial Information". Prospective investors should read the entire Prospectus and not just rely on the summary information set out below. The financial information considered in this Part 11 "Operating and Financial Review" is extracted from the Nord Gold N.V. audited annual consolidated financial statements included in Section A of Appendix 1 "Financial Information" of this Prospectus and Nord Gold N.V. audited interim consolidated financial statements included in Section B of Appendix 1 "Financial Information" of this Prospectus. The consolidated financial statements referred to in this discussion have been prepared in accordance with IFRS.

The following discussion of the Company's results of operations and financial condition contains forward-looking statements. The Company's actual results could differ materially from those that it discusses in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Prospectus, particularly under Part 1 "Risk Factors" and Part 2 "Presentation of Financial and Other Information — Forward-Looking Statements".

Overview

The Group is an established pure-play gold producer focused on emerging markets with eight producing mines, two development projects, 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, the Group has grown by both acquisitions and organically, increasing its production (including gold equivalent ounces of silver) from approximately 21 Koz in 2007 to approximately 534 Koz in 2009. The Group produced approximately 589 Koz on a fully consolidated basis in 2010, with LEFA mine production accounted for only from August 2010, and targets production of over 1.0 Moz from its operating mines and development projects on a fully consolidated basis by 2013. As of 1 November 2010, the Group's resource base consisted of approximately 23.0 Moz of gold resources on a fully consolidated basis and 103 Moz of silver resources (represented by the Group's 50 per cent. interest in the Prognoz deposit) classified as measured, indicated and inferred according to JORC and 8.9 Moz of proven and probable gold reserves according to JORC.

In 2009 and the nine months ended 30 September 2010, the Group generated revenue of US$517.6 million and US$485.3 million, respectively, and Normalised EBITDA of US$236.3 million and US$233.6 million, respectively, reflecting margins of 45.7 per cent. and 48.1 per cent., respectively. In 2009, the Group's total cash costs of gold production per ounce sold were US$477.4/oz and were US$539.7/oz in the nine months ended 30 September 2010.

Basis of presentation of financial information

The Company was incorporated in 2005 but remained dormant until 1 July 2009 when the management of the Severstal Group decided to transfer all its gold mining entities to the Company (as set out in more detail below — see "Segment Reporting" and "Formation of the Group"). These entities had been acquired by the Severstal Group in 2007 and 2008 from third parties. For the purposes of the consolidated financial statements of the Company, as included in this Prospectus for the financial years 2007, 2008 and 2009, the transfers of the entities conducting gold mining to the Company from the Severstal Group in 2009 have been treated as acquisitions of entities under common control and are accounted for as if such acquisitions had occurred at the beginning of the earliest comparative period presented or, if later, the date control was obtained by the Severstal Group. The consolidated financial statements of the Company included in this Prospectus 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 2010, the Company's name was changed from Severstal Gold N.V. to Nord Gold N.V.

The financial results of Crew Gold, in which the Group holds a 100 per cent. interest, have not been consolidated with the Group for the annual financial periods covered in this Prospectus as the Group's controlling interest was acquired after 31 December 2009 but are consolidated with the Group as at and for the nine months ended 30 September 2010, as a controlling interest in Crew Gold was acquired in July 2010. The pro forma financial information of the Group set out in Section C "Pro forma financial information" of Appendix 1 "Financial Information" reflects the acquisition of Crew Gold, has been prepared in a manner consistent with the accounting policies of the Company and is being provided to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Group, including Crew Gold, and the rights attaching to the Shares.

The historical financial results of Crew Gold on which this pro forma information is based are set out in Section D of Appendix 1 "Financial Information" and are included in this Prospectus in accordance with international offering market practice, particularly the market practice in the United States with respect to the inclusion of financial statements of recently acquired entities. This historical financial information of Crew Gold relates to periods prior to the acquisition of Crew Gold by the Company and is prepared in accordance with Canadian GAAP, but the pro forma financial information (in Section C of Appendix 1 "Financial Information") includes material adjustments to the Crew Gold financial information to take account of any significant differences in reporting between Canadian GAAP and IFRS and any significant accounting policy adjustments.

Segment reporting

For the financial periods under review, the Group has seven reporting operating segments, described below from the year in which they came into existence. The Group recently added an eighth operating segment in July 2010 upon its acquisition of a controlling interest in Crew Gold. These segments are the Group's strategic business units. The following is a brief summary of each segment other than Crew Gold, organised by the years during which the segments were created.

2007

Neryungri-Metallik and Aprelkovo. This segment comprises the Neryungri and Aprelkovo mines, two open pit mines utilising heap leach processing, which were acquired from subsidiaries of the Arlan Investment Company in October 2007. The Neryungri and Aprelkovo mines are located in the Russian Federation.

Celtic and Semgeo. This segment comprises the Group's mining assets in Kazakhstan. These include the operating underground Suzdal mine with CIP and BIOX processing facilities as well as the additional mine deposit at Zherek and the deposit at Balazhal. The assets came from the acquisition of Celtic Resources in December 2007 (the Suzdal and Zherek mines) and the acquisition of Semgeo (the Balazhal deposit) in August 2008.

Development Russia. This segment comprises a number of exploration and evaluation-stage projects in the Russian Federation. For the periods under review, this segment had no reported revenues.

2008

Somita. This segment comprises the Taparko mine, an open pit mine utilising CIL extraction located in Burkina Faso, West Africa. Somita was acquired in late 2008 as part of the controlling interest in High River Gold. The Group holds a 72.64 per cent. interest in High River Gold, which in turn holds a 90.00 per cent. interest in Somita.

Buryatzoloto. This segment comprises the Irokinda and Zun-Holba mines, two underground operations with flotation and CIP processing facilities, respectively. These assets were acquired in late 2008 as part of the controlling interest in High River Gold. The Group holds a 72.64 per cent. interest in High River Gold, which in turn holds an 84.94 per cent. interest in Buryatzoloto. The Buryatzoloto assets are located in the Russian Federation.

Berezitovy. This segment comprises the Berezitovy mine, an open pit mine utilising CIP extraction located in the Russian Federation. Berezitovy was acquired in late 2008 as part of the controlling interest in High River Gold. The Group holds a 72.64 per cent. interest in High River Gold, which in turn holds a 99.00 per cent. interest in Berezitovy.

Development West Africa. This segment comprises a number of exploration and evaluation-stage projects in West Africa. For the periods under review, this segment had no reported revenues.

2010

Crew Gold. This segment comprises the Group's mining assets in Guinea, including the open pit LEFA mine.

The discussion that follows below under "— *Results of operations*" includes an analysis of the key performance indicators (including revenue) and cost of sales for each segment, which management considers most relevant for analysing the performance of each segment.

The discussion of the Company's results of operations focuses on 2008 and 2009 and the nine month periods ended 30 September 2009 and 2010 at both a consolidated level and a segmental level. As the Group has grown through a series of acquisitions, comparisons of the results of operations on a consolidated basis are not indicative of future growth. In order to ensure comparability in the discussion of segments, a comparison of only the results of operations of segments which existed for the entire period under comparison is included. Consequently, the segmental discussion of results of operations for 2008 and 2009 provides a period-on-period comparison of only the

Neryungri-Metallik and Aprelkovo and Celtic and Semgeo segments. The Buryatzoloto, Berezitovy and Taparko segments were acquired in late 2008, and accordingly an analysis of only the 2009 results of operations of these segments is presented here for information purposes.

Formation of the Group

The Severstal Group began to acquire gold mining assets in 2007 and transferred these assets to the Company through a series of transactions in late 2009, which formed the Group. The list below highlights the acquisitions and the formation of the Group in chronological order.

2007

- August 2007: the acquisition of a 22 per cent. stake in Celtic Resources (including the Suzdal and Zherek mines in Kazakhstan).
- October 2007: the purchase of the Aprelkovo and Neryungri mines from subsidiaries of the Arlan Investment Company.
- December 2007: increase in stake in Celtic Resources to 86.3 per cent.

The 2007 results consequently reflect the results of operations for the Aprelkovo and Neryungri mines from the time of acquisition of control and Celtic Resources from 31 December 2007. Throughout the rest of 2007 and 2008 the Severstal Group acquired a further six exploration permits in Russian state auctions.

2008

- January 2008: the acquisition of the remaining share capital of Celtic Resources.
- August 2008: the acquisition of the Balazhal deposit in Kazakhstan.
- November 2008: the acquisition of a 53.8 per cent. controlling stake in High River Gold, a company listed on the Toronto Stock Exchange, which includes the Irokinda, Zun-Holba and Berezitovy mines in Russia and the Taparko mine in Burkina Faso, as well as the exploratory Bissa project in Burkina Faso and a 50 per cent. interest in the Prognoz silver exploration project in Russia.

On the basis of common control accounting, the consolidated 2008 results reflect the acquisition of the Balazhal deposit and a controlling interest in High River Gold from the date control was acquired by the Severstal Group.

2009

- Late 2009: the Company acquired the above assets from the Severstal Group in a series of transactions beginning in July 2009. Through these transactions the Group was formed.

2010

- February 2010: the Severstal Group acquired a 27 per cent. stake in Crew Gold, which operates the LEFA gold mine in Guinea and which is listed on the Toronto Stock Exchange and the Oslo Stock Exchange. The Severstal Group subsequently transferred this interest to the Group.
- July 2010: through a series of transactions, the Group increased its total interest in Crew Gold to 50.17 per cent.
- August 2010: the Group increased its interest in High River Gold to 70.38 per cent.
- September 2010: the Group increased its interest in Crew Gold to 93.38 per cent.
- October 2010: the Group increased its interest in High River Gold to 72.64 per cent.

The interest in Crew Gold is consolidated in the Group's results for the nine months ended 30 September 2010 since the date of obtaining control.

2011

- January 2011: the Group increased its interest in Crew Gold to 100 per cent.

Factors affecting results of operations

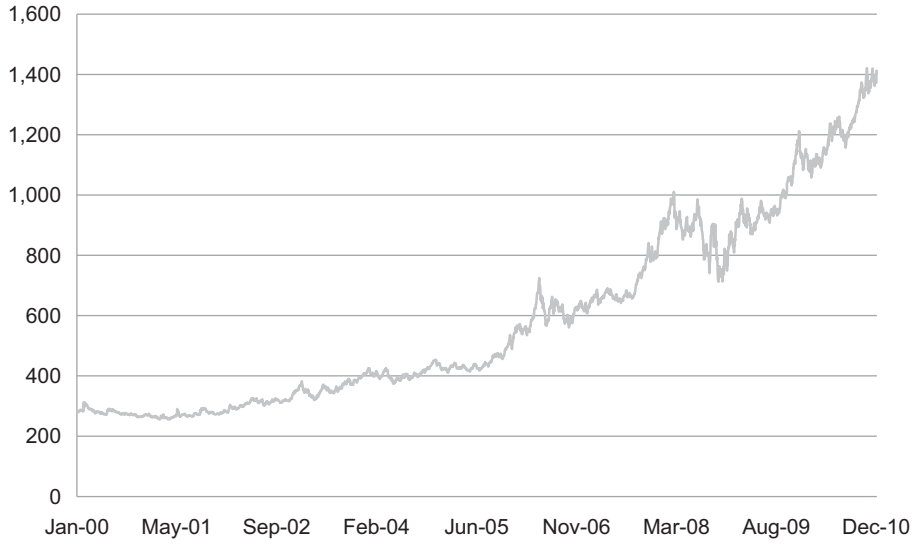
Gold prices

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$1,212.50 per ounce. The gold price ranged from US$712.50 to US$1,011.25 per ounce in 2008, from US$810.00 to US$1,212.50 per ounce in 2009 and from US$1,058.00 to US$1,421.00 in 2010, with an average market price of US$972.35 per ounce in 2009 and US$1,224.52 in 2010. The gold price reached a new historic high of US$1,421.00 per ounce on 9 November 2010. 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 volatility of the price of gold is illustrated in the following graph, which shows the London PM price since 1 January 2000:

Price of Gold (US$/Troy Ounce — London PM price)



Source: London Bullion Market Association as at 31 December 2010

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, 2008-2010

		Average for the period (USD)
2010 (Nine months ended 30 September)	Realised price on an annual basis	1,188
	Average market price	1,178
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

As the graph and table above indicate, the Group's average realised price has historically exceeded the London PM price. 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. On 17 January 2011 (the last practicable date prior to the publication of this Prospectus), the London PM price was US$1,360.50 per ounce. For a discussion of recent market conditions for the gold market, see Part 5 "Market Overview". The Group regularly monitors its annual business plan, which takes into consideration a number of factors, including the price of gold and the Group's cash costs, and if needed would modify its plan according to market conditions.

Key cost items

The Group's key cost drivers are personnel costs, materials and fuel and energy costs. Of the Group's key costs, materials and fuel and energy costs are more variable than personnel costs, and vary primarily as a function of the level of production. These costs in aggregate accounted for 54.1 per cent. of the Group's cost of sales in 2009 and 61.7 per cent. in the nine months ended 30 September 2010. Primary factors which affect each cost include the rate of inflation and the level of production across the Group. Factors affecting each principal cost are discussed below.

Personnel costs

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

Materials

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

Fuel and energy costs

The Group consumes diesel fuel and heavy fuel oil at certain mines for power generation and operations. Diesel fuel and heavy fuel oil are refined from crude oil and are therefore subject to the same price volatility affecting crude oil prices. With global demand decreasing toward the end of 2008 on fears of a global slowdown in economic activity, oil prices decreased from a record high of US$147 per barrel in the third quarter of 2008 to close at US$45 per barrel at the end of 2008, US$79 at the end of 2009 and US$91 at the end of 2010. Volatility in crude oil prices has a significant direct and indirect impact on the Group's production costs by affecting not only the cost of fuel the Group consumes but also transportation costs and the cost of other supplies that must be transported to the mine sites. This impact is not as significant on the Group's operations in Russia and Kazakhstan, as the price of diesel fuel and heavy fuel oil in those jurisdictions is not directly correlated to the world oil price and have remained relatively stable in the periods under review. There is a greater correlation between the price of oil and the price of diesel fuel and heavy fuel oil in the Group's African operations.

The Group's electricity costs per unit of electricity are not as variable, as they do not directly depend on the price of oil, and 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 1.95 — 2.41 RUR/kWh (approximately USD.06-.08). In Kazakhstan, electricity is provided from the national electric grid at a tariff of 7.1 tenge/kWh (approximately USD.05). The electricity is provided under annual contracts, and there are minor fluctuations in the tariffs within the contract period. Deregulation of the electricity industry in the Russian Federation is ongoing, and current tariffs are being deregulated with full deregulation being set to occur in January 2011, which is expected to result in higher tariffs. 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 presentational currency for the Group's consolidated financial statements; the rouble, the tenge, the Guinean franc and the CFA franc, which are the functional currencies of the Group's operating companies in the Russian Federation, Kazakhstan, Guinea and Burkina Faso, respectively; and the euro, which is the Company's functional currency. While the functional currency of the Company is the euro, gold is typically priced by reference to US dollars, and most of the Group's costs in the periods under review were paid in the Russian rouble, the tenge and CFA francs.

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 presentational 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 "*Presentation of Financial and Other Information — Currency Presentation*" for a table that sets forth the average and period end exchange rates per US$1.00 used for the translation of pounds sterling, euro, rouble, tenge, CFA franc and Guinean franc amounts into US dollars. See also "*— Disclosures about market risks — Currency risk*", note 26 to the financial statements in Section A and note 25 to the financial statements in Section B of Appendix 1 "Financial Information" for details of foreign currency exposure in respect of the periods covered by the historical financial information.

The Group's operations in the Russian Federation are not subject to the same mismatch between revenues and costs, because the Group's revenues from its Russian operations are denominated in roubles. In 2008 and 2009, when there was significant fluctuation between the US dollar and the rouble, the Group would convert all revenues from Russian operations into dollars and convert to roubles only the amounts the Group needed for its rouble-denominated expenses. However, now that the exchange rate between the two currencies has stabilised, the Group generally does not convert its Russian revenues into US dollars, as it can obtain a higher interest rate on rouble-denominated current accounts.

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

The Group does not currently undertake any hedging activities in relation to currency fluctuation risk but may choose to do so in the future.

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.

Negative Goodwill

On the acquisition of a business or related assets, the Group's results of operations can be affected by the price paid for the acquired assets relative to the fair value of those assets. If the price paid for the acquisition is less than the fair

value of the acquired assets, the difference is recorded as negative goodwill, which is included within other operating income on the income statement. For example, on the acquisition of the Group's controlling interest in High River Gold in 2008, which occurred during a period during which High River Gold was facing financial difficulties, the fair value of the acquired assets exceeded the purchase price by US$75.3 million, which was included in other income. To the extent that any acquisitions in the future are obtained under similar circumstances, the Group's income would be increased to the extent the fair value of the acquired assets exceeds the purchase price.

Consolidated income statement

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

Revenue

The Group derives its revenue from sales of gold bullion in the spot market. Revenue is determined by the Group's production (which is influenced by both the quantity and grade of ore mined), the price of gold and timing of sales and is a product of the volume of gold sold and the price at which it is sold, less commission fees, which varied in 2008 and 2009 and for 2010 are approximately 0.01 per cent. for Russian entities and nil for sales from Burkina Faso, Guinea and Kazakhstan. In 2009, 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 and Nomos Bank, who hold the Group's gold bullion as its agents until sold, and is recognised upon transfer as the Group's account is credited substantially contemporaneously. Historically, the Group has sold its Russian products to Nomos Bank, its Kazakh products to Metalor, its Burkina Faso gold to Standard Bank in Switzerland and its Guinean gold to MKS Finance, each in the capacity as agent for immediate sale and transfer to end customers who purchase at the same price as the Group sold the gold. The Group expects to continue to sell its gold in this manner but is not obliged to do so. The Group does not rely on sales to these four banks, as they essentially act as agents for what is a liquid market.

Cost of sales

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

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

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

Fuel and energy costs include the cost of diesel fuel, heavy fuel oil and electricity. For further discussion of energy costs, see "— *Factors affecting results of operations — Key cost items*".

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. For further discussion of external services, see "— *Factors affecting results of operations — Key cost items*".

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

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

General and administrative expenses

General and administrative expenses consist of costs related to head office operations of the Group and the head offices of the Group's business units and include head office labour costs, services (primarily auditing and consultant fees, as well as fees paid to other Severstal Group entities in respect of central services), 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 6 per cent. of the volume of gold produced per quarter, multiplied by the average gold sales price for the quarter. In Kazakhstan, the mining tax is calculated on a similar basis but is 5 per cent. In Burkina Faso at the Taparko operations, the Group pays a favourable mining tax rate of 3 per cent. of total gold sales, a discount from the 5 per cent. rate which is the standard rate of mining tax in Burkina Faso. In Guinea, the mining tax rate is 5 per cent., plus an additional 0.4 per cent. payable to the local municipality, calculated on the basis of total sales.

Other operating (expenses)/income, net

Other operating (expenses)/income, net includes negative goodwill, impairment of non-current assets, net gains and losses on disposal of property, plant and equipment, intangible assets, inventories and subsidiaries (primarily ancillary copper and molybdenum exploration projects — see note 25 of the consolidated financial statements at Section A of Appendix 1 "Financial Information").

Financial income and expenses

Financial income and financial expenses 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. In 2008, it included the effect of a change in the Russian statutory tax rate to 20 per cent. from 24 per cent.

Profit/(loss) for the period/year attributable to non-controlling interest

Profit/(loss) for the period/year attributable to non-controlling interest relates to the minority shareholders of High River Gold, which impacts the Berezitovy, Buryatzoloto, Somita and Development West Africa segments and other entities of High River Gold which are not considered as a reporting segment.

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.
- Normalised EBITDA — see Part 2 "Presentation of Financial and Other Information" for a description of non-IFRS measures and Part 10 "Summary Financial Information" for a reconciliation of Normalised EBITDA.

- Total cash costs per ounce produced — total cash cost measures what the Group 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. The calculations of total cash costs for each relevant period and segment appear below under "— *Results of Operations*" and, for the Group's total cash costs for 2008 and 2009, in Part 10 "Summary Financial Information" at "*Non-IFRS measures*". Cash costs are measured against total ounces of gold produced.

Results of operations

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

Consolidated income statement data

	Nine months ended 30 September		Year ended 31 December	
	2010	2009	2009	2008
	(US$000s)			
Sales	485,333	343,821	517,572	191,025
Cost of sales	(257,503)	(209,379)	(309,404)	(139,968)
Gross profit	**227,830**	**134,442**	**208,168**	**51,057**
General and administrative expenses	(29,622)	(18,316)	(26,515)	(11,996)
Taxes other than income tax	(29,067)	(24,015)	(36,361)	(8,999)
Other operating (expenses)/income, net	12,648	(10,619)	(6,676)	75,168
Profit/(loss) from operations	**181,789**	**81,492**	**138,616**	**105,230**
Financial income	5,351	3,144	4,894	52,889
Financial expenses	(48,044)	(111,802)	(144,143)	(46,142)
Profit/(loss) before income tax	**139,096**	**(27,166)**	**(633)**	**111,977**
Income tax (expense)/benefit	(39,210)	(7,015)	(20,910)	14,572
Profit/(loss) for the period/year	**99,886**	**(34,181)**	**(21,543)**	**126,549**
Profit/(loss) attributable to equity shareholders of the Company	67,919	(42,648)	(29,990)	128,868
Profit/(loss) attributable to non-controlling interest of the Company	31,967	8,467	8,447	(2,319)

Results of operations for the nine months ended 30 September 2010 and 2009

Overview

KPIs

The table below provides a summary of the KPIs of the Group broken out by mine (apart from Buryatzoloto, the segment which comprises the Irokinda and Zun-Holba mines, where both mines are presented collectively in one

column) for the nine months ended 30 September 2010 and 2009. Where the name of segments differs from the names of their mines, the segment name appears in italics above the mine name.

		Neryungri-Metallik and Aprelkovo		Celtic and Semgeo		Somita	Buryatzoloto			
		Neryungri	Aprelkovo	Suzdal	Other[1]	Taparko	Irokinda and Zun-Holba	Berezitovy	Crew Gold[2]	Total
Production										
Volume mined (Kt)	9M-2010 . .	1,695.8	1,236.6	244.8	207.2	962.7	467.1	1,400.1	447.1	6,661.3
	9M-2009 . .	1,560.4	1,113.8	246.7	243.2	524.0	469.4	983.2	—	5,140.8
	% change. .	*8.7%*	*11.0%*	*(0.8)%*	*(14.8)%*	*83.7%*	*(0.5)%*	*42.4%*	—	*29.6%*
Volume milled (Kt)	9M-2010 . .	1,710.7	1,284.1	232.2	314.4	912.1	486.6	798.9	467.5	6,206.6
	9M-2009 . .	1,819.7	1,242.9	235.8	522.0	518.4	442.6	811.6	—	5,593.1
	% change. .	*(6.0)%*	*3.3%*	*(1.5)%*	*(39.8)%*	*75.9%*	*9.9%*	*(1.6)%*	—	*11.0%*
Head grade (g/t)	9M-2010 . .	1.2	1.2	10.3	1.55	3.3	6.9	2.3	1.1	2.5
	9M-2009 . .	1.1	1.0	12.9	1.22	4.3	8.2	2.8	—	2.7
	% change. .	*14.2%*	*18.0%*	*(20.1)%*	*27.0%*	*(22.7)%*	*(16.1)%*	*(17.4)%*	—	*(8.2)%*
Mill recovery	9M-2010 . .	n/a	n/a	75.9%	—	91.4%	91.7%	89.6%	89.4%	—
	9M-2009 . .	n/a	n/a	74.0%	—	93.1%	93.2%	87.3%	—	—
	% change. .	*16.7%*	*16.2%*	*2.6%*	—	*(1.8)%*	*(1.6)%*	*2.7%*	—	—
Gold produced (Koz)	9M-2010 . .	34.6	24.0	61.5	10.1	90.9	100.3[4]	55.2	18.4	395.0[5]
	9M-2009 . .	26.8	16.4	72.7	12.2	65.3	110.6	63.6	—	367.7[5]
	% change. .	*28.9%*	*46.5%*	*(15.4)%*	*(17.2)%*	*39.2%*	*(1.9)%*	*(11.9)%*	—	*13.2%*
Gold sold (Koz)	9M-2010 . .	38.4	24.4	—[3]	71.6	90.9	108.1	56.6	18.4	408.4
	9M-2009 . .	22.4	13.5	—[3]	84.9	65.3	110.2	64.3	—	360.6
	% change. .	*71.4%*	*81.1%*	—	*(15.7)%*	*39.2%*	*(1.9)%*	*(11.9)%*	—	*13.2%*

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

(2) Crew Gold includes the LEFA mine for the nine months ended 30 September 2010, from the acquisition of a controlling interest in Crew Gold in late July 2010.

(3) 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.

(4) Amounts include the gold equivalent of silver produced at the mine.

(5) The total includes the gold equivalent of silver produced by the Group.

		Neryungri-Metallik and Aprelkovo		Celtic and Semgeo		Somita	Buryatzoloto			
		Neryungri	Aprelkovo	Suzdal	Other[1]	Taparko	Irokinda and Zun-Holba	Berezitovy	Crew Gold[2]	Total
Financial										
Sales (external) (US$M)[3]	9M-2010 . .	45.9	29.1	—[3]	85.0	107.0	128.2	67.3	22.9	485.3
	9M-2009 . .	21.0	12.6	—[3]	80.5	62.5	106.8	60.5	—	343.8
	% change. .	*118.6%*	*130.5%*	—	*5.6%*	*71.2%*	*20.1%*	*11.3%*	—	*41.2%*
Total cash cost per ounce produced (US$/oz) (unaudited)	9M-2010 . .	679.7	649.5	434.2	—	379.3	518.9	623.0	1,113.1	539.7
	9M-2009 . .	603.7	700.9	402.0	—	481.0	383.7	525.9	—	465.2
	% change. .	*12.7%*	*(7.2)%*	*8.0%*	—	*(21.2)%*	*35.2%*	*18.5%*	—	*6.9%*
Cash flows from operations (US$M)	9M-2010 . .	6.8	7.3	17.0	18.9	62.7	52.8	17.3	1.2	175.9[4]
	9M-2009 . .	(6.7)	0.5	42.6	(0.7)	22.8	57.6	20.9	—	123.5[5]
	% change. .	*201.5%*	*1,374.6%*	*(60.0)%*	*2,661.0%*	*174.8%*	*(8.2)%*	*(17.0)%*	—	*43.5%*
Normalised EBITDA (US$M) (unaudited)	9M-2010 . .	17.6	9.4	46.1	3.1	71.9	62.8	27.1	(0.3)	233.6[6]
	9M-2009 . .	3.5	1.9	39.2	1.7	29.9	54.6	27.3	—	153.0[7]
	% change. .	*401.5%*	*397.4%*	*17.5%*	*81.8%*	*140.9%*	*15.1%*	*(0.8)%*	—	*52.6%*
Capital expenditure (US$M)	9M-2010 . .	19.5	3.7	26.7	1.2	3.3	19.9	18.0	7.3	114.1[8]
	9M-2009 . .	14.0	2.6	16.7	1.7	3.8	9.3	5.5	—	57.7[9]
	% change. .	*39.2%*	*43.3%*	*59.7%*	*(31.2)%*	*(12.4)%*	*113.7%*	*229.3%*	—	*97.7%*

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

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

(2) Crew Gold includes the LEFA mine for the nine months ended 30 September 2010, from the acquisition of a controlling interest in Crew Gold in late July 2010.

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

(4) This total includes cash flows from operations of US$(8.1) million from other operations.

(5) This total includes cash flows from operations of US$(13.5) million from other operations.

(6) This total includes a deduction from Normalised EBITDA of US$4.1 million due to losses from other operations.

(7) This total includes a deduction from Normalised EBITDA of US$5.0 million due to losses from other operations.

(8) This total includes US$14.5 million of capital expenditure in respect of other operations.

(9) This total includes capital expenditure of US$4.0 million in respect of other operations.

Revenue

Revenue of the Group increased from US$343.8 million in the nine months ended 30 September 2009 to US$485.3 million in the nine months ended 30 September 2010. This increase was primarily the result of growth of the quantity of gold sold by 47.8 Koz from 360.6 Koz to 408.4 Koz and an increase in the average realised gold sales price, resulting from increases in the gold price and the timing of the sales. Excluding the effect of acquisition of Crew Gold, revenue increased by US$118.6 million from US$343.8 million to US$462.4 million. The average realised gold sales price was US$942/oz for the nine months ended 30 September 2009 and US$1,188/oz for the nine months ended 30 September 2010.

Cost of sales

The Group's cost of sales increased from US$209.4 million in the nine months ended 30 September 2009 to US$257.5 million in the nine months ended 30 September 2010. Excluding the effect of acquisition of Crew Gold, cost of sales increased by US$27.2 million from US$209.4 million to US$236.6 million. A primary factor for the increase in costs was growth in the amount of gold produced. This growth was provided mainly by increase of gold production at Taparko which had mill repair works during 2009, growth of ore mined at Neryungri, Aprelkovo and Berezitovy due to increase in mine productivity and increased production initiatives undertaken by management.

The table below shows a breakdown of the Group's cost of sales in the nine months ended 30 September 2010 and the nine months ended 30 September 2009.

Consolidated cost of sales for the nine months ended 30 September 2010 and 2009

	Nine months ended 30 September		
	2010	2009	Per cent. change
		(US$ 000)	
Personnel costs	69,518	54,370	22.1%
Materials	49,316	33,621	33.8%
Fuel and energy	40,121	28,047	27.8%
Spare parts	27,800	17,885	41.0%
External services	21,099	18,104	(5.2)%
Other expenses	8,496	6,775	19.9%
Changes in inventories	(22,536)	(9,438)	(119.0)%
Direct mining costs	**193,814**	**149,364**	**18.5%**
Depreciation and amortisation	63,689	60,015	(0.8)%
Cost of sales	**257,503**	**209,379**	**13.0%**

Personnel costs increased by US$15.2 million, from US$54.3 million in the nine months ended 30 September 2009 to US$69.5 million in the nine months ended 30 September 2010. The increase was principally due to growth of average number of employees in order to utilise expanding production capacities as well as growth of the average salary amount.

The cost of materials increased by US$15.7 million, from US$33.6 million in the nine months ended 30 September 2009 to US$49.3 million in the nine months ended 30 September 2010. The increase was principally due to inflation, an increase in mining volumes and an increase in blasting supplies due to replacing external service providers with the Group's own employees.

Fuel and energy costs increased by US$12.1 million, from US$28.0 million in the nine months ended 30 September 2009 to US$40.1 million in the nine months ended 30 September 2010. The cost of spare parts increased by US$9.9 million, from US$17.9 million in the nine months ended 30 September 2009 to US$27.8 million in the nine months ended 30 September 2010. These increases were principally due to effect of inflation, foreign exchange and an increase in consumption caused by expansion of production capacities.

The cost of external services increased by US$3.0 million, from US$18.1 million in the nine months ended 30 September 2009 to US$21.1 million in the nine months ended 30 September 2010. The increase is lower than the corresponding increase in production growth, due to the substitution of external service providers with the Group's own employees.

Other expenses increased by US$1.7 million, from US$6.8 million in the nine months ended 30 September 2009 to US$8.5 million in the nine months ended 30 September 2010. The increase was principally due to growth of production and change in prices of other expenses.

Total cash costs for the Group for the nine months ended 30 September 2010 and 2009[1]

	Nine months ended 30 September		
	2010	2009	Per cent. change
	(US$ 000)		
Cost of sales	**257,503**	**209,379**	**23.0%**
(Less)/plus items in income statement:			
Depreciation and amortisation	(63,690)	(60,015)	
Provision for asset retirement obligations	(2,821)	(1,548)	
Allowance for slow-moving and obsolete inventories	(1,740)	799	
Work-in-progress and finished goods fair value adjustment	(34)	(2,266)	
Unused vacation	(6,209)	(5,390)	
Employees' bonuses	(4,508)	(1,056)	
Exceptional items	(867)	(785)	
Change in finished goods (less items above capitalised in finished goods)	(3,619)	3,799	
Revenue of by-products	(3,254)	(4,106)	
Cost of production	**170,761**	**138,812**	**23.0%**
General and administrative expenses	**29,622**	**18,316**	**61.7%**
(Less)/plus items in income statement:			
Depreciation and amortisation	(569)	(363)	
Corporate overheads	(13,669)	(8,030)	
Allowance for bad debts	(1,136)	177	
Unused vacation	(1,132)	(1,230)	
Employees' bonuses	(1,025)	(477)	
Exceptional items	—	(1)	
Mining administrative expenses	**12,091**	**8,392**	**44.1%**
Taxes other than income tax	**29,066**	**24,015**	**21.0%**
(Less):			
Corporate overheads	(99)	(173)	
Exceptional items	(149)	—	
Taxes other than income tax	**28,818**	**23,842**	**20.9%**
Total cash cost	**211,670**	**171,046**	**23.8%**
Total gold produced, Koz	**392,225**	**367,676**	**6.7%**
Total cash cost produced, US$/oz	**539.7**	**465.2**	**16.0%**

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

General and administrative expenses

The table below presents a breakdown of general and administrative expenses for the Group for the nine months ended 30 September 2010 and 2009.

Group general and administrative expenses for the nine months ended 30 September 2010 and 2009

	Nine months ended 30 September		
	2010	2009	Per cent. change
	(US$ 000)		
Labour costs	18,636	7,783	139.4%
Services	7,215	8,214	(12.2)%
Other expenses	1,579	1,629	(3.1)%
Other materials	479	404	18.7%
Depreciation	596	463	28.8%
Bad debt provision charges	1,117	177	732.6%
Total	**29,622**	**18,316**	**61.7%**

General and administrative expenses increased by US$11.3 million from US$18.3 million in the nine months ended 30 September 2009 to US$29.6 million in the nine months ended 30 September 2010. The increase was primarily due to the substitution of managerial services previously provided by the Severstal Group with the Group's own employees from October 2009 and also due to severance payments to the management of High River Gold incurred during the nine months ended 30 September 2009.

Taxes other than income tax

The table below presents a breakdown of taxes other than income tax for the Group for the nine months ended 30 September 2010 and 30 September 2009.

Group taxes other than income tax for the nine months ended 30 September 2010 and 2009

	Nine months ended 30 September		
	2010	2009	Per cent. change
	(US$ 000)		
Mining tax	23,877	19,611	21.8%
Property tax	3,182	2,726	16.7%
Other taxes	2,008	1,678	19.7%
Total	**29,067**	**24,015**	**21.0%**

Taxes other than income taxes increased by US$5.1 million from US$24.0 million in the nine months ended 30 September 2009 to US$29.1 million in the nine months ended 30 September 2010. Mining tax accrual was in line with the quantity of gold produced or sold (depending on the tax jurisdiction where the operating segment is located) and the average realised prices which are used as a basis for tax accrual.

Other operating income/(expenses), net

Other operating income/(expenses), net increased by US$23.3 million from an expense of US$10.6 million in the nine months ended 30 September 2009 to income of US$12.7 million in the nine months ended 30 September 2010. The increase in income was primarily due to a gain from the remeasurement of the fair value of the previously held equity interest of Crew Gold prior to acquisition of control of Crew Gold for an amount of US$16.1 million.

Financial income/(expenses)

Financial income increased from US$3.1 million in the nine months ended 30 September 2009 to US$5.4 million in the nine months ended 30 September 2010 due to interest income from related party loans.

Financial expenses decreased from US$111.8 million in the nine months ended 30 September 2009 to US$48.0 million in the nine months ended 30 September 2010. This decrease reflects a decrease in interest expense from US$51.1 million in the nine months ended 30 September 2009 to US$19.2 million in the nine months ended 30 September 2010, which in turn was due to the decrease of overall debt financing and the decrease of

foreign exchange loss from US$60.7 million in the nine months ended 30 September 2009 to US$28.9 million in the nine months ended 30 September 2010 as a result of the revaluation of the US dollar based borrowings of Somita caused by the significant depreciation of the CFA franc in relation to the US dollar during the period.

The table below presents a breakdown of interest expense by types of borrowers of the Group for the nine months ended 30 September 2010 and the nine months ended 30 September 2009:

Group interest expense for the nine months ended 30 September 2010 and 2009

	Nine months ended 30 September		
	2010	2009	Per cent. Change
	(US$ 000)		
Interest expense on related party debt financing	12,765	38,897	(67.2)%
Interest expense on third party debt financing	6,425	12,244	(47.5)%
Total	**19,190**	**51,141**	**(62.5)%**

Income tax (expense)/benefit

In the nine months ended 30 September 2009, the Group had an income tax expense of US$7.0 million as compared to an income tax expense of US$39.2 million in the nine months ended 30 September 2010 as a result of profit before income tax in the amount of US$139.1 million in the nine months ended 30 September 2010 as compared to a loss in the amount of US$27.2 million in the nine months ended 30 September 2009 coupled with utilising deferred tax benefits in the amount of US$6.2 million during the nine months ended 30 September 2009.

Profit/(loss) for the period

As a result of the factors discussed above, the Group had a net loss for the period of US$42.6 million in the nine months ended 30 September 2009 and a profit for the period of US$67.9 million in the nine months ended 30 September 2010.

Profit/(loss) attributable to non-controlling interest

Net profit/(loss) attributable to non-controlling interest changed from a loss of US$8.5 million in the nine months ended 30 September 2009 to a profit of US$32.0 million in the nine months ended 30 September 2010 because of the profitability of the Buryatzoloto, Berezitovy and Somita segments. For more details, see "— *Financial performance by segment*" below.

Financial performance by segment

Below follows a comparison of the mines of the Neryungri-Metallik and Aprelkovo, Celtic and Semgeo, Buryatzoloto, Berezitovy and Somita segments, which constitute the mines the Group owned and operated for the periods under review.

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 the nine months ended 30 September 2010 and 2009.

Neryungri — KPIs for the nine months ended 30 September 2010 and 2009[1]

	Nine months ended 30 September		
	2010	2009	Per cent. change
Ore mined (Kt)	1,695.8	1,560.4	8.7%
Ore milled (Kt)	1,710.7	1,819.7	(6.0)%
Head grade (g/t)	1.22	1.07	14.2%
Gold ounces produced (Koz)	34.6	26.8	28.9%
Gold ounces sold (Koz)	38.4	22.4	71.4%
Revenue (US$M)	45.9	21.0	118.6%
Normalised EBITDA (US$M)[2]	17.6	3.5	402.9%
Cash costs/ounce produced (US$/oz)[2]	679.7	603.7	12.6%

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

(2) Unaudited.

Ore mined increased by 135.4 Kt from 1,560.4 Kt in the nine months ended 30 September 2009 to 1,695.8 Kt in the nine months ended 30 September 2010, due to a decrease in the stripping ratio and a continuing increase in mine productivity, which management began to undertake in 2009. The volume of ore milled decreased by 109.0 Kt from 1,819.7 Kt in 2009 to 1,710.7 Kt in 2010 due to a decrease in the requirement in the volume of ore processed for maintaining production levels given the increase in ore grade. The increase of ore mined also led to a slight increase in the head grade by 0.15 g/t from 1.07 g/t in the nine months ended 30 September 2009 to 1.22 g/t in the nine months ended 30 September 2010 as the ore mined had a higher head grade.

Gold ounces produced increased by 7.8 Koz from 26.8 Koz in the nine months ended 30 September 2009 to 34.6 Koz in the nine months ended 30 September 2010, also as a consequence of the increase in ore mined and ore milled as well as the increase in work in progress on the plant and heaps at the end of 2009. Due to this increase in gold production, gold ounces sold increased by 16.0 Koz from 22.4 Koz in the nine months ended 30 September 2009 to 38.4 Koz in the nine months ended 30 September 2010.

As a result of the increase in the volume of gold sold and the increase in the gold price, revenue increased by US$24.9 million from US$21.0 million in the nine months ended 30 September 2009 to US$45.9 million in the nine months ended 30 September 2010. The increase in revenue positively affected Normalised EBITDA, which increased by US$14.1 million from US$3.5 million in the nine months ended 30 September 2009 to US$17.6 million in the nine months ended 30 September 2010.

Cash costs per ounce produced increased by US$76.0 from US$603.7 in the nine months ended 30 September 2009 to US$679.7 in the nine months ended 30 September 2010. This increase is primarily due to foreign exchange effects as well as additional expenses related to commencement of use of the all-season road. The project will ultimately allow for a decrease in cash costs and improvement in working capital management, but additional expenses were incurred during the initial stages of the project.

The table below presents the breakdown of cost of sales for the Neryungri mine for the nine months ended 30 September 2010 and 2009.

Neryungri cost of sales for the nine months ended 30 September 2010 and 2009

	Nine months ended 30 September		
	2010	2009	Per cent. change
	(US$ 000)		
Personnel costs	9,353	6,616	41.4%
Materials	6,516	3,022	115.6%
Fuel and energy	6,815	5,329	27.9%
Spare parts	3,425	2,461	39.2%
External services	950	2,530	(62.4)%
Change in obsolescence provision	(976)	1,308	(174.6)%
Other expenses	1,039	660	57.4%
Change in inventories	(5,061)	(9,056)	44.1%
Direct mining costs	**22,062**	**12,869**	**71.4%**
Depreciation and amortisation	5,469	3,614	51.3%
Cost of sales	**27,531**	**16,484**	**67.0%**

All costs were impacted by the strengthening of the rouble against the US dollar over the periods under review, which led to an increase in such costs.

Personnel costs increased by US$2.7 million, from US$6.6 million in the nine months ended 30 September 2009 to US$9.4 million in the nine months ended 30 September 2010. The increase was caused by the increase in production, described above, which was followed by a corresponding staff increase at the mine, additional road construction staff and annual wage and salary indexation.

The cost of materials increased by US$3.5 million, from US$3.0 million in the nine months ended 30 September 2009 to US$6.5 million in the nine months ended 30 September 2010. The increase was principally due to the transition from the Group using external service providers for performing drilling works to making use of the Group's employees instead. This also led to the decrease in the cost of external services by US$1.6 million, from US$2.5 million in the nine months ended 30 September 2009 to US$0.9 million in the nine months ended 30 September 2010. The increase in mine production also influenced the increase in materials costs.

Inflation and an increase in overall production caused an increase of fuel and energy costs by US$1.5 million, from US$5.3 million in the nine months ended 30 September 2009 to US$6.8 million in the nine months ended 30 September 2010 and an increase in the cost of spare parts by US$0.9 million, from US$2.5 million in the nine months ended 30 September 2009 to US$3.4 million in the nine months ended 30 September 2010. The wear of equipment also contributed to the increase in the cost of spare parts.

The change in obsolescence represents expenses related to the change in the allowance for obsolete inventory (in relation to raw materials). According to IFRS policy, the Group provides an allowance for all inventories aged more than one year other than finished goods and work in progress; therefore, a change in the allowance for obsolete inventories in the amount of US$1.0 million was recognised in the nine months ended 30 September 2010.

Depreciation and amortisation expenses increased by US$1.9 million from US$3.6 million to US$5.5 million due to the recent expansion of the processing plant in respect of the replacement of old capital assets, which began in 2008 and continued with significant acquisitions of machinery and equipment in the second half of 2009.

Substantially all of the cost of sales of Neryungri for the nine months ended 30 September 2010 was denominated in roubles.

The table below presents the total cash costs for the Neryungri mine for the nine months ended 30 September 2010 and 2009.

Neryungri total cash costs for the nine months ended 30 September 2010 and 2009[1]

	Nine months ended 30 September		
	2010	2009	Per cent. change
	(US$ 000)		
Cost of sales	**27,531**	**16,484**	**67.0%**
(Less)/plus items in income statement:			
Depreciation and amortisation	(5,469)	(3,614)	
Provision for asset retirement obligations	(1,238)	(661)	
Allowance for slow-moving and obsolete inventories	(128)	(575)	
Work-in-progress and finished goods fair value adjustment	(37)	(107)	
Unused vacation	(1,248)	(633)	
Employees' bonuses	(476)	(157)	
Exceptional items	—	—	
Change in finished goods (less items above capitalised in finished goods)	(266)	2,290	
Revenue of by-products	(77)	—	
Cost of production	**18,591**	**13,026**	**42.7%**
General and administrative expenses	**3,137**	**2,441**	**28.5%**
(Less)/plus items in income statement:			
Depreciation and amortisation	(54)	(23)	
Corporate overheads	(1,279)	(1,183)	
Allowance for bad debts	—	(2)	
Unused vacation	(60)	(131)	
Employees' bonuses	(69)	(35)	
Exceptional items	—	—	
Mining administrative expenses	**1,675**	**1,066**	
Taxes other than income tax	**3,183**	**2,087**	**52.5%**
Total cash cost	**23,449**	**16,179**	**44.9%**
Total gold produced, Koz	**34.5**	**26.8**	**28.7%**
Total cash cost produced, US$/oz	**679.7**	**603.7**	**12.6%**

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

Foreign exchange effects and additional expenses due to the initial stages of the all-season road project led to an increase in cash costs per ounce produced of US$76.0 from US$603.7 in the nine months ended 30 September 2009 to US$679.7 in the nine months ended 30 September 2010.

Changes in the amounts of non-cash items had not significantly influenced the change in cash cost, as the cash cost is mainly dependent on the change 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 the nine months ended 30 September 2010 and 2009.

Aprelkovo — KPIs for the nine months ended 30 September 2010 and 2009[1]

	Nine months ended 30 September		
	2010	2009	Per cent. change
Ore mined (Kt)	1,236.6	1,113.8	11.0%
Ore milled (Kt)	1,284.1	1,242.9	3.3%
Head grade (g/t)	1.17	0.99	18.0%
Gold ounces produced (Koz)	24.0	16.4	46.5%
Gold ounces sold (Koz)	24.4	13.5	81.1%
Revenue (US$M)	29.1	12.6	130.9%
Normalised EBITDA (US$M)[2]	9.4	1.9	394.7%
Cash costs/ounce produced (US$/oz)[2]	649.5	700.9	(7.2)%

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

(2) Unaudited.

Ore mined increased by 122.8 Kt from 1,113.8 Kt in the nine months ended 30 September 2009 to 1,236.6 Kt in the nine months ended 30 September 2010, due to continued works on increasing mine productivity which began in 2009.

Ore milled increased by 41.2 Kt from 1,242.9 Kt in the nine months ended 30 September 2009 to 1,284.1 Kt in the nine months ended 30 September 2010, due to winter crushing works performed in 2010, which were not performed in 2009. The slight head grade increase of 0.18 g/t from 0.99 g/t in the nine months ended 30 September 2009 to 1.17 g/t in the nine months ended 30 September 2010 was due to the favourable quality of ore mined during 2010.

Gold ounces produced increased by 7.6 Koz from 16.4 Koz in the nine months ended 30 September 2009 to 24.0 Koz in the nine months ended 30 September 2010, mainly due to an increase in work in progress at the plant and on the heaps at the end of 2009. Gold ounces sold followed gold production growth and increased by 10.9 Koz from 13.5 Koz in the nine months ended 30 September 2009 to 24.4 Koz in the nine months ended 30 September 2010.

As a result of the increase in the volume of gold sold and prevailing gold prices, revenue increased by US$16.5 million from US$12.6 million in the nine months ended 30 September 2009 to US$29.1 million in the nine months ended 30 September 2010. This increase in revenue positively affected normalised EBITDA, which increased by US$7.5 million from US$1.9 million in the nine months ended 30 September 2009 to US$9.4 million in the nine months ended 30 September 2010.

Cash costs per ounce produced decreased by US$51.4 from US$700.9 in the nine months ended 30 September 2009 to US$649.5 in the nine months ended 30 September 2010, mainly due to an increase in production volumes and, as a result, a decrease in the cost of external services, fuel and energy costs and administration expenses per ounce produced. The cost of external services per ounce produced decreased due to a decrease in use of external drilling services and a cessation of use of external blasting services. In addition, the purchase of additional transport equipment allowed for a decrease in use of external transportation services.

The table below presents the breakdown of cost of sales for the Aprelkovo mine for the nine months ended 30 September 2010 and 2009.

Aprelkovo cost of sales for the nine months ended 30 September 2010 and 2009

	Nine months ended 30 September		
	2010	2009	Per cent. change
		(US$ 000)	
Personnel costs	5,183	4,349	19.2%
Materials	4,675	2,874	62.7%
Fuel and energy	3,167	2,561	23.6%
Spare parts	1,560	719	117.1%
External services	1,810	1,599	13.2%
Other expenses	1,128	866	30.2%
Change in inventories	(2,184)	(4,221)	48.3%
Direct mining costs	**15,338**	**8,747**	**75.4%**
Depreciation and amortisation	5,113	3,282	55.8%
Cost of sales	**20,451**	**12,029**	**70.0%**

All costs were impacted by the strengthening of the rouble against the US dollar over the periods under review, which led to an increase in such costs.

Personnel costs increased by US$0.9 million, from US$4.3 million in the nine months ended 30 September 2009 to US$5.2 million in the nine months ended 30 September 2010. The increase was caused by the increase in production, described above, which was followed by a minor staff increase at the mine and also annual wage and salary indexation.

The cost of materials increased by US$1.8 million, from US$2.9 million in the nine months ended 30 September 2009 to US$4.7 million in the nine months ended 30 September 2010. The increase was principally due to the transition from the Group using external service providers for performing drilling works to using Group employees instead, combined with the increase in productivity of the mine and processing factory and inflation. Such factors also caused fuel and energy costs to increase by US$0.6 million, from US$2.6 million in the nine months ended 30 September 2009 to US$3.2 million in the nine months ended 30 September 2010.

The cost of spare parts increased by US$0.9 million, from US$0.7 million in the nine months ended 30 September 2009 to US$1.6 million in the nine months ended 30 September 2010. This increase was primarily due to the wear of equipment as well as inflation.

The cost of external services increased by US$0.2 million, from US$1.6 million in the nine months ended 30 September 2009 to US$1.8 million in the nine months ended 30 September 2010. This increase is mainly due to inflation combined with an increase in overall production, which required additional external services.

Depreciation and amortisation expenses were increased by US$1.8 million from US$3.3 million to US$5.1 million due to the replacement of old capital assets which began in 2008 and the continued increase in productivity followed by significant acquisitions of machinery and equipment in the second half of 2009.

Substantially all of the cost of sales of Aprelkovo for the nine months ended 30 September 2010 was denominated in roubles.

The table below presents the total cash costs for the Aprelkovo mine for the nine months ended 30 September 2010 and 2009.

Aprelkovo total cash costs for the nine months ended 30 September 2010 and 2009[1]

	Nine months ended 30 September		
	2010	2009	Per cent. change
	(US$ 000)		
Cost of sales	**20,451**	**12,029**	**70.0%**
(Less)/plus items in income statement:			
Depreciation and amortisation	(5,113)	(3,282)	
Provision for asset retirement obligations	(1,000)	(549)	
Allowance for slow-moving and obsolete inventories	(19)	(74)	
Work-in-progress and finished goods fair value adjustment	(112)	(221)	
Unused vacation	(335)	(310)	
Employees' bonuses	(347)	(145)	
Exceptional items			
Change in finished goods (less items above capitalised in finished goods)	(508)	2,095	
Revenue of by-products	(78)	—	
Cost of production	**12,938**	**9,543**	**35.6%**
General and administrative expenses	**2,292**	**909**	**152.3%**
(Less)/plus items in income statement:			
Depreciation and amortisation	(19)	(35)	
Corporate overheads	(1,280)	(98)	
Allowance for bad debts	(308)	42	
Unused vacation	(37)	(51)	
Employees' bonuses	(60)	(16)	
Exceptional items	—	—	
Mining administrative expenses	**589**	**750**	**(21.6)%**
Taxes other than income tax	**2,060**	**1,201**	**71.5%**
Total cash cost	**15,587**	**11,494**	**35.6%**
Total gold produced, Koz	**24.0**	**16.4**	**46.0%**
Total cash cost produced, US$/oz	**649.5**	**700.9**	**(7.3)%**

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

Cash costs per ounce produced decreased by US$51.4 from US$700.9 in the nine months ended 30 September 2009 to US$649.5 in the nine months ended 30 September 2010 mainly due to the decrease in the cost of external services, fuel and energy costs and administration expenses per ounce produced, as described above.

Changes in the amounts of non-cash items had not significantly influenced the change of cash cost, as the cash cost is mainly dependent on the 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.

Suzdal

The table below presents a summary of the key performance indicators at the Suzdal mine for the nine months ended 30 September 2010 and 2009.

Suzdal — KPIs for the nine months ended 30 September 2010 and 2009[1]

	Nine months ended 30 September		
	2010	2009	Per cent. change
Ore mined (Kt)	244.8	246.7	(0.8)%
Ore milled (Kt)	232.2	235.8	(1.5)%
Head grade (g/t)	10.3	12.9	(20.1)%
Mill recovery	75.9%	74.0%	2.6%
Gold ounces produced (Koz) (doré)	61.5	72.7	(15.4)%
Gold ounces sold (Koz) (doré)	64.1	78.2	(18.1)%
Revenue (US$M)	75.9	72.5	4.7%
Normalised EBITDA (US$M)	46.1	39.2	17.5%
Cash costs/ounce produced (US$/oz)	434.2	402.0	8.0%

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

(2) Unaudited.

Ore mined decreased by 1.9 Kt from 246.7 Kt in the nine months ended 30 September 2009 to 244.8 Kt in the nine months ended 30 September 2010, as in the first half of 2010, several production machines that operate at the mine were on maintenance, and mining operations were consequently not at full production capacity. These issues were addressed by the end of the first half of 2010 in accordance with budgeted replacement of equipment.

Ore milled decreased by 3.6 Kt from 235.8 Kt in the nine months ended 30 September 2009 to 232.2 Kt in the nine months ended 30 September 2010 as a result of mill delays in February 2010 caused by water shortages due to weather conditions. Head grade decreased by 2.6 g/t from 12.9 g/t in the nine months ended 30 September 2009 to 10.3 g/t in the nine months ended 30 September 2010, due to a change in geological conditions in the ore. Mill recovery increased by 1.9 percentage points from 74.0 per cent. in the nine months ended 30 September 2009 to 75.9 per cent. in the nine months ended 30 September 2010 due to ongoing implementation of the processing plant expansion project.

Gold ounces produced decreased by 11.2 Koz from 72.7 Koz in the nine months ended 30 September 2009 to 61.5 Koz in the nine months ended 30 September 2010, which was attributable to the decrease of head grade combined with the reduction of ore milled. Gold ounces sold decreased by 14.1 Koz from 78.2 Koz in the nine months ended 30 September 2009 to 64.1 Koz in the nine months ended 30 September 2010 due to the decrease in production volumes and gold stock at the beginning of 2009.

Revenue increased by US$3.4 million from US$72.5 million in the nine months ended 30 September 2009 to US$75.9 million in the nine months ended 30 September 2010 as a result of higher gold prices in 2010. Normalised EBITDA increased by US$6.9 million from US$39.2 million in the nine months ended 30 September 2009 to US$46.1 million in the nine months ended 30 September 2010, due to lower cash cost of production and higher sales prices.

Cash costs per ounce produced increased by US$32.2 from US$402.0 in the nine months ended 30 September 2009 to US$434.2 in the nine months ended 30 September 2010 due to lower head grade.

The table below presents the breakdown of cost of sales for the Suzdal mine for the nine months ended 30 September 2010 and 2009.

Suzdal cost of sales for the nine months ended 30 September 2010 and 2009

	Nine months ended 30 September		
	2010	2009	Per cent. change
		(US$ 000)	
Personnel costs	6,917	5,858	18.1%
Materials	10,261	8,230	24.7%
Fuel and energy	2,737	1,976	38.5%
Spare parts	2,679	1,282	109.0%
External services	3,652	4,506	(18.9)%
Other expenses	192	1,040	(81.5)%
Change in inventories	(3,921)	2,155	(282.0)%
Direct mining costs	**22,518**	**25,046**	**(10.1)%**
Depreciation and amortisation	19,342	19,612	(1.4)%
Cost of sales	**41,860**	**44,658**	**(6.3)%**

The cost of materials increased by US$2.1 million, from US$8.2 million in the nine months ended 30 September 2009 to US$10.3 million in the nine months ended 30 September 2010. The increase was principally due to increase in consumption rates of sulphuric acid and the growth of prices for basic materials.

Fuel and energy costs increased by US$0.7 million, from US$2.0 million in the nine months ended 30 September 2009 to US$2.7 million in the nine months ended 30 September 2010, due to variances in fuel prices.

The cost of spare parts increased by US$1.4 million, from US$1.3 million in the nine months ended 30 September 2009 to US$2.7 million in the nine months ended 30 September 2010. The increase was principally due to a corresponding increase in the number of processing machines which Suzdal had acquired for operations.

In the nine months ended 30 September 2010, tenge-denominated costs constituted a substantial majority of Suzdal's cost of sales, with the remaining cost of sales comprising costs denominated in euro, US dollars and roubles.

The table below presents the total cash costs for the Suzdal mine for the nine months ended 30 September 2010 and 2009.

Suzdal total cash costs for the nine months ended 30 September 2010 and 2009[1]

	Nine months ended 30 September		
	2010	2009	Per cent. change
	(US$ 000)		
Cost of sales	**41,860**	**44,658**	**(6.3)%**
(Less)/plus items in income statement:			
Depreciation and amortisation	(19,342)	(19,612)	
Provision for asset retirement obligations	(454)	(179)	
Allowance for slow-moving and obsolete inventories	(254)	(231)	
Work-in-progress and finished goods fair value adjustment	(4)	(56)	
Unused vacation	(732)	(706)	
Employees' bonuses	(334)	—	
Exceptional items	(101)	(154)	
Change in finished goods (less items above capitalised in finished goods)	(1,013)	(1,758)	
Revenue of by-products	—	—	
Cost of production	**19,625**	**21,961**	**(10.6)%**
General and administrative expenses	**2,267**	**1,953**	**16.1%**
(Less)/plus items in income statement:			
Depreciation and amortisation	(28)	(27)	
Corporate overheads	—	—	
Allowance for bad debts	—	—	
Unused vacation	(103)	(94)	
Employees' bonuses	(30)	—	
Exceptional items	—	—	
Mining administrative expenses	**2,106**	**1,831**	**15.0%**
Taxes other than income tax	**5,119**	**5,437**	**(5.8)%**
(Less):			
Corporate overheads	—	—	
Exceptional items	(149)	—	
Taxes other than income tax	**4,970**	**5,437**	**(5.8)%**
Total cash cost	**26,701**	**29,229**	**(8.7)%**
Total gold produced, Koz	**61.5**	**72.7**	**(15.4)%**
Total cash cost produced, US$/oz	**434.2**	**402.0**	**8.0%**

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

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 is the depreciation charge, which is not a cash expense. Depreciation and amortisation decreased by US$0.3 million from US$19.6 million to US$19.3 million, primarily due to a change in the average foreign currency rate, as amounts in the functional currency are mainly the same in the two periods.

Management excluded amounts spent on water for production purposes that were incurred due to poor weather conditions and an amount in respect of pollution tax related to an issue with the tailings dam in spring 2010 as exceptional expenses. Management believes that such expenses do not represent cash outflows that are regular for the Group's business. Other deductions remained stable and did not change significantly.

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 the nine months ended 30 September 2010 and 2009.

Buryatzoloto — KPIs for the nine months ended 30 September 2010 and 2009[1]

	Nine months ended 30 September		
	2010	2009	Per cent. change
Ore mined (Kt)	467.1	469.4	(0.5)%
Ore milled (Kt)	486.6	442.6	9.9%
Head grade (g/t)	6.9	8.2	(16.1)%
Mill recovery	91.7%	93.2%	(1.6)%
Gold ounces produced (Koz)	100.3	110.6	(9.3)%
Gold ounces sold (Koz)	108.1	110.2	(1.9)%
Revenue (US$M)	128.2	106.8	20.1%
Normalised EBITDA (US$M)[2]	62.8	54.6	15.1%
Cash costs/ounce produced (US$/oz)[2]	518.9	383.7	35.2%

(1) The Group consolidated the results of Buryatzoloto but had held a 43 per cent. effective economic interest in Buryatzoloto in the nine months ended 30 September 2009 and a 60 per cent. effective economic interest in the nine months ended 30 September 2010 due to minority interests in High River Gold and its subsidiaries through which it owns Buryatzoloto.

(2) Unaudited.

Buryatzoloto continues to succeed in achieving its mining objectives with 467.1 Kt ore mined in the nine months ended 30 September 2010. Ore milled increased by 9.9 per cent. from 442.6 Kt in the nine months ended 30 September 2009 to 486.6 Kt in the nine months ended 30 September 2010 due to the launch of a new fourth production line including milling stage at the end of 2009. Head grade decreased by 1.3 g/t from 8.2 g/t in the nine months ended 30 September 2009 to 6.9 g/t in the nine months ended 30 September 2010 due to geological factors affecting the quality of the ore. This factor, combined with installation of new gravitation equipment at the beginning of 2010 as a part of one of production lines, led to temporary inefficiencies in that stage during the installation period and slightly impacted the mill recovery rate, which decreased by 1.5 percentage points from 93.2 per cent. in the nine months ended 30 September 2009 to 91.7 per cent. in the nine months ended 30 September 2010.

The head grade reduction subsequently caused a decrease in gold ounces produced, offset by the increase in ore milled, giving a slight decrease of 10.3 Koz from 110.6 Koz in the nine months ended 30 September 2009 to 100.3 Koz in the nine months ended 30 September 2010. Corresponding to the decrease in production, there was a decrease in gold ounces sold of 2.1 Koz from 110.2 Koz in the nine months ended 30 September 2009 to 108.1 Koz in the nine months ended 30 September 2010.

Revenue increased by US$21.4 million from US$106.8 million in the nine months ended 30 September 2009 to US$128.2 million in the nine months ended 30 September 2010 as a result of the increase in gold ounces sold and the average gold price. The increase in revenue was subsequently reflected in the growth of Normalised EBITDA which increased by US$8.2 million from US$54.6 million in the nine months ended 30 September 2009 to US$62.8 million in the nine months ended 30 September 2010.

Cash costs per ounce produced increased by US$135.2 from US$383.7 in the nine months ended 30 September 2009 to US$518.9 in the nine months ended 30 September 2010 primarily due to the 16.1 per cent. head grade decrease combined with the strengthening of the rouble against the US dollar.

In the nine months ended 30 September 2010, rouble-denominated costs constituted substantially all of Buryatzoloto's cost of sales, with the remaining cost of sales comprising costs denominated in US dollars.

The table below presents the breakdown of cost of sales for Buryatzoloto for the nine months ended 30 September 2010 and 2009.

Buryatzoloto cost of sales for the nine months ended 30 September 2010 and 2009

	Nine months ended 30 September		Per cent. change
	2010	2009	
		(US$ 000)	
Personnel costs	24,108	20,762	16.1%
Materials	8,186	7,108	15.2%
Fuel and energy	6,922	4,711	46.9%
Spare parts	3,549	1,990	78.3%
External services	3,686	3,818	(3.5)%
Other expenses	2,404	(12)	—
Change in obsolescence provision	856	(1,682)	(150.9)%
Change in inventories	3,505	5,740	(38.9)%
Direct mining costs	**53,216**	**42,436**	**25.4%**
Depreciation and amortisation	10,242	9,555	7.2%
Cost of sales	**63,458**	**51,991**	**22.1%**

All costs were impacted by the strengthening of the rouble against the US dollar, which led to an increase in costs.

Personnel costs increased by US$3.3 million, from US$20.8 million in the nine months ended 30 September 2009 to US$24.1 million in the nine months ended 30 September 2010 primarily due to annual indexation of wages and salaries, slightly offset by the staff reduction process which was a part of the cost optimisation process at Buryatzoloto.

The cost of materials increased by US$1.1 million, from US$7.1 million in the nine months ended 30 September 2009 to US$8.2 million in the nine months ended 30 September 2010, due to the increase in the level of ore milled and inflation.

Fuel and energy costs increased by US$2.2 million, from US$4.7 million in the nine months ended 30 September 2009 to US$6.9 million in the nine months ended 30 September 2010. The increase was principally due to the substantial growth of milled volume and the increase in average fuel prices and energy tariffs.

The table below presents the total cash costs for Buryatzoloto for the nine months ended 30 September 2010 and 2009.

Buryatzoloto total cash costs for the nine months ended 30 September 2010 and 2009[1]

	Nine months ended 30 September		Per cent. change
	2010	2009	
		(US$ 000)	
Cost of sales	**63,458**	**51,991**	**22.1%**
(Less)/plus items in income statement:			
Depreciation and amortisation	(10,242)	(9,555)	
Provision for asset retirement obligations	—	—	
Allowance for slow-moving and obsolete inventories	(1,048)	1,683	
Work-in-progress and finished goods fair value adjustment	(1)	(3,622)	
Unused vacation	(3,366)	(2,779)	
Employees' bonuses	(3,148)	(573)	
Exceptional items	—	—	
Change in finished goods (less items above capitalised in finished goods)	(2,193)	16	
Revenue of by-products	(1,674)	(3,129)	
Cost of production	**41,786**	**34,033**	**22.8%**
General and administrative expenses	**4,367**	**3,281**	**33.1%**
(Less)/plus items in income statement:			
Depreciation and amortisation	(357)	(184)	
Corporate overheads	(744)	—	
Allowance for bad debts	(384)	(309)	
Unused vacation	(847)	(907)	
Employees' bonuses	(574)	(336)	
Exceptional items	—	—	
Mining administrative expenses	**1,461**	**1,545**	**(5.4)%**
Taxes other than income tax	**8,069**	**6,851**	**17.8%**
Total cash cost	**51,316**	**42,429**	**20.9%**
Total gold produced, Koz	**98.9**	**110.6**	**(10.5)%**
Total cash cost produced, US$/oz	**518.9**	**383.7**	**35.2%**

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

Total cash costs per ounce produced increased by US$135.2 from US$383.7 in the nine months ended 30 September 2009 to US$518.9 in the nine months ended 30 September 2010, primarily due to the decrease in head grade combined with the strengthening of the rouble against the US dollar.

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

Berezitovy

The Berezitovy segment comprises a mine in the Russian Federation. The table below presents a summary of the key performance indicators at the Berezitovy mine for the nine months ended 30 September 2010 and 2009.

Berezitovy — KPIs for the nine months ended 30 September 2010 and 2009[1]

	Nine months ended 30 September		Per cent. change
	2010	2009	
Ore mined (Kt)	1,400.1	983.2	42.4%
Ore milled (Kt)	798.9	811.6	(1.6)%
Head grade (g/t)	2.3	2.8	(17.4)%
Mill recovery	89.6%	87.3%	2.7%
Gold ounces produced (Koz)	55.2	63.6	(13.2)%
Gold ounces sold (Koz)	56.6	64.3	(11.9)%
Revenue (US$M)	67.3	60.5	11.3%
Normalised EBITDA (US$M)[2]	27.1	27.3	(0.8)%
Cash costs/ounce produced (US$/oz)[2]	623.0	525.9	18.5%

(1) The Group held a 50 per cent. effective economic interest in Berezitovy in the nine months ended 30 September 2009 and a 70 per cent. effective economic interest in the nine months ended 30 September 2010 due to minority interests in High River Gold and its subsidiaries through which it owns Berezitovy.

(2) Unaudited.

Ore mined increased by 416.9 Kt from 983.2 Kt in the nine months ended 30 September 2009 to 1,400.1 Kt in the nine months ended 30 September 2010 as part of an initiative to increase the projected level of ore mined to 1,500 Kt.

The amount of ore milled decreased by 12.7 Kt from 811.6 Kt in the nine months ended 30 September 2009 to 798.9 Kt in the nine months ended 30 September 2010. This decrease was due to a longer maintenance time on the ball mill and crusher.

The head grade decreased by 0.5 g/t from 2.8 g/t in the nine months ended 30 September 2009 to 2.3 g/t in the nine months ended 30 September 2010 due to geological factors. Gold production was subsequently reduced by 8.4 Koz from 63.6 Koz in the nine months ended 30 September 2009 to 55.2 Koz in the nine months ended 30 September 2010 but was offset by the high levels of work-in-progress at the end of 2009. Gold ounces sold decreased by 7.7 Koz from 64.3 Koz in the nine months ended 30 September 2009 to 56.6 Koz in the nine months ended 30 September 2010 as a result of reduced production.

Mill recovery increased by 2.3 percentage points from 87.3 per cent. in the nine months ended 30 September 2009 to 89.6 per cent. in the nine months ended 30 September 2010 mainly as a result of investments at the end of 2009 to increase the efficiency of the production process.

Revenue increased by US$6.8 million from US$60.5 million in the nine months ended 30 September 2009 to US$67.3 million in the nine months ended 30 September 2010 as a result of an increase in the average gold price but offset somewhat by the decrease in gold ounces sold. Normalised EBITDA decreased by US$0.2 million from US$27.3 million in the nine months ended 30 September 2009 to US$27.1 million in the nine months ended 30 September 2010, primarily due to the reduction of head grade.

The increase in cash costs per ounce produced of US$97.1 from US$525.9 in the nine months ended 30 September 2009 to US$623.0 in the nine months ended 30 September 2010 was caused by the head grade decrease and the strengthening of the rouble against the US dollar.

The table below presents the breakdown of cost of sales for Berezitovy for the nine months ended 30 September 2010 and 2009.

Berezitovy cost of sales for the nine months ended 30 September 2010 and 2009

	Nine months ended 30 September		Per cent. change
	2010	2009	
		(US$ 000)	
Personnel costs	11,658	9,317	25.1%
Materials	10,595	7,850	35.0%
Fuel and energy	6,975	4,696	48.5%
Spare parts	8,111	5,557	45.9%
External services	3,904	1,535	154.2%
Other expenses	(1,107)	691	(260.1)%
Change in obsolescence provision	229	—	100.0%
Change in inventories	(9,513)	(2,793)	(240.6)%
Direct mining costs	**30,851**	**26,855**	**14.9%**
Depreciation and amortisation	8,718	8,630	1.0%
Cost of sales	**39,569**	**35,485**	**11.5%**

All costs were impacted by the strengthening of the rouble against the US dollar over the periods under review, which led to an increase in such costs.

Personnel costs increased by US$2.4 million, from US$9.3 million in the nine months ended 30 September 2009 to US$11.7 million in the nine months ended 30 September 2010. The increase was primarily due to annual indexation of wages and salaries, slightly offset by the staff reduction process which was a part of the cost optimisation process at Berezitovy.

The cost of materials increased by US$2.7 million, from US$7.9 million in the nine months ended 30 September 2009 to US$10.6 million in the nine months ended 30 September 2010, and fuel and energy costs increased by US$2.3 million, from US$4.7 million in the nine months ended 30 September 2009 to US$7.0 million in the nine months ended 30 September 2010 due to the development of the mine, while fuel and energy costs also increased as a result of an increase in energy and fuel tariffs.

The cost of spare parts increased by US$2.5 million, from US$5.6 million in the nine months ended 30 September 2009 to US$8.1 million in the nine months ended 30 September 2010 due to extensive mill repair works performed in February and March 2010.

The cost of external services increased by US$2.4 million, from US$1.5 million in the nine months ended 30 September 2009 to US$3.9 million in the nine months ended 30 September 2010 due to the development of mining operations and inflation, as well as employing third parties for drilling services in the nine months ended 30 September 2010 and greater repairs incurred in the period in respect of a planned plant shutdown.

In the nine months ended 30 September 2010, 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, euro, Canadian dollars, pounds sterling and Japanese yen.

The table below presents the total cash costs for Berezitovy for the nine months ended 30 September 2010 and 2009.

Berezitovy total cash costs for the nine months ended 30 September 2010 and 2009[1]

	Nine months ended 30 September		Per cent. change
	2010	2009	
		(US$ 000)	
Cost of sales	**39,569**	**35,485**	**11.5%**
(Less)/plus items in income statement:			
Depreciation and amortisation	(8,718)	(8,630)	
Provision for asset retirement obligations	78	(96)	
Allowance for slow-moving and obsolete inventories	(301)	—	
Work-in-progress and finished goods fair value adjustment	132	2,258	
Unused vacation	(410)	(854)	
Employees' bonuses	—	—	
Exceptional items	(765)	(5)	
Change in finished goods (less items above capitalised in finished goods)	(795)	(486)	
Revenue of by-products	(1,037)	(831)	
Cost of production	**27,752**	**26,841**	**3.4%**
General and administrative expenses	**3,968**	**1,246**	**218.4%**
(Less)/plus items in income statement:			
Depreciation and amortisation	(29)	(40)	
Corporate overheads	(2,972)	—	
Allowance for bad debts	(23)	—	
Unused vacation	(85)	(40)	
Employees' bonuses	—	—	
Exceptional items	—	—	
Mining administrative expenses	**859**	**1,167**	**(26.4)%**
Taxes other than income tax	**5,235**	**5,460**	**(4.1)%**
Total cash cost	**33,845**	**33,468**	**1.1%**
Total gold produced, Koz	**54.3**	**63.6**	**(14.6)%**
Total cash cost produced, US$/oz	**623.0**	**525.9**	**18.5%**

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

The increase in cash costs per ounce produced of US$97.1 from US$525.9 in the nine months ended 30 September 2009 to US$623.0 in the nine months ended 30 September 2010 was primarily due to the head grade decrease and the strengthening of the rouble against the US dollar.

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

Somita

The Somita segment comprises the Taparko mine in Burkina Faso. The table below presents a summary of the key performance indicators at the Taparko mine for the nine months ended 30 September 2010 and 2009.

Taparko — KPIs for the nine months ended 30 September 2010 and 2009[1]

	Nine months ended 30 September		Per cent. change
	2010	2009	
Ore mined (Kt)	962.7	524.0	83.7%
Ore milled (Kt)	912.1	518.4	75.9%
Head grade (g/t)	3.3	4.3	(22.7)%
Mill recovery	91.4%	93.1%	(1.8)%
Gold ounces produced (Koz)	90.9	65.3	39.2%
Gold ounces sold (Koz)	90.9	65.3	39.2%
Revenue (US$M)	107.0	62.5	71.2%
Normalised EBITDA (US$M)[2]	71.9	29.9	140.9%
Cash costs/ounce produced (US$/oz)[2]	379.3	481.0	(21.2)%

(1) The Group held a 52 per cent. effective economic interest in the Taparko mine in the nine months ended 30 September 2009 and a 63 per cent. effective economic interest in the nine months ended 30 September 2010 due to minority interests in High River Gold and its subsidiaries through which it owns Taparko.

(2) Unaudited.

Ore mined increased by 438.7 Kt from 524.0 Kt in the nine months ended 30 September 2009 to 962.7 Kt in the nine months ended 30 September 2010, due to increased ball mill capacity.

Ore milled increased by 393.7 Kt from 518.4 Kt in the nine months ended 30 September 2009 to 912.1 Kt in the nine months ended 30 September 2010, due to increased ball mill productivity from approximately 80-100 tonnes per hour to 160-170 tonnes per hour. Head grade decreased by 1.0 g/t from 4.3 g/t in the nine months ended 30 September 2009 to 3.3 g/t in the nine months ended 30 September 2010. Mill recovery decreased by 1.7 percentage points from 93.1 per cent. in the nine months ended 30 September 2009 to 91.4 per cent. in the nine months ended 30 September 2010 due to more coarse grinding resulting from higher ball mill productivity.

Gold ounces produced and gold ounces sold both increased by 25.6 Koz from 65.3 Koz in the nine months ended 30 September 2009 to 90.9 Koz in the nine months ended 30 September 2010, due to higher ore milled volumes.

Revenue increased by US$44.5 million from US$62.5 million in the nine months ended 30 September 2009 to US$107.0 million in the nine months ended 30 September 2010 as a result of higher production volumes and higher gold prices. Normalised EBITDA increased by US$42.0 million from US$29.9 million in the nine months ended 30 September 2009 to US$71.9 million in the nine months ended 30 September 2010, due to a positive scale effect (economy of fixed costs on higher volumes), decreasing gasoil and heavy fuel oil prices and devaluation of the CFA franc against the US dollar.

Total cash costs per ounce produced decreased by US$101.7 from US$481.0 in the nine months ended 30 September 2009 to US$379.3 in the nine months ended 30 September 2010 for the reasons noted below in the discussion of total cash costs.

The table below presents the breakdown of cost of sales for the Taparko mine for the nine months ended 30 September 2010 and 2009.

Taparko cost of sales for the nine months ended 30 September 2010 and 2009

Cost of Sales	Nine months ended 30 September 2010	Nine months ended 30 September 2009	Per cent. change
		(US$ 000)	
Personnel costs	8,228	6,139	34.0%
Materials	3,302	2,609	26.5%
Fuel and energy	8,851	8,184	8.1%
Spare parts	5,834	5,847	(0.2)%
External services	1,965	1,253	56.8%
Other expenses	4,731	3,693	28.1%
Change in inventories	(3,324)	560	(693.5)%
Direct mining costs	**29,587**	**28,286**	**4.6%**
Depreciation and amortisation	10,084	14,193	(29.0)%
Cost of sales	**39,671**	**42,479**	**(6.6)%**

The increases in mining and milling volumes noted above caused a corresponding increase in direct mining costs, particularly in the cost of materials, fuel and energy and external services. In addition, personnel costs increased by US$2.1 million, from US$6.1 million in the nine months ended 30 September 2009 to US$8.2 million in the nine months ended 30 September 2010. The increase was principally due to a headcount increase and a salary increase reflecting the requirements of the collective agreement between Somita and employees signed at the end of 2009.

The slight increase in cost of sales is attributable to the Company's ability to reduce fixed costs despite production growth. Another significant offset to the increase in cost of sales related to a drop in fuel prices, which allowed the Company to reduce its energy fixed costs relating to production volumes.

In the nine months ended 30 September 2010, CFA franc-denominated costs constituted approximately two-thirds of Taparko's cost of sales and US dollar-denominated costs constituted approximately one-fifth, with the remaining cost of sales comprising costs denominated in euro, Canadian dollars, pounds sterling and South African rand.

The table below presents the total cash costs for the Taparko mine for the nine months ended 30 September 2010 and 2009.

Taparko total cash costs for the nine months ended 30 September 2010 and 2009[1]

	Nine months ended 30 September		Per cent. change
	2010	2009	
		(US$ 000)	
Cost of sales	**39,671**	**42,479**	**(6.6)%**
(Less)/plus items in income statement:			
Depreciation and amortisation	(10,084)	(14,193)	
Provision for asset retirement obligations	—	—	
Allowance for slow-moving and obsolete inventories	—	—	
Work-in-progress and finished goods fair value adjustment	—	(494)	
Unused vacation	(100)	(90)	
Employees' bonuses	(203)	(180)	
Exceptional items	—	(677)	
Change in finished goods (less items above capitalised in finished goods)	144	18	
Revenue of by-products	(387)	(145)	
Cost of production	**29,041**	**26,718**	**8.7%**
General and administrative expenses	**2,125**	**2,335**	**(9.0)%**
(Less)/plus items in income statement:			
Depreciation and amortisation	—	—	
Corporate overheads	—	—	
Allowance for bad debts	(148)	447	
Unused vacation	—	—	
Employees' bonuses	—	(90)	
Mining administrative expenses	**1,977**	**2,692**	**(26.6)%**
Taxes other than income tax	**3,321**	**1,996**	**66.4%**
Total cash cost	**34,339**	**31,405**	**9.3%**
Total gold produced, Koz	**90.5**	**65.3**	**38.7%**
Total cash cost produced, US$/oz	**379.3**	**481.0**	**(21.2)%**

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

Due to the increase in production levels at Taparko, in the nine months ended 30 September 2010, the total cash cost amounted to US$34.3 million, an increase of US$2.9 million over US$31.4 million in the nine months ended 30 September 2009. Total cash costs per ounce produced sharply decreased due to economies on fixed costs despite the 39.2 per cent. growth of production due to the increased production efficiency of the gold-extracting mill.

The depreciation charge decreased from US$14.2 million in the nine months ended 30 September 2009 to US$10.1 million in the nine months ended 30 September 2010. This charge was deducted from total cash costs as it is a non-cash expense. In the nine months ended 30 September 2009, the exceptional expenses of US$0.7 million were primarily due to a broken mill. Management's view is that such expenses are not in line with general business activity and do not represent regular production expenses, and as such, they are deducted from cost of sales. General and administrative expenses increased primarily as a result of increased salaries of administrative personnel.

Results of operations for the years ended 31 December 2009 and 2008

Overview

KPIs

The table below provides a summary of the KPIs of the Group broken out by mine (apart from Buryatzoloto, the segment which comprises the Irokinda and Zun-Holba mines, where both mines are presented collectively in one column) for 2009 and 2008. Where the name of segments differs from the names of their mines, the segment name appears in italics above the mine name.

		Neryungri-Metallik and Aprelkovo		Celtic and Semgeo		Somita	Buryatzoloto		
		Neryungri	Aprelkovo	Suzdal	Other[1]	Taparko	Irokinda and Zun-Holba	Berezitovy	Total
Production									
Volume mined									
(Kt)	2009	2,230.4	1,585.8	340.0	253.6	813.9	625.6	1,341.6	**7,190.9**
	2008	1,526.4	862.9	331.0	—	1.0	48.1	73.5	**2,842.9**
	% change . . .	*46.1%*	*83.8%*	*2.7%*	—	—	—	—	**—**
Volume milled									
(Kt)	2009	2,251.2	1,703.5	317.4	598.8	814.5	631.8	1,091.6	**7,408.9**
	2008	1,676.9	1,351.4	302.0	—	52.1	42.4	85.0	**3,509.5**
	% change . . .	*34.2%*	*26.1%*	*5.1%*	—	—	—	—	**—**
Head grade									
(g/t)	2009	1.1	1.0	13.4	—	4.0	7.9	2.8	**2.8**
	2008	1.1	1.0	14.5	—	3.0	8.3	2.5	**2.3**
	% change . . .	*(0.8)%*	*3.3%*	*(7.9)%*	—	—	—	—	**—**
Mill recovery	2009	75.0%	70.7%	74.8%	—	94.9%	92.7%	87.3%	**80.7%**
	2008	75.0%	74.4%	71.8%	—	91.4%	95.4%	85.9%	**75.3%**
	% change . . .	*0%*	*(5.0)%*	*4.2%*	—	—	—	—	**—**
Gold produced									
(Koz)	2009	50.2	28.9	103.3[2]	12.0	97.7[3]	154.6[3]	87.3[3]	**534.0[4]**
	2008	37.5	29.7	102.9[2]	2.2	5.3	9.9	5.3	**192.8**
	% change . . .	*34.0%*	*(2.8)%*	*0.3%*	—	—	—	—	**—**
Gold sold									
(Koz)	2009	46.5	28.3	—[5]	115.3	97.7[3]	147.1[3]	86.7[3]	**521.6[6]**
	2008	48.3	39.8	—[5]	102.3	5.3	14.5	4.4	**214.6**
	% change . . .	*(3.9)%*	*(28.8)%*	—	*12.7%*	—	—	—	**—**

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

(2) This amount represents gold content in doré.

(3) Amounts include the gold equivalent of silver produced at the mine.

(4) The total includes 0.6 Koz of gold produced from other operations as well as the gold equivalent of silver produced by the Group.

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

(6) The total includes 0.6 Koz of gold sold from other operations as well as the gold equivalent of silver produced by the Group.

		Neryungri-Metallik and Aprelkovo		Celtic and Semgeo		Somita	Buryatzoloto			
		Neryungri	Aprelkovo	Suzdal	Other[1]	Taparko	Irokinda and Zun-Holba	Berezitovy	Other[2]	Total
Financial										
Sales (external) (US$M)[3]	2009	47.4	29.1	—[3]	114.1	99.1	143.7	84.1	—	**517.6**
	2008	42.7	35.8	—[3]	92.4	4.3	12.2	3.6	—	**191.0**
	% change	*11.0%*	*(18.7)%*	—	*23.5%*	—	—	—	—	**—**
Total cash cost per ounce produced (US$/oz) (unaudited)	2009	538.7	665.4	397.9[4]	—	484.2	412.0	544.2	—	**477.4**
	2008	529.6	586.2	376.4[4]	—	506.4[5]	550.2[5]	913.4[5]	—	**485.0**
	% change	*1.7%*	*13.6%*	*5.7%*	—	—	—	—	—	**—**
Cash flows from operations (US$M)	2009	13.6	10.1	79.7	(13.7)	44.6	79.1	28.6	(3.1)	**239.0**
	2008	8.4	7.5	27.1	14.9	(1.2)	4.2	(0.1)	(6.0)	**54.8**
	% change	*61.9%*	*34.7%*	*194.1%*	*(191.9)%*	—	—	—	—	**—**
Normalised EBITDA (US$M) (unaudited)	2009	15.6	7.5	59.6	0.9	50.0	69.6	36.8	(3.6)	**236.3**
	2008	16.3	12.0	48.7	(5.4)	0.4	(0.7)	0.1	(1.6)	**69.8**
	% change	*(4.2)%*	*(37.5)%*	*22.4%*	*116.7%*	—	—	—	—	**—**
Capital expenditure (US$M)	2009	28.1	4.9	25.7	2.2	5.6	13.4	11.9	7.9	**99.8**
	2008	34.0	13.3	33.4	1.2	1.7	2.6	0.4	12.2	**98.6**
	% change	*17.3%*	*(63.2)%*	*(23.1)%*	*83.3%*	—	—	—	—	**—**

Note: Total cash cost per ounce produced and Normalised 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) Total cash cost per ounce produced information for the Taparko, Irokinda and Zun-Holba and Berezitovy mines reflects only one month of 2008, rather than a full year, due to the acquisition of a controlling interest in High River Gold in late 2008.

Revenue

Revenue of the Group increased from US$191.0 million in 2008 to US$517.6 million in 2009. This increase was primarily the result of the inclusion of the sales of gold produced in the Buryatzoloto, Berezitovy and Somita segments. Excluding the effect of acquisition, revenue increased by US$19.7 million from US$171.0 million to US$190.7 million, which was caused by the increase in the average realised gold sales price partially offset by a decrease of quantity of ounce sold from 190 Koz to 189 Koz. The average realised gold sales price was US$890/oz in 2008 and US$992/oz in 2009.

Cost of sales

The Group's cost of sales increased from US$140.0 million in 2008 to US$309.4 million in 2009. A primary factor for the increase in costs was the acquisition of High River Gold at the end of 2008. Excluding the effect of acquisition, cost of sales increased by 4.9 per cent. from US$119.2 million to US$125.0 million and it was in line with sales growth. At the same time, as the acquired assets are more effective, cash cost per ounce of gold produced decreased 1.7 per cent. in 2009 as compared to 2008. The table below shows a breakdown of the Group's cost of sales in 2009 and 2008.

Consolidated cost of sales for 2009 and 2008

Cost of Sales	Year ended 31 December 2009	Year ended 31 December 2008	Per cent. change
	(US$ 000)		
Personnel costs	78,962	25,974	204.0%
Materials	48,604	20,424	138.0%
Fuel and energy	39,962	16,042	149.1%
Spare parts	26,288	8,500	209.3%
External services	25,107	17,594	42.7%
Other expenses	14,599	5,073	187.6%
Change in inventories	(10,029)	4,716	(312.7)%
Direct mining costs	**223,493**	**98,323**	**127.3%**
Depreciation and amortisation	85,911	41,645	106.3%
Cost of sales	**309,404**	**139,968**	**121.1%**

For detailed analysis of changes in elements of cost of sales please refer to "— *Financial performance by segment*" below.

General and administrative expenses

The table below presents a breakdown of general and administrative expenses for the Group for 2009 and 2008.

Group general and administrative expenses for 2009 and 2008

	Year ended 31 December 2009	Year ended 31 December 2008	Per cent. change
	(US$ 000)		
Labour costs	11,829	10,479	12.9%
Services	11,141	6,016	85.2%
Other expenses	2,452	712	244.4%
Other materials	673	486	38.5%
Depreciation and amortisation	480	265	81.1%
Bad debt provision charges	(60)	(5,963)	99.0%
Total	**26,515**	**11,996**	**121.0%**

General and administrative expenses increased by US$14.5 million from US$12.0 million in 2008 to US$26.5 million in 2009. The increase was primarily due to expenses associated with professional services paid during the corporate restructuring of High River Gold in 2009 and a change in bad debt provision due to repayment of accounts receivable in 2008 which had zero appraised value at the acquisition of Celtic Resources in 2007.

Taxes other than income tax

The table below presents a breakdown of taxes other than income tax for the Group for 2009 and 2008.

Group taxes other than income tax for 2009 and 2008

Taxes other than income tax	Year ended 31 December 2009	Year ended 31 December 2008	Per cent. change
	(US$ 000)		
Mining tax	30,808	5,959	417.0%
Property tax	3,694	1,436	157.2%
Other taxes	1,858	1,604	15.8%
Total	**36,361**	**8,999**	**304.1%**

Taxes other than income taxes increased by US$27.4 million from US$9.0 million in 2008 to US$36.4 million in 2009. The increase is related primarily to mining tax. Mining tax accrual was in line with the quantity of gold produced or sold (depending on the tax jurisdiction where the operating segment is located) and the average realised prices which are used as a basis for tax accrual.

Other operating (expenses)/income, net

Other operating (expenses)/income, net decreased by US$81.9 million from income of US$75.2 million in 2008 to an expense of US$6.7 million in 2009. The decrease was primarily due to effect of negative goodwill in the amount of US$75.3 million associated with the acquisition of High River Gold in 2008.

Financial (expenses)/income

Financial income decreased from US$52.9 million in 2008 to US$4.9 million in 2009 due to a net foreign exchange gain in the amount of US$50.6 million which mainly relates to the revaluation of RUR-denominated borrowings in 2008.

Financial expenses increased from US$46.1 million in 2008 to US$144.1 million in 2009 due to a net foreign exchange loss in the amount of US$81.6 million and an increase of interest expense by US$18.9 million. The foreign exchange loss resulted mainly from the revaluation of US dollar based borrowing at Berezitovy, Suzdal and Buryatzoloto caused by a depreciation of the tenge and the rouble against the US dollar and the revaluation of US dollar denominated financial assets at High River Gold caused by depreciation of the US dollar against the Canadian dollar.

The table below presents a breakdown of interest expense by types of borrowers of the Group for 2009 and 2008.

Interest expense	Year ended 31 December 2009	Year ended 31 December 2008	Per cent. Change
Interest expense on related party debt financing	45,080	34,748	29.7%
Interest expense on third party debt financing	17,428	8,827	97.4%
Total	**62,508**	**43,575**	**43.4%**

Interest expense increased by US$18.9 million due to inclusion of the results of High River Gold, which has debt financing mainly from third parties.

Income tax (expense)/benefit

In 2008, the Group had an income tax benefit of US$14.6 million as compared to an income tax expense of US$20.9 million in 2009. The current tax expense charge increased from US$14.4 million in 2008 to US$15.4 million in 2009, but as a result of a change in the income tax rates in Kazakhstan and the Russian Federation in 2008, the Group recalculated deferred tax balances and recognised benefit in the consolidated income statement in the amount of US$19.6 million.

(Loss)/profit for the period

As a result of the factors discussed above, the Group had a net profit for the period of US$126.5 million in 2008 and net loss for the period of US$21.5 million in 2009.

(Loss)/profit attributable to non-controlling interest

(Loss)/profit attributable to non-controlling interest increased from a loss of US$2.3 million in 2008 to a profit of US$8.4 million in 2009 because of the improvements in the results of operations of the Berezitovy, Buryatzoloto and Somita segments.

Financial performance by segment

Below follows a comparison of the mines of the Neryungri-Metallik and Aprelkovo and Celtic segments, which constitute the mines the Group owned and operated for the periods under review. In addition, there is a description of the performance of the Buryatzoloto, Berezitovy and Somita segments (the segments represented by the Group's controlling interest in High River Gold) for 2009.

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 2009 and 2008.

Neryungri — KPIs for 2009 and 2008[1]

	Year ended 31 December		Per cent. change
	2009	2008	
Ore mined (Kt)	2,230.4	1,526.4	46.1%
Ore milled (Kt)	2,251.2	1,676.9	34.2%
Head grade (g/t)	1.1	1.1	(0.8)%
Mill recovery	75.0%	75.0%	0%
Gold ounces produced (Koz)	50.2	37.5	34.0%
Gold ounces sold (Koz)	46.5	48.3	(3.9)%
Revenue (US$M)	47.4	42.7	11.0%
Normalised EBITDA (US$M)[2]	15.6	16.3	(4.2)%
Cash costs/ounce produced (US$/oz)[2]	538.7	529.6	1.7%

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

(2) Unaudited.

Ore mined increased by 704.0 Kt from 1,526.4 Kt in 2008 to 2,230.4 Kt in 2009, and ore milled increased by 574.3 Kt from 1,676.9 Kt in 2008 to 2,251.2 Kt in 2009. These increases are attributable to an increased production initiative undertaken by management, which also saw the investment in upgrades to equipment. Head grade and mill recovery remained broadly flat across the periods.

Gold ounces produced increased by 12.7 Koz from 37.5 Koz in 2008 to 50.2 Koz in 2009, due to the increase in ore milled. Gold ounces sold decreased by 1.8 Koz from 48.3 Koz in 2008 to 46.5 Koz in 2009 due to a significant surplus of finished goods at the end of 2007 and the subsequent sale of these finished goods in 2008.

Revenue increased by US$4.7 million from US$42.7 million in 2008 to US$47.4 million in 2009 as a result of an increase in the average price of gold, offset by the decrease in the volume of gold sold.

An increase in the stripping ratio of the mine and an overall increase in cost of sales led to an increase in cash costs per ounce produced by US$9.1 from US$529.6 in 2008 to US$538.7 in 2009 and accordingly to a slight decrease of Normalised EBITDA by US$0.7 million from US$16.3 million in 2008 to US$15.6 million in 2009.

The table below presents the breakdown of cost of sales for the Neryungri mine for 2009 and 2008.

Neryungri cost of sales for 2009 and 2008

	Year ended 31 December		Per cent. change
	2009	2008	
		(US$ 000)	
Personnel costs	9,239	7,923	16.6%
Materials	5,204	3,019	72.4%
Fuel and energy	7,198	7,425	(3.1)%
Spare parts	2,936	3,608	(18.6)%
External services	3,640	578	529.5%
Change in obsolescence provision	1,530	168	810.7%
Other expenses	2,158	1,165	85.2%
Change in inventories	(7,306)	(2,031)	(259.8)%
Direct mining costs	**24,599**	**21,855**	**12.6%**
Depreciation and amortisation	6,625	6,607	0.3%
Cost of sales	**31,224**	**28,461**	**9.7%**

Personnel costs increased by US$1.3 million, from US$7.9 million in 2008 to US$9.2 million in 2009. The increase was principally due to an increase in personnel (attributable to the increase in ore mined and milled) and an annual increase in individual salaries.

The cost of materials increased by US$2.2 million, from US$3.0 million in 2008 to US$5.2 million in 2009. The increase was principally due to the increase in ore mined and milled and an increase in blasting supplies, as this work had previously been conducted by third parties and since 2009 has been handled by employees.

Fuel and energy costs decreased by US$0.2 million, from US$7.4 million in 2008 to US$7.2 million in 2009. The decrease was attributable to a decrease in fuel prices.

The cost of spare parts decreased by US$0.7 million, from US$3.6 million in 2008 to US$2.9 million in 2009. The decrease was principally due to an equipment upgrade process which began in 2008 and which continues to the present time, with the majority of necessary spares purchased in 2008.

The cost of external services increased by US$3.0 million, from US$0.6 million in 2008 to US$3.6 million in 2009. The increase was principally due to the commencement of drilling and blasting works in 2009, for which the Group hired third party service providers.

The change in obsolescence represents expenses related to the change in the allowance for obsolete inventory (in relation to raw materials). According to IFRS policy, the Group provides an allowance for all inventories (except spare parts) aged more than one year; therefore, a change in the allowance for obsolete inventories in the amount of US$1.5 million was recognised in 2009.

The table below presents the total cash costs for the Neryungri mine for 2009 and 2008.

Neryungri total cash costs for 2009 and 2008[1]

	Year ended 31 December		Per cent. change
	2009	2008	
		(US$ 000)	
Cost of sales	**31,224**	**28,461**	**9.7%**
(Less)/plus items in income statement:			
Depreciation and amortisation	(6,625)	(6,607)	
Provision for asset retirement obligations	(1,328)	(343)	
Allowance for slow-moving and obsolete inventories	(1,135)	(156)	
Work-in-progress and finished goods fair value adjustment	(146)	(2,422)	
Unused vacation	(1,326)	(777)	
Employees' bonuses	(277)	(188)	
Exceptional items	—	—	
Change in finished goods (less items above capitalised in finished goods)	1,435	(2,781)	
Revenue of by-products	—	(30)	
Cost of production	**21,822**	**15,157**	**44.0%**
General and administrative expenses	**3,402**	**2,714**	**25.3%**
(Less)/plus items in income statement:			
Depreciation and amortisation	(33)	(32)	
Corporate overheads	(1,621)	—	
Allowance for bad debts	(3)	(29)	
Unused vacation	(226)	(286)	
Employees' bonuses	(40)	(64)	
Exceptional items	—	—	
Mining administrative expenses	**1,479**	**2,302**	**(35.8)%**
Taxes other than income tax	**3,757**	**2,389**	**57.3%**
Total cash cost	**27,058**	**19,849**	**36.3%**
Total gold produced, Koz	**50.2**	**37.5**	**34.0%**
Total cash cost produced, US$/oz	**538.7**	**529.6**	**1.7%**

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

An increase in the stripping ratio of the mine and an overall increase in cost of sales were the main reasons for the slight increase in cash costs per ounce produced by US$9.1 from US$529.6 in 2008 to US$538.7 in 2009.

Changes in the amounts of non-cash items have not significantly affected changes in the 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 2009 and 2008.

Aprelkovo — KPIs for 2009 and 2008[1]

	Year ended 31 December		Per cent. change
	2009	2008	
Ore mined (Kt)	1,585.8	862.9	83.8%
Ore milled (Kt)	1,703.5	1,351.4	26.1%
Head grade (g/t)	1.0	1.0	3.3%
Mill recovery	70.7%	74.4%	(5.0)%
Gold ounces produced (Koz)	28.9	29.7	(2.8)%
Gold ounces sold (Koz)	28.3	39.8	(28.8)%
Revenue (US$M)	29.1	35.8	(18.7)%
Normalised EBITDA (US$M)[2]	7.5	12.0	(37.5)%
Cash costs/ounce produced (US$/oz)[2]	665.4	586.2	13.6%

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

(2) Unaudited.

Ore mined increased by 722.9 Kt from 862.9 Kt in 2008 to 1,585.8 Kt in 2009, and ore milled increased by 352.1 Kt from 1,351.4 Kt in 2008 to 1,703.5 Kt in 2009. These increases are attributable to an increased production initiative undertaken by management, which also saw the investment in upgrades to equipment.

Head grade remained broadly flat across the periods. Mill recovery decreased by 3.7 percentage points from 74.4 per cent. in 2008 to 70.7 per cent. in 2009, due to a decrease in the amount of oxidised ore and the increasing prevalence of sulphide ore.

Gold ounces produced decreased by 0.8 Koz from 29.7 Koz in 2008 to 28.9 Koz in 2009, due to a decrease in the mill recovery, which was offset by an increase in ore milled. Gold ounces sold decreased by 11.5 Koz from 39.8 Koz in 2008 to 28.3 Koz in 2009 due to a significant surplus of finished goods at the end of 2007, which were subsequently sold in 2008.

Revenue decreased by US$6.7 million from US$35.8 million in 2008 to US$29.1 million in 2009 as a result of an increase in the average price of gold, offset by a decrease in the volume of gold sold. Normalised EBITDA decreased by US$4.5 million from US$12.0 million in 2008 to US$7.5 million in 2009.

Cash costs per ounce produced increased by US$79.2 from US$586.2 in 2008 to US$665.4 in 2009 due to an overall increase in cost of sales and the decrease in mill recovery.

The table below presents the breakdown of cost of sales for the Aprelkovo mine for 2009 and 2008.

Aprelkovo cost of sales for 2009 and 2008

	Year ended 31 December		Per cent. change
	2009	2008	
		(US$ 000)	
Personnel costs	6,069	5,812	4.4%
Materials	4,417	4,078	8.3%
Fuel and energy	3,665	3,424	7.0%
Spare parts	1,249	1,539	(18.8)%
External services	1,988	5,186	(61.7)%
Other expenses	1,987	1,069	85.9%
Change in inventories	(591)	(1,231)	52.0%
Direct mining costs	**18,785**	**19,876**	**(5.5)%**
Depreciation and amortisation	6,849	4,802	42.6%
Cost of sales	**25,634**	**24,678**	**3.9%**

Personnel costs increased by US$0.3 million, from US$5.8 million in 2008 to US$6.1 million in 2009. The increase was principally due to an increase in personnel (attributable to the increase in ore mined and milled) and an annual increase in individual salaries.

The cost of materials increased by US$0.3 million, from US$4.1 million in 2008 to US$4.4 million in 2009. The increase was principally due to the increase in ore mined and milled and an increase in blasting supplies, as this work had previously been conducted by third parties and since 2009 has been handled by employees. In addition, there was an increase in lime consumption, needed to process the thick, rough ore at Aprelkovo, and this increase attributable to the increase in ore milled.

Fuel and energy costs increased by US$0.3 million, from US$3.4 million in 2008 to US$3.7 million in 2009. The increase was principally due to an increase in the volume of electricity consumed attributable to the increase in ore mined and milled, as well as a slight electricity tariff increase.

The cost of spare parts decreased by US$0.3 million, from US$1.5 million in 2008 to US$1.2 million in 2009. The decrease was principally due to an equipment upgrade process which began in 2008 and which continues to the present time, with the majority of necessary spares purchased in 2008 rather than 2009.

The cost of external services decreased by US$3.2 million, from US$5.2 million in 2008 to US$2.0 million in 2009. The decrease was principally due to a move from using third parties for blasting and drilling to utilising the mine's employees instead.

The table below presents the total cash costs for the Aprelkovo mine for 2009 and 2008.

Aprelkovo total cash costs for 2009 and 2008[1]

	Year ended 31 December		Per cent. change
	2009	2008	
		(US$ 000)	
Cost of sales	**25,634**	**24,678**	**3.9%**
(Less)/plus items in income statement:			
Depreciation and amortisation	(6,849)	(4,802)	
Provision for asset retirement obligations	(1,471)	(213)	
Allowance for slow-moving and obsolete inventories	(163)	(12)	
Work-in-progress and finished goods fair value adjustment	(359)	(3,451)	
Unused vacation	(648)	(376)	
Employees' bonuses	(359)	(73)	
Exceptional items	—	—	
Change in finished goods (less items above capitalised in finished goods)	444	(2,075)	
Revenue of by-products	—	—	
Cost of production	**16,229**	**13,675**	**18.7%**
General and administrative expenses	**1,372**	**2,202**	**(37.7)%**
(Less)/plus items in income statement:			
Depreciation and amortisation	(47)	(43)	
Corporate overheads	(241)	(212)	
Allowance for bad debts	17	(46)	
Unused vacation	(58)	(137)	
Employees' bonuses	(29)	(20)	
Exceptional items	—	—	
Mining administrative expenses	**1,013**	**1,744**	**(41.9)%**
Taxes other than income tax	**1,988**	**1,990**	**(0.1)%**
Total cash cost	**19,230**	**17,410**	**10.5%**
Total gold produced, Koz	**28.9**	**29.7**	**(2.8)%**
Total cash cost produced, US$/oz	**665.4**	**586.2**	**13.6%**

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

Cash costs per ounce produced increased by US$79.2 from US$586.2 in 2008 to US$665.4 in 2009 due to an overall increase in cost of sales and a decrease in mill recovery. Changes in the amounts of non-cash items had not

significantly influenced changes in the 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, Zherek and Balazhal mines in Kazakhstan. This discussion focuses on the results of Suzdal only, 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 2009 and 2008.

Suzdal — KPIs for 2009 and 2008[1]

	Year ended 31 December		Per cent. change
	2009	2008	
Ore mined (Kt)	340.0	331.0	2.7%
Ore milled (Kt)	317.4	302.0	5.1%
Head grade (g/t)	13.4	14.5	(7.9)%
Mill recovery	74.8%	71.8%	4.2%
Gold ounces produced (Koz)[2]	103.3	102.9	0.3%
Gold ounces sold (Koz)[2]	107.4	104.0	3.2%
Revenue (US$M)[3]	104.7	91.5	14.4%
Normalised EBITDA (US$M)[4]	59.5	48.7	22.1%
Cash costs/ounce produced (US$/oz)[4]	397.9	376.4	5.7%

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

(2) Based on gold content in doré.

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

(4) Unaudited.

Ore mined increased by 9.0 Kt from 331.0 Kt in 2008 to 340.0 Kt in 2009, due to a significant expansion programme at Suzdal which began in 2008 and which is expected to be completed in the third quarter of 2010.

Ore milled increased by 15.4 Kt from 302.0 Kt in 2008 to 317.4 Kt in 2009, due to the expansion programme at Suzdal. Head grade decreased by 1.1 g/t from 14.5 g/t in 2008 to 13.4 g/t in 2009, due to a change in the geological conditions. Mill recovery increased by 3.0 percentage points from 71.8 per cent. in 2008 to 74.8 per cent. in 2009, due to the expansion programme, which improved the flotation process.

Gold ounces produced and sold decreased slightly from 2008 to 2009 due to the expansion programme of the mine and metallurgical plant.

Revenue increased by US$13.2 million from US$91.5 million in 2008 to US$104.7 million in 2009 as a result of an increase in the average price of gold sold. Normalised EBITDA increased by US$10.8 million from US$48.7 million in 2008 to US$59.5 million in 2009 due to the increase in revenue and a decrease in cost of sales.

Cash costs per ounce produced increased by US$21.5 from US$376.4 in 2008 to US$397.9 in 2009 mostly due to an increase in the mining tax as a cash cost. For more discussion, see below under the table of total cash costs.

The table below presents the breakdown of cost of sales for the Suzdal mine for 2009 and 2008.

Suzdal cost of sales for 2009 and 2008

	Year ended 31 December		Per cent. change
	2009	2008	
		(US$ 000)	
Personnel costs	8,359	8,017	4.3%
Materials	12,281	11,688	5.1%
Fuel and energy	2,800	3,106	(9.8)%
Spare parts	1,859	2,449	(24.1)%
External services	5,913	9,528	(37.9)%
Other expenses	1,557	1,223	27.3%
Change in inventories	959	1,518	(36.8)%
Direct mining costs	**33,728**	**37,529**	**(10.1)%**
Depreciation and amortisation	25,497	25,619	(0.5)%
Cost of sales	**59,225**	**63,148**	**(6.2)%**

Personnel costs increased by US$0.4 million, from US$8.0 million in 2008 to US$8.4 million in 2009. The increase was principally due to a slight increase in production personnel.

The cost of materials increased by US$0.6 million, from US$11.7 million in 2008 to US$12.3 million in 2009. The increase was principally due to the increase in production.

Fuel and energy costs decreased by US$0.3 million, from US$3.1 million in 2008 to US$2.8 million in 2009. The decrease was principally due to foreign exchange effects.

The cost of spare parts decreased by US$0.5 million, from US$2.4 million in 2008 to US$1.9 million in 2009. The decrease was principally due to the implementation of the efficiency initiatives.

The cost of external services decreased by US$3.6 million, from US$9.5 million in 2008 to US$5.9 million in 2009. The decrease was principally due to the decision to cease using contractors for drilling and to use employees of the mine instead.

The table below presents the total cash costs for the Suzdal mine for 2009 and 2008.

Suzdal total cash costs for 2009 and 2008[1]

	Year ended 31 December		Per cent. change
	2009	2008	
		(US$ 000)	
Cost of sales	**59,225**	**63,148**	**(6.2)%**
(Less)/plus items in income statement:			
Depreciation and amortisation	(25,497)	(25,619)	
Provision for asset retirement obligations	(253)	(33)	
Allowance for slow-moving and obsolete inventories	(330)	(44)	
Work-in-progress and finished goods fair value adjustment	(60)	(1,827)	
Unused vacation	(935)	(82)	
Employees' bonuses	(74)	—	
Exceptional items	(173)	—	
Change in finished goods (less items above capitalised in finished goods)	(1,243)	(2,770)	
Revenue of by-products	—	—	
Cost of production	**30,660**	**32,773**	**(6.4)%**
General and administrative expenses	**2,814**	**2,645**	**6.4%**
(Less)/plus items in income statement:			
Depreciation and amortisation	(36)	(43)	
Corporate overheads	—	—	
Allowance for bad debts	—	813	
Unused vacation	(132)	(140)	
Employees' bonuses	(105)	—	
Exceptional items	—	—	
Mining administrative expenses	**2,541**	**3,275**	**(24.4)%**
Taxes other than income tax	**7,888**	**2,682**	**194.2%**
Total cash cost	**41,090**	**38,729**	**6.1%**
Total gold produced, Koz	**103.3**	**102.9**	**0.4%**
Total cash cost produced, US$/oz	**397.9**	**376.4**	**5.7%**

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

The work-in-progress and finished goods fair value adjustment change of US$1.7 million from US$1.8 million to US$0.1 million in 2009 was primarily due to the IFRS 3 fair value adjustment having already been included in the cost of finished goods in 2008. Due to a change in the mining tax rate in 2009, the mining tax expense increased from 2008 to 2009. Consequently, the amount of taxes other than income tax increased by US$5.2 million from US$2.7 million in 2008 to US$7.9 million in 2009. The increase in mining tax significantly influenced the total cash cost per ounce produced, which increased by 5.7 per cent from US$376.4 per ounce in 2008 to US$397.9 per ounce.

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 2009. No comparison to 2008 is provided as the Group did not acquire an interest in the Buryatzoloto segment until late 2008.

Buryatzoloto — KPIs for 2009[1]

	Year ended 31 December 2009
Ore mined (Kt)	625.6
Ore milled (Kt)	631.8
Head grade (g/t)	7.9
Mill recovery	91.6%
Gold ounces produced (Koz)[2]	154.6
Gold ounces sold (Koz)[2]	147.1
Revenue (US$M)	143.7
Normalised EBITDA (US$M)[3]	69.6
Cash costs/ounce produced (US$/oz)[3]	412.0

(1) The Group consolidated the results of Buryatzoloto but had held a 43 per cent. indirect effective economic interest in Buryatzoloto in 2009 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.

(3) Unaudited.

In 2009, the processing capacity at the Zun-Holba mine was increased. The objective of the increase is to facilitate overall increased production and a decrease in cash costs. The overall number of employees for the segment was also decreased, which should lead to a reduction in personnel costs.

The table below presents the breakdown of cost of sales for Buryatzoloto for 2009.

Buryatzoloto cost of sales for 2009

	Year ended 31 December 2009
	(US$ 000)
Personnel costs	32,207
Materials	9,902
Fuel and energy	7,038
Spare parts	3,394
External services	5,938
Other expenses	130
Change in obsolescence provisions	(1,682)
Change in inventories	3,297
Direct mining costs	**60,224**
Depreciation and amortisation	13,153
Cost of sales	**73,377**

The table below presents the total cash costs for Buryatzoloto for 2009.

Buryatzoloto total cash costs for 2009[1]

	Year ended 31 December 2009
	(US$ 000)
Cost of sales	**73,377**
(Less)/plus items in income statement:	
Depreciation and amortisation	(13,153)
Provision for asset retirement obligations	—
Allowance for slow-moving and obsolete inventories	1,750
Work-in-progress and finished goods fair value adjustment	(3,631)
Unused vacation	(3,866)
Employees' bonuses	(2,083)
Exceptional items	—
Change in finished goods (less items above capitalised in finished goods)	1,585
Revenue of by-products	(3,881)
Cost of production	**50,099**
General and administrative expenses	**4,840**
(Less)/plus items in income statement:	
Depreciation and amortisation	(223)
Corporate overheads	(193)
Allowance for bad debts	(343)
Unused vacation	(1,159)
Employees' bonuses	(922)
Exceptional items	—
Mining administrative expenses	**1,999**
Taxes other than income tax	**9,954**
Total cash cost	**62,052**
Total gold produced, Koz	**150.6**
Total cash cost produced, US$/oz	**412.0**

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

Berezitovy

The Berezitovy segment comprises a mine in the Russian Federation. The table below presents a summary of the key performance indicators for the Berezitovy segment for 2009. No comparison to 2008 is provided as the Group did not acquire an interest in the Berezitovy segment until late 2008.

Berezitovy — KPIs for 2009[1]

	Year ended 31 December 2009
Ore mined (Kt)	1,341.6
Ore milled (Kt)	1,091.6
Head grade (g/t)	2.8
Mill recovery	87.3%
Gold ounces produced (Koz)[2]	87.3
Gold ounces sold (Koz)[2]	86.7
Revenue (US$M)	84.1
Normalised EBITDA (US$M)[3]	36.8
Cash costs/ounce produced (US$/oz)[3]	544.2

(1) The Group held a 50 per cent. indirect effective economic interest in Berezitovy in 2009 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.

(3) Unaudited.

In 2009, ore mined increased at Berezitovy, and development programmes are underway at the mine to increase production going forward, including the installation of a second ball mill and the expansion of the tailings water filter system to keep the mine operating reliably.

The table below presents the breakdown of cost of sales for the Berezitovy mine for 2009.

Berezitovy cost of sales for 2009

Cost of Sales	Year ended 31 December 2009
	(US$ 000)
Personnel costs	12,433
Materials	10,711
Fuel and energy	7,088
Spare parts	8,241
External services	2,499
Other expenses	571
Change in obsolescence provision	625
Change in inventories	(4,252)
Direct mining costs	**37,915**
Depreciation and amortisation	11,992
Cost of sales	**49,907**

The table below presents the total cash costs for the Berezitovy mine for 2009.

Berezitovy total cash costs for 2009[1]

	Year ended 31 December 2009
	(US$ 000)
Cost of sales	**49,907**
(Less)/plus items in income statement:	
Depreciation and amortisation	(11,992)
Provision for asset retirement obligations	(104)
Allowance for slow-moving and obsolete inventories	(147)
Work-in-progress and finished goods fair value adjustment	2,428
Unused vacation	(1,231)
Employees' bonuses	—
Exceptional items	(44)
Change in finished goods (less items above capitalised in finished goods)	70
Revenue of by-products	(1,088)
Cost of production	**37,800**
General and administrative expenses	**1,956**
(Less) items in income statement:	
Depreciation and amortisation	(51)
Corporate overheads	—
Allowance for bad debts	(312)
Unused vacation	(66)
Employees' bonuses	—
Exceptional items	—
Mining administrative expenses	**1,526**
Taxes other than income tax	**7,561**
Total cash cost	**46,887**
Total gold produced, Koz	**86.1**
Total cash cost produced, US$/oz	**544.2**

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

Somita

The Somita segment comprises the Taparko mine in Burkina Faso. The table below presents a summary of the key performance indicators for the Somita segment for 2009. No comparison to 2008 is provided as the Group did not acquire an interest in the Somita segment until late 2008.

Taparko — KPIs for 2009[1]

	Year ended 31 December 2009
Ore mined (Kt)	813.9
Ore milled (Kt)	814.5
Head grade (g/t)	4.0
Mill recovery	94.9%
Gold ounces produced (Koz)[2]	97.7
Gold ounces sold (Koz)[2]	97.7
Revenue (US$M)	99.1
Normalised EBITDA (US$M)[3]	50.0
Cash costs/ounce produced (US$/oz)[3]	484.2

(1) The Group consolidated the results of Taparko but had held a 43 per cent. indirect effective economic interest in Taparko in 2009 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.

(3) Unaudited.

In 2009, a number of initiatives were undertaken at the Taparko mine in order to increase production, which is expected to reduce cash costs despite an increase in cost of sales due to an increase in personnel costs and other operating costs.

The table below presents the breakdown of cost of sales for the Taparko mine for 2009.

Taparko cost of sales for 2009

	Year ended 31 December 2009
	(US$ 000)
Personnel costs	9,332
Materials	3,908
Fuel and energy	11,601
Spare parts	8,571
External services	1,772
Other expenses	5,856
Change in inventories	394
Direct mining costs	**41,434**
Depreciation and amortisation	19,735
Cost of sales	**61,169**

The table below presents the total cash costs for the Taparko mine for 2009.

Taparko total cash costs for 2009[1]

	Year ended 31 December 2009
	(US$ 000)
Cost of sales	**61,169**
(Less)/plus items in income statement:	
Depreciation and amortisation	(19,735)
Provision for asset retirement obligations	—
Allowance for slow-moving and obsolete inventories	—
Work-in-progress and finished goods fair value adjustment	(494)
Unused vacation	(291)
Employees' bonuses	(614)
Exceptional items	(678)
Change in finished goods (less items above capitalised in finished goods)	87
Revenue of by-products	(267)
Cost of production	**39,177**
General and administrative expenses	**3,397**
Plus items in income statement:	
Depreciation and amortisation	—
Corporate overheads	—
Allowance for bad debts	701
Unused vacation	—
Employees' bonuses	(121)
Exceptional items	(250)
Mining administrative expenses	**3,727**
Taxes other than income tax	**4,287**
Total cash cost	**47,190**
Total gold produced, Koz	**97.5**
Total cash cost produced, US$/oz	**484.2**

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

Liquidity and capital resources

Cash resources

The Group's primary source of liquidity for its operations is cash provided by its operating activities. In order to assess the Group's liquidity position, management uses a non-IFRS 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. For more information, see notes 12 and 20 to the financial statements included in Section A of Appendix 1 "Financial Information".

The table below provides a breakdown of net (debt)/cash of the Group for the nine month periods ended 30 September 2010 and 2009.

Net cash/(debt) of the Group for the nine months ended 30 September 2010 and 2009

	As at 30 September		Per cent.
	2010	2009	change
		(US$ 000)	
Cash and cash equivalents	162,245	47,455	241.9%
Third party short-term debt	(69,389)	(66,920)	3.7%
Related party short-term debt	(289,798)	(265,884)	9.0%
Total short-term debt	(359,187)	(332,804)	7.9%
Short-term lease liabilities	(718)	(2,655)	(73.0)%
Third party long-term debt	(67,540)	(28,092)	140.4%
Related party long-term debt	—	(270,405)	—
Long-term debt	(67,540)	(298,497)	(77.4)%
Long-term lease liabilities	(113)	(746)	(84.9)%
Net debt	**(265,313)**	**(587,247)**	**(54.8)%**
Short-term loans issued to related parties	12,836	53,524	76.0%
Long-term loans issued to related parties	27,101	—	—
Total loans issued to related parties	39,937	53,524	25.4%
Adjusted net debt	**(225,376)**	**(533,723)**	**(57.8)%**

Net debt decreased to US$265.3 million as at 30 September 2010 from US$587.2 million as at 30 September 2009 due to increased cash and overall lower debt obligations, due to the increase in cash from operating activities on the acquisition of the Buryatzoloto, Berezitovy, Somita segments in late 2008 and the acquisition of the Crew Gold segment in July 2010, the increased average realised gold price and the decrease in debt due to the repayment of indebtedness.

The table below provides a breakdown of net cash/(debt) of the Group for the years ended 31 December 2009 and 2008.

Net cash/(debt) of the Group for 2009 and 2008

	As at 31 December		Per cent.
	2009	2008	change
		(US$ 000)	
Cash and cash equivalents	90,623	25,566	254.5%
Third party short-term debt	(61,005)	(122,199)	(50.1)%
Related party short-term debt	(114,411)	(116,319)	(1.6)%
Total short-term debt	(175,416)	(238,518)	(26.5)%
Short-term lease liabilities	(1,891)	(4,068)	(53.5)%
Third party long-term debt	(23,913)	(41,364)	(42.2)%
Related party long-term debt	(31,962)	(321,535)	(90.1)%
Total long-term debt	(55,875)	(362,899)	(84.6)%
Long-term lease liabilities	(594)	(2,214)	(73.2)%
Net debt	**(143,153)**	**(582,133)**	**(75.4)%**
Short-term loans issued to related parties	17,005	222	—
Long-term loans issued to related parties	47,475	33,824	40.4%
Total loans issued to related parties	64,480	34,046	89.4%
Adjusted net debt	**(78,673)**	**(548,087)**	**(85.6)%**

Net debt decreased to US$143.2 million as at 31 December 2009 from US$582.1 million as at 31 December 2008 due to increased cash and overall lower debt obligations, due to the increase in cash from operating activities on the acquisition of the Buryatzoloto, Berezitovy and Somita segments in late 2008, the increased average realised gold

price and the decrease in debt due to the repayment of indebtedness and a contribution of US$137.2 million into the Group by a parent company.

Cash flows from operating activities

The Group's primary source of liquidity is cash flows from operating activities. The Group's cash flows from operations increased by US$184.2 million from US$54.8 million in 2008 to US$239.0 million in 2009 and increased by US$52.5 million from US$123.5 million in the nine months ended 30 September 2009 to US$175.9 million in the nine months ended 30 September 2010.

Cash flows from operating activities after deducting interest and income taxes paid were US$145.1 million for nine months ended 30 September 2010, compared to US$98.2 million for nine months ended 30 September 2009. The increase for nine months ended 30 September 2010 was principally the result of an increase in sales at Neryungri-Metallik, Aprelkovo, Buryatzoloto, Taparko and Crew Gold. Other significant factors include the improved effectiveness of working capital management.

Cash flows from operating activities after deducting interest and income taxes paid, were US$170.9 million in 2009, compared to US$26.3 million in 2008. The increase in 2009 was principally the result of the inclusion of operations of the Buryatzoloto, Berezitovy and Somita segments, which have lower cash costs per ounce produced than the existing segments of Neryungri-Metallik and Aprelkovo and Celtic and Semgeo. Other significant factors include the growth of the average realised gold price, which was higher than the average market price, and the improved effectiveness of working capital management.

Cash flows from (utilised in) investing activities

The principal uses of liquidity were investments in exploration and evaluation activity, acquisition of property, plant and equipment and business combinations.

Cash flows used in investing activities were US$312.3 million for nine months ended 30 September 2010, compared to US$71.8 million for nine months ended 30 September 2009. The level of exploration activity and acquisition of property, plant and equipment increased by US$59.7 million from US$55.2 million for nine months ended 30 September 2009 to US$114.9 million for nine months ended 30 September 2010. At the same time the increase by US$219.6 million for nine months ended 30 September 2010 was due to the acquisition of Crew Gold.

Cash flows used in investing activities were US$156.3 million in 2009, compared to US$60.8 million in 2008. The level of exploration activity as well as acquisition of property, plant and equipment in 2009 remained on the same level as in 2008. At the same time the increase in 2009 was due to higher investing activity inflows in 2008, namely, funds placed with a financial institution for the purchase of non-controlling interests in Celtic Resources, cash on the balance sheet of High River Gold upon acquisition by the Severstal Group and the sale of the Tominskoye copper exploration project in 2008, which was held by Celtic Resources.

Cash flows generated from (used in) financing activities

Cash flows from financing activities were US$238.3 million for nine months ended 30 September 2010, compared to a cash outflow of US$5.8 million for nine months ended 30 September 2009. In terms of debt financing for nine months ended 30 September 2010 there was net inflow of US$78.6 million due to proceeds from debt to both related and third parties.

Cash flows from financing activities were US$49.8 million in 2009, compared to US$36.7 million in 2008. The increase in 2009 was principally due to the following factors: during the process of reorganisation US$137 million was contributed into the Group by a parent company and US$54 million was received by the Group from a third party through a private placement of shares of High River Gold. In terms of debt financing in 2009 there was net outflow of US$132.8 million due to repayment of debt to both related and third parties.

Loans and credit facilities

The Group has a number of short- and long-term loans and borrowings.

As at 30 September 2010, long-term borrowings were represented by convertible debentures issued by High River Gold, maturing 31 December 2011. The debentures have a carrying amount of US$11.4 million and are denominated in Canadian dollars with an interest rate of 8 per cent.

As at 30 September 2010, Crew Gold also had outstanding bonds maturing in September 2011 and September 2012 with carrying amounts of approximately US$49.0 million and US$56.2 million, respectively. The bonds maturing in

September 2011 have an interest rate of three-month LIBOR plus 5.5 per cent. on the US dollar denominated tranche and an interest rate based on the three-month Norwegian interbank offered rate plus 5.0 per cent. on the Norwegian Kroner denominated tranche, and the bonds maturing in September 2012 have an interest rate of 7.3 per cent. on the US dollar denominated tranche and 9.5 per cent. on the Norwegian Kroner denominated tranche. These bonds are subject to a restriction on dividends which prevents Crew Gold from paying dividends or other distributions to its shareholders without the prior consent of the trustee of the bonds.

As at 30 September 2010, the Group held loan financing in the amount of US$289.8 million from related parties of the Group. Interest rates on these loans vary from 7 to 9.5 per cent. for euro-denominated loans and are 8.25 per cent for rouble-denominated loans. The loans have maturities from 3 to 12 months.

As at 30 September 2010, bank financing in the amount of US$17.5 million is represented by project financing with Royal Gold Inc. for the construction and development of the Taparko mine. According to the terms of agreement, the Group is to pay royalties to Royal Gold Inc. based on the gold production and average gold prices.

The Directors intend to use the proceeds of the Offer in part to repay a portion of the Group's outstanding debt. In particular, the Directors intend to use a portion of the proceeds of the Offer to repay in full all outstanding loan financing from related parties of the Group.

Contractual obligations and commitments

The following table sets out the Group's material contractual obligations and their maturity as at 30 September 2010. See note 26 in Section B of Appendix 1 "Financial Information" for additional information about the Group's contractual commitments.

	Less than one year	1-3 years	3-5 years	Over 5 years	Total
		(US$ millions)			
Long-term debt obligations	—	76	—	—	76
Short-term debt obligations	497	—	—	—	497
Capital (finance) lease obligations	1	—	—	—	1
Operating lease obligations	5	4	9	—	18
Purchase obligations	6	2	1	—	9
Other long-term obligations	—	—	—	—	—
Total	**510**	**82**	**10**	**—**	**601**

Due to rounding, some totals may vary slightly from the actual arithmetic totals of their components.

Off balance sheet items

The Group had no off balance sheet items as at 31 December 2007, 2008 and 2009 and as at 30 September 2010.

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

		Nine months ended 30 September 2010	Nine months ended 30 September 2009	12 months ended 31 December 2009	2008	2007
		(US$ 000)				
Neryungri	*Yuzhno-Uguyskaya field*	13,680	3,673	14,090	13,706	76
Aprelkovo		236	183	183	1,824	150
Celtic and Semgeo	*Suzdal*	2,933	2,365	3,906	3,212	—
	Balazhal	84	983	989	83[1]	—
	Kazakhstan (others)	242	142	561	880	—
Buryatzoloto	*Irokinda and Zun-Holba*	9,835	3,057	4,422	480	—
Berezitovy	*Sergachinsky*	1,238	649	1,016	217	—
	Berezitovy	276	121	121	—	
Crew Gold	*LEFA*	672	—	—	—	—
Development — West Africa	*Bissa*	3,295	1,378	3,940	235	—
	Others	7,367	1,760	2,636	301	—
Development Russia	*Uryakhskoye field*	1,847	162	233	4,786	10,968
	Others	1,889	733	1,124	6,857	8
Total exploration and evaluation		**43,594**	**15,206**	**33,221**	**32,581**	**11,202**

(1) In 2008, Balazhal was acquired by the Severstal Group, and consideration in the amount of US$34.9 million is included as additions to the exploration and evaluation assets in the Group's financial statements. According to the Group's accounting policies, in particular, the policy on acquisitions under common control, this acquisition is treated as an addition to the Group's exploration and evaluation assets, but it is excluded from the table above. For total exploration and evaluation including the US$34.9 million in respect of Balazhal, see note 17 of the Group's historical financial statements at Section A of Appendix 2 "Financial Information".

Neryungri (and Gross)

The Group's major capital expenditure project in Russia is the Yuzhno-Ugurskaya field near the Neryungri mine, and the majority of the capital expenditure for this project relates to the Gross development project. In the first nine months of 2010, the Group invested US$13.7 million in capital expenditures related to the Yuzhno-Ugurskaya field, most of which related to Gross. In 2009 the Group spent US$14.1 million, including US$8.6 million capitalised, on drilling works within this exploration project, and in 2008 US$13.7 million was invested in prospective exploration and evaluation projects relating to this site, including drilling works of US$10.9 million.

Buryatzoloto

The Group's capital expenditure projects in West Siberia were focused at prospective areas of the Irokinda and Zun-Holba fields, in which the Group invested US$9.8 million on drilling works for the exploration of new gold fields in the first nine months of 2010. In 2009 US$4.4 million was invested in these projects. Funds inlaid in exploration in this region are primarily directed at incremental growth of reserves.

Kazakhstan

In the nine months ended 30 September 2010, the Group invested US$3.3 million in Kazakhstan, including US$2.9 million on drilling works at Suzdal. Exploration and evaluation projects at the Suzdal mine in 2008 and 2009 were directed at the extension of the production life of the mine and the development of the extracting level. During 2008 and 2009, the Group invested US$7.1 million in the Suzdal mine, which investments resulted in growth of reserves at Suzdal by 10 tonnes in 2008 and 8 tonnes in 2009.

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. From the establishment of SZRK in August 2007 to 30 September 2010 the Group has invested US$27.7 million in those projects, including capital expenditure on infrastructure, creation of maps of the ore field, drilling of pits, purchases

of licences for exploration and evaluation works at the Kunikan site, the Vitimkan site, the Nerchinskaya prospective field and the Uryakhskoye field.

Development — West Africa

The Group's other prospective exploration projects are located in Burkina Faso and constitute Development — West Africa. In the first nine months of 2010, the Group invested US$10.7 million in exploration and evaluation projects in Burkina Faso as follows: Bissa-Kindo, Ouaga, Banfora and other prospective fields. In the nine months ended 30 September 2010, the Group invested US$1.4 million on the Bissa feasibility study and US$9.3 million on exploration in Burkina Faso. From the acquisition of these African assets in November 2008 to 30 September 2010, the Group's total investments in Burkina Faso exploration projects have amounted to US$17.8 million.

The table below presents a breakdown of safety, facilities balancing, equipment replacement and expansion capital expenditures in the Group for the periods indicated.

Safety, facilities balancing, replacement of equipment and expansion capital expenditure[1]

	Nine months ended 30 September	Nine months ended 30 September	12 months ended 31 December		
	2010	2009	2009	2008	2007
	(US$ 000)				
Neryungri	2,629	7,364	10,641	6,169	968
Aprelkovo	3,417	1,386	3,716	5,367	398
Celtic and Semgeo *Suzdal*	133	1,963	3,341	12,247	—
Balazhal	31	171	171	214	—
Kazakhstan (others)	877	453	504	30	—
Buryatzoloto (Irokinda and Zun-Holba)	9,683	4,024	6,152	2,107	—
Berezitovy	6,977	835	1,258	203	—
Somita (Taparko)	3,116	1,304	2,439	1,718	—
Crew Gold (LEFA mine)	6,647	—	—	—	—
Total safety, facilities balancing and replacement of equipment capital expenditures	**33,512**	**17,500**	**28,223**	**28,054**	**1,366**
Neryungri	3,223	2,993	3,352	14,090	—
Aprelkovo	31	1,002	1,029	6,097	—
Celtic and Semgeo (Suzdal)	23,643	12,394	18,460	17,741	—
Buryatzoloto (Irokinda and Zun-Holba)	342	2,213	2,805	—	—
Berezitovy	9,509	3,862	9,479	—	—
Somita (Taparko)	209	2,489	3,203	—	—
Development West Africa	—	—	—	52	—
Development Russia	73	0	2	—	—
Total expansion capital expenditures	**37,029**	**24,954**	**38,329**	**37,980**	**—**
Total capital expenditures (including exploration and evaluation)	**114,135**	**57,660**	**99,772**	**98,615**	**12,568**

(1) Does not include unallocated items and consolidation adjustments.

Kazakhstan

In the first nine months of 2010, the Group invested US$23.8 million in the Suzdal mine, including US$6.8 million on the expansion of the crushing and milling facilities, acquisition of underground machinery in the amount of US$2.0 million and US$3.2 million on developing new BIOX assets. In 2009 the Group invested US$18.4 million in the expansion of the Suzdal mine, including US$6.7 million on new BIOX assets and US$3.9 million on a counter-current decantation ("CCD") circuit for the new production line at Suzdal. This project is expected to increase ore extraction to 500 Ktpy and ore processing volumes to 550 Ktpy by 2011 and to increase the recovery rate. In addition, US$3.3 million was capitalised on the replacement of production equipment in 2009. In 2008, the Group invested US$17.7 million on the expansion of the Suzdal mine, including machinery and equipment in the amount of US$13.4 million. US$10.0 million was capitalised on the replacement of depreciated machinery.

Buryatzoloto

In the first nine months of 2010, the Group invested US$10.0 million at Irokinda and Zun-Holba, including US$3.2 million on modernisation of Irokinda gold-extracting equipment and US$4.2 million on Zun-Holba. In 2009, the Group spent US$5.9 million on new equipment and the modernisation of production assets, and US$2.8 million was directed to modernisation of the Zun-Holba gold-extracting equipment to increase production capacity from 250 to 350 Ktpy.

Berezitovy

In the first nine months of 2010, the Group invested US$16.5 million at Berezitovy on the modernisation of production equipment and expansion activities, including US$5.4 million relating to the modernisation of production equipment and development of additional processing capacity in the gold extraction facilities. In 2009 the Group invested US$9.4 million on production assets and other mine expansion at Berezitovy including purchase of a new ball mill.

Aprelkovo

In 2009, the Group made investments of US$1.0 million at Aprelkovo on increasing processing capacity and US$3.7 million for new mine and other equipment (2008: US$6.1 million and US$5.4 million).

Somita

Investments on expansion projects and maintenance at the Taparko mine in the nine months ended 30 September 2010 were US$3.3 million, including purchasing new equipment. In 2009, expansion projects amounted to US$3.2 million and were directed to the modernisation of field property. Additionally, from 2008 through the nine months ended 30 September 2010, the Group invested US$7.3 million on facilities balancing and replacement of depreciated capital funds at Taparko.

The tables below set out the budgeted capital expenditures for Group's operating mines for the year ending 31 December 2011.

Budgeted capital expenditure, year ending 31 December 2011

		Exploration and evaluation	Capital expenditure on expansion	Safety, facilities balancing, and replacement of equipment
			(US$ 000)	
Buryatzoloto	*Irokinda and Zun-Holba*	23,190	1,482	13,391
Neryungri	*Yuzhno-Uguyskaya field*	14,304	3,125	8,669
Berezitovy	*Sergachinsky*	1,611	5,808	2,792
Aprelkovo		3,070	—	3,962
Development Russia		9,365	—	—
Celtic and Semgeo		8,617	7,235	3,772
Somita	*Taparko*	651	4,055	819
Development West Africa	*Bissa*	34,226	90,032	—
Crew Gold	*LEFA*	12,000	—	37,742
Other entities		—	—	23
Total budgeted capital expenditure		**107,034**	**111,737**	**71,168**

Buryatzoloto

Capital expenditure at Buryatzoloto is directed at the survey of deep underground horizons at Irokinda and Zun-Holba, where the Group is planning to invest US$23.2 million in 2011 on modernisation of the underground site within exploration projects and US$14.9 million on purchasing new production equipment and other mine fixed assets.

Neryungri

Significant capital expenditure in 2011 will be directed to the Yuzhno-Uguyskaya field. In 2011, US$14.3 million is expected to be invested in infill drilling and pre-feasibility stages at the prospective Gross field.

Development Russia

The Group expects to invest US$9.4 million in 2011 on drilling and evaluating further field targets including Uryakh, Vitimkan and Nerchinsk.

Bissa

The Group is planning to spend US$90 million in 2011 to prepare Bissa for further production. US$7.0 million is budgeted to invest in infrastructure, which will include roads, an encampment for workers, gas storage and other facilities. An independent programme is budgeted for social considerations which include the obligations of the Group to relocate the residential population. US$17 million is budgeted for mining machinery and US$10 million for a mill. The Group has also budgeted US$30 million on other equipment related to gold extraction. Capital contracts including water storage and tailings dump is budgeted at US$18 million.

Crew Gold

The Group is planning to invest US$12.0 million on exploration and evaluation projects in the vicinity of the LEFA mine during 2011 and US$37.0 million for completion of a mill and mining fleet overhaul.

Suzdal

Budgeted capital expenditure for the Suzdal mine for 2011 is US$19.6 million, including US$8.6 million on deep exploration, evaluation of gold ore and hydro-geological works.

These capital expenditures have been and are expected to be funded from the Group's cash flows from operating activities.

Disclosures about market risk

The following information should be read in conjunction with Appendix 1 "Financial Information" and Part 1 "Risk Factors". For more information, see note 26 of the consolidated annual financial statements at Section A of Appendix 1 "Financial Information" and note 25 of the consolidated interim financial statements at Section B of Appendix 1 "Financial Information". To the extent any of the below risks are material to the Group's operations, they are described in detail in Part 1 "Risk Factors".

The Group has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; and market risk.

This section 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 the consolidated annual financial statements of the Group in Section A of Appendix 1 "Financial Information" and the consolidated interim financial statements at Section B of Appendix 1 "Financial Information".

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 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.

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 27e of the Group's consolidated financial statements in Section A of Appendix 1 "Financial Information" and Note 26f of the Group's consolidated interim financial statements in Section B of Appendix 1 "Financial Information") 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. In relation to loans issued to related parties the Group does not expect them to fail meeting their obligations.

Cash and cash equivalents are placed in highly reputable banks that have a credit rating of at least B from the credit rating agency Moody's.

Concentration of credit risk

The Group has a concentration of cash and bank deposits with Nomos Bank, HSBC, Citibank and Vneshtorgbank-Severozapad that at September 30, 2010 represented US$61.7 million, US$34.9 million, US$12.3 million and US$43.0 million, respectively. The Group had a concentration of cash with TD Canada Trust bank, Citibank, Nomos Bank, Sberbank, HSBC that at December 31, 2009 represented US$29.0 million, US$19.0 million, US$17.2 million, US$12.5 million, US$9.1 million, respectively.

The Group has a concentration of short-term loans with a related party CJSC Severstal-Resource that at September 30, 2010 represented US$11.1 million (December 31, 2009: US$15.1 million).

The Group has a concentration of long-term loans with a related party OJSC Olkon that at September 30, 2010 represented US$27.1 million (December 31, 2009: US$47.4 million).

The Group has a concentration of investments available-for sale with Detour Gold Corporation that at September 30, 2010 represented US$89.2 million (December 31, 2009: US$52.5 million).

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.

The Group has a concentration of short-term loans with related party JSC Severstal that at September 30, 2010 represented US$132.0 million. The Group has a concentration of short-term loans with related parties OJSC Olkon and Mining Holding Company LLC that at September 30, 2010 represented US$104.1 million and US$53.7 million accordingly (December 31, 2009: US$59.4 million and US$56.4 million, respectively).

The Group had a concentration of long-term loans with related party OJSC Olkon that at December 31, 2009 represented US$45.6 million.

The Group has a concentration of short-term bank and other credit organisations financing with Royal Gold, Inc. that at September 30, 2010 represented US$17.5 million (December 31, 2009: US$41.3 million).

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 month and quarter periods.

Sensitivity analysis

A 10 per cent. decrease of gold prices at a reporting date would have decreased profit for the nine months ended September 30, 2010 by US$43.4 million (nine months ended September 30, 2009: US$30.5 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.

Sensitivity analysis

A 10 per cent. strengthening of the following currencies against the functional currency at September 30, 2010 and 2009 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.

	September 30, 2010	December 31, 2009
	(US$ 000)	
US dollars	(2,454)	(8,222)
Roubles	3,122	5,294
Tenge	4,017	3,629
Canadian dollars	(4,515)	(3,804)
Norwegian kroner	(5,971)	—
British pounds sterling	996	40
Other	(397)	(121)
Total	**(5,202)**	**(3,264)**

A 10 per cent. weakening of these currencies against the functional currency at September 30 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Interest rates on the Group's debt finance are either fixed, variable at a fixed spread over LIBOR 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 it believes that a fixed or variable rate would be more favourable to the over the expected period until maturity.

The Group's interest-bearing financial instruments at variable rates were:

	September 30, 2010	December 31, 2009
	(US$ 000)	
Financial liabilities (interest with fixed spread over LIBOR)	(37,932)	(1,010)
Financial liabilities (interest with fixed spread over NIBOR)	(11,024)	—
Financial liabilities (interest dependent on gold price and production volumes)	(17,481)	(41,336)

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 interest rates and change of 10 per cent. 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	
	100 BP increase	100 BP decrease
	(US$ 000)	
Balance at 30 September 2010		
Cash flow sensitivity for financial liabilities	(352)	352
Balance at 31 December 2009		
Cash flow sensitivity for financial liabilities	(8)	8

	Net profit	
	10% price increase	10% price decrease
	(US$ 000)	
Balance at 30 September 2010		
Cash flow sensitivity for financial liabilities	(835)	835
Balance at 31 December 2009		
Cash flow sensitivity for financial liabilities	(1,677)	1,677

	Net profit	
	10% increase of production volumes	10% decrease of production volumes
	(US$ 000)	
Balance at 30 September 2010		
Cash flow sensitivity for financial liabilities	(872)	872
Balance at 31 December 2009		
Cash flow sensitivity for financial liabilities	(969)	969

Fair values versus carrying amounts

Management believes that the fair value of its financial assets and liabilities approximates their carrying amounts.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, except financial instruments measured at amortised cost, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
		(US$ 000)		
Balance at 30 September 2010				
Available-for-sale financial assets	111,694	—	—	**111,694**
Derivative financial liabilities	(1,627)	—	—	**(1,627)**
Balance at 31 December 2009				
Available-for-sale financial assets	64,889	—	—	**64,889**
Derivative financial liabilities	(1,761)	(3,300)	—	**(5,061)**

Available-for-sale assets include shares of, among others, Detour Gold Coropration, Sacre-Coeur Minerals Ltd., Pelangio Exploration.

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.

Critical accounting policies and estimates

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;
- 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; and
- deferred income tax assets.

Useful lives of property, plant and equipment

The Group assesses the remaining useful lives of items of property, plant and equipment 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 on depreciation expense for the period.

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, and in the calculation of future cash flows for assets impairment testing.

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 realizable value. Estimates of net realizable 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.

Litigation

The Group exercises judgment in measuring and recognizing 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 future amount of liability for certain debt instruments depends upon average quarterly gold prices and the quarterly volume of production. The change in the value of the liability due to the factors is accounted for as an embedded derivative. The Group's judgement is required for future gold prices trends projections.

Deferred income tax assets

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.

Recent accounting pronouncements

A number of new accounting standards, amendments to standards and interpretations were not yet effective for the year ended 31 December 2009 and have not been applied in the Group's consolidated financial statements.

Standards and interpretations	Effective for annual periods beginning on or after
IAS 1 (Amended) "Presentation of financial statements"	1 July 2009 and 1 January 2010
IAS 7 (Amended) "Statement of cash flows"	1 July 2009 and 1 January 2010
IAS 12 (Amended) "Income taxes"	1 July 2009
IAS 16 (Amended) "Property, plant and equipment"	1 July 2009
IAS 17 (Amended) "Leases"	1 January 2010
IAS 21 (Amended) "The effects of changes in foreign exchange rates	1 July 2009
IAS 24 (Revised) "Related party disclosure"	1 January 2011
IAS 27 (Amended) "Consolidated and separate financial statements"	1 July 2009
IAS 28 (Amended) "Investments in associates"	1 July 2009
IAS 31 (Amended) "Interests in joint ventures"	1 July 2009
IAS 32 (Amended) "Financial instruments: presentation"	1 July 2009 and 1 January 2010
IAS 34 (Amended) "Interim financial reporting"	1 July 2009
IAS 36 (Amended) "Impairment of assets"	1 July 2009 and 1 January 2010
IAS 38 (Amended) "Intangible assets"	1 July 2009
IAS 39 (Amended) "Financial instruments: recognition and measurement"	1 July 2009 and 1 January 2010
IFRS 1 (Revised, amended) "First-time adoption of International Financial Reporting Standards"	1 July 2009, 1 January 2010 and 1 July 2010
IFRS 2 (Amended) Share-based payments	1 July 2009 and 1 January 2010
IFRS 3 (Revised) "Business combinations"	1 July 2009
IFRS 5 (Amended) "Non-current assets held for sale and discontinued operations"	1 July 2009 and 1 January 2010
IFRS 7 (Amended) "Financial instruments: disclosures"	1 July 2009
IFRS 8 (Amended) "Operating statements"	1 January 2010
IFRS 9 (Amended) "Financial instruments"	1 January 2013
IFRIC 9 "Reassessment of embedded derivatives"	1 July 2009
IFRIC 14 "Prepayments of a minimum funding requirements"	1 January 2011
IFRIC 16 "Hedges of a net investment in a foreign operation"	1 July 2009
IFRIC 17 "Distributions of non-cash assets to owners"	1 July 2009
IFRIC 18 "Transfers of assets from customers"	1 July 2009
IFRIC 19 "Extinguishing financial liability with equity"	1 July 2010

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.

Revised IFRS 3 "Business Combinations" incorporates the following changes that are likely to be relevant to the Group's operations:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
- Any non-controlling interest will be measured at either fair value or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised IFRS 3 becomes mandatory for the Group's 2010 annual consolidated financial statements and will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statements.

IFRS 9 Financial Instruments will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement.

The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during the first half of 2011. 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 the 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. The Group does not intend to adopt this standard early.

Revised IAS 24 "Related party" disclosure provides a revised definition of a related party which includes new relationships and will likely lead to the increased number of related parties of the Group.

Revised IAS 24 becomes mandatory for the Group's 2011 annual consolidated financial statements and requires retrospective application. Management has not yet decided on the initial application date.

Subsequent Events

In October 2010, the Company acquired a further 2.26 per cent. interest in High River Gold for a total consideration of US$19.6 million, bringing its total interest in High River Gold to 72.64 per cent.

In October 2010, the Crew Gold Corporation's board of directors agreed to proceed with a transaction in which a subsidiary of the Group would acquire all of the outstanding common shares in the capital of Crew Gold Corporation that the Group does not already own for US$4.65 per common share payable by cash. In January 2011, the previously announced transaction was completed. Following the transaction the Group acquired a 6.62 per cent. stake in Crew Gold Corporation for a total consideration of US$32.9 million resulting in obtaining control over 100 per cent. of its issued outstanding common shares.

In December 2010, the binding agreement between the Group and Sacre-Coeur Minerals Ltd. to purchase all of the outstanding common shares of Sacre-Coeur Minerals Ltd. was amended and the parties agreed to complete their due diligence review by 31 January 2011 and to use their best efforts to complete the transaction by 1 April 2011, which date may be extended to no later than 31 May 2011 if the parties are prevented from closing the transaction by reason of any court proceeding or in certain other circumstances.

In December 2010, the Group received a short-term loan from a related party, OAO Severstal, in the amount of US$33.0 million.

Current trading and prospects

The volume of gold produced by the Group during the last three months of 2010 was approximately 193 Koz, which was higher than the volume produced by the Group during the same period in 2009, primarily due to the acquisition of Crew Gold as the Group started to include production at the LEFA mine in its total reported production figures from August 2010.

The average gold price over the fourth quarter of 2010 was US$1,382/oz, a 25 per cent. increase compared to the fourth quarter of 2009 and a 16 per cent. increase compared to the average for the nine months to September 2010.

The Group's cash costs per ounce for the full year 2010 are expected to be higher than in 2009 primarily due to the inclusion in the second half of the year of the LEFA mine which at acquisition had higher cash costs than the rest of the Group's mines. Since acquisition, LEFA's cash costs have been steadily decreasing.

The Group continues to execute its strategy of improving operations and ramping up production at LEFA as well as at Berezitovy and Suzdal following installation of additional processing capacity. As planned, these activities will continue through the first quarter of 2011 and part of the second quarter of 2011, which is expected to result in the Group's production volumes improving throughout the first half of 2011 and reaching a full capacity run-rate by the end of the first half of 2011. Separately, due to seasonality the Group's heap leach operations typically reach peak output in the second half of the year with the first quarter being the lowest quarter by production volumes.

Since acquiring its controlling interest in Crew Gold, the Group has implemented operational improvements, including on-site availability of spare parts and improved availability of conveying systems and milling circuits as well as mining fleet, improved the working capital position at the mine and made senior management changes. Production has increased since August 2010 with November 2010 productivity at LEFA up nearly 20 per cent. compared to the previous month due to improved equipment availability and debottlenecking, while December 2010 saw record high productivity. Management intends to continue to implement debottlenecking and increase operational efficiency in order to reach and sustain optimal mine productivity in 2011.

Dividend policy

Following Admission, the Directors intend to adopt a dividend policy under which the Company intends to declare dividends subject to the Company's financial state need for investment and availability of funds. The Company's ability to pay dividends and to receive dividends from subsidiaries may be restricted by applicable law. See Part 1

"Risk Factors — Risks relating to the Shares — The Company's ability to pay dividends will depend upon its freely distributable reserves and distributions by its subsidiaries." Under the dividend policy, the Company will target to maintain a long-term average dividend payout ratio of approximately 25 per cent. of the average net profit calculated in accordance with IFRS, for the relevant period. It does not expect to pay dividends in respect of the financial year 2010.

PART 12

CAPITALISATION AND INDEBTEDNESS

The information set forth in the two tables below should be read in conjunction with Part 11 "Operating and Financial Review" and the Group's audited consolidated financial statements included in Sections A and B of Annex 1 "Financial Information".

The table below sets out the Company's capitalisation as at 30 November 2010:

- On an actual basis (on the basis of the unaudited balance sheet of the Company as at 30 November 2010); and
- As adjusted to reflect the net proceeds to the Company from the Offer but not the application of the proceeds as described under Part 13 "The Offer". As described in Part 13, the Company intends to use the net proceeds from the issue of the New Shares to repay the net amount of loans outstanding to the Severstal Group in the amount of approximately US$288 million.

Capitalisation

	As at 30 November 2010	As adjusted for the Offer[1]
	(US$ 000)	
Total current debt	**358,589**	**358,589**
Secured/guaranteed bonds[2]	49,872	49,872
Unguaranteed/unsecured[3]	307,999	307,999
Lease liability[4]	719	719
Total non-current debt (excluding current portion of long-term debt)	**67,185**	**67,185**
Secured/guaranteed bonds[2]	55,781	55,781
Secured/unguaranteed bonds[5]	11,404	11,404
Unguaranteed/unsecured	—	—
Lease liability[4]	—	—
Shareholder's equity	**2,158,678**	**2,746,592**
Share capital	1,244,501	1,436,658
Additional capital	862,304	1,258,061
Revaluation reserves	51,872	51,872
Total	**2,584,452**	**3,172,367**

(1) Assumes primary proceeds from the Offer of US$579.0 million, converted to US dollars from pounds sterling at an exchange rate of US$1.5758/£1, and less US$35.9 million of estimated expenses related to the Offer and Admission.
(2) Relates to bonds issued by Crew Gold and interest accrued on the bonds.
(3) Relates to financing from related parties, interest accrued on current debt to related parties.
(4) Relates to unsecured finance leases on machinery at Berezitovy.
(5) Relates to bonds issued by High River Gold.

The following table sets out the Company's net indebtedness as at 30 November 2010:

- On an actual basis (on the basis of the unaudited balance sheet of the Company as at 30 November 2010); and
- As adjusted to reflect the net proceeds to the Company from the Offer but not the application of the proceeds as described under Part 13 "The Offer". As described in Part 13, the Company intends to use the net proceeds from the issue of the New Shares to repay the net amount of loans outstanding to the Severstal Group in the amount of approximately US$288 million.

Indebtedness

	As at 30 November 2010	As adjusted for the Offer[1]
	(US$ 000)	
Cash and cash equivalents	116,889	695,905
Trading securities	113,384	113,384
Liquidity	**230,273**	**809,289**
Current financial receivables	**15,981**	**15,981**
Current bank debt	(2,948)	(2,948)
Current portion of non-current debt	—	—
Other current financial debt	(355,641)	(355,641)
Current Financial Debt	**(358,589)**	**(358,589)**
Net current financial indebtedness	**(112,335)**	**466,681**
Non current bank loans	—	—
Bonds issued	(67,185)	(67,185)
Other non current loans	—	—
Non Current Financial Indebtedness	**(67,185)**	**(67,185)**
Net Financial Indebtedness	**(179,521)**	**399,495**

(1) Assumes primary proceeds from the Offer of US$579.0 million, converted to US dollars from pounds sterling at an exchange rate of US$1.5758/£1, and less US$35.9 million of estimated expenses related to the Offer and Admission.

PART 13

THE OFFER

Background

Pursuant to the Offer, the Company intends to issue 113,100,000 new Shares (the "New Shares"), representing approximately 13.6 per cent. of the expected issued ordinary share capital of the Company immediately following Admission, raising proceeds of approximately £367 million, net of underwriting commissions and other estimated fees and expenses of approximately £23 million, based on the Offer Price being at the mid-point of the Offer Price Range.

In addition, 94,900,000 existing Shares (the "Existing Shares") are to be sold by the Selling Shareholder, representing up to approximately 11.4 per cent. of the expected issued ordinary share capital of the Company immediately following Admission, and a further 31,200,000 existing Shares (the "Over-allotment Shares"), representing up to approximately 3.8 per cent. of the expected issued ordinary share capital of the Company immediately following Admission, are being made available by the Selling Shareholder pursuant to the Over-allotment Option described below.

The New Shares will rank *pari passu* in all respects with the existing Shares in issue (including the Existing Shares), including the right to vote and for all dividends and other distributions declared, made or paid on the Shares after the date on which the New Shares are issued, and will form a single class for all purposes with the Shares currently in issue. The New Shares and the Existing Shares will, immediately following Admission, be freely transferable.

In the Offer, Shares will be offered (i) to certain institutional investors in the United Kingdom and elsewhere outside the United States and (ii) in the United States only to qualified institutional buyers in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

Certain restrictions that apply to the distribution of this Prospectus and the Shares being issued and sold under the Offer in jurisdictions outside the United Kingdom are described below.

When admitted to trading, the Shares, as represented by Depository Interests, will be registered with ISIN number NL0009605658, SEDOL number B42QW07 and CFI code ESVUFN and will trade under the symbol NORD.

Immediately following Admission, it is expected that in excess of 25 per cent. of the Company's issued ordinary share capital will be held in public hands (within the meaning of paragraph 6.1.19 of the Listing Rules) assuming that no Over-allotment Shares are acquired pursuant to the Over-allotment Option (increasing to 28.8 per cent. if the maximum number of Over-allotment Shares are acquired pursuant to the Over-allotment Option).

Use of proceeds

The Company intends to use the net proceeds from the issue of the New Shares to repay the net amount of loans outstanding to the Severstal Group in the amount of approximately US$288 million and to retain approximately US$327 million in order to fund its growth strategy via exploration, development of projects and potential acquisitions.

Offer Price

The Offer Price and the actual number of Offer Shares offered in the Offer will be determined by the Company and the Selling Shareholder on the basis of a book-building process and following recommendations from the Joint Bookrunners taking into account market conditions and factors such as:

- the Offer Price Range which the Company and the Selling Shareholder have, in agreement with the Joint Bookrunners, set at 300 pence to 390 pence per Share;
- a qualitative assessment of demand for the Offer Shares;
- the Company's financial information;
- the history of, and prospects for, the Company and the industry in which the Company competes;
- an assessment of the Company's management, its past and present operations and the prospects for, and timing of, the Company's future revenues;
- the present state of the Company's development;
- the above factors in relation to other companies engaged in activities similar to the Company's;

- the economic and market conditions, including those in the debt and equity markets; and
- any other factors deemed appropriate.

The Offer Price, which may be higher or lower than the Offer Price Range, and the actual number of Offer Shares offered in the Offer will be set out in the Pricing Statement that will be deposited with the AFM and published in a press release on the Company's website and on the website of the Regulatory News Service of the LSE. Printed copies of the Pricing Statement will be made available at the Company's registered office address. The Offer Price Range and/or the maximum number of Shares being offered may also be changed. See "Change of Offer Price Range or number of Offer Shares" below.

Change of Offer Price Range or number of Offer Shares

The Company and the Selling Shareholder reserve the right to change the Offer Price Range and/or the maximum number of Offer Shares being offered. Any change in the Offer Price Range, the maximum number of Shares being offered or the timetable for the Offer will be announced in a press release on the Company's website (together with any related revision of the expected dates of pricing, allocation and settlement) and, in case of a change to the Offer Price Range or the maximum number of Shares being offered, the Company will publish a supplement to this Prospectus.

If the Offer Price Range or the maximum number of Shares being offered is revised prior to publication of the Pricing Statement or if a significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Shares arises or is noted prior to Admission, a supplement to this Prospectus will be published and where investors have agreed to purchase Shares prior to such publication, they may withdraw their subscriptions within two business days following the publication of such supplement.

There is no maximum number of Shares for which prospective investors may subscribe. Investors may receive a smaller number of Shares than they subscribe for. Any monies received in respect of subscriptions not accepted in whole or in part will be returned to applicants without interest and at the applicants' risk. Multiple subscriptions are permitted. The Joint Bookrunners may, at their own discretion and without stating the reasons, reject any subscriptions wholly or partly.

Reasons for the Offer

The Directors believe that the Offer will allow the Group to repay the net amount of loans outstanding to the Major Shareholder and to fund the Group's growth strategy for exploration, development projects and potential acquisitions.

Allocation

The Shares allocated under the Offer have been underwritten, subject to certain conditions, by the Underwriters as described in the paragraph headed "Underwriting arrangements" below and in paragraph 7 of Part 15 "Additional Information — Underwriting arrangements". Allocations under the Offer will be determined at the discretion of the Joint Bookrunners following consultation with the Company, and investors will be notified of the details of the allocation as soon as practicable following such allocation. All Shares issued or sold pursuant to the Offer will be issued or sold, payable in full, at the Offer Price. Liability for transfer taxes is described in Part 14 "Taxation".

Dealing arrangements

The Offer is subject to the satisfaction of certain conditions contained in the Underwriting Agreement and the Listing Agreement, which are typical for agreements of this nature. Certain conditions are related to events which are outside the control of the Company, the Directors and the Underwriters. Further details of the Underwriting Agreement and the Listing Agreement are described in paragraph 7.1 of Part 15 "Additional Information — Underwriting arrangements".

It is expected that Admission will become effective, and that unconditional dealings in the Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 16 February 2011. Settlement of dealings from that date will be on a three-day rolling basis. Prior to Admission, conditional dealings in the Shares are expected to commence on the London Stock Exchange on 11 February 2011. Dealings on the London Stock Exchange before Admission will only be settled if Admission takes place. The earliest date for such settlement of such dealings will be 16 February 2011. **All dealings before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned. These dates and times may be changed without further notice.**

Each investor will be required to undertake to pay the Offer Price for the Shares issued or sold to such investor in such manner as shall be directed by the Joint Bookrunners.

It is expected that Shares allocated to investors in the Offer will be delivered to the Depository in registered form, following which the Depository will issue Depository Interests to those investors, settlement of which will take place through CREST on Admission. No temporary documents of title will be issued. Dealings in advance of crediting of the relevant CREST stock account shall be at the risk of the person concerned.

Over-allotment and stabilisation

In connection with the Offer, Morgan Stanley, as Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Shares or effect other stabilising transactions with a view to supporting the market price of the Shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings in the Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilising transactions conducted in relation to the Offer.

In connection with the Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Shares up to a maximum of 20 per cent. of the total number of Shares comprised in the Offer (excluding any Shares sold pursuant to the Over-allotment Option). For the purposes of allowing the Stabilising Manager to cover short positions resulting from any such overallotments and/or from sales of Shares effected by it during the stabilising period, it is expected that the Selling Shareholder will grant to the Stabilising Manager the Over-allotment Option, pursuant to which the Stabilising Manager may purchase or procure purchasers for additional Shares up to a maximum of 15 per cent. of the Shares comprised in the Offer (excluding any Shares sold pursuant to the Over-allotment Option) at the Offer Price, with any remaining short positions resulting from such over-allotments to be covered by purchases of Shares in the open market by the Stabilising Manager. The Over-allotment Option will be exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th calendar day after the commencement of conditional dealings of the Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the other Shares, including for all dividends and other distributions declared, made or paid on the Shares, will be purchased on the same terms and conditions as the other Shares comprised in the Offer and will form a single class for all purposes with the other Shares.

For a discussion of certain stock lending arrangements entered into in connection with the Over-allotment Option, see paragraph 7.2 of Part 15 "Additional Information — Underwriting arrangements".

CREST and Depository Interests

The Company will, prior to Admission, enter into depositary arrangements to enable investors to settle and pay for interests in Shares through the CREST system. CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another without the need to use share certificates or written instruments of transfer. Securities issued by most non-UK incorporated companies, such as the Company, cannot themselves be held electronically (i.e. in dematerialised form) or transferred in the CREST system. However, depositary interests, representing the securities, can be dematerialised and settled electronically. Pursuant to arrangements to be put in place by the Company, a depositary will hold, through a custodian, Shares and issue dematerialised Depository Interests representing those underlying Shares which will be legally held on trust for the holders of the Depository Interests. The Shares are in registered form and are only available in the form of an entry in the Company's shareholders' register without the issuance of a share certificate.

Legal title to Shares to be represented by Depository Interests will be vested in the Depository's nominated custodian and registered in the name of the custodian nominated by the Depository (the "Custodian"). Through the Custodian, the Depository will hold the beneficial title to the Shares on trust for participating members to whom it will issue the dematerialised Depository Interests. The Depository Interests will be independent securities constituted under English law which may be held and transferred through the CREST system.

The Depository Interests will be created pursuant to and issued on the terms of a deed poll expected to be executed by the Depository prior to Admission in favour of the holders of the Depository Interests from time to time (the "Deed Poll"). Prospective holders of Depository Interests should note that they will have no rights in respect of the underlying Shares or the Depository Interests representing them against EUI or its subsidiaries.

Although the Company's register will show the Custodian as the legal holder of the Shares, the beneficial interest in the Shares will remain with the Depository Interest Holder, who will have the benefit of substantially all the rights attaching to the Shares as if the Depository Interest Holder were named on the Company's shareholders' register itself (except for voting rights in respect of which they will be entitled to give instructions).

Under the Deed Poll, the Depository may require any holder of Depository Interests to disclose information as to the capacity in which it owns Depository Interests and the nature of its interests. In addition, notification requirements of dealings by directors and major shareholders under the Dutch Financial Supervision Act will apply to holders of Depository Interests in the same manner as if they held legal title to the Shares represented by their Depository Interests.

Each Depository Interest will be treated as one Share for the purposes of determining the rights attaching to that Depository Interest, for example, eligibility for any dividends. The Depository Interests will have the same security code (ISIN number) as the underlying Shares and will not require a separate listing on the Official List. The Depository Interests will be capable of being traded and settlement will be within the CREST system in the same way as any other CREST securities.

If a holder of a Depository Interest wishes itself to hold legal title to the Share represented by its Depository Interest, it may request that the relevant Depository Interest is removed from CREST and that it is recorded in the Company's shareholders register. A separate register of Depository Interests may be kept by the Depository in the United Kingdom, of which excerpts may be obtained by the Board. The Board is allowed to request the Depository (i) to inspect the register of Depository Interest Holders, (ii) for excerpts from the register of Depository Interest Holders and (iii) for all such other information as the Board thinks fit. For so long as it (or its nominee) is a Shareholder, the Depository is under the obligation to comply promptly with any request referred to herein.

Application has been made for the Depository Interests to be admitted to CREST with effect from Admission. On Admission, Shares will be transferred to the Depository and the Depository will issue Depository Interests to participating members in the CREST system and provide the necessary custodial services.

The documents relating to the Depository Interests are described below in Part 15 "Additional Information — Material Contracts — Depository Contracts".

Underwriting arrangements

The Underwriters have entered into commitments under the Underwriting Agreement pursuant to which they have agreed, subject to certain conditions, to procure subscribers for the New Shares to be issued by the Company and purchasers for the Existing Shares and the Over-allotment Shares (if any) to be sold by the Selling Shareholder in the Offer, or, failing which, themselves to subscribe for or purchase such Shares, at the Offer Price. The commitments of the Underwriters pursuant to the Underwriting Agreement are conditional upon, amongst other things, agreement of the Offer Price in accordance with the terms of the Underwriting Agreement and the Relationship Agreement and certain other agreements described herein having been entered into and becoming and continuing to be enforceable. The Underwriting Agreement contains provisions entitling the Joint Bookrunners to terminate the Offer (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Offer and the underwriting arrangements will lapse and any moneys received in respect of the Offer will be returned to investors without interest. The Underwriting Agreement provides for the Joint Bookrunners (on behalf of the Underwriters) to be paid commission in respect of the New Shares issued, the Existing Shares sold and any Over allotment Shares sold following exercise of the Over-allotment Option. All commissions received by the Joint Bookrunners (on behalf of the Underwriters) may be retained, and any Shares acquired by the Underwriters as principals may be retained or dealt in, by the Underwriters, for their own benefit.

Further details of the terms of the Underwriting Agreement and the Listing Agreement are set out in paragraph 7.1 of Part 15 "Additional Information — Underwriting arrangements". Certain selling and transfer restrictions are set out below.

Lock-up arrangements

Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Bookrunners, issue, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Pursuant to the Underwriting Agreement, each of the Directors and the Selling Shareholder has agreed that, subject to certain exceptions, during the period of 180 days, in each case from the date of Admission, it will not, without the prior written consent of the Joint Bookrunners, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Further details of these arrangements, which are contained in the Underwriting Agreement and the Listing Agreement, as the case may be, are set out in paragraph 7.1 of Part 15 "Additional Information — Underwriting arrangements".

Selling Shareholder

The following table sets out the interests of the Selling Shareholder prior to the Offer and the number of Shares the Selling Shareholder is expected to sell in the Offer, assuming no exercise of the Over-allotment Option. The business address of the Selling Shareholder is Strawinskylaan 3105, 1077 ZX Amsterdam, the Netherlands.

	Shares owned prior to the Offer		Shares to be owned following the Offer	
Selling Shareholder	No.	%	No.	%
Lybica Holding B.V.	717,588,360	100	622,688,360[1]	75[1]

(1) Assuming no exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Selling Shareholder will have sold a further 31,200,000 Shares, representing 3.8 per cent. of the Company's issued share capital.

Selling restrictions

The distribution of this Prospectus and the offer of Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Shares, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Shares may be distributed or published in or from any country or jurisdiction except in circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the offer of Shares contained in this Prospectus. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to subscribe for or purchase any of the Shares to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "relevant member state") no Shares have been offered or will be offered pursuant to the Offer to the public in that relevant member state prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that offers of Shares may be made to the public in that relevant member state at any

time under the following exemptions under the Prospectus Directive, if they are implemented in that relevant member state:

(a) to any legal entities which are qualified investors as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the relevant member state has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Bookrunners; or

(c) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a relevant member state.

For the purpose of the expression an "offer of any Shares to the public" in relation to any Shares in any relevant member state means a communication to persons in any form and by any means presenting sufficient information on the terms of the offer and the Shares to be offered, so as to enable an investor to decide to acquire any Shares.

In the case of any Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Shares acquired by it in the Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Shares to the public other than their offer or resale in a relevant member state to qualified investors as so defined or in circumstances in which the prior consent of the Joint Bookrunners has been obtained to each such proposed offer or resale. The Company, the Selling Shareholder, the Underwriters and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Underwriters of such fact in writing may, with the prior consent of the Joint Bookrunners, be permitted to acquire Shares in the Offer.

United States

The Shares have not been and will not be registered under the US Securities Act or under any applicable securities laws or regulations of any state of the United States and may not be offered or sold within the United States except to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S.

In addition, until 40 days after the commencement of the Offer of the Shares an offer or sale of Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the US Securities Act.

The Underwriting Agreement provides that the Underwriters may directly or through their respective United States broker-dealer affiliates arrange for the offer and resale of Shares within the United States only to QIBs in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the US Securities Act.

Each subscriber or purchaser of Shares within the United States, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and that:

(a) it is (a) a QIB within the meaning of Rule 144A, (b) acquiring the Shares for its own account or for the account of one or more QIBs with respect to whom it has the authority to make, and does make, the representations and warranties set forth herein, (c) acquiring the Shares for investment purposes, and not with a view to further distribution of such Shares, and (d) aware, and each beneficial owner of the Shares has been advised, that the sale of the Shares to it is being made in reliance on Rule 144A or in reliance on another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

(b) it understands that the Shares are being offered and sold in the United States only in a transaction not involving any public offering within the meaning of the US Securities Act and that the Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (a) to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or

for the account of a QIB in a transaction meeting the requirements of Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (c) pursuant to an exemption from registration under the US Securities Act provided by Rule 144 thereunder (if available) or (d) pursuant to an effective registration statement under the US Securities Act, in each case in accordance with any applicable securities laws of any state of the United States. It further (a) understands that the Shares may not be deposited into any unrestricted depositary receipt facility in respect of the Shares established or maintained by a depositary bank, (b) acknowledges that the Shares (whether in physical certificated form or in uncertificated form held in CREST) are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the Shares and (c) understands that the Company may not recognise any offer, sale, resale, pledge or other transfer of the Shares made other than in compliance with the above-stated restrictions.

(c) it understands that the Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "US SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE US SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE US SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE US SECURITIES ACT FOR RESALES OF THE SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS; and

(d) it represents that if, in the future, it offers, resells, pledges or otherwise transfers such Shares while they remain "restricted securities" within the meaning of Rule 144, it shall notify such subsequent transferee of the restrictions set out above.

The Company, the Underwriters and their affiliates and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements.

New Hampshire

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Australia

This Prospectus has not been and will not be lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange and is not a disclosure document for purposes of Australian law. This Prospectus (whether in preliminary or definitive form) may not be issued or distributed in Australia and no offer or invitation may be made in relation to the issue, sale or purchase of any Shares in Australia (including an offer or invitation received by a person in Australia) and no shares may be sold in Australia, unless the offer or invitation does not need disclosure to investors under Part 6D.2 of the Corporations Act 2001.

Japan

The Shares have not been and will not be registered under the Final Instruments and Exchange Law, as amended (the "FIEL"). This Prospectus is not an offer of securities for sale, directly or indirectly, in Japan or to or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exception from the registration requirements under the FIEL, and otherwise in compliance with, the FIEL and other relevant laws and otherwise in compliance with such law and any other applicable laws, regulations or ministerial guidelines of Japan.

South Africa

This Prospectus will not be registered as a prospectus in terms of the Companies Act 1973 in South Africa and as such, any offer of Ordinary Shares in South Africa may only be made if it shall not be capable of being construed as an offer to the public as envisaged by such Act. Furthermore, any offer or sale of the Ordinary Shares shall be subject to compliance with South African exchange control regulations.

PART 14

TAXATION

Dutch tax considerations

The following summary outlines certain Dutch tax consequences in connection with the acquisition, ownership and disposal of the Shares. The summary does not purport to present any comprehensive or complete picture of all Dutch tax aspects that could be of relevance to the acquisition, ownership and disposal of Shares by a (prospective) holder of Shares who may be subject to special tax treatment.

For purposes of Dutch personal income tax and corporate income tax, Shares legally owned by a third party such as a trustee, foundation or similar entity or arrangement (a "Third Party"), may under certain circumstances have to be allocated to the (deemed) settlor, grantor or similar originator (the "Settlor") or, upon the death of the Settlor, his/her beneficiaries (the "Beneficiaries") in proportion to their entitlement to the estate of the Settlor of such trust or similar arrangement (the "Separated Private Assets").

The summary does not address the tax consequences of a holder of Shares who is an individual and who has a substantial interest in the Company. Generally, a holder of Shares will have a substantial interest (*aanmerkelijk belang*) in the Company if he, whether alone or together with his partner (statutory defined term) and/or certain other close relatives, holds directly or indirectly, or as Settlor or Beneficiary of Separated Private Assets,

(a) (i) the ownership of, (ii) certain other rights, such as usufruct, over, or (iii) rights to acquire (whether or not already issued), Shares representing 5 per cent. or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Company; or

(b) (i) the ownership of, or (ii) certain other rights, such as usufruct ("life interest") over, profit participating certificates (*"winstbewijzen"*) that relate to 5 per cent. or more of the annual profit of the Company or to 5 per cent. or more of the liquidation proceeds of the Company.

In addition, a holder of Shares has a substantial interest in the Company if he, whether alone or together with his partner (statutory defined term) and/or certain other close relatives, has the ownership of, or other rights over, shares in, or profit certificates issued by, the Company that represent less than 5 per cent. of the relevant aggregate that either (a) qualified as part of a substantial interest as set forth above and where shares, profit certificates and/or rights there over have been, or are deemed to have been, partially disposed of, or (b) have been acquired as part of a transaction that qualified for non-recognition of gain treatment.

The summary does not address the tax consequences of holders of Shares receiving income or realizing capital gains in their capacity as (former) employee, (former) director and/or (former) supervisory director.

The summary is based on the tax laws and practice of the Netherlands as in effect on the date of this prospectus, which are subject to changes that could prospectively or retrospectively affect the stated tax consequences.

Prospective holders of Shares should consult their own professional adviser with respect to the tax consequences of any acquisition, ownership or disposal of the Shares in their individual circumstances.

Dividend Withholding Tax

General

Dividends distributed by the Company in respect of the Shares are generally subject to dividend withholding tax imposed by the Netherlands at a rate of 15 per cent. The expression "dividends distributed by the Company" as used herein includes, but is not limited to:

(a) distributions in cash or in kind, deemed and constructive distributions and repayments of paid-in capital (*gestort kapitaal*) not recognised for Dutch dividend withholding tax purposes;

(b) liquidation proceeds, proceeds of redemption of Shares or, as a rule, consideration for the repurchase of Shares by the Company in excess of the average paid-in capital recognised for Dutch dividend withholding tax purposes;

(c) the par value of Shares issued to a holder of Shares or an increase of the par value of Shares, to the extent that it does not appear that a contribution, recognised for Dutch dividend withholding tax purposes, has been made or will be made; and

(d) partial repayment of paid-in capital, recognised for Dutch dividend withholding tax purposes, if and to the extent that there are net profits (*zuivere winst*), unless (i) the general meeting of shareholders has resolved in advance to make such repayment and (ii) the par value of the Shares concerned has been reduced by an equal amount by way of an amendment of the articles of association.

Anti-dividend stripping rules

According to the anti-dividend stripping rules, no exemption, reduction, credit or refund of Dutch dividend withholding tax will be granted if the recipient of the dividend paid by the Company is not considered the beneficial owner (*uiteindelijk gerechtigde*) of the dividend as defined in these rules. A recipient of a dividend is not considered the beneficial owner of the dividend if, as a consequence of a combination of transactions, (i) a person (other than the holder of the dividend coupon), directly or indirectly, partly or wholly benefits from the dividend, (ii) such person directly or indirectly retains or acquires a comparable interest in the Shares, and (iii) such person is entitled to a less favourable exemption, reduction, refund or credit of dividend withholding tax than the recipient of the dividend distribution. The term "combination of transactions" includes transactions that have been entered into in the anonymity of a regulated stock market, the sole acquisition of one or more dividend coupons and the establishment of short-term rights or enjoyment on the Shares (e.g., usufruct).

Holders of Shares resident in the Netherlands

A holder of Shares that is resident or deemed to be resident in the Netherlands or, if he is an individual, who has elected to be taxed as resident in the Netherlands for Dutch personal income tax purposes, is generally entitled, subject to the anti-dividend stripping rules described above, to a full credit against its (corporate) income tax liability, or a full refund, of the Dutch dividend withholding tax.

Holders of Shares resident outside the Netherlands

A holder of Shares that is resident in a country with which the Netherlands has a double taxation agreement in effect, may, depending on the terms of such double taxation agreement and subject to the anti-dividend stripping rules described above, be eligible for a full or partial exemption from, or full or partial refund of, Dutch dividend withholding tax on dividends received.

A corporate holder of Shares, which is (a) resident in (i) a Member State of the European Union, or (ii) Iceland or Norway, and (b) that is in its state of residence under the terms of a double taxation agreement concluded with a third state, not considered to be resident for tax purposes outside the European Union, Iceland and Norway, is generally entitled, subject to the anti-dividend stripping rules described above, to a full exemption from Dutch dividend withholding tax on dividends received if it holds an interest of at least 5 per cent. (in shares or, in certain cases, in voting rights) in the Company or if it holds an interest of less than 5 per cent. where a Dutch holder of Shares would have had the benefit of the participation exemption (this may include a situation where another related party holds an interest of 5 per cent. or more in the Company).

A holder of Shares, that is a legal entity resident in (i) a Member State of the European Union, or (ii) Iceland or Norway, which is exempt from tax in its country of residence, and that would have been exempt from Dutch corporate income tax if it had been a Dutch resident, is generally entitled, subject to the anti-dividend stripping rules described above, to a full refund of Dutch dividend withholding tax on dividends received. This full refund will in general benefit certain foreign pension funds, government agencies, and certain government controlled commercial entities.

Taxes on income and capital gains

Holders of Shares resident in the Netherlands: individuals

A holder of Shares, who is an individual resident or deemed to be resident in the Netherlands, or who has elected to be taxed as a resident of the Netherlands for Dutch personal income tax purposes, will be subject to regular Dutch personal income tax on the income derived from the Shares and the gains realised upon the acquisition, redemption and/or disposal of the Shares by the holder thereof, if:

(a) such holder of Shares has an enterprise or an interest in an enterprise, to which enterprise the Shares are attributable; and/or

(b) such income or capital gain forms "a benefit from miscellaneous activities" (*resultaat uit overige werkzaamheden*) which, for instance, would be the case if the activities with respect to the Shares exceed "normal active asset management" (*normaal, actief vermogensbeheer*) or if income and gains are derived from

the holding, whether directly or indirectly, of (a combination of) shares, debt claims or other rights (together, a *lucratief belang*) that the holder thereof has acquired under such circumstances that such income and gains are intended to be remuneration for work or services performed by such holder (or a related person) in the Netherlands, whether within or outside an employment relation, where such lucrative interest provides the holder thereof, economically speaking, with certain benefits that have a relation to the relevant work or services.

If either of the abovementioned conditions (a) or (b) applies, income or capital gains in respect of dividends distributed by the Company or in respect of any gain realised on the disposal of Shares will in general be subject to Dutch personal income tax at the progressive rates up to 52 per cent.

If the abovementioned conditions (a) and (b) do not apply, the holder of Shares who is an individual resident or deemed to be resident in the Netherlands, or who has elected to be taxed as a resident of the Netherlands for Dutch tax purposes, will not be subject to taxes on income and capital gains in the Netherlands. Instead, such individual is taxed at a flat rate of 30 per cent. on deemed income from "savings and investments" (*sparen en beleggen*). This deemed income amounts to 4 per cent. of the individual's "yield basis" (*rendementsgrondslag*) at the beginning of the calendar year. The "yield basis" would include the fair market value of the Shares.

Holders of Shares resident in the Netherlands: corporate entities

A holder of Shares that is resident or deemed to be resident in the Netherlands for Dutch corporate income tax purposes, and that is:

(i) a corporation;

(ii) another entity with a capital divided into shares;

(iii) a cooperative (association); or

(iv) another legal entity that has an enterprise or an interest in an enterprise to which the Shares are attributable,

but which is not:

(v) a qualifying pension fund;

(vi) a qualifying investment fund (under article 6a or 28 of the Dutch Corporate Income Tax Act); or

(vii) another entity exempt from corporate income tax,

will in general be subject to regular Dutch corporate income tax, levied at a rate of 25 per cent. (20 per cent. over profits up to €200,000) over income derived from the Shares and gains realised upon acquisition, redemption and disposal of the Shares.

If and to the extent that such holder of Shares is eligible for the application of the participation exemption (*deelnemingsvrijstelling*) with respect to the Shares, income derived from the Shares and gains and losses (with the exception of liquidation losses under strict conditions) realised on the Shares may be exempt from Dutch corporate income tax. Generally, the participation exemption applies, amongst others, if a holder of Shares (i) holds an interest of at least 5 per cent. in the issued and paid up nominal share capital of the Company and (ii) is not an investment fund benefiting from the provisions under article 6a or 28 of the CITA.

Holders of Shares resident outside the Netherlands: individuals

A holder of Shares, who is an individual not resident or not deemed to be resident in the Netherlands, and who has not elected to be taxed as a resident of the Netherlands for Dutch personal income tax purposes, will not be subject to any Dutch taxes on income or capital gains in respect of dividends distributed by the Company or in respect of any gain realised on the disposal of Shares (other than the dividend withholding tax described above), unless:

(a) such holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Shares are attributable; and/or

(b) such income or capital gain forms "a benefit from miscellaneous activities" (*resultaat uit overige werkzaamheden*) which, for instance, would be the case if the activities with respect to the Shares exceed "normal active asset management" (*normaal, actief vermogensbeheer*) or if income and gains are derived from the holding, whether directly or indirectly, of (a combination of) shares, debt claims or other rights (together, a *lucratief belang*) that the holder thereof has acquired under such circumstances that such income and gains are intended to be remuneration for work or services performed by such holder (or a related person) in the

Netherlands, whether within or outside an employment relation, where such lucrative interest provides the holder thereof, economically speaking, with certain benefits that have a relation to the relevant work or services.

If either of the abovementioned conditions (a) or (b) applies, income or capital gains in respect of dividends distributed by the Company or in respect of any gain realised on the disposal of Shares will in general be subject to Dutch personal income tax at the progressive rates up to 52 per cent.

Holders of Shares resident outside the Netherlands: legal and other entities

A holder of Shares, that is a legal entity, another entity with a capital divided into shares, an association, a foundation or a fund or trust, not resident or deemed to be resident in the Netherlands for Dutch corporate income tax purposes, will not be subject to any Dutch taxes on income or capital gains in respect of dividends distributed by the Company or in respect of any gain realised on the disposal of Shares (other than the dividend withholding tax described above), unless:

(a) such holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Shares are attributable and the participation exemption (*deelnemingsvrijstelling*) as described above does not apply to any income or capital gain arising from such Shares; or

(b) such holder has a substantial interest (*aanmerkelijk belang*) (as described under Dutch Tax Considerations above) in the Company, that does not form part of the assets of an enterprise.

If one of the abovementioned conditions applies, income derived from the Shares and gains realised on the Shares will, in general, be subject to regular corporate income tax levied at a rate of 25 per cent. (20 per cent. over profits up to €200,000).

Gift, Estate and Inheritance Taxes

Holders of Shares resident in the Netherlands

Gift tax may be due in the Netherlands with respect to an acquisition of Shares by way of a gift by a holder of Shares who is resident or deemed to be resident of the Netherlands.

Inheritance tax may be due in the Netherlands with respect to an acquisition or deemed acquisition of Shares by way of an inheritance or bequest on the death of a holder of Shares who is resident or deemed to be resident of the Netherlands, or by way of a gift within 180 days before his death by an individual who is resident or deemed to be resident in the Netherlands at the time of his death.

For purposes of Dutch gift and inheritance tax, an individual with Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Dutch gift tax, an individual not holding Dutch nationality will be deemed to be resident of the Netherlands if he has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

Holders of Shares resident outside the Netherlands

No gift, estate or inheritance taxes will arise in the Netherlands with respect to an acquisition of Shares by way of a gift by, or on the death of, a holder of Shares who is neither resident nor deemed to be resident of the Netherlands, unless, in the case of a gift of Shares by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

Certain special situations

For purposes of Dutch gift, estate and inheritance tax, (i) a gift by a Third Party will be construed as a gift by the Settlor, and (ii) upon the death of the Settlor, as a rule his/her Beneficiaries will be deemed to have inherited directly from the Settlor. Subsequently, such Beneficiaries will be deemed the settlor, grantor or similar originator of the Separated Private Assets for purposes of Dutch gift, estate and inheritance tax in case of subsequent gifts or inheritances.

For the purposes of Dutch gift and inheritance tax, a gift that is made under a condition precedent is deemed to have been made at the moment such condition precedent is satisfied.

Turnover Tax

No Dutch turnover tax will arise in respect of or in connection with the subscription, issue, placement, allotment or delivery of the Shares.

Other Taxes and Duties

No Dutch registration tax, capital tax, custom duty, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable in the Netherlands in respect of or in connection with the subscription, issue, placement, allotment or delivery of the Shares.

United Kingdom tax considerations

The following is of a general nature only and is based on current UK law and HMRC practice as published at the date of this Prospectus, both of which are subject to change, possibly with retrospective effect. It is intended as a general guide to the main UK tax consequences of an investment in the Shares and does not purport to be a comprehensive analysis of all of the UK tax consequences applicable to all types of Shareholders. It applies only to Shareholders resident, and in the case of individuals, ordinarily resident and domiciled, in (and only in) the UK for tax purposes, who are the absolute beneficial owners of Shares as an investment (other than under an individual savings account), and who, together with connected or associated persons, hold less than 10 per cent. of the Shares. The tax position of certain categories of holders of Shares who are subject to special rules (such as persons who have (or are deemed to have) acquired their Shares in connection with an office or employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

Prospective holders of Shares should consult their own professional advisers as to the tax consequences of the purchase, ownership and disposal of Shares in their individual circumstances.

Any reference in this United Kingdom Tax Considerations section (other than the section "UK Stamp duty and SDRT") to Shares includes a reference to Depository Interests.

Dividends

Dividend payments may be made without withholding or deduction for or on account of UK income tax. However, payments of dividends may be subject to Dutch dividend withholding tax: see above, "Dutch Tax Considerations — Dividend Withholding Tax — Holders of Shares resident outside the Netherlands", for a description of the Dutch dividend withholding tax position.

UK resident individual Shareholders

Dividends received by UK resident individual Shareholders will be subject to UK income tax. This is charged on the aggregate of (1) the gross amount of any dividend paid before the deduction of Dutch dividend withholding taxes (the "gross dividend") and (2) any UK tax credit available as described below.

UK resident individual Shareholders will generally be entitled to a non-payable UK tax credit equal to one-ninth of the amount of the gross dividend, which is equivalent to ten per cent. of the aggregate of the dividend and credit.

A UK resident individual Shareholder who is subject to income tax at a rate or rates not exceeding the basic rate will be liable to tax on the dividend at the rate of ten per cent., and will therefore have no further UK income tax liability to pay.

A Shareholder who is subject to income tax at the higher rate will be liable to income tax on the aggregate of the gross dividend and tax credit at the rate of 32.5 per cent. to the extent that such sum, when treated as the top slice of that Shareholder's income, falls above the threshold for higher rate income tax. Because tax is charged on the aggregate of the gross dividend plus the tax credit, any tax credit lowers the effective rate of tax in respect of the dividend. So, for example, a gross dividend of £180 will carry a tax credit of £20 and the UK income tax payable on the dividend by an individual Shareholder who is subject to income tax at the higher rate would be 32.5 per cent. of £200, namely £65, less the tax credit of £20, leaving a net tax charge of £45, before any credit in respect of Dutch dividend withholding taxes.

A Shareholder who has taxable income above £150,000 and is therefore subject to income tax at the additional rate will be liable to income tax on the aggregate of the gross dividend and tax credit at the rate of 42.5 per cent. to the

extent that such sum, when treated as the top slice of that Shareholder's income, falls above the £150,000 threshold. In the same way as for a higher rate taxpayer, the tax credit may be set off against part of the liability.

Shareholders subject to income tax at the higher or additional rate will also generally be entitled to a credit for Dutch dividend withholding tax deducted at source from the dividend payment, to the extent that such dividend withholding tax cannot be reduced by a claim under the UK/Netherlands double taxation agreement.

UK resident corporate Shareholders

For corporate Shareholders who are UK resident, dividends received will be subject to UK corporation tax unless those dividends benefit from an exemption.

For UK resident Shareholders that are "small companies" (broadly, a company with fewer than 50 employees and whose annual turnover and/or annual balance sheet total does not exceed €10 million), dividends should qualify for exemption from UK corporation tax provided that no deduction is allowed to any resident of a territory outside the UK in respect of the dividend, the dividend is not paid as part of a tax advantage scheme and the Company is resident for tax purposes in the Netherlands or another "qualifying territory" as defined in s.931C of the UK Corporation Tax Act 2009.

For UK resident corporate Shareholders that are not "small companies", dividends will generally also qualify for exemption from UK corporation tax, provided that no deduction is allowed to any resident of a territory outside the UK in respect of the dividend, and subject to certain other detailed anti-avoidance provisions.

Where a dividend paid by the Company is treated as exempt, the Shareholder will not be entitled to claim relief by way of credit in the UK in respect of any Dutch dividend withholding tax suffered in respect of that dividend. See above, "Dutch Tax Considerations — Dividend Withholding Tax — Holders of Shares resident outside the Netherlands".

Taxation of disposals

A disposal or deemed disposal of Shares by a Shareholder who is (at any time in the relevant UK tax year) resident or, in the case of an individual, ordinarily resident in the UK for tax purposes may, depending upon the Shareholder's circumstances and subject to any available exemption or relief (such as the annual exempt amount for individuals and indexation for corporate Shareholders), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains.

An individual Shareholder who has ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five tax years and who disposes of all or part of his Shares during that period may be liable to capital gains tax on his return to the UK, subject to any available exemption or relief.

UK Stamp duty and SDRT

No liability to stamp duty or SDRT will arise on the issue of Shares or Depository Interests.

UK stamp duty will not normally be payable in connection with a transfer of Shares, provided that the instrument of transfer is executed and retained outside the UK and no other action is taken in the UK by the transferor or transferee. No charge to SDRT will arise in respect of an agreement to transfer Shares provided that the Shares are not registered in any register kept in the UK by the Company or on its behalf.

A transfer of Depository Interests effected through CREST will not give rise to stamp duty. In addition, no SDRT will arise on a transfer of Depository Interests effected through CREST, provided that at the relevant time (a) the Shares are listed on the Official List and are admitted to trading on the London Stock Exchange's main market for listed securities, (b) the Shares are not registered in any register kept in the UK by the Company or on its behalf and (c) the central management and control of the Company is not exercised in the UK.

Inheritance Tax

Liability to UK inheritance tax may arise in respect of the Shares on the death of, or on a gift of the Shares by, an individual holder of such Shares who is domiciled or deemed to be domiciled in the UK.

For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit.

Special rules also apply to close companies and to trustees of settlements who hold Shares, bringing them within the charge to inheritance tax. Shareholders should consult an appropriate tax adviser if they make a gift or transfer at less than full market value or if they intend to hold any Shares through trust arrangements.

United States tax considerations

The following discussion is a general summary under present law of certain US federal income tax considerations relevant to the purchase, ownership and disposition of the Shares. The summary is not a complete description of all tax considerations that may be relevant. It applies only to US holders (as defined below) that purchase Shares in the Offer, hold the Shares as capital assets and use the US dollar as their functional currency. It does not address the tax treatment of persons subject to special rules, such as financial institutions, dealers or traders, insurance companies, tax exempt entities, persons owning 10 per cent. or more of the Company's share capital, persons holding Shares as part of a hedge, straddle, conversion or constructive sale transaction or persons holding Shares in connection with a permanent establishment in the Netherlands. It also does not address US state and local tax considerations.

THE STATEMENTS ABOUT US FEDERAL TAX CONSIDERATIONS ARE MADE TO SUPPORT MARKETING OF THE NEW SHARES. NO TAXPAYER CAN RELY ON THEM TO AVOID US FEDERAL TAX PENALTIES. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN THE NEW SHARES UNDER THE LAWS OF THE NETHERLANDS, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS, AND ANY OTHER JURISDICTIONS WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

As used in this section, "US holder" means a beneficial owner of Shares that for US federal income tax purposes is (i) a US citizen or individual resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organised under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of a US person and the primary supervision of a US court or (iv) an estate the income of which is subject to US federal income tax without regard to its source.

The US federal income tax treatment of a partner in a partnership purchasing, owning and disposing of Shares generally will depend on the status of the partner and the activities of the partnership. Partners should consult their own tax advisors about the US federal income tax consequences to them of the partnership's acquisition, ownership and disposition of Shares.

Distributions

Subject to the passive foreign investment company ("PFIC") rules discussed below, dividends on the Shares (including the amount of any Netherlands tax withheld) should be included in a US holder's gross income as ordinary income from foreign sources. Dividends will not be eligible for the dividends-received deduction generally available to US corporations. Dividends received in taxable years beginning before 2011, however, should qualify for the preferential tax rate available for qualified dividend income of individuals and certain other non-corporate US holders if the Shares are regularly traded on the London Stock Exchange and the holder meets holding period requirements. Dividends paid in euro will be includable in income in a US dollar amount based on the exchange rate in effect on the date of receipt whether or not the payment is converted into US dollars at that time. A US holder's tax basis in the foreign currency will equal the US dollar amount included in income. Any foreign currency gain or loss on a subsequent conversion or other disposition of the euro for a different amount generally will be US source ordinary income or loss.

A US holder may claim a deduction or a foreign tax credit (subject to other applicable limitations) only for tax withheld at the appropriate rate. In computing foreign tax credit limitations, non-corporate US holders may take into account only the portion of the dividend effectively taxed at the highest applicable marginal rate.

Dispositions

Subject to the PFIC rules discussed below, a US holder will recognise capital gain or loss on the sale or other disposition of Shares in an amount equal to the difference between the US holder's adjusted tax basis in the Shares and the US dollar value of the amount realised. A US holder's adjusted tax basis in the Shares generally will be its US dollar cost. Any gain or loss generally will be treated as arising from US sources. It generally will be long-term capital gain or loss if the holder has held Shares for more than one year. Deductions for capital losses are subject to significant limitations.

A US holder that receives foreign currency on the disposition of Shares will realise an amount equal to the US dollar value of the currency received at the spot rate on the date of sale (or, in the case of cash basis and electing accrual basis US holders, the settlement date). A US holder will recognise foreign currency gain or loss to the extent the US dollar value of the amount received at the spot exchange rate on the settlement date differs from the amount realised. A US holder will have a tax basis in the currency received equal to the US dollar value of the currency received on the settlement date. Any gain or loss on a subsequent conversion or other disposition of the currency will be US source ordinary income or loss.

Passive Foreign Investment Company

The Company believes that it is not and will not become, a PFIC for US federal income tax purposes. A non-US company is a PFIC in any taxable year in which either (i) at least 75 per cent. of its gross income is passive income or (ii) at least 50 per cent. of the average value of its assets is attributable to assets that produce or are held to produce passive income. In applying these tests, a non-US corporation that directly or indirectly owns at least 25 per cent. by value of the stock of another corporation is treated as if it held its proportionate share of the other corporation's assets and received its proportionate share of the other corporation's income. A company's gain from commodities generally will be passive income unless they arise from active business sales and substantially all of the Company's commodities are inventory, depreciable property used in its trade or business or supplies used or consumed in the ordinary course of business.

The principal products of the Company's group are commodities, but the Company believes that it currently qualifies for the active business exception. The PFIC determination is made annually, and a company's status can change depending, among other things, on changes in the composition and relative value of gross receipts and assets, changes in its operations and changes and the market value of its stock. The Company therefore cannot assure a US holder that it will qualify for the active business exception in future years.

If the Company were a PFIC for any taxable year in which a US holder holds Shares, a US holder would be subject to additional taxes on any excess distribution and any gain realised from the disposition of Shares (regardless of whether the Company continues to be a PFIC). A US holder would have an excess distribution to the extent that distributions on Shares during a taxable year exceeded 125 per cent. of the average amount received during the three preceding taxable years (or, if shorter, the US holder's holding period). To compute the tax on excess distributions or any gain, (i) the excess distribution or gain would be allocated ratably over the US holder's holding period, (ii) the amount allocated to the current taxable year and any year before the Company became a PFIC would be taxed as ordinary income in the current year and (iii) the amount allocated to other taxable years would be taxed at the highest applicable marginal rate in effect for each year and an interest charge imposed to recover the deemed benefit from the deferred payment of the tax attributable to each year.

If the Company were a PFIC for any taxable year in which a US holder holds Shares, a US holder might be able to avoid some of the tax consequences described above by electing to mark the Shares to market annually. The election is available only if the Company's ordinary shares trade in more than de minimis quantities for at least 15 days during each calendar quarter. Any gain from marking Shares to market or from disposing of them would be ordinary income. Any loss from marking Shares to market would be recognised only to the extent of gains previously included in income. Loss from marking Shares to market would be ordinary, but loss on disposing of them would be capital loss except to the extent of gains previously included in income. A US holder should ask its tax advisor whether a mark-to-market election is available or desirable. A valid mark-to-market election cannot be revoked without the consent of the IRS unless the Shares cease to be marketable.

A US holder cannot avoid the tax consequences described above by electing to treat the Company as a qualified electing fund ("QEF") because the Company does not intend to provide the information that a US holder would need to make a QEF election. US holders should consult their own tax advisors concerning the Company's PFIC status, the consequences to them if the Company is a PFIC for any taxable year and the possible effects of lower-tier PFICs on their timing and character of income and loss.

Information Reporting and Backup Withholding

Dividends on and proceeds from the sale or other disposition of the Shares may be reported to the US Internal Revenue Service ("IRS") unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or otherwise establish a basis for exemption. A US holder can claim a credit against its US federal income tax liability for amounts withheld under the backup withholding rules, and can claim a refund of

amounts in excess of its tax liability by providing the appropriate information to the IRS. Prospective investors should consult their tax advisors about qualifying for an exemption from backup withholding.

Recently enacted legislation requires certain US Holders to report information with respect to their investment in financial instruments not held through an account with a financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisers about information reporting requirements applicable to their investment in the Shares.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NEW SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

PART 15

ADDITIONAL INFORMATION

1. Incorporation and share capital

1.1 The Company was incorporated in the Netherlands on 6 July 2005 by notarial deed of incorporation as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands with the name Sakha Gold B.V.

1.1.1 On 30 July 2009, the Company was converted from a private company with limited liability into a public company with limited liability (*naamloze vennootschap*) under the laws of the Netherlands and its name was changed into Severstal Gold N.V. On 29 September 2010, the Company changed its name to Nord Gold N.V.

1.1.2 The Company's statutory seat (*statutaire zetel*) is in Amsterdam, the Netherlands, and its registered office and principal place of business is at Strawinskylaan 3105, 1077 ZX, Amsterdam, the Netherlands. The Company is registered with the trade register of the Chamber of Commerce for Amsterdam, the Netherlands, under number 17179668, and its telephone number is +31 (0)20 406 44 44.

1.1.3 The Shares are subject to, and have been created under, the laws of the Netherlands.

1.2 The share capital history of the Company is as follows:

1.2.1 The Company was incorporated on 6 July 2005 by notarial deed of incorporation as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands under the name of Sakha Gold B.V. At the time of its incorporation, the Company's authorised share capital amounted to €90,000, divided into 1,800 Shares with a nominal value of €50 each. The issued and paid-up share capital of the Company amounted to €18,000, consisting of 360 Shares. At the time of its incorporation, all Shares in the Company were held by Celtic Resources Holdings Plc. (subsequently converted into Celtic Resources Holdings Ltd.).

On 24 July 2009, the Company issued 600 Shares to Celtic Resource Holdings Ltd. As a result, the entire issued and paid-up share capital was increased to €48,000 (consisting of 960 Shares). On 30 July 2009, the Company was converted from a private company with limited liability into a public company with limited liability (*naamloze vennootschap*) and its name was changed into Severstal Gold N.V. On 6 August 2009, 960 Shares, being the entire issued share capital of the Company, were sold and transferred by Celtic Resource Holdings Ltd. to Mining Holding Company, LLC, a subsidiary of OAO Severstal.

On 20 November 2009, the authorised share capital of the Company was increased to €700,000,000, divided into 14,000,000 Shares, each having a nominal value of €50. On the same day, the Company issued 2,805,295 Shares to Mining Holding Company, LLC, as a result of which the entire issued and paid-up share capital of the Company was increased to €140,312,750 (consisting of 2,806,255 Shares). On 26 November 2009, the Company issued an additional 2,190,667 Shares, of which 200,906 Shares were issued to Mining Holding Company, LLC, and 1,989,761 Shares were issued to Lybica Holding B.V. As a result of this, the entire issued and paid-up share capital of the Company was increased to €249,846,100 (consisting of 4,996,922 Shares).

On 14 December 2009, Lybica Holding B.V. sold and transferred its Shares in the Company to Mining Holding Company, LLC.

On 22 December 2009, the Company issued 4,796,885 Shares to Mining Holding Company, LLC. As a result thereof, 9,793,807 Shares, being the entire issued and paid-up share capital of the Company, were held by Mining Holding Company, LLC.

On 24 June 2010, Mining Holding Company, LLC, sold and transferred its Shares in the Company, being 9,793,807 Shares, to Lybica Holding B.V.

On 8 July 2010, the Company issued another 890,971 Shares to Lybica Holding B.V., resulting in an entire issued and paid-up share capital of €534,238,900 (consisting of 10,684,778 Shares). On 20 July 2010, the Company issued an additional 440,120 Shares to Lybica Holding B.V., resulting in an entire issued and paid-up share capital of €556,244,900 (consisting of 11,124,898 Shares). On 26 July 2010, the Company issued 1,424,148 Shares to Lybica Holding B.V., and as a result thereof, the entire issued

and paid-up share capital was increased to €627,452,300 (consisting of 12,549,046 Shares). On 29 July 2010, the Company issued an additional 53,533 Shares to Lybica Holding B.V., as a result of which the entire issued and paid-up share capital was increased to €630,128,950 (consisting of 12,602,579 Shares).

On 18 August 2010, the Company issued 885,780 Shares to Lybica Holding B.V. As a result thereof, the entire issued and paid-up share capital was increased to €674,417,950 (consisting of 13,488,359 Shares).

On 2 September 2010, the authorised capital of the Company was increased to €1,000,000,000, divided into 800,000,000 Shares. The nominal value of the Shares was reduced from €50 per Share to €1.25 per Share. The issued and paid-up share capital remained €674,417,950 (consisting of 539,534,360 Shares), held by Lybica Holding B.V. On 22 September 2010, the Company issued 134,312,041 Shares to Lybica Holding B.V. As a result thereof, the entire issued and paid-up share capital was increased to €842,308,001.25 (consisting of 673,846,401 Shares). On 27 September 2010, the Company issued an additional 43,741,959 Shares to Lybica Holding B.V having a nominal value of €54,667,448.75. In order to pay up at least twenty-five per cent. (25%) of the nominal value of the Shares upon issuance in accordance with Section 2:80 of the Dutch Civil Code, an amount of €14,838,996.88 was paid by Lybica Holding B.V. to the Company. The Company and Lybica Holding B.V. agreed that the balance of the total nominal value of the Shares, being €39,828,451.87, would be paid by Lybica Holding B.V. after the Company made a call in respect of this unpaid amount on the Shares. The total nominal value of the Shares was fully paid-up by Lybica Holding B.V. on 8 October 2010. As a result of this issue, the total issued and paid-up share capital was increased to €896,985,450 (consisting of 717,588,360 Shares). On 8 October 2010, the authorised share capital of the Company was increased to €4,484,927,250, divided into 3,587,941,800 shares.

1.3 Save as disclosed above and in paragraph 7 below:

1.3.1 no share capital of the Company has, within three years of the date of this Prospectus, been issued or agreed to be issued, or is now proposed to be issued (other than pursuant to the Offer), fully or partly paid, either for cash or for a consideration other than cash, to any person;

1.3.2 no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of any such company; and

1.3.3 no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

1.4 The Company will be subject to the provisions of the Listing Rules and the Articles of Association (see below) with regard to the issue of Shares following Admission. The Shares are in registered form and are only available in the form of an entry in the Company's shareholders' register and not in certificated form. The Shares may also be held in dematerialised form as Depository Interests in CREST.

2. Articles of Association

2.1 General

On 4 October 2010, the general meeting of Shareholders resolved to amend the articles of association of the Company (the "Articles of Association") by means of a deed of amendment of the Articles of Association (the "Deed of Amendment"). The declaration of no objection of the Dutch Minister of Justice for the Deed of Amendment was issued on 5 October 2010 (number N.V.1331227). The Deed of Amendment was executed on 8 October 2010 and is available for inspection by interested parties at the office of the Company.

Set forth below is a summary of relevant information and certain material provisions of the Articles of Association and applicable Dutch law. This summary does not purport to give a complete overview and should be read in conjunction with, and is qualified in its entirety by reference to, the Articles of Association and the relevant provisions of Dutch law as in force on the date of this Prospectus. This summary does not constitute legal advice regarding those matters and should not be regarded as such. The full text of the Articles of Association is available, in Dutch and English, at the offices of the Company during regular business hours and on the Company's website.

The Articles of Association contain, amongst others, provisions to the following effect:

2.2 Objects

The corporate objectives of the Company are:

a. to acquire and sell participations or other interests in legal entities, enterprises, businesses and companies, while acting on its own or in concert with others, and the collaboration thereof;

b. to incorporate, to participate in any way whatsoever, to manage, to supervise, to operate and to promote enterprises, businesses and companies;

c. to finance enterprises, businesses and companies;

d. to supply advice and to render services to enterprises, businesses and companies with which the Company forms a group and to third parties;

e. to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreement in connection with the aforementioned;

f. to grant guarantees, to bind the Company and to pledge its assets for obligations of the enterprises, businesses and companies with which it forms a group and for obligations of third parties;

g. to obtain, alienate, manage, exploit, sell, lease or otherwise dispose of the whole or any part of registered property, assets, undertaking of the Company or items of property in general;

h. to trade and invest in currencies, securities and items of property in general;

i. to acquire, develop, dispose of, hold, manage and/or exploit patents, trade names, trademarks, installations, processes, licences, knowhow, copyright, royalties, and other rights to intellectual and/or industrial property, as well as granting licences to rights of this nature and acquiring and exploiting licences, both in and outside the Netherlands;

j. to enter into any agreement or make any arrangement in connection with the Company's business, with any government department or other authority, corporation, company or person which is in the interest of the Company;

k. to perform any and all activity of an industrial, financial or commercial nature,

as well as everything pertaining the foregoing, relating thereto or conductive thereto, all in the widest sense of the word.

2.3 Shares

2.3.1 Authorised and issued share capital

At the date of this Prospectus, the authorised share capital of the Company amounts to €4,484,927,250 and is divided into 3,587,941,800 Shares, each with a nominal value of €1.25. The issued share capital of the Company as of the date of this Prospectus is €896,985,450, consisting of 717,588,360 Shares, each with a nominal value of €1.25. All of these Shares have been fully paid up.

Immediately following completion of the Offer, the issued share capital is expected to amount to €1,038,360,450 consisting of 830,688,360 Shares, each with a nominal value of €1.25. All Shares will be fully paid up.

2.3.2 Form of Shares

The Shares are registered shares (*aandelen op naam*) for which no share certificates will be issued.

2.3.3 Company's Shareholders' register

Subject to Dutch law and the Articles of Association, the Company must keep the Company's Shareholders' register. The Company's Shareholders' register must be kept accurate and up-to-date. The Board keeps the Company's Shareholders' register in up to date and records names and addresses of all holders of Shares, showing the date on which the Shares were acquired, the date of the acknowledgement by or notification of the Company as well as the amount paid on each Share. The register also includes the names and addresses of those with a right of usufruct or a pledge in respect of such Shares. The name and the address of the Depository (or its nominee), being the holder of Shares, will be entered into the Company's Shareholders' register. The names and the addresses of Depository Interest holders will not be entered into the Company's Shareholders' register. A separate register of

Depository Interests may be kept by the Depository in the United Kingdom, of which excerpts may be obtained by the Board.

2.4 Issue of Shares and pre-emptive rights

2.4.1 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. The general meeting of Shareholders 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 of the issue for a specified period not exceeding 5 years (which period can be extended from time to time for further periods not exceeding 5 years) so long as the maximum number of Shares which may be issued is specified. Shares may not be issued at less than their nominal value and must be fully paid up upon issue. A resolution by the general meeting of Shareholders to issue Shares (or grant rights to subscribe for Shares) or to 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 to resolve upon the issue of Shares cannot be withdrawn unless provided otherwise in such resolution. No resolution is required for the issue of Shares pursuant to the exercise of a previously-granted right to subscribe for Shares.

On 25 January 2011, the Board has been designated by the general meeting of Shareholders as the corporate body competent to issue Shares (and to grant rights to subscribe for Shares). This authority of the Board to issue Shares (and grant rights to subscribe for Shares) has been granted (i) up to a maximum of the authorised share capital, ending on the date of completion of the Offer, and (ii) thereafter up to a maximum of 10 per cent. of the issued share capital immediately after completion of the offer, plus, in the event of a merger or acquisition, an additional 10 per cent. ending on 25 July 2012. The general meeting of Shareholders may withdraw the designation of the Board or increase these percentages and extend this period at any time.

2.4.2 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) and (iii) to persons exercising a previously-granted right to subscribe for Shares.

The general meeting of Shareholders may limit or exclude the pre-emptive rights by a resolution requiring a majority of at least 75 per cent. of the votes cast. The general meeting of Shareholders 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 5 years (which period can be extended from time to time for further periods not exceeding 5 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 per cent. of the issued share capital of the Company is present or represented at the general meeting of Shareholders. 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 provided otherwise in such resolution.

On 25 January 2011, the Board has been designated by the general meeting of Shareholders as corporate body competent to limit or exclude the pre-emptive rights, subject to the limited authority the Board has in respect of the issue Shares (and granting of rights to subscribe for Shares), ending on 25 July 2012. The general meeting of Shareholders may withdraw the designation of the Board at any time.

2.5 Financial assistance

The Company (or its subsidiary companies) may not give security, give a price guarantee, answer to in any other way or bind itself severally or otherwise in addition to or for others in relation to the subscription or acquisition of Shares or Depository Interests. This prohibition shall not apply to Shares or Depository Interests subscribed for or acquired by employees of the Company or another member of its Group.

2.6 Acquisition of own Shares

Subject to the certain provisions of the Articles of Association, the Company may acquire fully paid up Shares or Depository Interests provided no consideration is given or provided (i) the Company has freely distributable reserves at least equal to the purchase price and (ii) the nominal value of the Shares or the Depository Interests

thereof to be acquired when aggregated with the nominal value of the Shares or Depository Interests already held by the Company and its subsidiary companies does not exceed 50 per cent. of the issued share capital of the Company.

The acquisition of Shares or Depository Interests by the Board other than for no value requires authorisation by the general meeting of Shareholders. Such authorisation may be granted for a period not exceeding 18 months and shall specify the number of Shares or Depository Interests and conditions of such acquisition. The authorisation is not required for the acquisition of Shares or Depository Interests 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 of Shareholders to designate the Board as the competent corporate body for the acquisition of Shares or Depository Interests other than for no value requires a simple majority of the votes validly cast. On 25 January 2011, the Board has been authorised by the general meeting of Shareholders to acquire Shares or Depository Interests until and ending on 25 July 2012.

No voting rights may be exercised in respect of any Share or Depository Interest held by the Company or its subsidiary companies.

2.7 Reduction of share capital

The general meeting of Shareholders may resolve to reduce the issued share capital of the Company in accordance with the relevant provisions of Dutch law, either by cancelling Shares held by the Company or by reducing the nominal value of the Shares by an amendment to the Articles of Association. Under Dutch law, the resolution to reduce the issued share capital of the Company must specifically state the shares concerned and lay down rules for the implementation of the resolution. The resolution to cancel Shares may only concern Shares or the Depository Interests thereof, which are held by the Company. A resolution to reduce the issued share capital shall require two-thirds of the votes cast, if less than half of the issued capital of the Company is present or represented at the general meeting of Shareholders.

2.8 Transfer of Shares

In accordance with the provisions of Dutch law, the Shares or a right in rem thereon are transferred by means of a deed of transfer executed before a Dutch civil law notary, unless Shares or Depository Interests thereof are (or shall shortly be) admitted to trading on a regulated market or multilateral trading facility as referred to in Article 1:1 of the Dutch Financial Supervision Act or a system comparable to a regulated market or multilateral trading facility, in which case such transfer has to be effected by means of a private deed of transfer and the acknowledgement of the transfer by the Company in accordance with the provisions of the DCC. The transfer of Shares (or Depository Interests thereof) held by the Company requires amongst others to a resolution of the Board.

2.9 Depository Interests

The Company may lend its cooperation to the issue of Depository Interests. The Board is authorised to make such arrangements as it sees fit in order to enable the Shares to be represented by and exchanged for Depository Interests which are eligible to be held and transferred in dematerialised form in CREST.

2.10 Board

2.10.1 Management structure

The Company has a one-tier board structure, consisting of a management board having executive directors and non-executive directors. Only natural persons can be members of the Board. The executive directors are particularly responsible for the daily affairs and perform the day to day management of the Company and the non-executive directors are particularly responsible for the general affairs of the Company and supervise the policy and fulfilment of duties by the executive directors. The Board may adopt internal regulations regarding its decision making process and the internal allocation of tasks and responsibilities.

The regulations shall provide, with due observance of the provisions of the law, for the specific tasks and responsibilities entrusted to each of the executive and non-executive directors.

2.10.2 Number of members of the Board and composition

The minimum number of members of the Board is 1 executive director and 1 non-executive director and there is no maximum number of members of the Board. The general meeting of Shareholders determines the number of executive directors and non-executive directors. The Board appoints 1 non-executive director as Chairman of the Board and may also appoint as and grant the title of Chief Executive Officer (CEO) to an executive director.

2.10.3 Appointment, suspension and dismissal

The general meeting of Shareholders appoints, suspends (for a period no longer than 3 months in total) and dismisses members of the Board. In addition, the general meeting of Shareholders determines whether a member of the Board is appointed as an executive director or non-executive director. Executive directors may also be suspended by the Board. Under the Articles of Association, a resolution by the general meeting of Shareholders to appoint, suspend or dismiss a member of the Board requires a simple majority of the votes validly cast.

2.10.4 Remuneration

The general meeting of Shareholders determines the remuneration policy of the Board. With due observance of the remuneration policy, the Board determines the remuneration of each individual member of the Board, in accordance with the relevant provisions under Dutch law. The executive directors shall not participate in the decision making of the Board in relation to the remuneration of executive directors. Any arrangements in the form of Shares or Depository Interests or options needs to be approved by the general meeting of Shareholders before adoption by the Board.

2.10.5 Directors' powers, tasks and responsibilities

Subject to Dutch law, the Articles of Association and any regulations determined by the Board, the Board is entrusted with the management of the Company. The executive directors are particularly responsible for the daily affairs and perform the day to day management of the Company and the non-executive directors are particularly responsible for the general affairs of the Company and supervise the policy and fulfilment of duties by the executive directors. The Board may adopt internal regulations regarding its decision making process and the internal allocation of tasks and responsibilities.

2.10.6 Board meetings and decisions

A meeting of the Board shall be convened whenever a member of the Board deems such necessary. The chairman presides over the meetings of the Board. In any meeting of the Board, resolutions are adopted by an absolute majority of the votes cast by the members of the Board present or represented. Each member of the Board shall be entitled to cast one vote. Meetings can be held physically in Amsterdam, the Netherlands or such location as designed by the Chairman or alternatively, by telephone or video conference. A resolution can be adopted without a meeting of the Board if all members of the Board have been consulted and that none objects to adopting resolutions in this manner. The Board adopts regulations regarding its decision-making process and internal allocation of tasks and responsibilities. Matters that are specifically reserved for the Board may be further set out in the regulations adopted by the Board regarding its decision-making process and internal allocation of tasks and responsibilities. Resolutions of the Board which have an important impact on the identity or nature of the Company or its business shall be subject to the prior approval of the general meeting of Shareholders, including in any event resolutions: (a) to transfer the business of the Company or substantially the entire business of the Company to a third party; (b) to enter into or to terminate a long lasting cooperation by the Company or a subsidiary with another legal entity or partnership or as general partner with full liability in a limited partnership or general partnership, if such co-operation or the termination thereof is of far-reaching significance to the Company; and (c) to acquire or alienate a participation by the Company or by a subsidiary of the Company in the capital of another company, the value of which equals at least one-third of the assets as shown in its balance sheet with explanatory notes, or, if the Company draws up a consolidated balance sheet, as shown in the consolidated balance sheet with explanatory notes according to the most recently adopted annual accounts.

2.10.7 Representation

The Company is represented by the Board or by the CEO, acting solely. The Board can appoint officers to represent the Company with specified powers. In the event of a conflict of interest between the Company and a member of the Board, the Company shall continue to be represented by the Board or by the CEO, acting solely, unless the general meeting of Shareholder has appointed one or more other persons to represent the Company in the case at hand or in general in the event of such a conflict, and the deliberation and the participation of the decision making of the Board shall take place in accordance with the relevant provisions of the law (if any).

2.10.8 Company Secretary

The Board is further assisted by a company secretary, who is appointed by the Board.

2.11 Committees

Subject to Dutch law, the Articles of Association and any regulation determined by the Board, the Board may delegate its powers to a committee made up of some of its members.

2.12 Annual accounts and auditor

The financial year of the Company coincides with the calendar year. Annually within 4 months after the end of the financial year, the Board prepares the annual accounts, which must be accompanied by an annual report. All members of the Board members sign the annual accounts and if a member does not so sign, the reason for this must be stated. To comply with the relevant provisions of Dutch law, the general meeting of Shareholders may adopt an auditor to audit the annual accounts.

The general meeting of Shareholders may adopt the annual accounts at the annual general meeting of Shareholders, in which meeting also the release of liability of the members of the Board shall be discussed and resolved upon. The annual accounts (in English), the annual report and auditor report are made available at the trade register and at the office of the Company to the Shareholders for review as from the day of the notice convening the annual general meeting of Shareholders.

2.13 Dividend distributions

Distributions can only take place up to the amount of the part of the Company's net assets which exceeds the nominal value of the issued share capital of the Company and its reserves which must be maintained by virtue of the law. Annually, the Board determines which part of the profit earned in a financial year is to be reserved. The remainder of such profit shall be at the disposal of the general meeting of Shareholders and may resolve to make a dividend distribution, after the adoption of the annual accounts from which it appears that such distribution is allowed, to the Shareholders, upon such proposal of the Board. The Board may also resolve to pay an interim distribution dividend subject to the relevant provisions of Dutch law or make a payment out of the reserves to the Shareholders. Distributions shall be claimable and payable as of a date to be determined by the Board. The Articles of Association provide that the claims of Shareholders for distribution of dividends shall lapse as a result of expiry of a period of 5 years.

2.14 Meetings of Shareholders

2.14.1 Annual meeting

An annual general meeting of Shareholders must be held within 6 months from the end of the preceding financial year of the Company. The purpose of the annual general meeting of Shareholders is to discuss *inter alia* the annual report, the adoption of the annual accounts, allocation of profits (including the proposal to distribute dividends), release of members of the Board from liability for their management, filling of any vacancies and other proposals brought up for discussion by the Board.

2.14.2 General meeting of Shareholders and place of meetings

Other general meetings of Shareholders will be held if requested by the Board or by the written request (stating the exact subjects to be discussed) of one or more Shareholders or holders of Depository Interest representing in aggregate at least 10 per cent of the issued share capital of the Company. General meetings will be held in Amsterdam, The Hague, Rotterdam, Utrecht or Haarlemmermeer (Schiphol).

2.14.3 Convocation notice and agenda

General meetings of Shareholders can be convened by the Board by a notice, specifying the subjects to be discussed, the place and the time of the meeting and admission and participation procedure, issued at least 42 days before the meeting. All convocations, announcements, notifications and communications to Shareholders and holders of Depository Interests are made in accordance with the relevant provisions of Dutch law and the convocation and other notices may also occur by means of sending an electronically transmitted legible and reproducible message to the address of those Shareholders which consented to this method of convocation. If a proposal is made to amend the Articles of Association, the convening notice will note this and a copy of the proposed amendment must be deposited at the office of the Company for inspection by the Shareholders and holders of the Depository Interests until the end of the meeting. The agenda for a general meeting of Shareholders may contain the items requested by 1 or more Shareholders, other persons entitled to attend general meetings, or holders of Depository Interests, alone or together representing at least 1 per cent. of the issued share capital or at least €50,000,000 in value. Requests must be made in writing and received by the Board at least 60 days before the day of the meeting.

2.14.4 Admission and registration

All Shareholders or holders of Depository Interests are entitled, in person or represented by a proxy authorised in writing, to attend and address the general meeting of Shareholders. The Board may decide that the rights to attend address and if applicable, to vote, may be exercised by electronic means of communication, under the conditions as stated in the convening notice. As a prerequisite to attending the general meeting of Shareholders and, to the extent applicable, casting of votes, the Shareholders and holders of Depository Interests shall be obliged to inform the Board in writing within the time frame mentioned in the convening notice and such notice must be received by the Board on the day mentioned in the convening notice. The Board shall set a registration date on the 28th day prior to the date of the general meeting of Shareholders. The members of the Board have the right to give advice in the general meeting of Shareholders. Minutes of the meetings shall be prepared. The Chairman presides the general meeting of Shareholders.

2.14.5 Voting rights

Each Share confers the right on the holder to cast 1 vote at general meeting of Shareholders. Resolutions are passed by a simple majority of the votes cast, unless Dutch law or the Articles of Association prescribe a larger majority (such as the resolutions to limit or exclude the pre-emptive rights which requires at least 75 per cent. of the votes cast, or reduce the issued share capital, which requires at least two-thirds of the votes cast, in a meeting if less than half of the issued share capital is present or represented). Voting results shall be made public on the website of the Company. Unless there are holders of Depository Interests, resolutions of the general meeting of Shareholders can also be adopted without holding a meeting, if by an unanimous vote by all Shareholders entitled to vote and in writing.

2.15 Amendment of Articles of Association

The general meeting of Shareholders may resolve to amend the Articles of Association, upon a proposal of the Board. A resolution by the general meeting of Shareholders to amend the Articles of Association requires a simple majority of the votes cast.

2.16 Dissolution and liquidation

The general meeting of Shareholders may resolve to dissolve the Company, upon a proposal of the Board thereto, which resolution requires a simple majority of the votes cast. During the liquidation of the Company, the Articles of Association shall remain in force to the extent possible. The balance of the equity remaining after payments of debts of the Company shall be distributed to Shareholders in proportion to their individual shareholdings.

2.17 Liability, indemnity and insurance

2.17.1 Liability

Under Dutch law, members of the Board may be liable for damages in the event of improper or negligent performance of their duties. They may be jointly and severally liable for damages to the Company and to third parties for infringement of the Articles of Association or of certain provisions of the Dutch Civil Code (*Burgerlijk Wetboek*). In certain circumstances, members of the Board may also incur additional specific civil and criminal liabilities.

2.17.2 Indemnity and insurance

Subject to certain exceptions, including for those acts or failures that may be characterised as serious blame (*ernstige verwijtbaarheid*), intentional recklessness (*bewuste roekeloosheid*) or wilful misconduct (*opzet*), the Company shall indemnify the members of the Board against all costs, judgments, fines and amounts paid in settlement in respect of threatened, pending or completed actions or proceedings and all expenses in connection with the defence or settlement thereof. The Company may conclude and maintain insurances on behalf of *inter alia* (former) members of the Board or officers of the Company.

3. Directors' and Senior Management's interests

3.1 The Directors and members of Senior Management, their functions within the Group and brief biographies are set out in Part 7 "Directors, Senior Management and Corporate Governance".

3.2 Other than Philip Baum as described below in 4.3.2, no Director or member of Senior Management (or any persons connected with any of the Directors or any member of Senior Management) shall have any interest

(legal or beneficial) in the share capital of the Company immediately prior to or following Admission. Options or interests in the share capital of the Company shall not be granted to any Director or any member of Senior Management until after the first board meeting post-Admission.

3.3 As at the date of this Prospectus, none of the Directors or any member of Senior Management has any interests in the share or loan capital of the Company or any of its subsidiaries. As described below in 4.3.2, Philip Baum intends to acquire Shares in the Company at the Offer Price. Save as set out in Part 7 "Directors, Senior Management and Corporate Governance" and 4.3.2 below, no Director or any member of Senior Management has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Group and which was effected by the Company in the current or immediately preceding financial year or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

3.4 There are no outstanding loans granted by any member of the Group to any Director or any member of Senior Management, nor has any guarantee been provided by any member of the Group for their benefit.

3.5 In so far as is known to the Directors and Senior Management, they are aware of the following interests (within the meaning of the Dutch Financial Supervision Act) (other than interests held by the Directors) which represent, or will represent, directly or indirectly, 5 per cent. or more of the issued share capital of the Company on the date of this Prospectus: the Selling Shareholder holds 717,588,360 Shares, representing 100 per cent. of the issued share capital of the Company. Immediately upon Admission, the Selling Shareholder will hold 622,688,360 Shares, representing approximately 75 per cent. of the issued share capital of the Company (and, assuming full exercise of the Over-allotment option, the Selling Shareholder will hold 591,488,360 Shares, representing approximately 71 per cent. of the issued share capital of the Company).

Save as disclosed above, in so far as is known to the Directors and Senior Management, there is no other person who is or will be immediately following Admission, directly or indirectly, interested in 3 per cent. or more of the issued share capital of the Company, or of any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company. The Directors and Senior Management have no knowledge of any arrangements the operation of which may at a subsequent date result in a change of control of the Company. None of the Company's major shareholders have or will have different voting rights attached to the shares they hold in the Company.

3.6 There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors or any member of Senior Management.

4. Directors' and Senior Management's terms of employment

4.1 The Directors and their functions are set out in Part 7 "Directors, Senior Management and Corporate Governance". Each of the Directors has entered into letters of appointment with the Company effective from 11 October 2010.

4.2 Executive Directors

4.2.1 Under the terms of his appointment letter, Nikolai Zelenski was appointed a Director and will serve as the chief executive officer of the Company, and he is entitled to a fee of US$24,000 per annum, subject to annual review by the Board. Under the terms of an employment agreement with Severstal Gold LLC dated 20 October 2009, Mr Zelenski is entitled to base compensation of RUB1,378,666 per month, with the possibility of a performance based bonus in an amount up to 100 per cent. of his base compensation. Mr Zelenski is also entitled to an additional payment of RUB138,833.33 per month. The term of Mr Zelenski's employment under this contract is indefinite. Mr Zelenski is subject to confidentiality undertakings without limitation in time. Termination of the employment agreement may be made in agreement between the parties at the initiation of either party or as specified by Russian legislation. Under Russian law, termination of the employment contract of a chief executive officer at the initiative of the employing company generally requires no notice period and entitles the chief executive officer to three months' compensation based on average monthly compensation over the last twelve months. A chief executive officer is required to provide one month's notice prior to terminating his employment.

4.2.2 Under the terms of his appointment letter, Sergey Zinkovich was appointed a Director and will serve as the chief financial officer of the Company. Under the terms of an employment agreement with Severstal Gold LLC dated 29 September 2009, Mr Zinkovich is entitled to base compensation of RUB341,314.08 per month, with the possibility of a performance based bonus in an amount up to 50 per cent. of his base

compensation. The term of Mr Zinkovich's employment under this contract is indefinite. Mr Zinkovich is subject to confidentiality undertakings without limitation in time. Termination may be made as specified by Russian legislation. Under Russian law, termination of the employment contract of a chief financial officer at the initiative of the employing company generally requires a notice period of up to two months and entitles the chief financial officer to as much as three months' compensation based on average monthly compensation over the last twelve months, depending on the ground of termination. A chief financial officer is required to provide two weeks' notice prior to terminating his employment.

4.2.3 The appointments of each Executive Director are for a term expiring at the first annual general meeting of the Company after appointment and thereafter at each subsequent annual general meeting unless re-elected. Each Executive Director has undertaken to resign as a Director upon termination of all contracts of employment with any Group company.

4.3 Non-Executive Directors

4.3.1 The appointments of each of the Non-Executive Directors are for a term expiring at the first annual general meeting of the Company after appointment and thereafter at each subsequent annual general meeting unless re-elected.

4.3.2 Under the terms of his appointment letter, Philip Baum is entitled to base compensation of £300,000 per annum, subject to an annual review by the Board. If Mr Baum is re-elected at the annual general meeting of the Company, he is entitled to a bonus of £150,000 upon each such re-election. In addition, Mr Baum will be paid a fee of £300,000 in consideration for his agreement to join the Board, payment of which is subject to the Offer becoming unconditional and which Mr Baum intends to use to acquire Shares in the Company at the Offer Price. Mr Baum also intends to spend a further £300,000 to acquire Shares in the Company at the Offer Price. Assuming an Offer Price at the mid-point of the Offer Price Range, Mr Baum's proposed investment of £600,000 would amount to 173,913 Shares, representing approximately 0.02 per cent. of the issued share capital of the Company.

4.3.3 Under the terms of their appointment letters, Vadim Larin and Alexey Kulichenko, as non-independent Non-Executive Directors, are not entitled to any fee from the Company for acting as a Director. Mr Larin and Mr Kulichenko receive compensation for services to the Severstal Group from a Severstal Group company other than the Company or any of its subsidiaries.

4.3.4 Under the terms of his appointment letter, Peter Lester is entitled to compensation of £100,000 per annum, subject to an annual review by the Board.

4.3.5 Under the terms of his appointment letter, David Morgan is entitled to compensation of £110,000 per annum, subject to an annual review by the Board.

4.3.6 Under the terms of his appointment letter, Michael Nossal is entitled to compensation of £100,000 per annum, subject to an annual review by the Board.

4.3.7 Each Non-Executive Director is also entitled to reimbursement of reasonable expenses.

4.3.8 The Non-Executive Directors are not entitled to receive any compensation on termination of their appointment and are not entitled to participate in any Company share, bonus or pension schemes.

4.3.9 The Non-Executive Directors are subject to confidentiality undertakings without limitation in time. The Chairman and the independent Non-Executive Directors are also subject to non-compete restrictive covenants for the duration of their appointments and for twelve months after the termination of their appointments.

4.4 Save as set out in paragraphs 4.2 and 4.3 above, there are no existing or proposed service agreements or letters of appointment between the Directors and any member of the Group.

4.5 Directors' and Senior Management's Remuneration, Service Agreements and Other Matters

Under the terms of their service contracts, in the year ended 31 December 2009, the aggregate remuneration and benefits to the Directors and the senior management of the Group who served during 2009, consisting of 10 individuals, was US$3.6 million.

In the year ended 31 December 2009, the Directors were remunerated as set out below:

Name	Position	Annual Salary	Other Benefits
		(US$)[1]	
Nikolai Zelenski	Chief executive officer	518,084.49	774,385.71
Sergey Zinkovich	Chief financial officer	128,216.33	67,073.37

(1) Original amounts in rouble are converted to US dollars at the average exchange rate for 2009 of US$1:RUB 31.933.

4.6 There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Prospectus.

4.7 Directors' and Senior Management's current and past directorships and partnerships

Set out below are the directorships (unless otherwise stated) and partnerships held by the Directors and members of Senior Management (other than, where applicable, directorships held in the Company and/or in any subsidiaries of the Company), in the five years prior to the date of this Prospectus:

Name	Current directorships/partnerships	Past directorships/partnerships
Philip Baum	Ruukki Group plc	AACMED Holdings (Pty) Limited
	Pata Finns Africa cc	Anglo American Group Employee
	Paleoanthropological Scientific Trust (Trustee)	Shareholder Nominees Limited
	Tiger Kloof School (Trustee)	Anglo American SA Finance Limited
		Anglo American South Africa Limited
		Anglo Corporate Enterprises (Pty) Limited
		Anglo Ferrous Metals Marketing Limited
		Anglo Operations (Australia) Pty Ltd
		Anglo Operations Limited
		Anglo South Africa (Pty) Limited
		Anglo South Africa Capital (Pty) Limited
		Anglo Ventures (SA) (Pty) Limited
		Longboat Limited
		Manakin Investments B.V.
		Mbulwa Estate Limited
		Tenon Investment Holdings (Pty) Limited
		Amzim Holdings Limited
		Anglo American Corporation Zimbabwe Limited
		Anglo American Farms Investment Holdings Limited
		Anglo American Farms Limited
		Anglo Platinum Limited
		Business Partners Limited
		Exxaro Resources Limited
		Hulamin Limited
		JOBCO
		Kumba Iron Ore Limited
		Kumba Resources Limited
		LLX Minas-Rio S.A.
		Orient Ocean Holdings Limited
		Samancor Limited
		Samancor Manganese (Proprietary) Limited
		Tongaat Hulett Limited
		Unki Mines (Pvt) Limited
		Vergelegen Wine Estate (Pty) Limited
		Vergelegen Wines (Proprietary) Limited
Nikolai Zelenski	None	OAO Vorkutaugol
Sergey Zinkovich	None	None
Vadim Larin	ZAO Severstal Resources	OAO Kuzbassugol
	OAO Vorkutaugol	ZAO Severstal-Vtormet
	ZAO Shakhta Vorgashorskaya-2	

Name	Current directorships/partnerships	Past directorships/partnerships
Alexey Kulichenko	OAO Severstal ZAO Severstal Resources OAO Vorkutaugol OAO Karelskiy Okatysh	None
Peter Lester	Citadel Resource Group Toro Energy Limited	Nova Energy Limited
David Morgan	SFC Energy AG (Member, supervisory board); Conduit Ventures Limited (Chairman, international advisory board); Imperial College London Department of Chemistry (Chairman, advisory board)	Johnson Matthey plc
Michael Nossal.	Minerals and Metals Group (Member, executive committee) Barkly Pastoral Co. Pty. Ltd.	En+ Group Ltd. UC Rusal
Oleg Pelevin	None	None
Vladimir Shvetsov	None	Geo Inter Consulting Company
Sergei Stepanov	None	OAO Vorkutaugol DTEK Company
Bruce Lumley	None	None
Evgeny Tulubensky. . . .	None	CJSC Vtorchermet
Svetlana Krinichnaya. . .	None	CJSC Vtorchermet (head of human resources)
Dmitriy Gudovskiy	None	None

4.8 Within the period of five years preceding the date of this Prospectus, none of the Directors or any member of Senior Management:

(i) has had any convictions in relation to fraudulent offences;

(ii) has been a member of the administrative, management or supervisory bodies or director or senior manager (who is relevant in establishing that a company has the appropriate expertise and experience for management of that company) of any company at the time of any bankruptcy, receivership or liquidation of such company;

(iii) has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of affairs of a company;

(iv) been declared bankrupt or been the subject of any individual voluntary arrangement, or been associated with any bankruptcy, receivership or liquidation in his capacity as director or senior manager;

(v) been disqualified by a court from acting as a director or member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company;

(vi) been a partner or senior manager in a partnership which, while he was a partner or within 12 months of his ceasing to be a partner, was put into compulsory liquidation or administration or which entered into any partnership voluntary arrangement; or

(vii) owned any assets which have been subject to a receivership or been a partner in a partnership subject to a receivership where he was a partner at a time or within the 12 months preceding such event.

There are not any family relationships between or among any of the Directors and any member of Senior Management.

5. Remuneration Policy

The Company intends to implement a remuneration policy for its senior management to provide performance based incentivisation through base salary, bonus, share incentives, and other benefits consistent with market standards in the industry in which the Company operates.

6. Employee share plans and pensions

The Group does not currently operate any long term incentive schemes for employees. In line with the above remuneration policy and in due course, the Board plans to implement a discretionary Bonus Share Plan ("BSP") and a discretionary Long Term Incentive Plan ("LTIP") scheme consistent with market practice. It is intended that certain senior employees and Executive Directors will be granted awards under the BSP and LTIP where awards will be made on an annual basis.

The Group currently has no pension plans in place.

7. Underwriting arrangements

7.1 Underwriting Agreement

The Company, the Directors and the Selling Shareholder have entered into the Underwriting Agreement with the Underwriters. Pursuant to the terms of the Underwriting Agreement:

7.1.1 the Company has agreed, subject to certain conditions, to issue the New Shares in the Offer at the Offer Price;

7.1.2 the Selling Shareholder has agreed, subject to certain conditions, to sell the Existing Shares in the Offer at the Offer Price. In addition, the Selling Shareholder has agreed, subject to certain conditions and on the terms set out in the Underwriting Agreement, to sell up to the maximum number of the Over-allotment Shares in the Offer at the Offer Price;

7.1.3 the Underwriters have severally agreed, subject to certain conditions (which include agreement of the Offer Price in accordance with the terms of the Underwriting Agreement), to procure subscribers or, failing which, themselves to subscribe for the New Shares (in such proportions as will be set out in the pricing memorandum to be executed by the Company and the Underwriters at the time of determination of the Offer Price (the "Pricing Memorandum")) and to procure purchasers for or, failing which, themselves to purchase) the Existing Shares (in such proportions as will be set out in the Pricing Memorandum) pursuant to the Offer;

7.1.4 the Joint Bookrunners (on behalf of the Underwriters) will deduct from the proceeds of the Offer to the Company a commission of 1.5 per cent. of the product of the Offer Price and the number of New Shares allotted pursuant to the Offer, and from the proceeds of the Offer to the Selling Shareholder a commission of 1.5 per cent. of the product of the Offer Price and the number of Existing Shares plus the number of Over-allotment Shares (if any) sold in the Offer;

7.1.5 in addition, the Company may, at its absolute discretion, pay an additional commission of up to 0.75 per cent. of the product of the Offer Price and the number of New Shares to the Joint Bookrunners (on behalf of the Underwriters), and the Selling Shareholder may, at its absolute discretion, pay an additional commission of up to 0.75 per cent. of the product of the Offer Price and the number of Existing Shares plus Over-allotment Shares (if any) sold in the Offer;

7.1.6 the obligations of the Underwriters to procure subscribers and/or purchasers for or, failing which, themselves to subscribe for or purchase (as the case may be) Shares on the terms of the Underwriting Agreement are subject to certain conditions. In addition to the execution of the Pricing Memorandum, these conditions include Admission occurring on or before 16 February 2011 (or such later time and/or date as the Joint Bookrunners (on behalf of the Underwriters) and the Company may agree in writing (being not later than 18 February 2011)). In addition, the Joint Bookrunners (on behalf of the Underwriters) have the right to terminate the Underwriting Agreement, exercisable in certain circumstances, prior to Admission;

7.1.7 the Selling Shareholder has agreed to pay any stamp duty and/or stamp duty reserve tax arising on the sale of Existing Shares and the Over-allotment Shares (if any);

7.1.8 the Company has agreed to pay the costs, charges, fees and expenses of the Offer (together with any related value added tax);

7.1.9 each of the Company, the Directors and the Selling Shareholder have given certain representations, warranties and undertakings, to the Underwriters which, in the case of the Directors are subject to certain specified limits; and

7.1.10 each of the Company and the Selling Shareholder have provided an indemnity to the Underwriters on customary terms.

7.2 Stock lending agreement

In connection with settlement and stabilisation, Morgan Stanley, as Stabilising Manager, intends to enter into a stock lending agreement with the Selling Shareholder (the "Stock Lending Agreement"). Pursuant to this agreement, the Stabilising Manager will be able to borrow up to a maximum of 15 per cent. of the total number of Shares comprised in the Offer (excluding the Shares subject to the Over-allotment Option), the Over-allotment Shares, for the purposes of, amongst other things, allowing the Stabilising Manager to settle over-allotments, if any, made in connection with the Offer. If the Stabilising Manager borrows any Over-allotment Shares pursuant to the stock lending agreement, it will be required to return equivalent securities to the Selling Shareholder by no later than the third business day after the date that is the 30th day after the publication of the Offer Price.

8. Subsidiaries, investments and principal establishments

The Company is the principal holding company of the Group. The principal subsidiaries and subsidiary undertakings of the Company as at 25 January 2011 are as follows:

Subsidiaries and subsidiary undertakings

Name	Field of activity	Country of incorporation	Percentage of ownership
Neryungri-Metallic LLC	Gold mining	Russia	100%
Mine Aprelkovo CJSC	Gold mining	Russia	100%
Celtic Resources Holdings Ltd.	Holding company	Ireland	100%
Celtic Resources (Central Asia) Ltd	Holding company	United Kingdom	100%
FIC Alel JSC	Gold mining	Kazakhstan	100%
Zherek LLP	Gold mining	Kazakhstan	100%
Opeloak Ltd.	Gold sales	United Kingdom	100%
Semgeo LLP	Gold exploration project	Kazakhstan	100%
Buryatzoloto JSC	Gold mining	Russia	60%
Berezitovy Rudnik LLC	Gold mining	Russia	72%
Société Des Mines de Taparko	Gold mining	Burkina Faso	63%
High River Gold Mines Ltd	Holding company	Canada	73%
High River Gold Mines (West Africa) Ltd.	Holding company	Cayman Islands	73%
High River Gold Exploration Burkina SARL	Gold exploration company	Burkina Faso	73%
Jilbey Burkina SARL	Gold exploration company	Burkina Faso	73%
North Gold Mining Company LLC	Gold exploration company	Russia	100%
Severstal-Gold LLC	Management company	Russia	100%
Centroferve Limited	Holding company	Cyprus	100%
Castleway Limited	Investment holding	Cyprus	100%
Prognoz Silver LLC	Silver exploration project	Russia	37%
Crew Gold Corporation	Holding company	Yukon Territory, Canada	100%
Société Minière de Dinguiraye	Gold mining	Guinea	100%
Delta Gold Mining Limited	Holding company	Jersey	100%
Guinor Gold Corporation	Holding company	Yukon Territory, Canada	100%

9. Auditors

The Company's auditor for the consolidated financial information of the Group as at and for the years ended 31 December 2007, 2008 and 2009 and as at and for the nine months ended 30 September 2010 was ZAO KPMG, chartered accountants and member of the Chamber of Auditors of Russia, whose registered address is at Naberezhnaya Tower Complex, Block C, 10 Presnenskaya Naberezhnaya, Moscow, 123317, Russia. Following Admission, the Company will appoint KPMG Accountants N.V., whose registered address is at Laan van Langerhuize 1, 1186 DS Amstelveen, the Netherlands, as auditor.

10. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group: (a) within the two years immediately preceding the date of this Prospectus which are, or may be, material to the Company or any member of the Group, and (b) at any time and

contain provisions under which the Company or any member of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this Prospectus:

10.1 Underwriting Agreement

The Underwriting Agreement described in paragraph 7.1 of this Part 15 "Additional Information — Underwriting arrangements".

10.2 Relationship Agreement

See Part 8 "Major Shareholder and Related Party Transactions — Relationship Agreement" for a detailed description of the Relationship Agreement.

10.3 Framework Services Agreement

See Part 8 "Major Shareholder and Related Party Transactions — Framework Services Agreement" for a detailed description of the Framework Services Agreement.

10.4 Depository contracts

10.4.1 Deed poll

The DIs will be created pursuant to, and issued on the terms of, the Deed Poll dated 27 January 2011.

Each DI will be treated by the Depository as one Share for the purposes of determining, for example, eligibility for any distributions. The Depository has agreed to pass on to holders of DIs any stock or cash benefits received by it as holder of Shares on trust for such DI holder.

In summary, the Deed Poll contains, inter alia, provisions to the following effect:

- The Depository, which is regulated by the FSA, will hold (itself or through the Custodian), as bare trustee, the underlying Shares issued by the Company and all and any rights and other securities, property and cash attributable to the underlying Shares for the time being held by the Depository or Custodian pertaining to the DIs for the benefit of the DI holders.
- The Custodian, to be appointed by the Depository, will provide custody services including the holding of the Shares in respect of which Depository Interests are issued by the Depository and the execution of instructions received from CREST members in relation to the Shares held on their behalf.
- The Depository will re-allocate securities or distributions allocated to the Custodian pro rata to the Shares held for the respective accounts of the holders of DIs but will not be required to account for fractional entitlements arising from such re-allocation.
- Each DI holder warrants, inter alia, that the Shares transferred or issued to the Custodian on behalf of the Depository for the account of such DI holder are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Articles of Association or any contractual obligation, or applicable law or regulations binding or affecting such holder, and the holder indemnifies the Depository from and against any liability it may suffer by reason of any breach of such warranty.
- The Depository and any Custodian must pass on, so far as it is reasonably able, to DI holders all rights and entitlements received by the Depository or the Custodian in respect of the Shares. Rights and entitlements to cash distributions, to information, to make choices and elections and to attend and vote at meetings must, subject to the Deed Poll, be passed on in the form which they are received, together with amendments and additional documentation necessary to effect such passing-on. The Depository is not entitled to vote on any Shares without the prior explicit written instruction of the DI holder. If arrangements are made which allow a DI holder to take up rights in Shares requiring further payment, the DI holder must put the Depository in cleared funds before the relevant payment date or other date notified by the Depository if it wishes the Depository to exercise such rights.
- The Depository will be entitled to cancel DIs and treat the DI holder as having requested a withdrawal of the Shares in certain circumstances, including where a DI holder fails to furnish to the Depository such certificates or representations as to material matters of fact, including his identity, as the Depository deems appropriate or where a DI holder has failed to perform any obligation under the Deed Poll or any other agreement or other instrument with respect to the DIs.

- The Deed Poll contains provisions excluding and limiting the Depository's liability. For example, the Depository shall not be liable to any DI holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or fraud or that of any person for whom it is vicariously liable, provided that the Depository shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent. Furthermore, the Depository's liability to a DI holder will be limited to the lesser of:
  - the value (at the date the act, omission or event giving rise to the liability occurred) of the Shares and other deposited property properly attributable to the DIs to which the liability relates; and
  - that proportion of £10 million which corresponds to the proportion which the amount the Depository would otherwise be liable to pay to the DI holder bears to the aggregate of the amounts the Depository would otherwise be liable to pay to all such holders in respect of the same act, omission, or event or, if there are no such amounts, £10 million.
- The Depository is entitled to charge DI holders fees and expenses for the provision of its services under the Deed Poll.
- The DI holders are required to agree and acknowledge with the Depository that it is their responsibility to ensure that any transfer of DIs by them which is identified by the CREST system as exempt from SDRT is so exempt, and to notify the Depository if this is not the case, and to pay to EUI any SDRT, any interest, charges or penalties arising from non-payment of SDRT in respect of such transaction.
- Each DI holder is liable to indemnify the Depository and any Custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the DIs (and any property or rights held by the Depository or Custodian in connection with the DIs) held by that holder, other than those resulting from the wilful default, negligence or fraud of the Depository, or the Custodian or agent if such Custodian or agent is a member of the Depository's group or if, not being a member of the same group, the Depository shall have failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent.
- The Depository is entitled to make deductions from any income or capital arising from the Shares, or to sell such Shares and make deductions from the sale proceeds therefrom, in order to discharge the indemnification obligations of DI holders.
- The Depository may terminate the Deed Poll by giving 30 days' notice. Upon such notice, each DI holder shall be deemed to have requested the cancellation of its DIs and withdrawal of its deposited property and, if any DIs remain outstanding after termination, the Depository must, among other things, deliver the deposited property in respect of the DIs to the relevant DI holders or, at its discretion, sell all or part of such deposited property. It shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Depository, together with any other cash held by it under the Deed Poll pro rata to holders of DIs in respect of their DIs.
- The Depository or the Custodian may require from any holder information as to the capacity in which DIs are or were owned and the identity of any other person with or previously having any interest in such DIs and the nature of such interest and evidence or declarations of nationality or residence of the legal or beneficial owners of DIs and such information as is required for the transfer of the relevant Shares to the DI holders. DI holders agree to provide such information requested and consent to the disclosure of such information by the Depository or Custodian to the extent necessary or desirable to comply with their legal or regulatory obligations. Furthermore, to the extent that the Articles of Association require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of the Shares, the DI holders are to comply with the Company's instructions with respect thereto.

It should also be noted that the DI holders will not have the opportunity to exercise all of the rights and entitlements which Dutch law and the Articles of Association confer on Shareholders. In relation to voting it will be important for DI holders to give prompt instructions to the Depository to vote on the Shares on their behalf. The Company qualifies the DIs as dematerialised depositary interests issued by the Depository for Shares from time to time, that can be settled electronically through and held in CREST and, where the context so permits or requires, depositary receipts (*certificaten van aandelen*) issued for Shares with the cooperation of the Company within the meaning of Dutch law. As a result thereof, DI holders will have the

same rights which, by virtue of the law, accrue to holders of depositary receipts of shares issued with a company's cooperation under Dutch law, providing for: the right to information regarding the agenda of general meetings of shareholders, the right to apply to the interim provisions judge of the Dutch court for the convocation of a general meeting of shareholders, the right to attend and address the general meeting of shareholders and the right to inspect the corporate documentation of a company.

A copy of the deed poll can be obtained on request in writing to the Depository or the Company.

10.4.2 Depository Agreement

Under the terms of the depositary agreement dated 27 January 2011 between the Company and the Depository (the "Depository Agreement"), the Company appoints the Depository to constitute and issue from time to time, upon the terms of the Deed Poll (summarised above), DIs representing Shares and to provide certain other services in connection with such DIs (including custody services).

The Depository agrees that it will provide the various services with all reasonable skill and care. The depositary services to be provided by the Depository include, for example, to maintain the register of Depository Interests, to issue DIs to CREST members and to effect transactions relating to the Depository Interests on behalf of CREST members and the Custodian.

In addition, the Depository Agreement sets out the procedures to be followed where the Company is to pay or make a dividend or other distribution.

The Company agrees to provide such assistance, information and documentation to the Depository as is reasonably required by the Depository for the purposes of performing the services under the Depository Agreement.

The Depository is to indemnify the Company and its directors against any loss which they may incur as a result of the fraud, negligence or wilful default of the Depository or the Custodian. The appointment of the Depository will be for a fixed period of three years, subject to early termination, and shall automatically renew for successive periods of 12 months and thereafter by either party giving to the other not less than 45 days' written notice not to expire earlier than the expiry of the relevant 12 month period. If one party is in persistent or material breach, which (if capable of remedy) is not remedied within 30 days, or if it goes into insolvency or liquidation or ceases to have the appropriate authorisations, the other party may terminate the Depository Agreement early by notice in writing.

The Company is to pay certain fees and charges including, inter alia, an annual fee, a fee based on the number of DIs which are deposited, transferred or cancelled and certain CREST related fees. The Depository is also entitled to recover reasonable out-of-pocket fees and expenses.

11. Service of process and enforcement of civil liabilities

The Company is incorporated under the laws of the Netherlands. All of the Directors and its Senior Managers reside outside the United States. In addition, a substantial portion of the assets of such persons and the Company are located outside the United States. As a result, it may not be possible for investors to effect service of process upon the Company or such persons within the United States or to enforce in the United States judgments against the Company or such persons obtained in U.S. courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States.

There currently is no treaty between the Netherlands and the United States providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Therefore, a judgment against the Company or any of the Directors or its Senior Managers rendered by a U.S. federal or state court will not be recognised by the courts of the Netherlands and cannot be directly enforced in the Netherlands. In order to obtain a judgment which is enforceable in the Netherlands, the claim must be reheard on the merits before a Dutch court of competent jurisdiction. Binding effect of the judgment obtained in the United States should generally be obtained if the Dutch court finds that the jurisdiction of the foreign court has been based on grounds which are internationally acceptable, proper service of process has been given and if the judgment rendered by the U.S. federal or state court results from proceedings compatible with Dutch concepts of due process and does not contravene public policy (*openbare orde*) of the Netherlands. If the Dutch court finds that the jurisdiction of the U.S. federal or state court has been based on the grounds as mentioned above, the court in the Netherlands would, under current practice, give binding effect to the final judgment that has been rendered in the United States and will accordingly render judgment. The enforcement in a Dutch court of judgments rendered by a court in the United States is subject to Dutch rules of civil procedure.

Subject to the foregoing and service of process in accordance with applicable treaties, investors may be able to enforce in the Netherlands judgments in civil and commercial matters obtained from U.S. federal or state courts. In addition, it is doubtful whether a Dutch court would accept jurisdiction and impose civil liability in an original action commenced in the Netherlands and predicated solely upon U.S. federal securities laws.

The enforcement in the Netherlands of a judgment rendered by an English court will be subject to the rules of Council Regulation (EC) No. 44/2001.

Specific performance (*nakoming*) may not always be available under Dutch law. Dutch courts may render judgments for a monetary amount in foreign currencies, but such foreign monetary amounts may be converted into euro for enforcement purposes. Foreign currency amounts claimed in a Dutch moratorium of payments or bankruptcy will be converted into euro at the rate prevailing at the commencement thereof.

12. Dutch law considerations

Obligations of Shareholders and Directors to disclose holdings

Pursuant to chapter 5.3 of the Dutch Financial Supervision Act any person who, directly or indirectly, acquires or disposes of a capital interest and/or voting rights in the Company must immediately give written notice to the AFM of such acquisition or disposal by means of a standard form if, as a result of such acquisition or disposal, the percentage of capital interest and/or voting rights held by such person reaches, exceeds or falls below the following thresholds: 5 per cent., 10 per cent., 15 per cent., 20 per cent., 25 per cent., 30 per cent., 40 per cent., 50 per cent., 60 per cent., 75 per cent. and 95 per cent.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must, inter alia, be taken into account: (i) Shares and/or voting rights directly held (or acquired or disposed of) by any person, (ii) Shares and/or voting rights held (or acquired or disposed of) by such person's controlled entities or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement, (iii) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights in consideration for a payment, and (iv) Shares which such person, or any subsidiary or third party referred to above, may acquire pursuant to any option or other right to acquire Shares.

Special rules apply to the attribution of Shares which are part of the property of a partnership or other form of joint ownership. A holder of a pledge or right of usufruct in respect of Shares can also be subject to reporting obligations, if such person has, or can acquire, the right to vote on the Shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger reporting obligations as if the pledgee or beneficial owner were the legal holder of the Shares.

Under the Dutch Financial Supervision Act, the Company is required to file a report with the AFM promptly after the Settlement Date setting out the Company's issued and outstanding share capital and voting rights. Thereafter the Company is required to notify the AFM promptly of any change of 1 per cent. or more in the Company's issued and outstanding share capital or voting rights. Other changes in the Company's issued and outstanding share capital or voting rights must be notified periodically to the AFM. The AFM will publish all notifications by the Company of its issued and outstanding share capital and voting rights in a public register. If a person's capital interest and/or voting rights reach, exceed or fall below the above-mentioned thresholds as a result of a change in the Company's issued and outstanding share capital or voting rights, such person is required to make a notification not later than on the fourth trading day after the AFM has published the Company's notification as described above.

Each person whose holding of capital interest or voting rights amounts to 5 per cent. or more of the Company's issued and outstanding share capital at the Settlement Date must notify the AFM of such holding without delay.

Furthermore, each member of the Board must notify the AFM (a) immediately after the Settlement Date of the number of Shares he/she holds and the number of votes he/she is entitled to cast in respect of the Company's issued and outstanding share capital, and (b) subsequently of each change in the number of Shares he/she holds and of each change in the number of votes he/she is entitled to cast in respect of the Company's issued and outstanding share capital, immediately after the relevant change.

The AFM keeps a public register of all notifications made pursuant to these disclosure obligations and publishes any notification received.

Non-compliance with these disclosure obligations is an economic offence and may lead to criminal prosecution. The AFM may impose administrative penalties or a cease-and-desist order under penalty for non-compliance, and the publication thereof. In addition, a civil court can impose measures against any person who fails to notify or incorrectly notifies the AFM of matters required to be notified. A claim requiring that such measures be imposed

may be instituted by the Company and/or one or more Shareholders who alone or together with others represent(s) at least 5 per cent. of the issued and outstanding share capital of the Company. The measures that the civil court may impose include:

- an order requiring the person violating the disclosure obligations under the Dutch Financial Supervision Act to make the appropriate disclosure;
- suspension of voting rights in respect of such person's Shares for a period of up to three years as determined by the court;
- voiding a resolution adopted by the general meeting of Shareholders, if the court determines that the resolution would not have been adopted but for the exercise of the voting rights of the person who is obliged to notify, or suspension of a resolution adopted by the general meeting of Shareholders until the court makes a decision about such voiding; and
- an order to the person violating the disclosure obligations under the Dutch Financial Supervision Act to refrain, during a period of up to five years as determined by the court, from acquiring Shares and/or voting rights in the Company.

Shareholders are advised to consult with their own legal advisers to determine whether the disclosure obligations apply to them.

Obligations of Shareholders to make a public offer and squeeze out proceedings

Any person, acting alone or in concert with others, that, directly or indirectly, acquires 30 per cent. or more of the Company's voting rights will be obliged to launch a public offer for all outstanding shares in the Company's share capital. An exception is made for shareholders, such as the Selling Shareholder, that, whether alone or acting in concert with others, have an interest of at least 30 per cent. of the Company's voting rights before the Offer and that still have such interest after the Offer.

Squeeze out

Pursuant to article 2:92a of the Dutch Civil Code a shareholder that, for its own account, holds at least 95 per cent. of the issued share capital of the Company may institute proceedings against the other shareholders jointly for the transfer of their Shares to it. The proceedings are held before the Enterprise Chamber of the Court of Appeal of Amsterdam (the "Enterprise Chamber") and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*). The Enterprise Chamber may grant the claim for the squeeze out in relation to all minority shareholders and will determine the price to be paid for the Shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the Shares of the minority shareholders. Once the order to transfer becomes final before the Enterprise Chamber, the person acquiring the Shares must give written notice of the date and place of payment and the price to the holders of the Shares to be acquired whose addresses are known to it. Unless the addresses of all of them are known to it, it must also publish the same in a Dutch daily newspaper with a national circulation.

A person or company that holds less than 95 per cent. of the issued share capital of the Company, but that in practice controls the Company's general meeting of Shareholders, could attempt to obtain full ownership of the business of the Company through a legal merger of the Company with another company controlled by such person or company, by subscribing to additional Shares (for example, in exchange for a contribution of part of its own business), through another form of reorganisation aimed at raising its interest to 95 per cent. or through other means.

In addition, pursuant to article 2:359c of the Dutch Civil Code following a public offer, a holder of at least 95 per cent. of the issued share capital and voting rights of the Company has the right to require the minority shareholders to sell their Shares to it. Any such request must be filed with the Enterprise Chamber within three months after the end of the acceptance period of the public offer. Conversely, pursuant to article 2:359d of the Dutch Civil Code each minority shareholder has the right to require the holder of at least 95 per cent. of the issued share capital and voting rights of the Company to purchase its Shares in such case. The minority shareholder must file such claim with the Enterprise Chamber within three months after the end of the acceptance period of the public offer.

Disclosure of trades in listed securities under Dutch law

Pursuant to the Dutch Financial Supervision Act, Directors, and any other person who has managerial responsibilities within the Company and in that capacity is authorised to make decisions affecting the future developments and business prospects of the Company and who has regular access to inside information relating,

directly or indirectly, to the Company (each, an "Insider"), must notify the AFM of all transactions, conducted or carried out for his/her own account, relating to the Shares or financial instruments, the value of which is (in part) determined by the value of the Shares.

In addition, persons designated by the Market Abuse Decree who are closely associated with Directors or any of the Insiders must notify the AFM of the existence of any transactions conducted for their own account relating to the Shares or financial instruments, the value of which is (in part) determined by the value of the Shares. The Market Abuse Decree designates the following categories of persons: (i) the spouse or any partner considered by national law as equivalent to the spouse, (ii) dependent children, (iii) other relatives who have shared the same household for at least one year at the relevant transaction date, and (iv) any legal person, trust or partnership, among other things, whose managerial responsibilities are discharged by a person referred to under (i), (ii) or (iii) above.

The AFM must be notified of transactions effected in either the Shares or financial instruments, the value of which is (in part) determined by the value of the Shares, no later than the fifth business day following the transaction date by means of a form drawn up by the AFM. Notification may be postponed until the date the value of the transactions carried out on that person's own account, together with the transactions carried out by the persons associated with that person, reach or exceed the amount of €5,000 in the calendar year in question. The AFM keeps a public register of all notifications made pursuant to the Dutch Financial Supervision Act.

Non-compliance with these reporting obligations under the Dutch Financial Supervision Act could lead to criminal penalties, administrative fines and cease-and-desist orders (and the publication thereof), imprisonment or other sanctions.

Dutch Financial Reporting Supervision Act

The Dutch Financial Reporting Supervision Act (*Wet toezicht financiële verslaggeving*) (the "FRSA") applies to financial years starting from 1 January 2006. On the basis of the FRSA, the AFM supervises the application of financial reporting standards by, amongst others, companies whose corporate seat is in the Netherlands and whose securities are listed on a regulated Dutch or foreign stock exchange.

Pursuant to the FRSA, the AFM has an independent right to (i) request an explanation from the Company regarding its application of the applicable financial reporting standards if, based on publicly known facts or circumstances, it has reason to doubt the Company's financial reporting meets such standards and (ii) recommend to the Company the making available of further explanations. If the Company does not comply with such a request or recommendation, the AFM may request that the Enterprise Chamber orders the Company to (i) prepare its financial reports in accordance with the Enterprise Chamber's instructions or (ii) provide an explanation of the way it has applied the applicable financial reporting standards to its financial reports.

13. Litigation

Save as described below, neither the Company nor any other member of the Group is or has been engaged in nor, so far as the Company is aware, has pending or threatened, any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this Prospectus, a significant effect on the Company's and/or the Group's financial position or profitability.

Mine Aprelkovo CJSC, a subsidiary of the Company, is currently involved in an ongoing court dispute with tax authorities in the Transbaikal region of the Russian Federation, in which Mine Aprelkovo CJSC has claimed invalidation of a decision of the tax authorities relating to the payment of unpaid mining taxes, fines and penalties for a total sum of RUR80,246,585.96 (approximately US$2.7 million). Enforcement of the decision of the tax authorities has been suspended by a ruling of the court until the court renders its decision on the merits of the case.

In August 2010, the regional financial police in Kazakhstan brought a criminal case against officials of FIC Alel JSC, the Group company which owns the Suzdal mine, for allegedly violating the terms of its annual extraction programme by extracting ore in excess of permitted volumes. The maximum fine which could be imposed on FIC Alel JSC in this case is KZT4,855,688,200 (approximately US$32.9 million). The Company believes the case is without merit and plans to defend the action vigorously.

On 29 October 2010, Piscedda Mining Corporation ("PMC") served the Group's subsidiary Crew Gold Corporation with a statement of claim in the Yukon Territory, Canada, alleging damages for US$127 million relating to Crew Gold's assumption of the mobile mining fleet operations from PMC at its Guinean subsidiary, SMD, in 2008 when PMC failed to maintain the fleet in accordance with the service contract between PMC and a Crew Gold subsidiary. Crew Gold filed an application to challenge the jurisdiction of the Yukon courts over this claim on 6 December 2010 and plans to defend the action, which it believes to be without merit, vigorously.

14. Related party transactions

Save as described on page A1-A32 at notes 10 and 11 in the Company's audited consolidated financial information for the years ended 31 December 2007, 2008 and 2009 and on page A1-B30 at notes 10 and 11 in Company's audited consolidated financial information for the nine months ended 30 September 2010 set out in Sections A and B, respectively, of Appendix 1 "Financial Information" and further disclosed in Part 8 "Major Shareholders and Related Party Transactions", there are no related party transactions between the Company or members of the Group that were entered into during the financial years ended 31 December 2007, 2008 and 2009, the nine months ended 30 September 2010 and during the period from 1 October 2010 to 25 January 2011 (the latest practicable date prior to printing of this Prospectus).

15. Working capital

In the opinion of the Company, the working capital available to the Group is sufficient for the Group's present requirements, that is for at least the next 12 months following the date of this Prospectus.

16. No significant change

Other than the items disclosed in Note 27 (Events after the reporting period) in Section B of Appendix 1 "Financial Information" at pages A1-B54 and A1-B55 in this Propectus, there has been no significant change in the financial or trading position of the Group since 30 September 2010, the end of the most recent financial period for which audited consolidated financial information was prepared.

17. Consents

17.1 ZAO KPMG has given and has not withdrawn its written consent to the inclusion in this Prospectus of its reports which are set out in Sections A Annual Consolidated Financial Information of Nord Gold N.V.", Section B "Interim Consolidated Financial Information" and Section C "Pro Forma Financial Information" of Appendix 1 "Financial Information" in the form and context in which they appear and has authorised the contents of those parts of this Prospectus. As the offered Shares have not been and will not be registered under the US Securities Act, ZAO KPMG has not filed and will not be required to file a consent under the US Securities Act.

17.2 Wardell Armstrong International has given and has not withdrawn its written consent to the inclusion in this Prospectus of its report which is set out in Appendix 2 "Mineral Expert Report" and references to it in the form and context in which they appear and has authorised the contents of those parts of this Prospectus.

18. General

The fees and expenses relating to the offer of the Shares pursuant to the Offer, including the Underwriters' commission, the AFM's fees, the FSA's fees, professional fees and expenses and the costs of printing and distribution of documents are estimated to amount to approximately £23 million (including VAT) and are payable by the Company.

19. Documents available for inspection

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for the life of this Prospectus at the offices of Freshfields Bruckhaus Deringer LLP at 65 Fleet Street, London EC4Y 1HS:

(a) the Articles of Association;

(b) the audited consolidated accounts of the Company in respect of the three financial years ended 31 December 2007, 2008 and 2009, together with the related audit report from ZAO KPMG, which are set out in Section A of Appendix 1 "Financial Information";

(c) the audited interim financial information in respect of the nine months ended 30 September 2010, together with the related audit report from ZAO KPMG, which is set out in Section B of Appendix "Financial Information";

(d) the report from ZAO KPMG on the pro forma financial information, which is set out in Section C of Appendix 1 "Financial Information";

(e) the mineral expert report of Wardell Armstrong International, which is set out in Appendix 2 "Mineral Expert Report";

(f) the consent letters referred to in "Consents" in paragraph 17 above; and

(g) this Prospectus.

PART 16

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Definitions

The following definitions apply throughout this Prospectus unless the context requires otherwise:

"2010 PD Amending Directive"	Directive 2010/73/EC
"Admission"	the admission of the Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities
"AFM"	The Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*)
"AIM"	Alternative Investment Market of the London Stock Exchange
"Articles of Association"	the articles of association of the Company
"Board" or "Board of Directors"	the board of directors (*bestuur*) of the Company
"Business Day"	any day (other than Saturday, Sunday or public holiday) on which banks are open for business in the United Kingdom, the Netherlands and Russia
"CBGA"	Central Bank Gold Agreement
"CCD"	Counter-current decantation
"Celtic Resources"	Celtic Resources Holdings plc
"CIS"	Commonwealth of Independent States
"CMPD"	Government Centre of Mining Promotion and Development, in Guinea
"Commission"	the Government's Commission on development of metals production sector
"Company"	Nord Gold N.V.
"Completion"	the later of (i) the Stabilisation End Date and (ii) the date of the closing of the Over-allotment Option, if exercised
"Credit Suisse"	Credit Suisse Securities (Europe) Limited
"CREST"	the UK-based system for the paperless settlement of trades in listed securities, of which EUI is the operator
"Crew Gold"	Crew Gold Corporation
"Custodian"	the custodian nominated by the Depository
"DCC"	the Dutch Civil Code (*Burgerlijk wetboek*)
"Deed Poll"	the deed poll in respect of the Depository Interests dated 27 January 2011 executed by the Depository
"Depository"	Capita Registrars
"Depository Agreement"	the agreement for the provision of depositary services and custody services in respect of the Depository Interests dated 27 January 2011 between the Company and the Depository
"Depository Interest" or "DI"	a depositary interest in a Share or, where the context so permits or requires, depositary receipts (*certificaten van aandelen*) issued for Shares with the cooperation of the Company within the meaning of Dutch law

"Depository Interest Holder" or "DI holder"	a holder of one or more Depository Interests
"DGM"	Delta Gold Mining Ltd
"Directors"	the members of the Board, whose names appear on page 79
"Disclosure and Transparency Rules"	the disclosure rules and transparency rules issued by the FSA as modified from time to time
"Dutch Corporate Governance Code"	the Dutch Corporate Governance Code, as amended on 10 December 2008
"Dutch Financial Supervision Act"	The Dutch Financial Supervision Act (*Wet op het financieel toezicht*)
"EU"	the European Union
"EUI"	Euroclear UK & Ireland Limited
"Executive Directors"	the executive Directors of the Company
"Existing Shares"	existing ordinary shares in the capital of the Company to be sold by the Selling Shareholder as part of the offer (excluding the Over-allotment Shares)
"FAS"	the Federal Antimonopoly Service of the Russian Federation
"Framework Services Agreement"	the framework services agreement dated 27 January 2011 between the Company and OAO Severstal
"FRSA"	the Dutch Financial Reporting Supervision Act (*Wet toezicht financiële verslaggeving*)
"FSA"	the Financial Services Authority
"FSMA"	the Financial Services and Markets Act 2000, as amended
"Group"	the Company and its consolidated subsidiaries and subsidiary undertakings
"High River Gold"	High River Gold Mines Ltd
"IFRS"	International Financial Reporting Standards, as adopted by the International Accounting Standards Board (IASB)
"Independent Director"	a Director whom the Board considers to be independent in accordance with paragraph B.1.1 of the UK Corporate Governance Code
"Insider"	Pursuant to the Dutch Financial Supervision Act, members of the Board, and any other person who has managerial responsibilities or who has the authority to make decisions affecting the future developments and business prospects of the Company and who has regular access to inside information relating, directly or indirectly, to the Company
"Interest"	a legal or beneficial interest (whether directly or indirectly held) in the issued ordinary share capital of the Company
"IRS"	United States Internal Revenue Service
"Joint Bookrunners"	Credit Suisse, Morgan Stanley and Troika Dialog
"Joint Global Co-ordinators"	Credit Suisse and Morgan Stanley
"JORC"	Australasian Joint Ore Reserves Committee
"JORC Code"	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
"Kazakh Subsoil Law"	The Kazakh Law "On Subsoil and Subsoil Use" dated 24 June 2010
"KPIs"	Key performance indicators

"Law on Precious Metals"	The Federal Law "On Precious Metals and Precious Stones" No. 41-FZ dated 26 March 1998, as amended
"Listing Rules"	the listing rules of the FSA made under section 74(4) of the FSMA
"London Stock Exchange"	London Stock Exchange plc
"LTI"	Lost time injuries
"LTIFR"	Loss of working time per million working hours
"LTISR"	The number of days off due to injury per million working hours
"Major Shareholder"	OAO Severstal
"Market Abuse Decree"	Decree on Market Abuse pursuant to the Dutch Financial Supervision Act (*Besluit marktmisbruik Wft*)
"Morgan Stanley"	Morgan Stanley & Co. International plc
"National Environment Council"	Guinean Conseil National de l'Environment
"New Shares"	new ordinary shares in the capital of the Company to be issued as part of the Offer
"NGOs"	Non-governmental organisations
"Non-Executive Directors"	the non-executive Directors of the Company
"Normalised EBITDA"	operating activities adjusted for income tax expense, finance income and expense, depreciation and amortisation charges, impairment of property, plant and equipment, other non-operating expenses and income, negative goodwill and disposal of non-current assets, a reconciliation of which is included in Part 10 "Selected Financial and Operational Information"
"Offer"	the issue of New Shares by the Company and the sale of Existing Shares by the Selling Shareholder to institutional investors in the United Kingdom and elsewhere described in Part 13 "The Offer"
"Offer Price"	the price at which each Share is to be issued or sold under the Offer
"Offer Price Range"	the range of the offer price, being between 300 pence and 390 pence
"Offer Shares"	the Existing Shares and the New Shares
"Official List"	the Official List of the FSA
"Order"	Financial Services and Markets Act 2000 (Financial Promotion) Order 2005
"OSC"	Ontario Securities Commission
"Over-allotment Option"	the option expected to be granted to the Stabilising Manager by the Selling Shareholder to purchase, or procure purchasers for, up to 31,200,000 existing Shares as more particularly described in Part 13 "The Offer"
"Over-allotment Shares"	Shares to be offered pursuant to the Over-allotment Option
"PCAOB"	the Public Company Accounting Oversight Board (United States)
"PFIC"	Private foreign investment company
"Private Placement Provinces"	the provinces of Ontario, Quebec, British Columbia and Alberta
"Prospectus"	this document
"Prospectus Directive"	the EU Prospectus Directive (2003/71/EC) (and any amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant member state)

"qualified institutional buyers" or "QIBs"	has the meaning given by Rule 144A
"Qualified Investors"	persons who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive
"Regulation S"	Regulation S under the US Securities Act
"Related Party Transaction"	has the meaning given in paragraph 11.1.5R of the Listing Rules
"Relationship Agreement"	the relationship agreement dated 27 January 2011 between the Company, OAO Severstal and the Selling Shareholder
"Rostekhnadzor"	the Federal Service for Environmental, Technological and Nuclear Supervision
"Rule 144A"	Rule 144A under the US Securities Act
"SAG"	Semi-autogenous grinding
"SEC"	The United States Securities and Exchange Commission
"Selling Shareholder"	Lybica Holding B.V.
"Selling Shareholder Group"	the Selling Shareholder and its consolidated subsidiaries and subsidiary undertakings
"Senior Employee"	any and each of Nikolai Zelenski, Sergey Zinkovich, Oleg Pelevin, Vladimir Shvetsov, Sergei Stepanov, Bruce Lumley, Evgeny Tulubensky, Svetlana Krinichnaya and Dmitriy Gudovskiy
"Senior Management"	Nikolai Zelenski, Sergey Zinkovich, Oleg Pelevin, Vladimir Shvetsov, Sergei Stepanov, Bruce Lumley, Evgeny Tulubensky, Svetlana Krinichnaya and Dmitriy Gudovskiy
the "Severstal Group"	OAO Severstal and its consolidated subsidiaries and subsidiary undertakings
"Shareholders"	the holders of Shares in the capital of the Company (including, where the context requires, through DIs)
"Shares"	the ordinary shares in the capital of the Company (including, where the context requires, DIs)
"Sole Sponsor"	Morgan Stanley
"SMD"	Société Minière de Dinguiraye
"Stabilising Manager"	Morgan Stanley
"Technical Regulation Law"	The Federal Law "On Technical Regulation" No. 184-FZ dated 27 December 2002, as amended
"Troika Dialog"	TD Investments Limited
"UK"	the United Kingdom of Great Britain and Northern Ireland
"UK Corporate Governance Code"	the UK Corporate Governance Code, published by the Financial Reporting Council in June 2010, as amended from time to time
"UK Takeover Code"	the City Code on Takeovers and Mergers
"Underwriters"	Credit Suisse, Morgan Stanley and Troika Dialog
"Underwriting Agreement"	the underwriting agreement expected to be entered into between the Company, the Directors, the Selling Shareholder and the Underwriters described in paragraph 7.1 of Part 15 "Additional Information — Underwriting arrangements"
"United States" or "US"	the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
"US Exchange Act"	United States Securities Exchange Act of 1934, as amended
"US Securities Act"	United States Securities Act of 1933, as amended

Glossary of Technical Terms

The following is a glossary of technical terms used in this Prospectus:

assay	a chemical test performed on a sample of ores or minerals to determine the amount of valuable metals contained;	
Au	gold;	
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;	
by-product	a secondary metal or mineral product recovered in the milling process;	
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;	
concentrate	a fine, powdery product of the milling process containing a high percentage of valuable metal;	
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;	
cut-off grade	the minimum metal grade at which material can be economically mined and processed (used in the calculation of ore reserves);	
development	underground work carried out for the purpose of opening up a mineral deposit. Includes shaft sinking, crosscutting, drifting and raising;	
dilution	rock that is, by necessity, removed along with the ore in the mining process, subsequently lowering the grade of the ore;	
doré	the final saleable product of a gold mine. Usually consisting of gold and silver;	
cut and fill	a method of underground mining used for flat-lying mineralisation or where ground conditions are less competent;	
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) 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;

Koz thousand ounces;

Kt thousand tonnes;

London PM price London Gold Market p.m. gold fixing

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	a plant in which ore is treated and metals are recovered or prepared for smelting; also a revolving drum used for the grinding of ores in preparation for treatment;
Moz	million ounces;
Mt	million tonnes;
open pit mine	a mine that is entirely on surface. Also referred to as open-cut or open-cast mine;
ore	a mixture of ore minerals and gangue from which at least one of the metals can be extracted at a profit;
orebody	a natural concentration of valuable material that can be extracted and sold at a profit;
oxidised ore	mineralised rock in which some of the original minerals have been oxidised. Oxidation tends to make the ore more amenable to cyanide solutions so that minute particles of gold will be readily dissolved;
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 reserves	the economically mineable part of a measured resource which 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 completed;
reclamation and closure costs	the cost of reclamation plus other costs, including without limitation certain personnel costs, insurance, property holding costs such as taxes, rental and claim fees, and community programmes associated with closing an operating mine;
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 sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories;
shaft	a vertical or inclined excavation in rock for the purpose of providing access to an orebody. Usually equipped with a hoist at the top, which lowers and raises a conveyance for handling workers and materials;
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;
ton	short or imperial ton (2,000 pounds);
tonne	metric ton.

APPENDIX 1

FINANCIAL INFORMATION

SECTION A — ANNUAL CONSOLIDATED FINANCIAL INFORMATION OF NORD GOLD N.V.

SECTION B — INTERIM CONSOLIDATED FINANCIAL INFORMATION OF NORD GOLD N.V.

SECTION C — PRO FORMA INFORMATION OF NORD GOLD N.V.

SECTION D — CONSOLIDATED FINANCIAL INFORMATION OF CREW GOLD CORPORATION

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Severstal Gold N.V. and subsidiaries

Consolidated financial statements
for the years ended December 31, 2009, 2008 and 2007

Severstal Gold N.V. and subsidiaries

Consolidated financial statements
for the years ended December 31, 2009, 2008 and 2007

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ZAO KPMG
10 Presnenskaya Naberezhnaya
Moscow, Russia 123317

Telephone +7 (495) 937 44 77
Fax +7 (495) 937 44 00/99
Internet www.kpmg.ru

Independent Auditors' Report

Management
Severstal Gold N.V.

We have audited the accompanying consolidated financial statements of Severstal Gold N.V. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at 31 December 2009, 2008 and 2007, and consolidated income statements, consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audits to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, 2008 and 2007, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

ZAO KPMG

30 April 2010

ZAO KPMG, a company incorporated under the Laws of the Russian Federation and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Severstal Gold N.V. and subsidiaries

Consolidated income statements
for the years ended December 31, 2009, 2008 and 2007
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Note	Year ended December, 31		
		2009	2008	2007
Sales	5	517 572	191 025	260
Cost of sales		(309 404)	(139 968)	(164)
Gross profit		208 168	51 057	96
General and administrative expenses		(26 515)	(11 996)	(789)
Taxes other then income tax		(36 361)	(8 999)	(1 202)
Other operating (expenses)/income, net	7	(6 676)	75 168	(92)
Profit / (loss) from operations		138 616	105 230	(1 987)
Financial income	8	4 894	52 889	5 172
Financial expenses	8	(144 143)	(46 142)	(7 370)
(Loss)/profit before income tax		(633)	111 977	(4 185)
Income tax (expense) / benefit	9	(20 910)	14 572	(79)
(Loss)/ profit for the year		(21 543)	126 549	(4 264)
Attributable to:				
Shareholders of the Company		(29 990)	128 868	(4 264)
Non-controlling interest		8 447	(2 319)	—
Weighted average number of shares outstanding during the year (millions of shares)		9,8	—	—
Basic and diluted loss per share (US dollars)		(3,06)	—	—

These consolidated financial statements were approved on 30 April 2010 and were signed by:

W.H. Kamphuijs M.M. Bernardus

on behalf of Equity Trust Co.N.V., acting as a sole director of Severstal Gold N.V.

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

Severstal Gold N.V. and subsidiaries

Consolidated statements of comprehensive income
for the years ended December 31, 2009, 2008 and 2007
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Year ended December, 31		
	2009	2008	2007
(Loss)/ profit for the year	(21,543)	126,549	(4,264)
Foreign exchange differences	10,461	(39,930)	1,827
Net change in fair value of available-for-sale financial assets	41,169	8,512	—
Deferred tax on revaluation of available-for-sale investments	(6,319)	(1,382)	—
Other comprehensive income/(loss) for the year, net of tax	45,311	(32,800)	1,827
Total comprehensive income/(loss) for the year	23,768	93,749	(2,437)
Attributable to:			
Shareholders of the Company	(25,501)	91,484	(2,437)
Non-controlling interest	49,269	2,265	—

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

Severstal Gold N.V. and subsidiaries

Consolidated statements of financial position
as at December 31, 2009, 2008 and 2007
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Note	Year ended December, 31		
		2009	2008	2007
Assets				
Current assets				
Cash and cash equivalents	12	90,623	25,566	24,356
Accounts receivable	13	19,409	27,506	12,121
Inventories	14	153,802	126,744	52,304
VAT recoverable		26,106	33,234	15,718
Short-term financial investments	15	17,480	237	9,749
Income tax receivable		4,562	2,116	1,346
Assets held for sale		—	—	18,789
Total current assets		311,982	215,403	134,383
Non-current assets				
Property, plant and equipment	16	340,372	370,438	119,568
Intangible assets	17	599,877	639,839	519,718
Long-term financial investments	15	114,268	53,728	2,804
Investment in joint venture	18	6,572	6,765	—
Restricted cash		944	390	291
Deferred tax assets	9	12,495	20,790	4,789
Other non-current assets	19	1,308	365	73,222
Total non-current assets		1,075,836	1,092,315	720,392
Total assets		1,387,818	1,307,718	854,775
Liabilities and shareholders' equity				
Current liabilities				
Short-term debt finance	20	177,307	242,586	403,405
Accounts payable	21	81,267	55,300	26,626
Income tax payable		615	2,478	—
Provisions	22	3,992	10,501	2,006
Consideration payable for acquisitions of entities under common control		—	38,785	—
Total current liabilities		263,181	349,650	432,037
Non-current liabilities				
Long-term debt finance	20	56,469	365,113	28,568
Provisions	22	34,147	27,716	11,651
Deferred tax liabilities	9	71,160	73,184	110,802
Other non-current liabilities		508	595	695
Total non-current liabilities		162,284	466,608	151,716
Equity				
Share capital	23	718,712	21	21
Additional capital		862,238	456,545	17,938
Foreign exchange differences		(55,184)	(39,338)	1,827
Retained earnings		(815,984)	(61,471)	209,817
Revaluation reserves		24,115	3,781	—
Total equity attributable to shareholders of the Company		733,897	359,538	229,603
Non-controlling interest		228,456	131,922	41,419
Total equity		962,353	491,460	271,022
Total equity and liabilities		1,387,818	1,307,718	854,775

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

Severstal Gold N.V. and subsidiaries

Consolidated statements of cash flows
for the years ended December 31, 2009, 2008 and 2007
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Year ended December, 31		
	2009	2008	2007
Operating activities			
(Loss)/ profit for the year	(21,543)	126,549	(4,264)
Adjustments for non-cash movements:			
Financial income	(4,894)	(52,889)	(5,172)
Financial expenses	144,143	46,142	7,370
Income tax expense/(benefit)	20,910	(14,572)	79
Depreciation and amortization	86,403	41,920	31
Impairment of non-current assets	8,543	149	—
Negative goodwill	—	(75,310)	—
Gain on disposal of subsidiaries (Note 25)	(260)	(2,955)	—
Loss on disposal of non-current assets	1,602	392	38
Movements in provisions for inventories, receivables and other provisions	1,960	3,667	120
Impairment of available-for-sale financial assets	—	2,977	—
Changes in operating assets and liabilities:			
Accounts receivable	8,712	(10,175)	(1,062)
Inventories	(27,374)	(8,107)	(5,871)
VAT recoverable	4,223	(9,252)	1,101
Accounts payable	17,153	2,436	4,181
Net other changes in operating assets and liabilities	(600)	3,856	(105)
Cash flows from operations	238,978	54,828	(3,554)
Interest paid	(48,636)	(15,907)	(782)
Income taxes paid	(19,406)	(12,612)	(212)
Cash flows from / (used in) operating activities	170,936	26,309	(4,548)
Investing activities			
Additions to property, plant and equipment	(59,168)	(63,813)	(1,374)
Additions to exploration and evaluation assets	(33,714)	(32,007)	(11,202)
Additions to other intangible assets	(62)	(11)	—
Additions to financial investments	(58,515)	(56,313)	(2,148)
Acquisition of entities under common control, net of cash acquired	(38,915)	21,159	(249,145)
Funds placed with financial institutions for acquisition of non-controlling interest	—	—	(73,210)
Proceeds from disposal of property, plant and equipment	1,543	272	—
Proceeds from disposal of financial investments	30,667	27,519	2,153
Proceeds from disposal of subsidiaries, net of cash disposed	19	17,379	—
Repayment of funds placed with financial institutions for acquisition of non-controlling interest	—	24,785	—
Interest received	1,811	186	3,316
Cash flows used in investing activities	(156,334)	(60,844)	(331,610)
Financing activities			
Proceeds from debt finance	340,024	560,303	395,205
Repayment of debt finance	(472,800)	(519,683)	(14,419)
Payment of finance lease liabilities	(4,270)	(3,968)	(556)
Contribution from the Parent Company	137,220	—	—
Distribution to the Parent Company	(4,412)	—	(20,963)
Contribution from non-controlling interest	53,997	—	—
Cash flows from financing activities	49,759	36,652	359,267
Net increase in cash and cash equivalents	64,361	2,117	23,109
Cash and cash equivalents at beginning of the year	25,566	24,356	—
Effect of exchange rate fluctuations on cash and cash equivalents	696	(907)	1,247
Cash and cash equivalents at end of the year (Note 12)	90,623	25,566	24,356

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

Severstal Gold N.V. and subsidiaries

Consolidated statements of changes in equity
for the years ended December 31, 2009, 2008 and 2007
(Amounts expressed in thousands of US dollars, except as stated otherwise)

	Attributable to the shareholders of Severstal Gold N.V.							
	Share capital	Additional capital	Foreign exchange differences	Retained earnings	Revaluation reserves	Total	Non-controlling interest	Total
Balance at 31 December 2006	21	—	—	—	—	21	—	21
Acquisition of entities under common control	—	17,938	—	235,044	—	252,982	41,419	294,401
Distribution to the Parent Company	—	—	—	(20,963)	—	(20,963)	—	(20,963)
Total comprehensive income/(loss) for the year	—	—	1,827	(4,264)	—	(2,437)	—	(2,437)
Balance at 31 December 2007	21	17,938	1,827	209,817	—	229,603	41,419	271,022
Decrease in non-controlling interest due to disposal of subsidiary	—	—	—	—	—	—	(4,789)	(4,789)
Acquisition of entities under common control	—	438,607	—	(388,361)	—	50,246	129,657	179,903
Effect from change of non-controlling interest	—	—	—	(11,795)	—	(11,795)	(36,630)	(48,425)
Total comprehensive (loss)/income for the year	—	—	(41,165)	128,868	3,781	91,484	2,265	93,749
Balance at 31 December 2008	21	456,545	(39,338)	(61,471)	3,781	359,538	131,922	491,460
Share issue	718,691	—	—	(718,646)	—	45	—	45
Conversion of debt previously provided by the Parent company	—	260,216	—	—	—	260,216	—	260,216
Contribution from the Parent Company	—	127,967	—	—	—	127,967	—	127,967
Effect from change of non-controlling interest	—	17,510	—	(1,466)	—	16,044	47,265	63,309
Distribution to the Parent Company	—	—	—	(4,412)	—	(4,412)	—	(4,412)
Total comprehensive income/(loss) for the year	—	—	(15,846)	(29,989)	20,334	(25,501)	49,269	23,768
Balance at 31 December 2009	718,712	862,238	(55,184)	(815,984)	24,115	733,897	228,456	962,353

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

1. Operations

Severstal 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 Company was established as a private limited liability company in 2005 named Sakha Gold B.V. and was renamed to public liability company Severstal Gold N.V. on 30 July 2009.

The Company's registered office is Strawinskylaan 3105, 1077 ZX Amsterdam.

The Group's principal activity is the extraction, refining and sale of gold. Mining and processing facilities are located in the republics of Buryatiya, Yakutia and Irkustk and the Chita regions of the Russian Federation, Burkina Faso and Kazakhstan.

The Company's immediate parent company is LLC Mining Holding Company (the "Parent Company"), the Company's ultimate parent company is OJSC Severstal, an integrated steel and mining company with key assets in Russia, the US and Europe (the "Severstal Group") and the Company's ultimate controlling party is Alexey Mordashov.

Before July 2009 the Company was dormant. In 2009 management of the Severstal Group decided to transfer all its gold mining entities to a newly formed group under Severstal Gold N.V. These entities were acquired by the Parent Company and its subsidiaries in 2007 and 2008 from third parties (Note 24). In 2009 the Company acquired the entities from the Parent Company and its subsidiaries for shares issued and cash. Furthermore, in 2009 for financing the Group's activity the Parent Company contributed to the Company US$ 260.2 million in the form of conversion of the previously issued debt to equity and US$ 128.0 million in cash.

The formation of the Group was a business combination under common control. The Group's accounting policy for common control transactions is described in Note 3a.

Economic environment

A significant part of the Group's operations are based in the Russian Federation and is consequently exposed to the economic and political effects of the policies adopted by the Russian government. Operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets and its impact on the Russian economy has further increased the level of economic uncertainty in the environment.

The 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 modernized 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 consolidated financial statements reflect management's assessment of the impact of the Russian, Kazakhstan and Burkina Faso 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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board. These are the first consolidated financial statements of the Company and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

As explained in Note 1 the Group was formed in 2009 as a result of reorganization of OJSC Severstal's gold mining activities. Prior to the reorganization, the Company was dormant and did not prepare financial statements and therefore no explanations of transition to IFRS are provided, and no opening statement of financial position has been presented.

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.

The Group's statutory financial records are maintained in accordance with the legislative requirements of the countries in which the individual entities are located, which differ in certain respects from IFRS. The accounting policies applied in the preparation of these consolidated financial statements are set out in Note 3.

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;
- 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 tax assets.

Useful lives of property, plant and equipment

The Group assesses the remaining useful lives of items of property, plant and equipment 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 on depreciation expense for the period.

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, and in the calculation of future cash flows for assets impairment testing.

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 recognized 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 realizable value. Estimates of net realizable 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 recognizing 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 future amount of liability for certain debt instruments depends upon average quarterly gold prices and the quarterly volume of production. The change in the value of the liability due to the factors is accounted for as an embedded derivative. The Group's judgement is required for future gold prices trends projections.

Deferred income tax assets

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 utilized. The estimation of that probability includes judgments based on the expected performance. Various factors are considered to assess the probability of the future utilization 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 utilization of deferred tax assets are reduced, this reduction will be recognized in the income statement.

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. The functional currency of the Company is Euro. 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 and the functional currency for Burkina Faso entities is the Communaute Financiere Africaine franc.

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 recognized 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, amendments to Standards and Interpretations were not yet effective for the year ended December 31, 2009, 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"	July 1, 2009 and January 1, 2010
IAS 7 (Amended) "Statement of cash flows"	July 1, 2009 and January 1, 2010
IAS 12 (Amended) "Income taxes"	July 1, 2009
IAS 16 (Amended) "Property, Plant and Equipment"	July 1, 2009
IAS 17 (Amended) "Leases"	January 1, 2010
IAS 21 (Amended) "The effects of changes in foreign exchange rates"	July 1, 2009
IAS 24 (Revised) "Related party disclosure"	January 1, 2011
IAS 27 (Amended) "Consolidated and Separate Financial Statements"	July 1, 2009
IAS 28 (Amended) "Investments in Associates"	July 1, 2009
IAS 31 (Amended) "Interests in Joint Ventures"	July 1, 2009
IAS 32 (Amended) "Financial instruments: Presentation"	July 1, 2009 and February 1, 2010
IAS 34 (Amended) "Interim financial reporting"	July 1, 2009
IAS 36 (Amended) "Impairmant of Assets"	July 1, 2009 and January 1, 2010

Standards and interpretations	Effective for annual periods beginning on or after
IAS 38 (Amended) "Intangible Assets"	July 1, 2009
IAS 39 (Amended) "Financial Instruments: Recognition and Measurement"	July 1, 2009 and January 1, 2010
IFRS 1 (Revised, amended) "First-time Adoption of International Financial Reporting Standards"	July 1, 2009, January 1, 2010 and July 1, 2010
IFRS 2 (Amended) "Share-based Payments"	July 1, 2009 and January 1, 2010
IFRS 3 (Revised) "Business Combinations"	July 1, 2009
IFRS 5 (Amended) "Non-current Assets Held for Sale and Discontinued Operations"	July 1, 2009 and January 1, 2010
IFRS 7 (Amended) "Financial instruments: disclosures"	July 1, 2009
IFRS 8 (Amended) "Operating Segments"	January 1, 2010
IFRS 9 (Amended) "Financial instruments"	January 1, 2013
IFRIC 9 "Reassessment of Embedded Derivatives"	July 1, 2009
IFRIC 14 "Prepayments of a Minimum Funding Requirement"	January 1, 2011
IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"	July 1, 2009
IFRIC 17 "Distributions of Non-cash Assets to Owners"	July 1, 2009
IFRIC 18 "Transfers of assets from customers"	July 1, 2009
IFRIC 19 "Extinguishing financial liability with equity"	July 1, 2010

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.

Revised IFRS 3 "*Business Combinations*" incorporates the following changes that are likely to be relevant to the Group's operations:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes therein recognized in profit or loss.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognized in profit or loss.
- Any non-controlling interest will be measured at either fair value or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised IFRS 3 becomes mandatory for the Group's 2010 annual consolidated financial statements and will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statements.

IFRS 9 "*Financial Instruments*" will be effective for annual periods beginning on or after 1 January 2013. 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 once the project is completed by the end of 2010.

The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. 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 the 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.

Revised IAS 24 "*Related party*" disclosure provides a revised definition of a related party which includes new relationships and will likely lead to the increased number of related parties of the Group.

Revised IAS 24 becomes mandatory for the Group's 2011 annual consolidated financial statements and requires retrospective application. Management has not yet decided on the initial application date.

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 those enterprises controlled, directly or indirectly, by the Company. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The non-controlling interests represent the non-controlling shareholders' proportion of the net identifiable assets of the subsidiaries, including the non-controlling shareholders' share of fair value adjustments on acquisitions. The non-controlling interests are presented in the statement of financial position within equity, separately from the Company's shareholders' equity.

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in preparing these consolidated financial statements; unrealized losses are also eliminated unless the transaction provides an evidence of impairment of the asset transferred.

Accounting for acquisitions of interests in companies under common control

IFRS provides no guidance on the accounting for acquisitions of entities under common control. Management adopted an accounting policy for such transactions based on the relevant guidance of accounting principles generally accepted in the United States ('US GAAP'). Management believes that this approach and the accounting policy disclosed below are in compliance with IFRS.

Acquisitions of controlling interests in companies that were previously under the control of the Parent Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date on which control was obtained by the Parent Company. The assets and liabilities acquired are recognized at their book values. The components of equity of the acquired companies are added to the same components within Group equity except that any share capital of the acquired companies is recorded as a part of additional capital. Cash consideration for such acquisitions is recognized as a liability to related parties, with a corresponding reduction in equity, from the date the acquired company is included in these consolidated financial statements until the cash consideration is paid. The Company's shares issued in consideration for the acquired companies are recognized from the moment the actual issuance.

Acquisition of additional interest in acquired entities

No goodwill is recognized 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 recognized 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 recognized 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 recognized 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 income statement reflects the Group's share of the results of operations of the joint venture.

Unrealized 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; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of acquisition. Goodwill is initially recognized 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.

Negative goodwill represents the excess of the Group's share in the fair value of acquired identifiable assets, liabilities and contingent liabilities over the cost of an acquisition. It is recognized in the income statement at the date of the acquisition.

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 recognized in the income statement.

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 capitalized 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 recognized 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 derecognized. Repair and maintenance expenses are charged to the income statement as incurred. Gains or losses on disposals of property, plant and equipment are recognized 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 recognized 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 recognized 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 amortization

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 amortization and accumulated impairment losses.

Intangible assets are amortized 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 amortization 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 amortized 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).

Amortization 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 license (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 recognized before reclassification.

The Group measures exploration and evaluation assets on initial recognition at cost or at fair value when acquired as part of a business combination. Following initial recognition, they are carried at cost less accumulated impairment losses.

The following expenditures comprise the cost of exploration and evaluation assets:

- obtaining the rights to explore and evaluate mineral reserves and resources including costs directly related to this acquisition;
- researching and analysing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods and/or
- compiling prefeasibility and feasibility studies.

Administration and other overhead costs are charged to the cost of exploration and evaluation assets only if directly related to an exploration and evaluation project.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The following facts and circumstances, among other, indicate that exploration and evaluation assets must be tested for impairment:

- the exploration licence in the specific area has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of gold resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of gold resources in the specific area have not led to the discovery of commercially viable quantities of gold resources and the decision was made to discontinue such activities in the specific area;
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For the purpose of assessing exploration and evaluation assets for impairment, such assets are allocated to cash-generating units, being exploration licence areas.

Any impairment loss is recognised as an expense in accordance with the policy on impairment of 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 recognized 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 amortized 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 recognized. 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 amortization, if no impairment loss had been recognized.

g. Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable 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 tones mined.

Gold in ore involved inprocessing (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 tones 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 amortized 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 amortized 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 amortized cost using the effective interest method, less any impairment. Interest income is recognized 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 recognized directly in equity with the exception of impairment losses, which are recognized directly in the income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the equity is included in 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 recognized in the income statement when the Group's right to receive the dividends is established.

(v) Derecognition of financial assets

The Group derecognizes 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 amortized cost using the effective interest method, with interest expense recognized in the income statement.

(i) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

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 recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income, in which case it is recognized 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 realized simultaneously.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which these assets can be utilized. 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 realized.

Deferred tax is not recognized 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 capitalized 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 recognized 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, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

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. Financial income and expenses

Financial income comprises interest income on funds invested, dividend income, and 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.

Financial expenses comprise interest expense on borrowings, unwinding of the discount on provisions, 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 financial income (expense) 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, which comprise convertible notes and share options granted to employees.

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 are 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-Metallik and Aprelkovo.* Gold mines located in Sakha-Yakutia Republic and Chita region of the Russian Federation, use heap-leaching technology for gold processing.

- *Celtic and Semgeo.* Includes Celtic Group operating Suzdal mine and Semgeo with gold deposits in Balazhal mine. Entities are located in Kazakhstan.
- *Buryatzoloto.* Gold mining entity located in Buryatia republic of the Russian Federation, includes two gold mines — Zun-Holba and Irokinda.
- *Berezitovy.* Gold mine located in Amur region of the Russian Federation.
- *Somita.* Gold mine located in Burkina Faso, West Africa.
- *Development West Africa.* Includes a number of mines on exploration and evaluation stage located in West Africa.
- *Development Russia.* Includes a number of mines on exploration and evaluation stage 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. 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.

Information about reportable segments

Segment profits and losses and the reconciliation to the income statement for the year ended December 31, 2009:

	Neryungri and Aprelkovo	Celtic and Semgeo	Buryatzoloto	Berezitovy	Somita	Development West Africa	Development Russia	Total	Unallocated items and consolidation adjustment	Consolidated
Sales	76,555	114,125	143,701	84,119	99,072	—	—	517,572	—	517,572
Cost of sales less depreciation and amortization	(43,384)	(40,536)	(60,224)	(37,915)	(41,434)	—	—	(223,493)		
General and administrative expenses less depreciation and amortization	(4,693)	(4,424)	(4,617)	(1,905)	(3,397)	(6)	(64)	(19,106)		
Taxes other then income tax	(5,744)	(8,802)	(9,954)	(7,561)	(4,287)	—	(13)	(36,361)	—	(36,361)
Other operating income/(expense), net less loss from property, plant and equipment disposal	315	115	741	113	—	—	(62)	1,222		
Interest income	—	4,715	769	—	—	829	—	6,313	(1,450)	4,863
Interest expense	(12,159)	(466)	(2,320)	(16,974)	(14,707)	—	(1,235)	(47,861)	(14,647)	(62,508)
Depreciation and amortization	(13,567)	(27,660)	(13,376)	(12,043)	(19,735)	—	—	(86,381)	(22)	(86,403)
Income tax	121	(4,405)	(10,720)	(2,157)	(3,471)	—	131	(20,501)	(409)	(20,910)
Segment's (loss)/profit for the year	(3,759)	9,103	40,199	(2,489)	14,022	(2,978)	(1,244)	52,854	(74,397)	(21,543)
Additional information:										
Loss on disposal of property, plant and equipment	(617)	(36)	(341)	(1,259)	—	—	—	(2,253)	(45)	(2,298)
Impairment of property, plant and equipment	—	(8,543)	—	—	—	—	—	(8,543)	—	(8,543)
Capital expenditure	(33,011)	(27,932)	(13,379)	(11,873)	(5,656)	(6,562)	(1,359)	(99,772)	1,116	(98,656)

Segment profits and losses and the reconciliation to the income statement for the year ended December 31, 2008:

	Neryungri and Aprelkovo	Celtic and Semgeo	Buryatzoloto	Berezitovy	Somita	Development West Africa	Development Russia	Total	Unallocated items and consolidation adjustment	Consolidated
Sales	78,560	92,439	12,181	3,580	4,265	—	—	191,025	—	191,025
Cost of sales less depreciation and amortization	(41,730)	(39,388)	(11,483)	(2,520)	(3,201)	—	—	(98,322)		
General and administrative expenses less depreciation and amortization	(4,841)	(4,118)	(1,155)	(236)	(541)	—	(98)	(10,989)		
Taxes other then income tax	(4,379)	(2,953)	(695)	(819)	(141)	—	(12)	(8,999)	—	(8,999)
Other operating income/(expense), net less loss from property, plant and equipment disposal	676	(78)	402	89	—	—	—	1,089		
Interest income	122	2,215	95	—	—	90	—	2,522	(234)	2,288
Interest expense	(8,572)	(2,105)	(410)	(1,161)	(4,804)	—	(1,261)	(18,313)	(25,262)	(43,575)
Depreciation and amortization	(11,494)	(26,790)	(1,633)	(520)	(1,473)	—	—	(41,910)	(10)	(41,920)
Income tax	5,764	8,412	(69)	(553)	710	—	287	14,551	21	14,572
Segment's profit/ (loss) for the year	15,405	23,931	(5,246)	(14,045)	14,461	(224)	(1,144)	33,138	93,411	126,549
Additional information:										
Loss on disposal of property, plant and equipment	(10)	(113)	(200)	—	(41)	—	—	(364)	(31)	(395)
Impairment of property, plant and equipment	—	(149)	—	—	—	—	—	(149)	—	(149)
Impairment of investments available-for-sale	—	(1,949)	—	—	—	—	—	(1,949)	(2,977)	(4,926)
Capital expenditure	(47,423)	(34,567)	(2,587)	(420)	(1,718)	(588)	(11,312)	(98,615)	(30)	(98,645)

Segment profits and losses and the reconciliation to the income statement for the year ended December 31, 2007

	Neryungri and Aprelkovo	Development Russia	Total	Unallocated items and consolidation adjustment	Consolidated
Sales	260	—	260	—	260
Cost of sales less depreciation and amortization	(143)	—	(143)		
General and administrative expenses less depreciation and amortization	(642)	(69)	(711)		
Taxes other then income tax	(1,202)	—	(1,202)	—	(1,202)
Other operating expense, net less loss from property, plant and equipment disposal	(16)	—	(16)		
Interest income	71	—	71	3,317	3,388
Interest expense	(791)	(163)	(954)	(6,416)	(7,370)
Depreciation and amortization	(31)	—	(31)	—	(31)
Income tax	(134)	56	(78)	(1)	(79)
Segment's loss for the year	(2,220)	(196)	(2,416)	(1,848)	(4,264)
Additional information:					
Loss on disposal of property, plant and equipment	(38)	—	(38)	—	(38)
Capital expenditure	(1,608)	(10,960)	(12,568)	(1)	(12,569)

Segment assets and liabilities and the reconciliation to the statements of financial position as at December 31, 2009:

	Neryungri and Aprelkovo	Celtic and Semgeo	Buryatzoloto	Berezitovy	Somita	Development West Africa	Development Russia	Unallocated items and consolidation adjustment	Consolidated
Current assets									
Cash and cash equivalents	51	11,672	26,551	3,243	19,156	246	80	29,624	90,623
Short-term accounts receivable	4,594	6,403	2,532	1,970	3,466	—	43	401	19,409
Inventories	50,695	30,279	20,141	31,776	20,865	46	—	—	153,802
VAT recoverable	7,988	8,106	2,263	5,860	1,636	—	209	44	26,106
Income tax receivable	117	201	4,241	—	—	—	—	3	4,562
Current liabilities									
Short-term accounts payable	20,562	10,655	19,707	10,416	10,596	503	7,952	876	81,267
Income tax payable	3	381	—	—	—	—	—	231	615
Short-term provisions	74	1,879	209	75	1,755	—	—	—	3,992
Net working capital	42,806	43,746	35,812	32,358	32,772	(211)	(7,620)	28,965	208,628
Segment total assets	383,298	386,424	126,722	134,479	210,817	104,312	20,548	21,218	1,387,818

Segment assets and liabilities and the reconciliation to the statements of financial position as at December 31, 2008:

	Neryungri and Aprelkovo	Celtic and Semgeo	Buryatzoloto	Berezitovy	Somita	Development West Africa	Development Russia	Unallocated items and consolidation adjustment	Consolidated
Current assets									
Cash and cash equivalents	82	9,841	3,379	388	2,096	64	3	9,713	25,566
Short-term accounts receivable	2,686	8,410	2,094	2,140	3,687	—	—	8,489	27,506
Inventories	36,031	33,537	20,492	21,851	14,802	29	—	2	126,744
VAT recoverable	11,136	12,843	1,787	5,087	1,247	—	918	216	33,234
Income tax receivable	1,210	287	562	30	—	—	—	27	2,116
Current liabilities									
Short-term accounts payable	10,798	10,171	9,765	4,519	10,057	1,619	7,077	1,294	55,300
Income tax payable	790	1,688	—	—	—	—	—	—	2,478
Short-term provisions	76	1,887	—	1,779	180	—	—	6,579	10,501
Net working capital	39,481	51,172	18,549	23,198	11,595	(1,526)	(6,156)	10,574	146,887
Segment total assets	363,524	428,497	113,929	129,746	196,298	83,616	20,185	(28,077)	1,307,718

Segment assets and liabilities and the reconciliation to the statements of financial position as at December 31, 2007:

	Neryungri and Aprelkovo	Celtic and Semgeo	Development Russia	Unallocated items and consolidation adjustment	Consolidated
Current assets					
Cash and cash equivalents	110	20,170	4,076	—	24,356
Short-term accounts receivable	4,944	7,085	268	(176)	12,121
Inventories	30,218	22,086	—	—	52,304
VAT recoverable	4,118	11,600	—	—	15,718
Income tax receivable	83	1,263	—	—	1,346
Current liabilities					
Short-term accounts payable	9,952	8,681	—	7,993	26,626
Short-term provisions	119	1,887	—	—	2,006
Net working capital	29,402	51,636	4,344	(8,169)	77,213
Segment total assets	382,274	387,790	15,384	69,327	854,775

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:

	December, 31		
	2009	2008	2007
Russian Federation	473,908	475,682	350,061
Kazakhstan	258,590	318,421	281,545
Burkina-Faso	207,519	208,478	—
Netherlands	119	—	—
Other	113	7,696	7,680
Total	940,249	1,010,277	639,286

5. Sales

Sales by product were as follows:

	Year ended December, 31		
	2009	2008	2007
Gold	512,335	190,415	260
Silver	5,237	67	—
Other	—	543	—
Total	517,572	191,025	260

Sales by delivery destination and customers were as follows:

	Year ended December, 31		
	2009	2008	2007
Russia: NOMOS bank	304,375	94,321	260
Switzerland: Metalor Technologies SA	114,125	91,896	—
Switzerland: Standard Bank	99,072	4,265	—
Kazakhstan	—	543	—
Total	517,572	191,025	260

6. Staff costs

Employment costs were as follows:

	Year ended December, 31		
	2009	2008	2007
Wages and salaries	(87,197)	(34,719)	(1,405)
Social security costs	(15,046)	(4,859)	(310)
Total	(102,243)	(39,578)	(1,715)

For the year ended December, 31 2009, key management's remuneration totalled US$0.5 million. Prior to October 2009 key management was on the payroll of the Parent company and the remuneration paid amounted to US$3.1 million in 2009 (2008: US$3.3 million; 2007: 0.4 million).

7. Other operating (expenses)/income, net

	Year ended December, 31		
	2009	2008	2007
Impairment of non-current assets	(8,543)	(149)	—
Net loss on disposal of property, plant and equipment	(2,298)	(395)	(38)
Change of assumptions in employee related provisions	3,566	—	—
Net gain on disposal of intangible assets	696	—	—
Net gain on disposal of inventories	387	1,069	40
Net gain on disposal of subsidiaries	260	2,955	—
Impairment of available-for-sale investments	—	(2,977)	—
Negative goodwill	—	75,310	—
Other	(744)	(645)	(94)
Total	(6,676)	75,168	(92)

Cost of disposed inventories amounted to US$6.9 million in 2009 (2008: US$2.7 million; 2007: US$139 thousand).

Disposals of subsidiaries are disclosed in Note 25.

8. Financial (expenses)/income, net

	Year ended December, 31		
	2009	2008	2007
Interest income	4,863	2,288	3,388
Foreign exchange differences gain, net	—	50,601	1,784
Other	31	—	—
Financial income	4,894	52,889	5,172
Foreign exchange differences loss, net	(81,635)	—	—
Interest expenses	(62,508)	(43,575)	(7,370)
Impairment of available-for-sale investments	—	(1,949)	—
Other	—	(618)	—
Financial expenses	(144,143)	(46,142)	(7,370)
Total	(139,249)	6,747	(2,198)

9. Taxation

The following is an analysis of the income tax (expense)/benefit:

	Year ended December, 31		
	2009	2008	2007
Current tax charge	(15,376)	(14,407)	(284)
Corrections to prior years' charges	(138)	570	—
Deferred tax (expense) / benefit	(5,396)	23,757	205
Effect of change in Russian statutory tax rate	—	4,652	—
Income tax (expense) / benefit	(20,910)	14,572	(79)

Since the majority of the Group's operations are located in Russia, the Group prepared a reconciliation of the reported net income tax (expense)/benefit and the amount calculated by applying the Russian statutory tax rate of 20% (24%: 2008 and 2007) to reported profit/(loss) before income tax.

In 2008, the Russian Government enacted a change in the Russian statutory tax rate from 24% to 20%. The new rate became effective beginning January 1, 2009.

	Year ended December, 31		
	2009	2008	2007
(Loss)/profit before income tax	(633)	111,977	(4,185)
Tax benefits/(charge) at Russian statutory rate	127	(26,874)	998
Profits taxed at different rates	2,684	18,118	(255)
Corrections to prior years charges	(138)	570	—
Non-tax deductible expenses and tax exempt income, net	(16,488)	25,214	(640)
Changes in non-recognized deferred tax assets	(7,095)	(7,108)	(182)
Effect of changes in Russian statutory tax rates	—	4,652	—
Income tax (expense) / benefit	(20,910)	14,572	(79)

The composition of the net deferred tax liability based on temporary differences arising between fiscal and reporting balance sheets of the consolidated companies, is given below:

	Year ended December, 31		
Deferred tax assets	2009	2008	2007
Property, plant and equipment	6,226	6,168	—
Intangible assets	—	1,787	14
Inventories	1,489	3,819	1,676
Accounts receivable	160	3,792	215
Financial investments	485	555	—
Investment in joint venture	—	—	4,694
Lease liability and debt finance	2,799	3,123	1,440
Accounts payable	941	535	259
Provisions	5,318	4,539	2,229
Other	3	228	54
Tax-loss carry forwards	13,364	14,455	1,582
Gross deferred tax assets	30,785	39,001	12,163
Less offsetting with deferred tax liabilities	(18,290)	(18,211)	(7,374)
Recognized deferred tax assets	12,495	20,790	4,789

	Year ended December, 31		
Deferred tax liabilities	2009	2008	2007
Property, plant and equipment	(8,151)	(9,475)	(11,892)
Intangible assets	(64,932)	(76,502)	(103,471)
Inventories	(7,262)	(2,384)	(1,996)
Financial investments	(8,368)	(1,539)	—
Lease liability and debt finance	(67)	(108)	—
Accounts payable	(211)	(371)	(629)
Provisions	(207)	(389)	—
Other	(252)	(627)	(188)
Gross deferred tax liabilities	(89,450)	(91,395)	(118,176)
Less offsetting with deferred tax assets	18,290	18,211	7,374
Recognized deferred tax liabilities	(71,160)	(73,184)	(110,802)
Net deferred tax liability	(58,665)	(52,394)	(106,013)

The movement of net deferred tax liability is as follows:

Movement of net deferred tax liability	Year ended December, 31		
	2009	2008	2007
Opening balance	(52,394)	(106,013)	—
Recognized in income statement	(5,396)	28,409	205
Recognized in other comprehensive income	(6,319)	(1,382)	—
Business combinations	—	18,761	(105,812)
Disposal of subsidiary	110	—	—
Foreign exchange difference	5,334	7,831	(406)
Closing balance	(58,665)	(52,394)	(106,013)

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$24.4 million at December 31, 2009.

Unrecognised deferred tax asset

The Group has not recognized deferred tax assets on tax-loss carry 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 utilized.

The cumulative amounts of such tax-losses with related expiry dates are the following (stated in millions of US dollars):

	Year ended December, 31		
	2009	2008	2007
In the following year	0.0	0.1	0.0
Between one and five years	4.4	0.1	0.2
Between five and ten years	9.2	13.5	0.6
Between ten and twenty years	47.1	22.3	0.0
No expiry	21.4	17.8	15.4
Total	82.1	53.8	16.2

10. Related party transactions

Transactions with the Severstal Group entities were the following:

	Year ended December, 31		
	2009	2008	2007
Cost of sales	(65)	—	—
General and administrative costs	(1,322)	—	—
Interest income	4,712	1,873	—
Interest expense	(24,202)	(19,380)	(6,753)
Purchases:			
non-capital expenditures	(1,387)	(548)	—
capital expenditures	(280)	—	—

Transactions with the Parent Company were the following:

	Year ended December, 31		
	2009	2008	2007
Interest expense	(20,878)	(15,368)	—

Transactions with joint ventures were the following:

	Year ended December, 31		
	2009	2008	2007
Sales	—	543	—

11. Related party balances

Balances with the Severstal Group entities were the following:

	December, 31		
	2009	2008	2007
Cash and cash equivalents	80	3	4,076
Short-term accounts receivable	334	7,512	—
Short-term loans	17,005	222	5
Long-term loans	47,475	33,824	—
	64,814	41,558	5
Short-term accounts payable	6,209	11,663	5,265
Short-term debt financing	62,895	116,319	396,086
Long-term debt financing	31,962	86,367	—
	101,066	214,349	401,351

Balances with the Parent Company were the following:

	December, 31		
	2009	2008	2007
Short-term debt financing	51,516	—	—
Long-term debt financing	—	235,168	—

Balances with joint ventures:

	December, 31		
	2009	2008	2007
Short-term accounts receivable	6	842	—
Short-term accounts payable	106	106	—

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.

12. Cash and cash equivalents

	December, 31		
	2009	2008	2007
Cash at bank	72,093	24,682	19,379
Short-term deposits with maturity less then 3 months	16,730	749	4,935
Restricted cash accounts	1,671	—	—
Petty cash	129	135	42
Total	90,623	25,566	24,356

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 26.

13. Accounts receivable

	December, 31		
	2009	2008	2007
Advances paid and prepayments	15,788	14,311	10,487
Taxes receivable other than income tax	116	827	74
Trade accounts receivable	81	1,884	325
Other receivables	3,424	10,484	1,235
Total	19,409	27,506	12,121

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 26.

14. Inventories

	December, 31		
	2009	2008	2007
Work-in-progress	80,036	77,703	27,832
Materials and consumables	66,535	47,812	14,506
Finished goods	7,231	1,229	9,966
Total	153,802	126,744	52,304

The movement of the obsolescence provision was as follows:

	Year ended December, 31		
	2009	2008	2007
Opening balance	(705)	(121)	—
Additions through profit and loss	(3,422)	(1,321)	(120)
Released through profit and loss	550	700	—
Foreign exchange differences	(47)	37	(1)
Closing balance	(3,624)	(705)	(121)

15. Financial investments

Short-term investments were as follows:

	December, 31		
	2009	2008	2007
Loans	17,466	237	5
Deposits and other investments held-to-maturity	14	—	—
Investments held-for-trading	—	—	9,744
Total	17,480	237	9,749

Short-term loans as of December 31, 2009 included US$17,005 thousand of balances with related parties (2008: US$222 thousand, 2007: US$5 thousand), see Note 11.

Long-term investments were as follows:

	December, 31		
	2009	2008	2007
Investments available-for-sale	64,889	18,283	2,804
Loans	47,475	33,824	—
Deposits and other investments held-to-maturity	1,904	1,621	—
Total	114,268	53,728	2,804

Long-term loans as of December 31, 2009 and 2008 in total amount represented loans with related parties, see Note 11.

16. Property, plant and equipment

The movements in property, plant and equipment are as follows:

	Land, buildings and constructions	Plant and equipment	Other assets	Construction in progress	Total
Cost					
Balance at 31 December 2006	—	—	—	—	—
Acquisitions through business combinations	51,400	45,290	4,060	18,615	119,365
Additions	—	—	—	1,374	1,374
Transfers	516	527	12	(1,055)	—
Disposals	(23)	(37)	—	—	(60)
Foreign exchange differences	85	73	4	46	208
Balance at 31 December 2007	51,978	45,853	4,076	18,980	120,887
Acquisitions through business combinations	132,254	81,546	2,149	6,195	222,144
Additions	—	—	—	66,450	66,450
Transfers	11,609	18,268	968	(30,845)	—
Disposals	(381)	(407)	(33)	(34)	(855)
Foreign exchange differences	(716)	(8,336)	(185)	(1,258)	(10,495)
Balance at 31 December 2008	194,744	136,924	6,975	59,488	398,131
Reclassifications	(5)	(1,059)	(13)	1,077	—
Additions	—	—	—	62,801	62,801
Transfers	24,923	40,342	992	(66,257)	—
Disposals	(633)	(3,939)	(197)	(360)	(5,129)
Disposal of subsidiary	—	(1,688)	(12)	—	(1,700)
Foreign exchange differences	(7,806)	(7,392)	(708)	(3,241)	(19,147)
Balance at 31 December 2009	211,223	163,188	7,037	53,508	434,956

There was no interest capitalized in above amounts.

	Land, buildings and constructions	Plant and equipment	Other assets	Construction in progress	Total
Depreciation and impairment					
Balance at 31 December 2006	—	—	—	—	—
Depreciation for the year	(631)	(678)	(32)	—	(1,341)
Disposals	23	—	—	—	23
Foreign exchange differences	—	(1)	—	—	(1)
Balance at 31 December 2007	(608)	(679)	(32)	—	(1,319)
Depreciation for the year	(9,690)	(17,555)	(1,047)	—	(28,292)
Disposals	117	67	7	—	191
Foreign exchange differences	735	959	33	—	1,727
Balance at 31 December 2008	(9,446)	(17,208)	(1,039)	—	(27,693)
Depreciation for the year	(25,461)	(35,071)	(1,755)	—	(62,287)
Disposals	129	1,162	48	—	1,339
Disposal of subsidiary	—	1,157	3	—	1,160
Impairment	—	—	—	(8,543)	(8,543)
Foreign exchange differences	159	1,214	67	—	1,440
Balance at 31 December 2009	(34,619)	(48,746)	(2,676)	(8,543)	(94,584)
Net book value					
Balance at 31 December 2007	51,370	45,174	4,044	18,980	119,568
Balance at 31 December 2008	185,298	119,716	5,936	59,488	370,438
Balance at 31 December 2009	176,604	114,442	4,361	44,965	340,372

An impairment loss was recognised in 2009 in the amount of US$8.5 million in relation to specific items of property, plant and equipment of the Celtic and Semgeo segment. An impairment loss was recognized due to the technical condition of the items. An impairment loss was recognized in other operating expenses in the income statement (see Note 7). The recoverable amount of these items was determined as fair market value less cost to sell.

17. Intangible assets

The movements in intangible assets are as follows:

	Goodwill	Mineral rights	Exploration and evaluation assets	Other intangible assets	Total
Cost					
Balance at 31 December 2006	—	—	—	—	—
Acquisitions through business combinations	108,110	243,040	155,744	443	507,337
Additions	—	—	11,202	—	11,202
Foreign exchange differences	468	552	1,131	—	2,151
Balance at 31 December 2007	108,578	243,592	168,077	443	520,690
Acquisitions through business combinations	—	89,812	31,170	340	121,322
Additions	—	—	67,381	11	67,392
Foreign exchange differences	(10,802)	(4,828)	(29,354)	(9)	(44,993)
Balance at 31 December 2008	97,776	328,576	237,274	785	664,411
Additions	—	—	33,221	62	33,283
Transfers	—	3,106	(3,106)	—	—
Disposals	—	—	(324)	—	(324)
Foreign exchange differences	(9,591)	(30,540)	(9,632)	(86)	(49,849)
Balance at 31 December 2009	88,185	301,142	257,433	761	647,521
Amortization and impairment					
Balance at 31 December 2006	—	—	—	—	—
Amortization for the year	—	(972)	—	—	(972)
Foreign exchange differences	—	—	—	—	—
Balance at 31 December 2007	—	(972)	—	—	(972)
Amortization for the year	—	(24,484)	—	(71)	(24,555)
Impairment	—	—	(156)	—	(156)
Foreign exchange differences	—	1,110	—	1	1,111
Balance at 31 December 2008	—	(24,346)	(156)	(70)	(24,572)
Amortization for the year	—	(26,168)	—	(197)	(26,365)
Foreign exchange differences	—	3,291	—	2	3,293
Balance at 31 December 2009	—	(47,223)	(156)	(265)	(47,644)
Net book value					
Balance at 31 December 2007	108,578	242,620	168,077	443	519,718
Balance at 31 December 2008	97,776	304,230	237,118	715	639,839
Balance at 31 December 2009	88,185	253,919	257,277	496	599,877

Amortization is allocated to the cost of inventory and is recognized in cost of sales as inventory is sold. The impairment loss is recognized in other expenses in the income statement.

Results of Goodwill impairment testing

The goodwill allocated to the following cash generating units has been tested for impairment and no impairment loss was recognised as the result of those tests:

Neryungri Metallik and Aprelkovo

2007

The carrying amount of goodwill allocated to the cash generating unit was US$65.2 million as of December 31, 2007.

The following assumptions were used in the impairment test:

- the forecast extraction volumes grow on average at 38% p.a. during 2009 to 2011 and remain constant thereafter;
- the forecast has the following growth rates for gold prices: average growth of 4% p.a. in 2009 to 2013; decline of 12% in 2013 and average growth of 2% during the remaining contractual term of the respective licenses;
- operating costs are forecast to increase on average by 19% p.a. in 2009 to 2011 and to grow on average by 2% p.a. during the remaining contractual term of the respective licenses;
- pre-tax discount rate of 17.3% (in US$ terms).

The above estimates are particularly sensitive in the following areas:

- a 1% increase in discount rate causes the carrying amount of the cash generating unit to exceed its recoverable amount by US$3.1 million;
- a 10% decrease in future planned revenues causes the carrying amount of the cash generating unit to exceed its recoverable amount by US$16.5 million.

2008

The carrying amount of goodwill allocated to the cash generating unit was US$54.5 million as of December 31, 2008.

The following assumptions were used in the impairment test:

- the forecast extraction volumes grow on average at 22% p.a. during 2009 to 2012 and remain constant thereafter;
- the forecast has the following growth rates for gold prices: decline of 16% in 2009; average growth of 12% p.a. in 2010 to 2013; average decline of 4% p.a. during the remaining contractual term of the respective licenses;
- operating costs are forecast to increase on average by 9% p.a. in 2009 to 2013 and to grow on average by 1% p.a. during the remaining contractual term of the respective licenses;
- pre-tax discount rate of 21% (in US$ terms).

The above estimates are particularly sensitive in the following areas:

- a 10% decrease in future planned revenues causes the carrying amount of the cash generating unit to exceed its recoverable amount by US$49.1 million.

2009

The carrying amount of goodwill allocated to the cash generating unit was US$52.9 million as of December 31, 2009.

The following assumptions were used in the impairment test:

- the forecast extraction volumes grow on average by 43% p.a. during 2010 to 2012, increase by 2% in 2013 and remain constant thereafter;

- the forecast has the following growth rates for gold prices: average growth of 2% p.a. in 2010 to 2014; average decline of 5% p.a. during the remaining contractual term of the respective licenses;
- operating costs are forecast to increase on average by 29% p.a. in 2010 to 2012, increase on average by 8% p.a.in 2013 to 2014 and remain constant during the remaining contractual term of the respective licenses;
- pre-tax discount rates of 16.4%.

The above estimates are particularly sensitive in the following areas:

- a 10% decrease in future planned revenues causes the carrying amount of the cash generating unit to exceed its recoverable amount by US$50.3 million;

Celtic Resources Holdings Plc.

2007

The carrying amount of goodwill allocated to the cash generating unit was US$43.3 million as of December 31, 2007. The final purchase price allocation and determination fair value of goodwill for Celtic Resources Holdings Plc. were performed as of December 31, 2007. Assumptions for the growth rates are presented for periods following 2008.

The following assumptions were used in the impairment test:

- the forecast extraction volumes increase on average by 70% p.a. in 2009, increase by 26% in 2010 and remain constant thereafter;
- the forecast has the following growth rates for gold prices: average growth of 3% in 2009 to 2013; decline of 13% in 2013 and average growth of 2% during the remaining contractual term of the respective licenses;
- operating costs are forecast to increase on average by 35% in 2009, increase by 60% in 2010, further grow on average by 1% p.a. during the remaining contractual term of the respective licenses;
- pre-tax discount rate of 20.0% (in US$ terms).

The above estimates are particularly sensitive in the following areas:

- a 1% increase in discount rate causes the carrying amount of the cash generating unit to exceed its recoverable amount by US$15.8 million;
- a 10% decrease in future planned revenues causes the carrying amount of the cash generating unit to exceed its recoverable amount by US$69.7 million.

2008

The carrying amount of goodwill allocated to the cash generating unit was US$43.2 million as of December 31, 2008.

The following assumptions were used in the impairment test:

- the forecast extraction volumes increase on average by 54% p.a. in 2009 to 2010, decline on average by 10% in 2011 to 2012 and remain constant thereafter;
- the forecast has the following growth rates for gold prices: decline of 17% in 2009; average growth of 12% p.a. in 2010 to 2013; average decline of 5% p.a. during the remaining contractual term of the respective licenses;
- operating costs are forecast to increase on average by 39% p.a. in 2009 to 2010, further grow on average by 5% p.a. in 2011 to 2012 and remain constant during the remaining contractual term of the respective licenses;
- pre-tax discount rate of 23.6% (in US$ terms).

The above estimates are particularly sensitive in the following areas:

- a 10% decrease in future planned revenues causes the carrying amount of the cash generating unit to exceed its recoverable amount by US$14.9 million.

2009

The carrying amount of goodwill allocated to the cash generating unit was US$35.2 million as of December 31, 2009.

The following assumptions were used in the impairment test:

- the forecast extraction volumes increase by 21% in 2010, increase on average by 2% p.a. in 2011 to 2014 and remain constant at the 2014 level thereafter;
- the forecast has the following growth rates for gold prices: remain stable in 2010; average growth of 5% p.a. in 2011 to 2013; average decline of 4% p.a. in 2014 to 2016 and remain constant during the remaining contractual term of the respective licenses;
- operating costs are forecast to increase by 44% in 2010, grow on average by 8% p.a. in 2011 to 2014, further increase on average by 4% in 2015 and during the remaining contractual term of the respective licenses;
- pre-tax discount rate of 17.0% (in US$ terms).

The above estimates are particularly sensitive in the following areas:

- a 10% decrease in future planned revenues causes the carrying amount of the cash generating unit to exceed its recoverable amount by US$62.6 million.

The movements in mineral rights by projects and segments are as follows:

	Mineral rights						
	Tabornoye Neryungry	**Pogromnoye** Aprelkovo	**Berezitovoye** Berezitovy	**Suzdal** Celtic and Semgeo	**Taparko-Bouroum** Somita	**Others**	**Total**
Cost							
Balance at 31 December 2006	—	—	—	—	—	—	—
Acquisitions through business combinations	28,621	47,632	—	166,787	—	—	243,040
Foreign exchange differences	207	345	—	—	—	—	552
Balance at 31 December 2007	28,828	47,977	—	166,787	—	—	243,592
Acquisitions through business combinations	—	—	7,754	—	80,626	1,432	89,812
Foreign exchange differences	(4,743)	(7,894)	(468)	(725)	9,088	(86)	(4,828)
Balance at 31 December 2008	24,085	40,083	7,286	166,062	89,714	1,346	328,576
Transfers	—	—	—	2,614	—	492	3,106
Foreign exchange differences	(688)	(1,145)	(208)	(30,784)	2,316	(31)	(30,540)
Balance at 31 December 2009	23,397	38,938	7,078	137,892	92,030	1,807	301,142
Amortization							
Balance at 31 December 2006	—	—	—	—	—	—	—
Amortization for the year	(365)	(607)	—	—	—	—	(972)
Balance at 31 December 2007	(365)	(607)	—	—	—	—	(972)
Amortization for the year	(2,170)	(3,612)	(73)	(18,192)	(414)	(23)	(24,484)
Foreign exchange differences	401	667	3	77	(39)	1	1,110
Balance at 31 December 2008	(2,134)	(3,552)	(70)	(18,115)	(453)	(22)	(24,346)
Amortization for the year	(1,699)	(2,828)	(781)	(15,128)	(5,477)	(255)	(26,168)
Foreign exchange differences	(17)	(28)	(34)	3,493	(113)	(10)	3,291
Balance at 31 December 2009	(3,850)	(6,408)	(885)	(29,750)	(6,043)	(287)	(47,223)
Net book value							
Balance at 31 December 2007	28,463	47,370	—	166,787	—	—	242,620
Balance at 31 December 2008	21,951	36,531	7,216	147,947	89,261	1,324	304,230
Balance at 31 December 2009	19,547	32,530	6,193	108,142	85,987	1,520	253,919

The movements in exploration and evaluation assets by regions, projects and segments are as follows:

	Russia						Kazakhstan			West Africa		
	Yuzhno-Uguyskaya Field	Iro-kinda	Zun-Holba	Serga-chinsky	Uryakh-skoye field	Others	Suzdal	Bala-zhal	Others	Bissa	Others	Total
	Neryungry	Buryatzoloto	Buryatzoloto	Berezitovy	Development Russia		Celtic and Semgeo	Celtic and Semgeo		Development West Africa		
Balance at 31 December 2006	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions through business combinations	155,744	—	—	—	—	—	—	—	—	—	—	155,744
Additions	76	—	—	—	10,968	158	—	—	—	—	—	11,202
Foreign exchange differences	1,127	—	—	—	4	—	—	—	—	—	—	1,131
Balance at 31 December 2007	156,947	—	—	—	10,972	158	—	—	—	—	—	168,077
Acquisitions through business combinations	—	—	—	461	—	449	—	—	—	22,065	8,195	31,170
Additions	13,706	214	266	217	4,786	8,681	3,212	34,883	880	235	301	67,381
Impairment	—	—	—	—	—	—	—	—	(156)	—	—	(156)
Foreign exchange differences	(27,955)	(9)	(11)	(37)	(2,222)	(1,449)	(13)	(240)	(4)	2,509	77	(29,354)
Balance at 31 December 2008	142,698	205	255	641	13,536	7,839	3,199	34,643	720	24,809	8,573	237,118
Additions	14,090	2,524	1,898	1,016	233	1,428	3,906	989	561	3,940	2,636	33,221
Transfers to mineral rights	—	—	—	—	—	—	(2,614)	—	(492)	—	—	(3,106)
Disposals	—	—	—	—	—	(324)	—	—	—	—	—	(324)
Foreign exchange differences	(4,178)	71	66	(11)	(381)	(176)	(585)	(6,437)	(136)	515	1,620	(9,632)
Balance at 31 December 2009	152,610	2,800	2,219	1,646	13,388	8,767	3,906	29,195	653	29,264	12,829	257,277

18. Investment in joint venture

The Group's investment in joint ventures is described in the tables below. The Group structure and certain additional information on joint ventures, including ownership percentages, are presented in Note 24.

	December, 31	
	2009	2008
Prognoz-Serebro	6,572	6,765

The following is summarized financial information in respect of significant joint ventures:

	December, 31	
	2009	2008
Current assets	4,324	4,363
Non-current assets	32,226	32,558
Current liabilities	16,836	16,671
Non-current liabilities	7,554	6,768
Equity	12,160	13,482
Net loss for the year	(893)	(51)

19. Other non-current assets

Other non-current assets were as follows:

	December, 31		
	2009	2008	2007
Funds placed with financial institutions	—	—	73,210
Others	1,308	365	12
Total	1,308	365	73,222

Funds were placed with financial institutions for the purpose of the acquisition of the non-controlling interest in the Celtic Group.

20. Debt finance

Short-term debt financing was as follows:

	December, 31		
	2009	2008	2007
Loans	113,477	103,286	389,401
Bank and other credit organizations financing	60,180	121,109	4,688
Lease liabilities	1,891	4,068	2,538
Accrued interest	1,758	14,100	6,778
Bank overdrafts	1	23	—
Total	177,307	242,586	403,405

Short-term loans as of December 31, 2009 are all from related parties. Short-term accrued interest as of December 31, 2009 include US$ 934 thousand of balances with related parties (2008: US$ 13,033 thousand; 2007: US$ 6,685 thousand), see Note 11.

Long-term debt financing was as follows:

	December, 31		
	2009	2008	2007
Loans	27,785	308,350	—
Bank and other credit organizations financing	11,094	30,082	25,562
Notes and bonds issued	11,058	9,702	—
Accrued interest	4,177	13,185	—
Lease liabilities	594	2,214	3,006
Other financing	1,761	1,580	—
Total	56,469	365,113	28,568

Long-term loans and long-term accrued interest as of December 31, 2009 and 2008 in total amount represented loans and accrued interest on loans from related parties, see Note 11.

Included in Bank and other credit organizations financing is US$ 3.3 million (2008: US$ 4.3 million; 2007: nil) derivative embedded into Royal Gold, Inc. financing.

The debt is nominated in the following currencies:

	December, 31		
	2009	2008	2007
Currency			
Russian Rubles	85,230	326,313	34,035
US Dollars	74,013	257,464	397,938
Euro	51,516	—	—
Canadian Dollars	12,820	11,282	—
Kazakhstan tenge	9,908	12,166	—
Other currencies	289	474	—
Total	233,776	607,699	431,973

Total debt is contractually repayable after the balance sheet date as follows:

	December, 31		
	2009	2008	2007
Less than one year	177,307	242,586	403,405
Between one and five years	56,469	365,113	28,568
Total	233,776	607,699	431,973

Interest rates for the debt financing were the following:

	December, 31		
	2009	2008	2007
Bank overdrafts	—	—	—
Notes and bonds issued	8.00	8.00	—
Bank and other credit organizations financing			
Berezitovy — credit agreements with NOMOS bank (USD)	14.00	Libor + 5.37%	n/a
Berezitovy — credit agreements with NOMOS bank (USD)	14.00	7.74	n/a
Berezitovy — credit agreements with NOMOS bank (USD)	n/a	8.47	n/a
Buryatzoloto — credit agreements with NOMOS bank (USD)	11.50	Libor+3%	n/a
Buryatzoloto — credit agreements with NOMOS bank (USD)	n/a	Libor+3.5%	n/a
Somita — credit agreement with Royal Gold Inc. (USD)	Royalties	Royalties	n/a
Somita — credit agreement with Caterpillar finance (USD)	Libor+3.45%	Libor+3.45%	n/a
Somita — credit agreement with Ecobank (CFA(XOF))	8.00	8.00	n/a
Somita — credit agreement with Standard Bank (USD)	n/a	Libor+7.5%	n/a
High River Gold Mines Ltd. — credit agreement with Standard Bank (USD)	n/a	Libor+7.5%	n/a
Aprelkovo Mine — credit agreement with NOMOS bank (USD)	n/a	n/a	8.00
Neryungri Metallik credit agreement with NOMOS bank (USD)	n/a	n/a	10.20
Neryungri Metallik credit agreement with NOMOS bank (USD)	n/a	n/a	8.00

	December, 31		
	2009	2008	2007
Loans			
SVS-Gold N.V. — loan agreement with LLC Holding Mining Company (EUR)	9.50	n/a	n/a
Aprelkovo Mine — loan agreement with OJSC Olkon (RUR)	12.25	8.70	n/a
Aprelkovo Mine — loan agreement with CJSC Severstal-Resource (RUR)	n/a	n/a	10.20
Neryungri Metallik — loan agreement with OJSC Olkon (RUR)	12.25	8.70	n/a
Neryungri Metallik — loan agreement with CJSC Severstal-Resource (RUR)	n/a	n/a	10.20
SZRK — loan agreement with OJSC Olkon (RUR)	12.25	8.70	n/a
SZRK — loan agreement with CJSC Severstal-Resource (RUR)	n/a	n/a	8.70
SVS-Gold — loan agreement with OJSC Olkon (RUR)	12.25	n/a	n/a
Centroferve — loan agreement with LLC Mining Holding Company (USD)	n/a	8.70	n/a
Centroferve — loan agreement with LLC Mining Holding Company (RUR)	n/a	8.70	n/a
Centroferve — loan agreement with OJSC Severstal (USD)	n/a	n/a	7.00
Centroferve — loan agreement with CJSC Severstal-Resource (USD)	n/a	7.00	7.00
Centroferve — loan agreement with CJSC Severstal-Resource (USD)	n/a	8.70	8.70

Minimum lease payments under finance leases and their present values are as follows:

	Due in 1 year	Due between 1 and 5 years	Due after 5 years	Total
Minimum lease payments at 31 December 2007	2,696	3,570	—	6,266
Less future finance charges	(158)	(564)	—	(722)
Present value of minimum lease payments at 31 December 2007	2,538	3,006	—	5,544
Minimum lease payments at 31 December 2008	4,296	2,597	—	6,893
Less future finance charges	(228)	(383)	—	(611)
Present value of minimum lease payments at 31 December 2008	4,068	2,214	—	6,282
Minimum lease payments at 31 December 2009	1,958	698	—	2,656
Less future finance charges	(67)	(104)	—	(171)
Present value of minimum lease payments at 31 December 2009	1,891	594	—	2,485

Credit agreements with banks and other credit organizations are secured by the following assets:

	December, 31	
	2009	2008
Property, plant and equipment	4,851	17,230
Investments available for sale	59,283	16,985
Ownership in Buryatzoloto	99,56 % of Group's ownership	99,56 % of Group's ownership
Ownership in Berezitovy	All Group's ownership	All Group's ownership
Ownership in Somita	All Group's ownership	All Group's ownership
Ownership in Jilbey	—	All Group's ownership

Certain Buryatzoloto credit agreements with Nomos Bank were secured by gold revenue in 2008. The finance lease liabilities are secured by the leased assets (see Note 16).

Berezitovy credit agreements with Nomos Bank are guaranteed by one of the Severstal Group's subsidiary.

A part of the Group's debt financing is subject to certain covenants. As at December 31, 2009 and 2008 the Group was in breach of covenants for Royal Gold Inc. debt financing. No claims were issued to the Group by the date of these financial statements approval. The debt financing as of December 31, 2009 in the amount of US$ 41.3 million was reclassified to short-term (2008: US$ 49.6 million).

21. Accounts payable

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 26.

	December, 31		
	2009	2008	2007
Trade accounts payable	41,939	33,200	7,371
Amounts payable to employees	13,390	9,745	3,047
Other taxes payable	12,930	9,191	3,917
Advances received	9,912	109	570
Accrued expenses	863	1,660	2,040
Dividends payable	32	33	—
Other payables	2,201	1,362	9,681
Total	81,267	55,300	26,626

22. Provisions

The movement in the provisions were as follows:

	Legal and tax claims	Employee related	Environmental provision	Other	Total
Balance at 31 December 2006	—	—	—	—	—
Business combinations	161	—	11,608	1,844	13,613
Change of and unwinding in discount rate	—	—	14	—	14
Foreign exchange differences	1	—	29	—	30
Balance at 31 December 2007	162	—	11,651	1,844	13,657
Additional accrual	—	—	2,115	—	2,115
Change in assumptions	(27)	—	1,040	—	1,013
Business combinations	2,055	6,534	12,020	—	20,609
Change of and unwinding in discount rate	—	—	2,385	—	2,385
Foreign exchange differences	(112)	45	(1,495)	—	(1,562)
Balance at 31 December 2008	2,078	6,579	27,716	1,844	38,217
Additional accrual	1,221	732	3,547	—	5,500
Change in assumptions	—	(3,566)	4,775	—	1,209
Change of and unwinding in discount rate	—	—	344	—	344
Usage of provisions	(1,664)	(3,608)	—	—	(5,272)
Foreign exchange differences	(187)	563	(2,235)	—	(1,859)
Balance at 31 December 2009	1,448	700	34,147	1,844	38,139

Employee related provision includes staff redundancy accruals in relation to entities acquired in 2008.

The current and non-current portions of provisions were as follows:

	Legal and tax claims	Employee related	Environmental provision	Other	Total
Current portion	162	—	—	1,844	2,006
Non-current portion	—	—	11,651	—	11,651
Balance at 31 December 2007	162	—	11,651	1,844	13,657
Current portion	2,078	6,579	—	1,844	10,501
Non-current portion	—	—	27,716	—	27,716
Balance at 31 December 2008	2,078	6,579	27,716	1,844	38,217
Current portion	1,448	700	—	1,844	3,992
Non-current portion	—	—	34,147	—	34,147
Balance at 31 December 2009	1,448	700	34,147	1,844	38,139

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 2010 — 2022. The present value of expected cash outflows were estimated using existing technology, and discounted using a real discount rate. These rates are as follows:

	2009 %	2008 %	2007 %
Russia	0.00-0.24	0.00 - 0.34	2.10
Kazakhstan	0.09-0.44	0.34 - 1.13	2.10 - 2.55
Burkina-Faso	0.53	0.00	n/a

23. Share capital

The holders of ordinary shares are entitled to receive dividends as declared by the General meetings are entitled to one vote per share at meetings of the Company.

The Charter capital of the Company as of December 31, 2009 comprised 14,000,000 ordinary shares with par value of 50 Euro (2008: nil; 2007: nil), the number of fully paid shares on issue as of December 31, 2009 was 9,793,807 (2008: nil; 2007: nil).

There were no shares held by the Company itself or by its subsidiaries at December 31, 2009. There were no shares reserved for issue under options and contracts at December 31, 2009.

24. Subsidiaries and joint venture

The following is a list of the Group's significant subsidiaries and joint ventures and the effective ownership holdings therein:

	December, 31				
	2009	2008	2007	Location	Activity
Subsidiaries					
Neryungri-Metallik segment					
OOO Neryungri-Metallik	100%	100%	100%	Russia	Gold mining
Rudnik Aprelkovo segment					
ZAO Mine Aprelkovo	100%	100%	100%	Russia	Gold mining
Celtic and Semgeo segment					
Celtic Resources Holdings Ltd	100%	100%	86%	Ireland	Holding company
Celtic Resources (Central Asia)	100%	100%	86%	United Kingdom	Holding company
JSC FIC Alel	100%	100%	86%	Kazakhstan	Gold mining
Zherek LLP	100%	100%	86%	Kazakhstan	Gold mining
Opeloak Ltd	100%	100%	86%	United Kingdom	Gold sales
Tominskoye	n/a	n/a	64%	Russia	Copper exploration project
Semgeo LLP	100%	100%	n/a	Kazakhstan	Gold exploration project
Buraytzoloto segment					
OJSC "Buryatzoloto"	43%	46%	n/a	Russia	Gold mining
Berezitovy segment					
LLC "Rudnik Berezitovy"	50%	54%	n/a	Russia	Gold mining
Somita segment					
Societe Des Mines de Taparko	45%	48%	n/a	Burkina Faso	Gold mining
Development West Africa segment					
High River Gold Mines (West Africa) Ltd	50%	54%	n/a	Cayman Islands	Holding company
High River Gold Exploration Burkina SARL	50%	54%	n/a	Burkina Faso	Gold exploration company
Jilbey Burkina, SARL	50%	54%	n/a	Burkina Faso	Gold exploration company
Development Russia segment					
Severnaya Zolotorudnaya Kompaniya LLC	100%	100%	100%	Russia	Gold exploration company
Other companies					
Severstal-Gold LLC	100%	100%	100%	Russia	Management company
Severstal Gold N.V.	100%	100%	100%	The Netherlands	Holding company
Centroferve Limited	100%	100%	100%	Cyprus	Holding company
Castleway Limited	100%	100%	n/a	Cyprus	Investment holding
Joint venture					
Prognoz Serebro LLC	50%	50%	n/a	Russia	Silver exploration project

Information on carrying amounts of joint venture is disclosed in Note 18 of these consolidated financial statements.

Acquisitions from the Parent Company

During 2009 Severstal Gold N.V. completed acquisitions of controlling stakes in a number of companies previously controlled by the Parent Company and its subsidiaries. These consolidated financial statements take account of

such acquisitions as if they had occurred at the beginning of the earliest comparative period presented or, if later, at the date on which control was obtained by the Parent Company.

In November 2009 the Company issued 4,955,962 shares in consideration for LLC Neryungri Metallik, CJSC Rudnik Aprelkovo, LLC Severnaya Zolotorudnaya Kompaniya, High River Gold Mines Ltd and paid 12.3 million US dollars for shares of High River Gold Mines, held by other subsidiaries of the Parent Company.

In December 2009 the Company issued 4,796,885 shares in consideration for Centroferve, the holding company for Celtic Resources Group, and paid 26.6 million US dollars for 100% share of Semgeo, held by other subsidiaries of the Parent Company.

Acquisitions of the Parent Company

Following is a summary of the Parent Company and its subsidiaries acquisitions of entities included in these financial statements:

Acquisitions in 2007

In October 2007, a Parent Company's subsidiary acquired a 100.0% stake in OOO Neryungri-Metallik and a 100.0% stake in ZAO Mine Aprelkovo for a total consideration of US$ 105.0 million and US$ 153.0 million, respectively.

During August — December 2007, a Parent Company's subsidiary acquired an 86.3% stake in Celtic Resources Holdings Plc. for a total consideration of US$ 274.2 million (including US$ 4.7 million of transaction cost paid in July 2008). Celtic Resources Holdings is a mining company based in Dublin, Ireland, which owns and operates gold mines, including the Suzdal Mine (JSC FIC Alel) and Zherek Mine (Zherek LLP) in Kazakhstan. Acquisition was performed in two stages — 30% was acquired by Bluecone, the Parent Company subsidiary and the control stake was acquired by Centroferve, which is a Group's subsidiary. Acquisition of the control stake included US$ 21.0 million paid to Bluecone.

Acquisitions in 2008

In August 2008, a Parent Company's subsidiary acquired a 100% stake in Semgeo LLP, operating a gold mine Balazhal in East Kazakhstan for a total consideration of US$ 38.9 million.

In November 2008, a Parent Company's subsidiary acquired a 53.8% stake in High River Gold Mines Ltd. for a total cash consideration of US$ 62.5 million.

A summary of assets and liabilities acquired from third parties is presented below:

	2008	2007	
	High River Gold	Celtic	Neryungri and Aprelkovo
Cash and cash equivalents	25,865	20,169	210
Accounts receivable	6,350	7,085	4,335
Inventories	65,032	22,087	21,919
VAT recoverable	10,494	11,600	3,931
Short-term financial investments	78	9,744	4,569
Income tax receivable	1,253	1,263	97
Assets held for sale	—	18,789	—
Property, plant and equipment	222,144	78,632	40,733
Intangible assets	121,322	167,229	231,998
Long-term financial investments	10,409	2,804	—
Investments in associates and joint ventures	7,200	—	—
Restricted cash	—	291	—
Deferred tax assets	20,585	4,733	—
Other non-current assets	375	—	—
Short-term loans and borrowings	(127,057)	—	(19,628)
Accounts payable	(30,154)	(8,681)	(4,222)
Income tax payable	(159)	—	—
Short-term provisions	(8,589)	(1,887)	(118)
Long-term loans and borrowings	(43,860)	—	(29,293)
Long-term provisions	(12,020)	(7,655)	(3,953)
Deferred tax liabilities	(1,824)	(53,221)	(57,324)
Other non-current liabilities	—	(697)	—
Net identifiable assets acquired	267,444	272,285	193,254
Non-controlling interest	(129,657)	(41,419)	—
Shareholders' share of net identifiable assets acquired	137,787	230,866	193,254
Consideration	(62,477)	(274,230)	(258,000)
Goodwill on acquisition of subsidiaries	—	43,364	64,746
Negative goodwill on acquisition of subsidiaries	75,310	—	—

Negative goodwill of US$ 75.3 million is the difference between the purchase price and fair value of the acquired consolidated net assets of High River Gold Mines Ltd. This difference arose primarily due to a lack of High River's and its prior shareholders' ability to service its debt.

Acquisitions of non-controlling interests

In January 2008, the Parent Company's subsidiary completed the acquisition of a 100% stake in Celtic Resources Holdings Plc. by acquiring the remaining 13.7% stake in the company for a total consideration of US$ 48.4 million.

In June 2009, the Parent Company's subsidiary acquired all newly issued shares in High River Gold Mines, Ltd. resulting in a 3.5% stake increase for a total consideration of US$ 9.5 million. Furthermore, in August 2009, the Parent Company's subsidiary acquired an additional 4.5% stake in High River Gold Mines, Ltd. from non-controlling shareholders for a total consideration of US$ 8 million.

25. Disposals of subsidiaries

In March 2008 the Group sold the share in Tominskoye copper exploration project for total consideration of US$ 17.5 million.

In December 2009 the Group sold a number of Celtic Group subsidiaries, copper and molybdenum exploration and producing entities, investment holding and dormant companies for a total consideration of US$ 23 thousand.

The major classes of assets and liabilities of the disposed entity at the lower of carrying amount and fair value less costs to sell at December 31, 2009, 2008 were as follows:

	2009	2008
Cash and cash equivalents	(4)	(121)
Accounts receivable	(671)	(168)
Inventories	(22)	—
VAT recoverable	(6)	(35)
Income tax receivable	(3)	—
Property, plant and equipment	(540)	—
Exploration and evaluation assets	—	(19,934)
Deferred tax assets	—	(82)
Short-term loans and borrowings	1,272	—
Accounts payable	101	19
Long-term loans and borrowings	—	1,449
Deferred tax liabilities	110	82
Net identifiable assets disposed	237	(18,790)
Non-controlling interest	—	4,789
Subtotal	237	(14,001)
Consideration in cash	23	17,500
Costs related to disposal	—	(544)
Net gain on disposal	260	2,955

Dilution of Group ownership

In December 2009, Group's share in High River Gold Mines Ltd decreased from 61.7% to 50.1% as a result of a private placement of 150 million common shares to a third party for a total consideration of US$ 53.9 million.

26. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market 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.

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 27e), 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. In relation to loans issued to related parties the Group does not expect them to fail meeting their obligations.

Cash and cash equivalents are placed in highly reputable banks that have a credit rating of at least B from Moody's.

The maximum exposure to credit risk for financial instruments including accounts receivable from related parties was:

	December, 31		
	2009	2008	2007
Cash and cash equivalents	90,623	25,566	24,356
Restricted cash	944	390	291
Trade and other receivables	4,106	12,733	1,572
Loans to related parties	64,941	34,061	5
Deposits and other investments held-to-maturity	1,918	1,621	—
Investments held-for-trading	—	—	9,744
Investments available-for-sale	64,889	18,283	2,804
Funds placed with financial institutions	—	—	73,210
Total	227,421	92,654	111,982

The maximum exposure to credit risk for trade and other receivables by regions:

	December, 31		
	2009	2008	2007
Russia	2,924	1,207	518
Central Asia	483	1,857	528
Europe	364	9,422	526
Africa	297	197	—
Other	38	50	—
Total	4,106	12,733	1,572

The maximum exposure to credit risk for trade and other receivables (including receivables from related parties) by type of contracting party:

	December, 31		
	2009	2008	2007
Others	3,691	3,337	1,247
Related parties	334	7,512	—
Gold buyers (banks and refiners)	81	1,884	325
Total	4,106	12,733	1,572

Other parties include related parties, employees and other debtors.

Impairment losses

The aging of trade and other receivables was:

	2009		2008		2007	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
Not past due	—	—	—	—	—	—
Past due 0-90 days	3,582	(33)	13,365	(632)	1,572	—
Past due 31-90 days	—	—	—	—	—	—
Past due 91-180 days	129	(9)	—	—	—	—
Past due 180-365 days	521	(357)	—	—	—	—
More than one year	932	(659)	—	—	—	—
Total	5,164	(1,058)	13,365	(632)	1,572	—

No impairment allowance was recognized in respect of trade and other receivables from related parties at December 31 2009 and 2008.

The movement in allowance for impairment in respect of trade receivables during the years was as follows:

	December, 31	
	2009	2008
Opening balance	(632)	—
Impairment recognized	(492)	(750)
Impairment used	69	89
Foreign exchange difference	(3)	29
Closing balance	(1,058)	(632)

The allowance account in respect of trade receivables 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.

Impairment of available-for-sale financial assets was the following:

	Year ended December, 31
	2008
Impairment of available-for-sale investments	(4,926)

No impairment allowance was recognized by the Group in respect of other financial assets.

Concentration of credit risk

The Group has a concentration of long-term loans with a related party OJSC Olkon that at December, 31, 2009 represented US$ 47.4 million. The Group has a concentration of long-term loans with related parties OJSC Karelskiy Okatysh and CJSC Severstal-Resource that at December, 31, 2008 represented US$ 10.4 million and US$ 23.3 million accordingly.

The Group has a concentration of short-term loans with a related party CJSC Severstal-Resource that at December, 31, 2009 represented US$ 15.1 million.

The Group has a concentration of investments available-for sale with Detour Gold Corporation that at December 31, 2009 represented US$ 52.5 million. The Group has a concentration of long-term investments available-for sale with PDX Resources that at December 31, 2008 represented US$ 15.6 million.

The Group has a concentration of cash with TD Canada Trust bank that at December 31, 2009 and at December 31, 2008 represented US$ 29 million and US$ 8.9 accordingly. The Group has a concentration of funds placed with financial institutions with Capita Corporate Registrars Plc and Freshfields Bruckhaus Deringer that at December 31, 2007 represented US$ 49.4 and US$ 23.1 million accordingly.

Liquidity risk

The Group manages liquidity risk with the objective of ensuring that funds will be available at all times to honor 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.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years
Balance at 31 December 2009					
Non-derivative financial liabilities					
Bank overdrafts	1	(1)	(1)	—	—
Notes and bonds issued	11,058	(11,059)	—	(11,059)	—
Bank and other credit organizations financing	72,098	(77,905)	(66,811)	(11,094)	—
Loans	146,373	(146,371)	(114,411)	—	(31,960)
Lease liabilities	2,485	(2,656)	(1,958)	(698)	—
Trade and other payables	45,544	(45,544)	(45,036)	—	(508)
	277,559	(283,536)	(228,217)	(22,851)	(32,468)

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years
Balance at 31 December 2008					
Non-derivative financial liabilities					
Bank overdrafts	23	(23)	(23)	—	—
Notes and bonds issued	9,702	(9,702)	—	—	(9,702)
Bank and other credit organizations financing	152,258	(164,056)	(133,974)	(19,094)	(10,988)
Loans	437,854	(437,854)	(116,319)	(307,835)	(13,700)
Lease liabilities	6,282	(6,893)	(4,296)	(1,900)	(697)
Trade and other payables	36,850	(36,850)	(36,255)	—	(595)
	642,969	(655,378)	(290,867)	(328,829)	(35,682)

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years
Balance at 31 December 2007					
Non-derivative financial liabilities					
Bank and other credit organizations financing	30,391	(30,391)	(4,829)	(25,562)	—
Loans	396,038	(396,038)	(396,038)	—	—
Lease liabilities	5,544	(6,266)	(2,696)	(2,688)	(882)
Trade and other payables	19,789	(19,789)	(19,094)	—	(695)
	451,762	(452,484)	(422,657)	(28,250)	(1,577)

The Group has a concentration of short-term loans with related parties LLC Mining Holding Company and OJSC Olkon that at December 31, 2009 represented US$ 51.5 million and US$ 51.8 million accordingly. The Group has a concentration of short-term loans with a related party CJSC Severstal-Resource that at December 31, 2008 represented US$ 100.2 million. The Group has a concentration of short-term loans with related parties OJSC Severstal and CJSC Severstal-Resource that at December 31, 2007 represented US$ 264.8 million and US$ 13.1 million accordingly.

The Group has a concentration of short-term bank and other credit organizations financing with Royal Gold, Inc. that at December 31, 2009 and at December 31, 2008 represented US$ 41.3 million and US$ 49.5 million accordingly.

The Group has a concentration of long-term loans with a related party OJSC Olkon that at December 31, 2008 represented US$ 27.7 million. The Group has a concentration of long-term loans with related parties LLC "Mining Holding Company" and CJSC "Severstal-Resource" that at December 31, 2008 represented US$ 221.9 million and US$ 91 million accordingly.

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 as of a reporting date would have decreased (loss)/profit for the year by US$ 48.1 million as of December 31, 2009 (2008: US$ 14.3 million; 2007: US$ 108 thousand) 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:

	USD	Euro	RUR	GBP
Balance at 31 December 2009				
Cash and cash equivalents	47,869	—	1,682	—
Trade and other receivables	365	—	—	—
Financial investments	—	—	62,581	—
Bank and other credit organizations financing*	(71,808)	—	—	—
Lease liabilities	(2,204)	—	—	—
Trade and other payables	(6,756)	(1,500)	(271)	(500)
Net exposure	(32,534)	(1,500)	63,992	(500)

	USD	CAD	RUR	GBP
Balance at 31 December 2008				
Cash and cash equivalents	10,629	10	—	159
Trade and other receivables	1,884	—	—	—
Financial investments	—	—	33,824	—
Investments available-for-sale	—	—	—	350
Bank and other credit organizations financing*	(151,808)	—	—	—
Loans from related parties*	—	—	(235,168)	—
Lease liabilities	(5,380)	—	—	—
Trade and other payables	(2,852)	—	—	—
Net exposure	(147,527)	10	(201,344)	509

	USD	GBP
Balance at 31 December 2007		
Cash and cash equivalents	114	449
Restricted cash	—	—
Trade and other receivables	325	3
Investments available-for-sale	—	2,404
Funds placed with financial institutions	—	73,210
Bank and other credit organizations financing*	(30,339)	—
Lease liabilities	(5,544)	—
Trade and other payables	(568)	(8,172)
Net expense	(36,012)	67,894

* Amounts include accrued interest.

Sensitivity analysis

A 10 percent strengthening of the following currencies against the functional currency at December 31, 2009, 2008, 2007 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. The analysis is performed on the same basis for 2008 and 2007.

	December, 31		
	2009	2008	2007
USD	(3,592)	(11,700)	(2,736)
RUR	4,891	(18,315)	—
GBP	(41)	36	6,057
EUR	(120)	1	—
Total	1,138	(29,978)	3,321

A 10 percent weakening of these currencies against the functional currency at December 31 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Interest rates on the Group's debt finance are either fixed, variable at a fixed spread over LIBOR 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 it believes that a fixed or variable rate would be more favourable to the over the expected period until maturity.

The Group's interest-bearing financial instruments at variable rates were:

	2009	2008	2007
	'000 USD	'000 USD	'000 USD
Financial liabilities (Interest with fixed spread over Libor)	(1,010)	(49,834)	—
Financial liabilities (Interest dependant on gold price and production volumes)	(41,336)	(49,573)	—

Other Group's 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 interest rates and 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. The analysis is performed on the same basis for 2008.

	Net profit	
	100 BP increase	100 BP decrease
Balance at 31 December 2009		
Cash flow sensitivity for financial liabilities	(8)	8
Balance at 31 December 2008		
Cash flow sensitivity for financial liabilities	(375)	375

	Net profit	
	10% price increase	10% price decrease
Balance at 31 December 2009		
Cash flow sensitivity for financial liabilities	(1,677)	1,677
Balance at 31 December 2008		
Cash flow sensitivity for financial liabilities	(2,196)	2,196

	Net profit	
	10% increase of production volumes	10% decrease of production volumes
Balance at 31 December 2009		
Cash flow sensitivity for financial liabilities	(969)	969
Balance at 31 December 2008		
Cash flow sensitivity for financial liabilities	(974)	974

Fair values versus carrying amounts

Management believes that the fair value of its financial assets and liabilities approximates their carrying amounts.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, except financial instruments measured at amortised cost, by valuation method. The different levels have been defined as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities;
- *Level 2:* inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Balance at 31 December 2009				
Available-for-sale financial assets	64,889	—	—	64,889
Derivative financial liabilities	—	(3,300)	—	(3,300)
Balance at 31 December 2008				
Available-for-sale financial assets	18,283	—	—	18,283
Derivative financial liabilities	—	(4,392)	—	(4,392)
Balance at 31 December 2007				
Available-for-sale financial assets	2,804	—	—	2,804

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. This policy includes compliance with certain externally imposed minimum capital requirements. The Group's management constantly monitors profitability and leverage ratios and compliance with the minimum capital requirements. The Group uses the return on assets ratio which is defined as profit from operations divided by total assets (averaged over the measurement period) and the leverage ratio calculated as net debt, comprising of long-term and short-term indebtedness less cash, cash equivalents and short-term bank deposits, divided by shareholder's equity.

27. Commitments and contingencies

a. Taxation systems in the Russian Federation and Kazakhstan

The taxation system and regulatory environment of the Russian Federation and Kazakhstan are relatively new and characterized 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 Russian Federation and Kazakhstan are adopting a more assertive stance regarding the interpretation and enforcement of legislation. This situation creates substantial tax and regulatory risks. Management believes that it has complied in all material respects with all relevant legislation.

b. Litigations

At the reporting date Somita withheld the final payment due to a construction contractor for a processing plant of approximately US$1.6 million and has made a claim against the contractor for repairs and losses. The contractor has commenced arbitration proceedings in South Africa as provided for under the construction contract seeking a payment of the withheld amounts and damages for an aggregate amount of US$3.7 million. The Company intends to contest the action at an arbitration hearing. The ultimate resolution of the arbitration cannot be ascertained at this time, it is not possible to reasonably estimate a contingent loss, and no provision has been made for the amount claimed.

There were no significant claims for taxes from the tax authorities at December 31, 2009, 2008 and 2007.

c. Capital commitments

At the reporting date the Group had contractual capital commitments of US$ 8.6 million (December 31, 2008: US$ 19.6 million; December 31, 2007: US$ 1.0 million).

d. Insurance

The Group has insured its property and equipment to compensate for losses arising from accidents. The Group has also insurance in respect of environmental damages. However, the Group does not have full insurance coverage.

e. Guarantees

At the reporting date the Group had US$ 0.7 million (December 31, 2008, 2007: nil) of guarantees issued to third parties.

28. Subsequent events

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

Nord Gold N.V. and subsidiaries

Consolidated interim financial statements
for the nine months ended September 30, 2010 and 2009

Nord Gold N.V. and subsidiaries

Consolidated interim financial statements
for the nine months ended September 30, 2010 and 2009

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ZAO KPMG
10 Presnenskaya Naberezhnaya
Moscow, Russia 123317

Telephone +7 (495) 937 44 77
Fax +7 (495) 937 44 00/99
Internet www.kpmg.ru

Independent Auditors' Report

Board of Directors
Nord Gold N.V.

We have audited the accompanying consolidated interim financial statements of Nord Gold N.V. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated interim statement of financial position as at 30 September 2010, and consolidated interim income statements, consolidated interim statements of comprehensive income, changes in equity and cash flows for the nine-month periods ended 30 September 2010 and 2009, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Interim Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated interim financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated interim financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audits to obtain reasonable assurance whether the consolidated interim financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated interim financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated interim financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated interim financial statements present fairly, in all material respects, the consolidated interim financial position of the Group as at 30 September 2010, and its consolidated interim financial performance and its consolidated interim cash flows for the nine-month periods ended 30 September 2010 and 2009 in accordance with International Financial Reporting Standards.

ZAO KPMG
27 January 2011

ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a subsidiary of KPMG Europe LLP, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Nord Gold N.V. and subsidiaries

Consolidated interim income statements
Nine months ended September 30, 2010 and 2009
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Note	Nine months ended September, 30	
		2010	2009
Sales	5	485,333	343,821
Cost of sales		(257,503)	(209,379)
Gross profit		**227,830**	**134,442**
General and administrative expenses		(29,622)	(18,316)
Taxes other than income tax		(29,067)	(24,015)
Other operating income/(expenses), net	7	12,648	(10,619)
Profit from operations		**181,789**	**81,492**
Finance income	8	5,351	3,144
Finance costs	8	(48,044)	(111,802)
Profit/(loss) before income tax		**139,096**	**(27,166)**
Income tax expense	9	(39,210)	(7,015)
Profit/(loss) for the period		**99,886**	**(34,181)**
Attributable to:			
Shareholders of the Company		67,919	(42,648)
Non-controlling interest		31,967	8,467
Weighted average number of shares outstanding during the period (millions of shares)		431,625	—
Earnings per share			
Basic and diluted profit per share (US dollars)		0.16	—

These consolidated interim financial statements were approved on January 27, 2011 and were signed by:

PHILIP BAUM
Chairman of the Board of Directors /s/ Philip Baum

SERGEY ZINKOVICH
Chief Financial Officer /s/ Sergey Zinkovich

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

Nord Gold N.V. and subsidiaries

Consolidated interim statements of comprehensive income
Nine months ended September 30, 2010 and 2009
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Nine months ended September, 30	
	2010	**2009**
Profit/(loss) for the period	99,886	(34,181)
Foreign exchange differences	(3,044)	(3,754)
Revaluation of available-for-sale financial investments	39,036	22,722
Deferred tax on revaluation of available-for-sale investments	(6,097)	(3,704)
Other comprehensive income for the period, net of tax	29,895	15,264
Total comprehensive income/(loss) for the period	129,781	(18,917)
Attributable to:		
Shareholders of the Company	82,086	(55,584)
Non-controlling interest	47,695	36,667

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

Nord Gold N.V. and subsidiaries

Consolidated interim statements of financial position
as at September 30, 2010 and December 31, 2009
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Note	September 30, 2010	December 31, 2009
Assets			
Current assets			
Cash and cash equivalents	12	162,245	90,623
Accounts receivable	13	62,257	19,409
Inventories	14	260,709	153,802
VAT recoverable		38,029	26,106
Short-term financial investments	15	16,383	17,480
Income tax receivable		1,069	4,562
Total current assets		540,692	311,982
Non-current assets			
Property, plant and equipment	16	537,517	340,372
Intangible assets	17	1,133,900	599,877
Long-term financial investments	15	140,629	114,268
Investment in joint venture	18	5,690	6,572
Restricted cash		5,448	944
Deferred tax assets	9	9,234	12,495
Other non-current assets	19	4,355	1,308
Total non-current assets		1,836,773	1,075,836
Total assets		2,377,465	1,387,818
Liabilities and shareholders' equity			
Current liabilities			
Short-term debt finance	20	359,905	177,307
Accounts payable	21	160,947	81,267
Income tax payable		8,991	615
Provisions	22	6,495	3,992
Total current liabilities		536,338	263,181
Non-current liabilities			
Long-term debt finance	20	67,653	56,469
Provisions	22	46,568	34,147
Deferred tax liabilities	9	183,860	71,160
Other non-current liabilities		1,650	508
Total non-current liabilities		299,731	162,284
Total liabilities		836,069	425,465
Equity			
Share capital	23	1,244,501	718,712
Additional capital		862,304	862,238
Foreign exchange differences		(62,260)	(55,184)
Retained earnings		(773,727)	(815,984)
Revaluation reserves		45,362	24,115
Total equity attributable to shareholders of the Company		1,316,180	733,897
Non-controlling interest		225,216	228,456
Total equity		1,541,396	962,353
Total equity and liabilities		2,377,465	1,387,818

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

Nord Gold N.V. and subsidiaries

Consolidated interim statements of cash flows
Nine months ended September 30, 2010 and 2009
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Nine months ended September, 30	
	2010	2009
Operating activities		
Profit/(loss) for the period	99,886	(34,181)
Adjustments for non-cash movements:		
Finance costs, net	42,693	108,658
Income tax expense	39,210	7,015
Depreciation and amortization	64,292	60,370
Impairment of non-current assets	848	8,543
Net loss from associates and joint ventures	836	—
Loss on disposal of property, plant and equipment	2,187	2,098
Movements in provisions for inventories, receivables and other provisions	2,641	(384)
Gain from remeasurement to fair value of previously held equity interest before acquisition of control	(16,084)	—
Changes in operating assets and liabilities:		
Accounts receivable	10,418	(3,042)
Inventories	(48,068)	(22,326)
VAT recoverable	(11,614)	(1,191)
Accounts payable	(9,968)	(3,877)
Net other changes in operating assets and liabilities	(1,332)	1,783
Cash flows from operations	175,945	123,466
Interest paid	(19,197)	(14,334)
Income taxes paid	(11,602)	(10,953)
Cash flows from operating activities	145,146	98,179
Investing activities		
Additions to property, plant and equipment	(72,068)	(39,583)
Additions to exploration and evaluation assets	(42,853)	(15,625)
Additions to other intangible assets	(322)	(24)
Additions to financial investments	(20,585)	(30,348)
Acquisition of subsidiaries, net of cash acquired	(219,600)	—
Proceeds from disposal of property, plant and equipment	1,777	896
Proceeds from disposal of financial investments	36,669	12,707
Interest received	4,683	176
Cash used in investing activities	(312,299)	(71,801)
Financing activities		
Proceeds from debt finance	223,208	184,529
Repayment of debt finance	(144,631)	(195,965)
Payment of finance lease liabilities	(2,214)	(3,847)
Acquisition of non-controlling interest	(322,332)	—
Proceeds from issue of share capital	489,100	64
Contribution from the Parent Company	—	9,456
Distribution to related parties	(4,783)	—
Cash flows from/(used in) financing activities	238,348	(5,763)
Net increase in cash and cash equivalents	71,195	20,615
Cash and cash equivalents at beginning of the period	90,623	25,566
Effect of exchange rate fluctuations on cash and cash equivalents	427	1,274
Cash and cash equivalents at end of the period (Note 12)	162,245	47,455

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

Nord Gold N.V. and subsidiaries

Consolidated interim statements of changes in equity
Nine months ended September 30, 2010 and 2009
(Amounts expressed in thousands of US dollars, except as stated otherwise)

	Attributable to the shareholders of Nord Gold N.V.							
	Share capital	Additional capital	Foreign exchange differences	Retained earnings	Revaluation reserves	Total	Non-controlling interest	Total
Balance at January 1, 2009	21	456,545	(39,338)	(61,471)	3,781	359,538	131,922	491,460
(Loss) / profit for the period	—	—	—	(42,648)	—	(42,648)	8,467	(34,181)
Foreign exchange differences	—	—	(24,498)	—	—	(24,498)	20,744	(3,754)
Revaluation of available-for-sale financial investments	—	—	—	—	12,736	12,736	9,986	22,722
Deferred tax on revaluation of available-for-sale investments	—	—	—	—	(1,174)	(1,174)	(2,530)	(3,704)
Total comprehensive (loss) / income for the period						(55,584)	36,667	(18,917)
Share issue	46	—	—	—	—	46	—	46
Contribution from the Parent Company	—	48	—	—	—	48	—	48
Acquisitions of non-controlling interest without a change in control	—	9,513	—	22,706	—	32,218	(22,409)	9,809
Balance at September 30, 2009	67	466,106	(63,836)	(81,413)	15,343	336,267	146,180	482,446
Balance at January 1, 2010	718,712	862,238	(55,184)	(815,984)	24,115	733,897	228,456	962,353
Profit for the period	—	—	—	67,919	—	67,919	31,967	99,886
Foreign exchange differences	—	—	(7,076)	—	—	(7,076)	4,032	(3,044)
Revaluation of available-for-sale financial investments	—	—	—	—	25,097	25,097	13,939	39,036
Deferred tax on revaluation of available-for-sale investments	—	—	—	—	(3,850)	(3,850)	(2,247)	(6,097)
Total comprehensive income for the period						82,090	47,691	129,781
Share issue	525,789	—	—	—	—	525,789	—	525,789
Contribution from the Parent Company	—	66	—	—	—	66	—	66
Acquisitions of non-controlling interest with a change in control	—	—	—	—	—	—	250,564	250,564
Distribution to the Severstal Group	—	—	—	(4,705)	—	(4,705)	—	(4,705)
Acquisitions of non-controlling interest without a change in control	—	—	—	(20,957)	—	(20,957)	(301,495)	(322,452)
Balance at September 30, 2010	1,244,501	862,304	(62,260)	(773,727)	45,362	1,316,180	225,216	1,541,396

The accompanying notes form an integral part of these consolidated interim 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 Dutch 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 public liability company Severstal Gold N.V. on July 30, 2009 and further to limited liability company Nord Gold N.V. on September 29, 2010.

The Company's registered office is Strawinskylaan 3105, 1077 ZX Amsterdam, the Netherlands.

Before June 2010 the Company's immediate parent company was LLC Mining Holding Company (the "old Parent Company"). On June 26, 2010 100% of the Company's shares were sold by LLC Mining Holding Company to its 100% owned subsidiary — Lybica Holding B.V. (the "new Parent Company").

The Company's ultimate parent company is JSC Severstal, an integrated steel and mining company with key assets in Russia, the US and Europe (the "Severstal Group") and the Company's ultimate controlling party is Alexey Mordashov.

The formation of the Group was a business combination under common control. The Group's accounting policy for common control transactions is described in Note 3a.

Before July 2009 the Company was dormant. In 2009 management of the Severstal Group decided to transfer all of its gold mining entities to a newly formed group under Severstal Gold N.V. These entities were acquired by the old Parent Company and its subsidiaries in 2007 and 2008 from third parties. In 2009 the Company acquired the entities from the old Parent Company and its subsidiaries for shares issued and cash. Furthermore, in 2009 for financing the Group's activity the old Parent Company contributed to the Company US$ 260.2 million in the form of conversion of the previously issued debt to equity and US$ 128.0 million in cash.

The Group's principal activity is the extraction, refining and sale of gold. Mining and processing facilities are located in the republics of Buryatiya, Yakutia and Irkutsk and the Chita regions of the Russian Federation, Burkina Faso and Kazakhstan.

In July 2010, the Company acquired a controlling interest in Crew Gold Corporation — a mining company based in London with gold mining operations in Guinea, West Africa (Note 24).

Economic environment

A significant part of the Group's operations are based in the Russian Federation and is consequently exposed to the economic and political effects of the policies adopted by the Russian government. Operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets and its impact on the Russian economy has further increased the level of economic uncertainty in the environment.

The 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 modernized 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 give rise to significant risks and could have a material adverse effect on the Group's Guinean operations.

The consolidated interim financial statements reflect management's assessment of the impact of the Russian, Kazakhstan, Burkina Faso and Guinea 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 interim financial statements

Statement of compliance

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended December 31, 2009, except that the Group has adopted those new/revised standards mandatory for financial annual periods beginning on January 1, 2010. The adoption of the pronouncements did not have a significant impact on the Group's consolidated interim financial statements except for those discussed below.

From 1 January 2010 the Group has applied revised IFRS 3 "Business Combinations" and amended IAS 27 "Consolidated and Separate Financial Statements". The change in accounting policy has been applied prospectively and has had no material impact on earnings per share.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement at the date of acquisition.

Any pre-existing interest in the acquiree is measured at fair value with the gain or loss recognized in the income statement.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

The Group applied amended IAS 1 *"Presentation of Financial Statements"*, which became effective as at 1 January 2010. The amended standard requires presentation in the statement of changes in equity of reconciliation for each component of equity, between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from profit or loss, each item of other comprehensive income and transactions with owners. The amendment was applied retrospectively by re-presenting the comparative information.

Basis of measurement

The consolidated interim 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.

The Group's statutory financial records are maintained in accordance with the legislative requirements of the countries in which the individual entities are located, which differ in certain respects from IFRS. The accounting policies applied in the preparation of these consolidated interim financial statements are set out in Note 3.

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;
- 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

The Group assesses the remaining useful lives of items of property, plant and equipment 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 on depreciation expense for the period.

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.

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 recognized 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 interim 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 realizable value. Estimates of net realizable 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 recognizing 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 future amount of liability for certain debt instruments depends upon average quarterly gold prices and the quarterly volume of production. The change in the value of the liability due to the factors is accounted for as an embedded derivative. The Group's judgement is required for future gold prices trends 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 utilized. The estimation of that probability includes judgments based on the expected performance. Various factors are considered to assess the probability of the future utilization 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 utilization of deferred tax assets are reduced, this reduction will be recognized in the income statement.

The operations of the Group performed in Kazakhstan are subject to income corporate 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 interim financial statements is the US dollar.

The functional currency is determined separately for each of the Group's entities. The functional currency of the Company is the Euro. 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 and 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 recognized 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, amendments to Standards and Interpretations were not yet effective for the nine months ended September 30, 2010, and have not been applied in these consolidated interim financial statements.

The adoption of the new accounting pronouncements is not expected to have a significant impact on the Group's consolidated financial statements in future periods except for those discussed below.

IFRS 9 Financial Instruments will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement.

The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during the first half of 2011. 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 the Group's consolidated interim financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.

Revised IAS 24 *"Related party"* disclosure provides a revised definition of a related party which includes new relationships and will likely lead to the increased number of related parties of the Group.

Revised IAS 24 becomes mandatory for the Group's 2011 annual consolidated interim financial statements and requires retrospective application. The Group has not determined the potential effect of the amendment on the Group's consolidated interim financial statements.

3. Summary of the principal accounting policies

The following significant accounting policies have been consistently applied to all periods presented in preparing these consolidated interim financial statements throughout the Group.

a. Basis of consolidation

The Group has changed its accounting policy with respect to accounting for business combinations. See Note 2 for further details.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in these consolidated interim 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 unrealized gains arising from intra-group transactions, are eliminated in preparing these consolidated interim financial statements; unrealized losses are also eliminated unless the transaction provides an evidence of impairment of the asset transferred.

Accounting for acquisitions of interests in companies under common control

IFRS provides no guidance on the accounting for acquisitions of entities under common control. Management adopted an accounting policy for such transactions based on the relevant guidance of accounting principles generally accepted in the United States ('US GAAP'). Management believes that this approach and the accounting policy disclosed below are in compliance with IFRS.

Acquisitions of controlling interests in companies that were previously under the control of the Parent Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date on which control was obtained by the Parent Company. The assets and liabilities acquired are recognized at their book values. The components of equity of the acquired companies are added to the same components within Group equity except that any share capital of the acquired companies is recorded as a part of additional capital. Cash consideration for such acquisitions is recognized as a liability to related parties, with a corresponding reduction in equity, from the date the acquired company is included in these consolidated interim financial statements until the cash consideration is paid. The Company's shares issued in consideration for the acquired companies are recognized from the moment the actual issuance.

Acquisition of additional interest in acquired entities

No goodwill is recognized 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 recognized 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 recognized 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 recognized 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 income statement reflects the Group's share of the results of operations of the joint venture.

Unrealized 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; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Goodwill

Goodwill is initially recognized 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 recognized in the income statement.

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 capitalized 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 recognized 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 derecognized. Repair and maintenance expenses are charged to the income statement as incurred. Gains or losses on disposals of property, plant and equipment are recognized 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 recognized 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 recognized 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 amortization

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 amortization and accumulated impairment losses.

Intangible assets are amortized 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 amortization 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 amortized 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).

Amortization 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 license (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 recognized 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 recognized 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 amortized 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 recognized. 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 amortization, if no impairment loss had been recognized.

g. Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable 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 tones 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 tones 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 amortized 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 amortized 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 amortized cost using the effective interest method, less any impairment. Interest income is recognized 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 recognized directly in other comprehensive income with the exception of impairment losses, which are recognized directly in the income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized 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 recognized in the income statement when the Group's right to receive the dividends is established.

(v) Derecognition of financial assets

The Group derecognizes 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 amortized cost using the effective interest method, with interest expense recognized in the income statement.

(vi) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

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 recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income, in which case it is recognized 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 realized simultaneously.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which these assets can be utilized. 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 realized.

Deferred tax is not recognized 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 capitalized 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 recognized 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, and 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 comprises interest income on funds invested, dividend income, and 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, 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 are 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-Metallik and Aprelkovo.* Gold mines located in Sakha-Yakutia Republic and Chita region of the Russian Federation, use heap-leaching technology for gold processing.
- *Celtic and Semgeo.* Includes Celtic Group operating Suzdal mine and Semgeo with gold deposits in Balazhal mine. Entities are located in Kazakhstan.
- *Buryatzoloto.* Gold mining entity located in Buryatia republic of the Russian Federation, includes two gold mines — Zun-Holba and Irokinda.
- *Berezitovy.* Gold mine located in Amur region of the Russian Federation.
- *Somita.* Gold mine located in Burkina Faso, West Africa.
- *Crew Gold.* Includes Crew Gold Group operating LEFA mine in Guinea, West Africa.
- *Development West Africa.* Includes a number of mines on exploration and evaluation stage located in West Africa.
- *Development Russia.* Includes a number of mines on exploration and evaluation stage 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. 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.

Information about reportable segments

Segment profits and losses and the reconciliation to the income statement for the nine months ended September 30, 2010:

	Neryungri and Aprelkovo	Celtic and Semgeo	Buryat-zoloto	Berezi-tovy	Somita	Crew Gold	Development West Africa	Development Russia	Total	Unallocated items and consolidation adjustment	Consolidated
Sales	74,948	85,001	128,202	67,308	106,973	22,901	—	—	485,333	—	485,333
Cost of sales less depreciation and amortization	(37,400)	(26,068)	(53,216)	(30,851)	(29,587)	(16,765)	—	—	(193,887)	73	(193,814)
General and administrative expenses less depreciation and amortization	(5,356)	(4,186)	(4,010)	(3,939)	(2,125)	(5,816)	(1)	(306)	(25,739)	(3,287)	(29,026)
Taxes other than income tax	(5,243)	(5,815)	(8,069)	(5,235)	(3,321)	(1,379)	—	(4)	(29,066)	(1)	(29,067)
Other operating (expense) / income, net less loss/(profit) from property, plant and equipment disposal	5	208	(121)	(224)	—	804	—	(11)	661	15,543	16,204
Interest income	—	3,796	1,165	299	—	769	512	—	6,541	(1,190)	5,351
Interest expense	(6,698)	(447)	(159)	(11,482)	(5,456)	(1,665)	—	(85)	(25,992)	6,802	(19,190)
Depreciation and amortization	(10,663)	(19,973)	(10,599)	(8,747)	(10,084)	(4,198)	—	(18)	(64,282)	(10)	(64,292)
Income tax (expense) / benefit	(2,471)	(16,989)	(8,127)	(3,376)	(9,632)	(465)	—	142	(40,918)	1,708	(39,210)
Segment's profit / (loss) for the period	6,825	15,079	43,402	2,969	34,468	(8,208)	(389)	(327)	93,819	6,067	99,886
Additional information:											
(Loss) / profit on disposal of property, plant and equipment	(174)	33	(1,461)	(315)	(263)	—	—	—	(2,180)	(7)	(2,187)
Impairment of exploration and evaluation assets	—	(272)	—	(127)	—	—	(449)	—	(848)	—	(848)
Capital expenditure	(23,216)	(27,944)	(19,860)	(18,000)	(3,325)	(7,318)	(10,677)	(3,795)	(114,135)	(8)	(114,143)

Segment profits and losses and the reconciliation to the income statement nine months ended September 30, 2009:

	Neryungri and Aprelkovo	Celtic and Semgeo	Buryatzoloto	Berezitovy	Somita	Development West Africa	Development Russia	Total	Unallocated items and consolidation adjustment	Consolidated
Sales	33,596	80,497	106,786	60,458	62,484	—	—	343,821	—	343,821
Cost of sales less depreciation and amortization	(21,617)	(30,171)	(42,436)	(26,855)	(28,286)	—	—	(149,365)	—	(149,365)
General and administrative expenses less depreciation and amortization	(3,291)	(2,961)	(3,097)	(1,206)	(2,335)	(6)	(3)	(12,899)	(4,954)	(17,853)
Taxes other than income tax	(3,288)	(6,411)	(6,851)	(5,460)	(1,996)	—	(8)	(24,014)	(1)	(24,015)
Other operating (expense) / income, net less loss/(profit) from property, plant and equipment disposal	(13)	66	148	351	—	—	—	552	(24)	528
Interest income	—	3,133	578	—	—	642	—	4,353	(1,209)	3,144
Interest expense	(8,858)	(40)	(2,220)	(12,802)	(9,555)	—	(1,139)	(34,614)	(16,527)	(51,141)
Depreciation and amortization	(6,964)	(20,787)	(9,739)	(8,670)	(14,193)	—	—	(60,353)	(17)	(60,370)
Income tax benefit / (expense)	2,340	(166)	(8,005)	(1,179)	333	—	175	(6,502)	(513)	(7,015)
Segment's (loss) / profit for the period	(9,534)	(3,731)	31,650	(2,687)	11,980	(2,109)	(975)	24,594	(58,775)	(34,181)
Additional information:										
Loss on disposal of property, plant and equipment	(616)	(26)	(219)	(1,236)	—	—	—	(2,097)	(1)	(2,098)
Impairment of property, plant and equipment	—	(8,543)	—	—	—	—	—	(8,543)	—	(8,543)
Capital expenditure	(16,796)	(18,472)	(9,294)	(5,467)	(3,794)	(3,140)	(697)	(57,660)	1,029	(56,631)

Segment assets and liabilities and the reconciliation to the statements of financial position as at September 30, 2010:

	Neryungri and Aprelkovo	Celtic and Semgeo	Buryatzoloto	Berezitovy	Somita	Crew Gold	Development West Africa	Development Russia	Unallocated items and consolidation adjustment	Consolidated
Current assets										
Cash and cash equivalents	237	16,891	59,945	46,375	12,279	21,037	188	1,307	3,986	162,245
Short-term accounts receivable	4,651	4,063	3,017	1,756	2,253	8,567	—	18	37,932	62,257
Inventories	63,755	40,156	17,213	45,865	28,252	65,322	88	22	36	260,709
VAT recoverable	10,160	14,126	3,669	7,589	1,644	126	—	663	52	38,029
Income tax receivable	116	769	184	—	—	—	—	—	—	1,069
Current liabilities										
Short-term accounts payable	15,531	11,545	10,322	13,286	8,121	53,094	206	8,419	40,423	160,947
Income tax payable	388	422	762	—	7,419	—	—	—	—	8,991
Short-term provisions	74	1,824	208	74	1,552	2,763	—	—	—	6,495
Net working capital	62,689	45,323	12,791	41,850	15,057	18,158	(118)	(7,716)	(2,403)	185,631
Segment total assets	406,442	398,362	157,899	196,619	192,896	807,714	79,540	26,025	111,968	2,377,465

Segment assets and liabilities and the reconciliation to the statements of financial position as at December 31, 2009:

	Neryungri and Aprelkovo	Celtic and Semgeo	Buryatzoloto	Berezitovy	Somita	Development West Africa	Development Russia	Unallocated items and consolidation adjustment	Consolidated
Current assets									
Cash and cash equivalents	51	11,672	26,551	3,243	19,156	246	80	29,624	90,623
Short-term accounts receivable	4,594	6,403	2,532	1,970	3,466	—	43	401	19,409
Inventories	50,695	30,279	20,141	31,776	20,865	46	—	—	153,802
VAT recoverable	7,988	8,106	2,263	5,860	1,636	—	209	44	26,106
Income tax receivable	117	201	4,241	—	—	—	—	3	4,562
Current liabilities									
Short-term accounts payable	20,562	10,655	19,707	10,416	10,596	503	7,952	876	81,267
Income tax payable	3	381	—	—	—	—	—	231	615
Short-term provisions	74	1,879	209	75	1,755	—	—	—	3,992
Net working capital	42,755	32,074	9,261	29,115	13,616	(457)	(7,700)	(659)	118,005
Segment total assets	383,298	383,510	126,722	134,479	210,817	66,260	20,548	62,184	1,387,818

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:

	September 30, 2010	December 31, 2009
Guinea	707,976	—
Russian Federation	498,748	473,908
Kazakhstan	266,491	258,590
Burkina-Faso	198,122	207,519
Netherlands	—	119
Other	80	113
Total	1,671,417	940,249

5. Sales

Sales by product were as follows:

	Nine months ended September, 30	
	2010	2009
Gold	482,078	339,715
Silver	3,255	4,106
Total	485,333	343,821

Sales by delivery destination and customers were as follows:

	Nine months ended September, 30	
	2010	2009
Russia: NOMOS bank	270,458	200,840
Switzerland: Standard Bank	106,973	62,484
Switzerland: Metalor Technologies S.A.	85,001	80,497
Switzerland: MKS Finance S.A.	22,901	—
Total	485,333	343,821

6. Staff costs

Employment costs were as follows:

	Nine months ended September, 30	
	2010	2009
Wages and salaries	(76,498)	(59,745)
Social security costs	(12,311)	(10,608)
Total	(88,809)	(70,353)

For the nine months ended September 30, 2010 key management's remuneration totalled US$2.4 million. Prior to October 2009 key management was on the payroll of the Severstal Group and for the nine months ended September 30, 2009 the remuneration totalled US$ 2.1 million.

7. Other operating expenses, net

	Nine months ended September, 30	
	2010	**2009**
Gain from remeasurement to fair value of previously held equity interest before acquisition of control	16,084	—
Net gain on disposal of inventories	297	391
Net loss on disposal of property, plant and equipment	(2,187)	(2,098)
Impairment of exploration and evaluation assets	(848)	—
Net loss from joint ventures	(836)	—
Social expenses	(412)	(359)
Charity donations	(110)	(99)
Impairment of property, plant and equipment	—	(8,543)
Other	660	89
Total	12,648	(10,619)

8. Finance income and costs

	Nine months ended September, 30	
	2010	**2009**
Interest income	5,351	3,144
Finance income	5,351	3,144
Foreign exchange differences loss, net	(28,854)	(60,661)
Interest expenses	(19,190)	(51,141)
Finance costs	(48,044)	(111,802)
Total	(42,693)	(108,658)

9. Taxation

The following is an analysis of the income tax expense:

	Nine months ended September, 30	
	2010	**2009**
Current tax charge	(21,492)	(13,097)
Corrections to prior years' charges	(1,339)	(147)
Deferred tax (expense) / benefit	(16,379)	6,229
Income tax expense	(39,210)	(7,015)

The Group prepared a reconciliation of the reported net income tax (expense)/benefit and the amount calculated by applying the average statutory tax rate applicable to the Group to reported profit/(loss) before income tax. The majority of the Group's production operations in Russian Federation, Kazakhstan and Burkina-Faso are taxable at the rate of 20%.

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%. During the nine-month period ended 30 September 2010 the Group remeasured the deferred tax assets and liabilities for the Celtic and Semgeo segment using the expected tax rate adjusted for the effect of EPT.

	Nine months ended September, 30			
	2010		2009	
Profit / (loss) before income tax	139,096		(27,166)	
Tax charge at applicable rate	(23,561)	17%	5,359	20%
Corrections to prior years charges	(1,336)	1%	(141)	(1%)
Non-tax deductible expenses and tax exempt income, net	(2,302)	2%	(8,540)	(31%)
Changes in non-recognized deferred tax assets	(2,061)	1%	(6,690)	(25%)
Reassessment of deferred tax assets and liabilities	(9,950)	7%	2,997	11%
Income tax expense	(39,210)	28%	(7,015)	(26%)

Deferred tax assets and liabilities are attributable to the following:

	September 30, 2010	December 31, 2009
Deferred tax assets		
Property, plant and equipment	29,795	6,226
Inventories	1,478	1,489
Accounts receivable	97	160
Financial investments	474	485
Lease liability and debt finance	1,735	2,799
Accounts payable	1,782	941
Provisions	5,293	5,318
Other	347	3
Tax-loss carry forwards	8,290	13,364
Gross deferred tax assets	49,291	30,785
Less offsetting with deferred tax liabilities	(40,057)	(18,290)
Recognized deferred tax assets	9,234	12,495

	September 30, 2010	December 31, 2009
Deferred tax liabilities		
Property, plant and equipment	(6,588)	(8,151)
Intangible assets	(191,873)	(64,932)
Inventories	(11,054)	(7,262)
Accounts receivable	(72)	—
Financial investments	(13,828)	(8,368)
Lease liability and debt finance	(102)	(67)
Accounts payable	—	(211)
Provisions	(205)	(207)
Other	(195)	(252)
Gross deferred tax liabilities	(223,917)	(89,450)
Less offsetting with deferred tax assets	40,057	18,290
Recognized deferred tax liabilities	(183,860)	(71,160)
Net deferred tax liability	(174,626)	(58,665)

The movement of net deferred tax liability for the nine months ended September 30, 2010 and 2009 was as follows:

	Nine months ended September, 30	
	2010	**2009**
Movement of net deferred tax liability		
Opening balance	(58,665)	(52,394)
Recognized in income statement	(16,378)	6,230
Recognized in other comprehensive income	(6,097)	(3,704)
Business combinations	(93,637)	—
Foreign exchange difference	151	5,431
Closing balance	(174,626)	(44,437)

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$ 116.9 million at September 30, 2010 (December 31, 2009: US$ 24.4 million).

Unrecognised deferred tax asset

The Group has not recognized deferred tax assets on tax-losses carry 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 utilized.

The cumulative amounts of such tax-losses with related expiry dates are the following (stated in millions of US dollars):

	September 30, 2010	December 31, 2009
In the following year	0.0	0.0
Between one and five years	27.1	4.4
Between five and ten years	8.5	9.2
Between ten and twenty years	50.9	47.1
No expiry	97.1	21.4
Total	183.6	82.1

10. Related party transactions

Transactions with Severstal Group entities, except the old and new Parent Companies, were the following:

	Nine months ended September, 30	
	2010	**2009**
Cost of sales	(1,005)	(64)
General and administrative costs	(221)	(1,288)
Other operating (loss)/profit	(8)	1
Interest income	3,201	3,166
Interest expense	(9,569)	(19,203)
Purchases:		
non-capital expenditures	(1,234)	(1,352)
capital expenditures	(1,694)	(135)

Transactions with the old Parent Company were the following:

	Nine months ended September, 30	
	2010	2009
Interest expense	(3,196)	(19,694)

11. Related party balances

Balances with Severstal Group entities, except the old and new Parent Companies, were the following:

	September 30, 2010	December 31, 2009
Cash and cash equivalents	1,467	80
Short-term accounts receivable	137	334
Short-term loans given	12,836	17,005
Long-term loans given	27,101	47,475
	40,074	64,814
Short-term accounts payable	51,722	6,209
Short-term debt finance	236,076	62,895
Long-term debt finance	—	31,962
	287,798	101,066

In October 2010, an account payable to Bluecone Ltd (entity under common control) for acquisition of the controlling stake in Crew Gold Corporation (Notes 24) included in short-term accounts payable in amount of US$39.2 million was fully paid by the Company (Note 27).

Balances with the old and new Parent Company were the following:

	September 30, 2010	December 31, 2009
Short-term accounts receivable	37,324	—
Short-term debt finance	53,722	51,516

Balances with joint venture were the following:

	September 30, 2010	December 31, 2009
Short-term accounts receivable	6	6
Short-term accounts payable	—	106

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.

12. Cash and cash equivalents

	September 30, 2010	December 31, 2009
Short-term bank deposits	108,914	16,730
Cash at bank	52,479	72,093
Restricted cash accounts	801	1,671
Petty cash	51	129
Total	162,245	90,623

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 25.

13. Accounts receivable

	September 30, 2010	December 31, 2009
Advances paid and prepayments	20,934	15,788
Taxes receivable other than income tax	587	116
Trade accounts receivable	67	81
Other receivables	40,669	3,424
Total	62,257	19,409

Other receivables at September 30, 2010 included US$37.3 million of balance with related parties (Note 11).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 25.

14. Inventories

	September 30, 2010	December 31, 2009
Work-in-progress	122,198	80,036
Materials and consumables	137,727	66,535
Finished goods	784	7,231
Total	260,709	153,802

The movement of the obsolescence provision for the nine months ended September 30, 2010 and 2009 was as follows:

	Nine months ended September, 30	
	2010	2009
Opening balance	(3,624)	(705)
Additions through profit and loss	(2,856)	(2,474)
Released through profit and loss	3,001	406
Foreign exchange differences	66	(60)
Closing balance	(3,413)	(2,833)

For the nine months ended September 30, 2010 cost of disposed inventories amounted to US$ 5.9 million (nine months ended September 30, 2009: US$ 5.3 million).

15. Financial investments

Short-term investments were as follows:

	September 30, 2010	December 31, 2009
Loans	14,446	17,466
Deposits and other investments held-to-maturity	1,937	14
Total	16,383	17,480

Short-term loans at September 30, 2010 included US$ 12.8 million of balances with related parties (December 31, 2009: US$ 17.0 million) (Note 11).

Long-term investments were as follows:

	September 30, 2010	December 31, 2009
Investments available-for-sale	112,763	64,889
Loans given	27,101	47,475
Deposits and other investments held-to-maturity	765	1,904
Total	140,629	114,268

Long-term loans at September 30, 2010 and December 31, 2009 represented loans with related parties (Note 11).

During 2010, the Company acquired a 12.2% stake in Sacre-Coeur Minerals, Ltd. for a total consideration of US$ 7.0 million resulted in increase of Group's ownership in Sacre-Coeur Minerals to 18.9% (see also Note 26.d).

16. Property, plant and equipment

The movements in property, plant and equipment are as follows:

	Land, buildings and construc-tions	Plant and equipment	Other assets	Construction in progress	Total
Cost					
Balance at January 1, 2009	194,744	136,924	6,975	59,488	398,131
Additions	—	—	—	38,633	38,633
Transfers	16,365	25,342	715	(42,422)	—
Disposals	(632)	(3,773)	(141)	(445)	(4,991)
Foreign exchange differences	(5,281)	(6,479)	(742)	(3,455)	(15,957)
Balance at September 30, 2009	205,196	152,014	6,807	51,799	415,816
Balance at January 1, 2010	211,223	163,188	7,037	53,508	434,956
Acquisitions through business combinations	5,373	143,809	426	36,003	185,611
Additions	—	—	—	68,937	68,937
Transfers	14,715	27,042	1,151	(42,908)	—
Disposals	(4,642)	(2,613)	(227)	(553)	(8,035)
Foreign exchange differences	(4,497)	(1,305)	(29)	(231)	(6,062)
Balance at September 30, 2010	222,172	330,121	8,358	114,756	675,407

There was no interest capitalized in above amounts.

	Land, buildings and constructions	Plant and equipment	Other assets	Construction in progress	Total
Depreciation and impairment					
Balance at January 1, 2009	(9,446)	(17,208)	(1,039)	—	(27,693)
Depreciation for the period	(18,551)	(25,450)	(1,306)	—	(45,307)
Disposals	129	1,088	46	—	1,263
Impairment	—	—	—	(8,543)	(8,543)
Foreign exchange differences	(233)	965	70	—	802
Balance at September 30, 2009	(28,101)	(40,605)	(2,229)	(8,543)	(79,478)
Balance at January 1, 2010	(34,619)	(48,746)	(2,676)	(8,543)	(94,584)
Depreciation for the period	(19,840)	(25,399)	(1,084)	—	(46,323)
Disposals	231	1,710	101	—	2,042
Foreign exchange differences	455	493	27	—	975
Balance at September 30, 2010	(53,773)	(71,942)	(3,632)	(8,543)	(137,890)
Net book value					
Balance at January 1, 2009	185,298	119,716	5,936	59,488	370,438
Balance at September 30, 2009	177,095	111,409	4,578	43,256	336,338
Balance at January 1, 2010	176,604	114,442	4,361	44,965	340,372
Balance at September 30, 2010	168,399	258,179	4,726	106,213	537,517

An impairment loss was recognised for nine months ended September 30, 2009 in the amount of US$ 8.5 million in relation to specific items of property, plant and equipment of the Celtic and Semgeo segment. An impairment loss was recognized due to the technical condition of the items. An impairment loss was recognized in other operating expenses in the income statement (see Note 7). The recoverable amount of these items was determined as fair market value less cost to sell.

17. Intangible assets

The movements in intangible assets are as follows:

	Goodwill	Mineral rights	Exploration and evaluation assets	Other intangible assets	Total
Cost					
Balance at January 1, 2009	97,776	328,576	237,274	785	664,411
Additions	—	—	15,206	24	15,230
Transfers	—	3,106	(3,106)	—	—
Foreign exchange differences	(9,937)	(29,490)	(8,308)	(85)	(47,820)
Balance at September 30, 2009	87,839	302,192	241,066	724	631,821
Balance at January 1, 2010	88,185	301,142	257,433	761	647,521
Acquisitions through business combinations	43,221	476,754	—	—	519,975
Additions	—	1,240	43,594	316	45,150
Foreign exchange differences	(64)	(5,079)	(2,064)	(5)	(7,212)
Balance at September 30, 2010	131,342	774,057	298,963	1,072	1,205,434
Amortization and impairment					
Balance at January 1, 2009	—	(24,346)	(156)	(70)	(24,572)
Amortization for the period	—	(19,468)	—	(159)	(19,627)
Foreign exchange differences	—	3,453	—	—	3,453
Balance at September 30, 2009	—	(40,361)	(156)	(229)	(40,746)
Balance at January 1, 2010	—	(47,223)	(156)	(265)	(47,644)
Amortization for the period	—	(22,848)	—	(355)	(23,203)
Impairment	—	—	(848)	—	(848)
Foreign exchange differences	—	160	—	1	161
Balance at September 30, 2010	—	(69,911)	(1,004)	(619)	(71,534)
Net book value					
Balance at January 1, 2009	97,776	304,230	237,118	715	639,839
Balance at September 30, 2009	87,839	261,831	240,910	495	591,075
Balance at January 1, 2010	88,185	253,919	257,277	496	599,877
Balance at September 30, 2010	131,342	704,146	297,959	453	1,133,900

Amortization is allocated to the cost of inventory and is recognized in cost of sales as inventory is sold. The impairment loss is recognized in other expenses in the income statement.

Goodwill impairment testing

The Group tests goodwill for impairment on an annual basis at December 31. No impairment tests were performed at September 30, 2010 since no impairment indicators were observed.

The movements in mineral rights by projects and segments are as follows:

	Mineral rights							
	Tabornoye	**Pogromnoye**	**Berezitovoye**	**Suzdal**	**Taparko-Bouroum**	**LEFA**	**Others**	**Total**
	Neryungry	Aprelkovo	Berezitovy	Celtic and Semgeo	Somita	Crew Gold		
Cost								
Balance at January 1, 2009	24,085	40,083	7,286	166,062	89,714	—	1,346	328,576
Transfers	—	—	—	2,614	—	—	492	3,106
Foreign exchange differences	(570)	(948)	(172)	(33,181)	5,414	—	(33)	(29,490)
Balance at September 30, 2009	23,515	39,135	7,114	135,495	95,128	—	1,805	302,192
Balance at January 1, 2010	23,397	38,938	7,078	137,892	92,030	—	1,807	301,142
Acquisitions through business combinations	—	—	—	—	—	476,754	—	476,754
Additions	—	—	—	435	—	—	805	1,240
Foreign exchange differences	(122)	(203)	(37)	831	(5,543)	—	(5)	(5,079)
Balance at September 30, 2010	23,275	38,735	7,041	139,158	86,487	476,754	2,607	774,057
Amortization								
Balance at January 1, 2009	(2,134)	(3,552)	(70)	(18,115)	(453)	—	(22)	(24,346)
Amortization for the period	(1,243)	(2,069)	(571)	(11,394)	(4,004)	—	(187)	(19,468)
Foreign exchange differences	(46)	(76)	(43)	3,980	(348)	—	(14)	3,453
Balance at September 30, 2009	(3,423)	(5,697)	(684)	(25,529)	(4,805)	—	(223)	(40,361)
Balance at January 1, 2010	(3,850)	(6,408)	(885)	(29,750)	(6,043)	—	(287)	(47,223)
Amortization for the period	(1,333)	(2,218)	(613)	(11,390)	(3,811)	(3,283)	(200)	(22,848)
Foreign exchange differences	27	45	8	(166)	243	—	3	160
Balance at September 30, 2010	(5,156)	(8,581)	(1,490)	(41,306)	(9,611)	(3,283)	(484)	(69,911)
Net book value								
Balance at January 1, 2009	21,951	36,531	7,216	147,947	89,261	—	1,324	304,230
Balance at September 30, 2009	20,092	33,438	6,430	109,966	90,323	—	1,582	261,831
Balance at January 1, 2010	19,547	32,530	6,193	108,142	85,987	—	1,520	253,919
Balance at September 30, 2010	18,119	30,154	5,551	97,852	76,876	473,471	2,123	704,146

The movements in exploration and evaluation assets by regions, projects and segments are as follows:

	Russia						Kazakhstan			West Africa		
	Yuzhno-Uguyskaya Field	Irokinda	ZunHolba	Sergachinsky	Uryakhskoye field	Others	Suzdal	Balazhal	Others	Bissa	Others	Total
	Neryungry	Buryatzoloto	Buryatzoloto	Berezitovy	Development Russia		Celtic and Semgeo	Celtic and Semgeo		Development West Africa		
Balance at January 1, 2009	142,698	205	255	641	13,536	7,839	3,199	34,643	720	24,809	8,573	237,118
Additions	3,673	1,618	1,439	649	162	1,037	2,365	983	142	1,378	1,760	15,206
Transfers to mineral rights	—	—	—	—	—	—	(2,614)	—	(492)	—	—	(3,106)
Foreign exchange differences	(3,208)	106	87	9	(314)	(135)	(640)	(6,944)	(147)	1,556	1,322	(8,308)
Balance at September 30, 2009	143,163	1,929	1,781	1,299	13,384	8,741	2,310	28,682	223	27,743	11,655	240,910
Balance at January 1, 2010	152,610	2,800	2,219	1,646	13,388	8,767	3,906	29,195	653	29,264	12,829	257,277
Additions	13,680	6,366	3,469	1,238	1,847	2,401	2,933	84	242	3,295	8,039	43,594
Impairment	—	—	—	—	—	(127)	—	—	(272)	(356)	(93)	(848)
Foreign exchange differences	(817)	1	4	(4)	(45)	(51)	20	176	4	(1,650)	298	(2,064)
Balance at September 30, 2010	165,473	9,167	5,692	2,880	15,190	10,990	6,859	29,455	627	30,553	21,073	297,959

18. Investment in joint venture

The Group's investment in joint venture is described in the tables below. The Group structure and certain additional information on joint venture, including ownership percentages, are presented in Note 24.

	September 30, 2010	December 31, 2009
Prognoz-Serebro	5,690	6,572

The following is summarized financial information in respect of significant joint ventures:

	September 30, 2010	December 31, 2009
Current assets	4,301	4,324
Non-current assets	32,058	32,226
Current liabilities	16,748	16,836
Non-current liabilities	8,232	7,554
Equity	11,379	12,160

Net loss of the joint venture for the nine months ended September 30, 2010 was US$ 0.7 million (nine months ended September 30, 2009: US$ 0.6 million).

19. Other non-current assets

Other non-current assets were as follows:

	September 30, 2010	December 31, 2009
Long-term other receivables	858	601
Others	3,497	707
Total	4,355	1,308

20. Debt finance

Short-term debt financing was as follows:

	September 30, 2010	December 31, 2009
Loans	275,527	113,477
Notes and bonds issued	48,956	—
Bank and other credit organizations financing	17,481	60,180
Accrued interest	14,271	1,758
Bank overdrafts	1,325	1
Lease liabilities	718	1,891
Other financing	1,627	—
Total	359,905	177,307

Short-term loans as of September 30, 2010 and December 31, 2009 are all from related parties. Short-term accrued interest as at September 30, 2010 in total amount attributed to accrued interest on loans from related parties (December 31, 2009: US$ 0.9 million) (Note 11).

In October 2010, Somita paid out final production payments under a loan agreement with Royal Gold, Inc. and payments for tailing fee commenced (Note 27).

Long-term debt financing was as follows:

	September 30, 2010	December 31, 2009
Notes and bonds issued	67,540	11,058
Lease liabilities	113	594
Loans	—	27,785
Accrued interest	—	4,177
Bank and other credit organizations financing	—	11,094
Other financing	—	1,761
Total	67,653	56,469

Long-term loans and long-term accrued interest as at December 31, 2009 in total amount represented loans and accrued interest on loans from related parties (Note 11).

At December 31, 2009 bank and other credit organizations financing included US$ 3.3 million derivative embedded into Royal Gold, Inc. financing.

In October 2010, the Group received a short-term loan from the related party OJSC Olkon in the amount of US$20.0 million (Note 27).

In December 2010, the Group received a short-term loan from the related party OJSC Severstal in the amount of US$33.0 million (Note 27).

The debt is nominated in the following currencies:

Currency	September 30, 2010	December 31, 2009
Euro (EUR)	185,715	51,516
Russian Rubles (RUB)	104,083	85,230
US Dollars (USD)	102,512	74,013
Norwegian Krona (NOK)	22,254	—
Canadian Dollars (CAD)	12,993	12,820
Kazakhstan Tenge (KZT)	—	9,908
Other currencies	1	289
Total	427,558	233,776

Total debt is contractually repayable after the reporting date as follows:

	September 30, 2010	December 31, 2009
Less than one year	359,905	177,307
Between one and five years	67,653	56,469
Total	427,558	233,776

Interest rates for the debt financing were the following:

	September 30, 2010	December 31, 2009
Bank overdrafts	—	—
Notes and bonds issued:		
High River Gold Mines — convertible bonds (CAD)	8.00	8.00
Crew Gold Corporation — NOK variable bonds (NOK)	3 month NIBOR + 5.0%	n/a
Crew Gold Corporation — USD variable bonds (USD)	3 month LIBOR + 5.5%	n/a
Crew Gold Corporation — NOK fixed bonds (NOK)	9.50	n/a
Crew Gold Corporation — USD fixed bonds (USD)	7.30	n/a

	September 30, 2010 2010	December 31, 2009 2009
Bank and other credit organizations financing:		
Somita — credit agreement with Royal Gold Inc. (USD)	Royalties	Royalties
Somita — credit agreement with Caterpillar finance (USD)	n/a	LIBOR + 3.45%
Somita — credit agreement with Ecobank (CFA(XOF))	n/a	8.00
Berezitovy — credit agreements with NOMOS bank (USD)	n/a	14.00
Berezitovy — credit agreements with NOMOS bank (USD)	n/a	14.00
Buryatzoloto — credit agreements with NOMOS bank (USD)	n/a	11.50
Loans:		
SVS-Gold N.V. — loan agreement with Holding Mining Company (EUR)	9.50	9.50
SVS-Gold N.V. — loan agreement with JSC Severstal (EUR)	7.00	n/a
Aprelkovo Mine — loan agreement with Olkon (RUB)	8.25	12.25
Neryungri Metallik — loan agreement with Olkon (RUB)	8.25	12.25
SZRK — loan agreement with Olkon (RUB)	8.25	12.25
SVS-Gold — loan agreement with Olkon (RUB)	8.25	12.25

Minimum lease payments under finance leases and their present values are as follows:

	Due in 1 year	Due between 1 and 5 years	Total
Minimum lease payments at December 31, 2009	1,958	698	2,656
Less future finance charges	(67)	(104)	(171)
Present value of minimum lease payments at December 31, 2009	1,891	594	2,485
Minimum lease payments at September 30, 2010	761	127	888
Less future finance charges	(43)	(14)	(57)
Present value of minimum lease payments at September 30, 2010	718	113	831

Credit agreements with banks and other credit organizations are secured by the following assets:

	September 30, 2010	December 31, 2009
Property, plant and equipment	n/a	4,851
Investments available-for-sale	98,540	59,283
Ownership in Buryatzoloto	n/a	99.56% of Group's ownership
Ownership in Berezitovy	n/a	All Group's ownership
Ownership in Somita	All Group's ownership	All Group's ownership
Ownership in Jilbey	n/a	All Group's ownership
Ownership in Guinor	All Group's ownership	n/a

At September 30, 2010 Royal Gold Inc.'s debt financing is secured by all the Group's ownership in Somita and certain available-for-sale investments. The finance lease liabilities are secured by the leased assets (Note 16).

A part of the Group's debt financing is subject to certain covenants. At September 30, 2010 and December 31, 2009 the Group was in breach of covenants for Royal Gold Inc. debt financing. The debt financing at September 30, 2010 in the amount of US$17.5 million was reclassified to short-term (December 31, 2009: US$41.3 million). In October 2010, Somita paid out final production payments under the loan agreement with Royal Gold, Inc. and payments for tailing fee commenced (Note 27).

21. Accounts payable

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 25.

	September 30, 2010	December 31, 2009
Trade accounts payable	63,018	41,939
Other taxes payable	23,362	12,930
Amounts payable to employees	18,549	13,390
Accrued expenses	2,028	863
Dividends payable	31	32
Advances received	2	9,912
Other payables	53,957	2,201
Total	160,947	81,267

Other payables at September 30, 2010 included US$39.2 million of balances with related parties (Note 11).

22. Provisions

The movement in the provisions were as follows:

	Legal and tax claims	Employee related	Environmental provision	Other	Total
Balance at January 1, 2009	2,078	6,579	27,716	1,844	38,217
Additional accrual	—	—	689	—	689
Change in assumptions	—	—	1,057	—	1,057
Change of and unwind in discount rate	—	—	482	—	482
Usage of provisions	(1,502)	(3,603)	—	—	(5,105)
Foreign exchange differences	(115)	506	(2,238)	—	(1,847)
Balance at September 30, 2009	461	3,482	27,706	1,844	33,493
Balance at January 1, 2010	1,448	700	34,147	1,844	38,139
Additional accrual	—	33	1,812	—	1,845
Change in assumptions	—	—	(710)	—	(710)
Business combinations	—	1,888	9,451	2,763	14,102
Change of and unwind in discount rate	—	—	35	—	35
Usage of provisions	—	(130)	—	(55)	(185)
Foreign exchange differences	(77)	(31)	(55)	—	(163)
Balance at September 30, 2010	1,371	2,460	44,680	4,552	53,063

The current and non-current portions of provisions were as follows:

	Legal and tax claims	Employee related	Environmental provision	Other	Total
Current portion	1,448	700	—	1,844	3,992
Non-current portion	—	—	34,147	—	34,147
Balance at December 31, 2009	1,448	700	34,147	1,844	38,139
Current portion	1,371	572	—	4,552	6,495
Non-current portion	—	1,888	44,680	—	46,568
Balance at September 30, 2010	1,371	2,460	44,680	4,552	53,063

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 2010 — 2022. The

present value of expected cash outflows were estimated using existing technology, and discounted using a real discount rate. These rates are as follows:

	September 30, 2010	December 31, 2009
	%	%
Russia	0.00-0.24	0.00-0.24
Kazakhstan	0.09-0.44	0.09-0.44
Burkina-Faso	0.53	0.53

23. 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.

The number of issued and fully paid ordinary shares at December 31, 2008 was 360 with par value of 50 Euro.

In July 2009, 600 ordinary shares with par value of 50 Euro were issued by the Company to the old Parent Company.

The authorised share capital of the Company at December 31, 2009 comprised 14,000,000 ordinary shares with par value of 50 Euro. The number of issued and fully paid ordinary shares at December 31, 2009 was 9,793,807.

In July 2010, 2,808,772 ordinary shares with par value of 50 Euro were issued by the Company to the new Parent Company and fully paid.

In August 2010, 885,780 ordinary shares with par value of 50 Euro were issued by the Company to the new Parent Company.

In August 2010, Company's ordinary shares were split by dividing each ordinary share with par value 50 Euro into 40 ordinary shares with par value 1.25 Euro (split ratio 1:40) resulting in number of issued and fully paid shares amounted to 539,534,360. The authorised share capital of the Company was increased up to 800,000,000 ordinary shares with par value of 1.25 Euro.

In September 2010, 134,312,041 ordinary shares with par value of 1.25 Euro were issued by the Company to the new Parent Company and fully paid by cash resulted in total number of issued and fully paid ordinary shares being 673,846,401.

In September 2010, 43,741,959 ordinary shares with par value of 1.25 Euro were issued by the Company to the new Parent Company resulted in total number of issued ordinary shares being 717,588,360 and share capital in total amount of US$ 1,244,501 thousand. On September 30, 2010 these shares were partially paid in amount of US$37.0 million and the rest account receivable from the new Parent Company comprised of US$37.3 million (Note 11). In October 2010, this account receivable was fully paid by the new Parent Company (Note 27).

There were no treasury shares held by the Group at September 30, 2010 and December 31, 2009.

There were no shares reserved for issue under options and contracts at September 30, 2010 and December 31, 2009.

24. Subsidiaries and joint venture

The following is a list of the Group's significant subsidiaries and joint ventures and the effective ownership holdings therein:

	September 30, 2010	December 31, 2009	Location	Activity
Subsidiaries				
Neryungri-Metallik segment				
OOO Neryungri-Metallik	100%	100%	Russia	Gold mining
Rudnik Aprelkovo segment				
ZAO Mine Aprelkovo	100%	100%	Russia	Gold mining
Celtic and Semgeo segment				
Celtic Resources Holdings Ltd	100%	100%	Ireland	Holding company
Celtic Resources (Central Asia)	100%	100%	United Kingdom	Holding company
JSC FIC Alel	100%	100%	Kazakhstan	Gold mining
Zherek LLP	100%	100%	Kazakhstan	Gold mining
Opeloak Ltd	100%	100%	United Kingdom	Gold sales
Semgeo LLP	100%	100%	Kazakhstan	Gold exploration project
Buraytzoloto segment				
OJSC "Buryatzoloto"	60%	43%	Russia	Gold mining
Berezitovy segment				
LLC "Rudnik Beresitovy"	70%	50%	Russia	Gold mining
Somita segment				
Societe Des Mines de Taparko	63%	45%	Burkina Faso	Gold mining
Crew Gold segment				
Crew Gold Corporation	93%	n/a	Canada	Holding company
Societe Miniere de Dinguiraye	93%	n/a	Guinea	Gold mining
Development West Africa segment				
High River Gold Mines (West Africa) Ltd	70%	50%	Cayman Islands	Holding company
High River Gold Exploration Burkina SARL	70%	50%	Burkina Faso	Gold exploration company
Jilbey Burkina, SARL	70%	50%	Burkina Faso	Gold exploration company
Development Russia segment				
Severnaya Zolotorudnaya Kompaniya LLC	100%	100%	Russia	Gold exploration company
Other companies				
Severstal-Gold LLC	100%	100%	Russia	Management company
Centroferve Limited	100%	100%	Cyprus	Holding company
Castleway Limited	100%	100%	Cyprus	Investment holding
High River Gold Mines Ltd	70%	50%	Canada	Holding company
Joint venture				
Prognoz Serebro LLC	50%	50%	Russia	Silver exploration project

Information on carrying amounts of joint venture is disclosed in Note 18 of these consolidated interim financial statements.

Acquisitions of subsidiaries

Acquisitions in 2009

As described in Note 1, the formation of the Group in 2009 was a business combination under common control. There were no acquisitions of subsidiaries from the old Parent Company or acquisitions by the old Parent Company or its subsidiaries of entities later included in the Group for the nine months ended September 30, 2009.

Acquisitions in 2010

On July 26 2010, the Group obtained control of Crew Gold Corporation by acquiring 9.79 % of the shares and voting interests from a third party. As a result, the Group's equity interest in Crew Gold Corporation increased from 40.38% to 50.17%. Crew Gold Corporation is a mining company with the head office in London, United Kingdom, which owns and operates gold mine and exploration projects in Guinea, West Africa. Acquisition was performed through several transactions with third parties for a total consideration of US$ 155.5 million for a 23.58% stake and a transaction with a related party Bluecone Ltd for a total consideration of US$ 123.9 million for a 26.59% stake.

Taking control of Crew Gold Corporation will enable the Group to improve its capitalization and operating results. Management has not yet completed the estimation of fair values of the acquired assets and liabilities and, accordingly, does not currently possess all necessary information to disclose the effect of this acquisition on the Group's financial position or results of operations. The following values have been determined on provisional basis at the acquisition date:

Cash and cash equivalents	29,929
Accounts receivable	16,175
Inventories	57,366
VAT recoverable	124
Property, plant and equipment	185,611
Intangible assets	476,754
Restricted cash	3,888
Other non-current assets	763
Short-term debt finance	(3,544)
Accounts payable	(52,620)
Short-term provisions	(2,763)
Long-term debt finance	(103,870)
Long-term provisions	(11,339)
Deferred tax liabilities	(93,637)
Fair value of net identifiable assets acquired	502,837
Non-controlling interest	(250,565)
Shareholders' share of net identifiable assets acquired	252,272
Fair value of previously held equity interest in the acquire	224,725
Gain from remeasurement of previously held equity interest	16,084
Fair value of consideration transferred in cash	70,771
Goodwill on acquisition of subsidiaries	43,221

The determination of the fair values is expected to be completed within one year starting from the date of acquisition.

The goodwill is attributable mainly to the acquiree's potential mineral reserves and resources and the synergies expected to be achieved from integrating of the acquiree into the Group's business. None of the goodwill recognized to be deductible for income tax purposes.

Non-controlling interest is measured at its proportionate interest in the identifiable assets and liabilities of the acquiree.

The Group did not incur any acquisition-related costs.

From the date of acquisition to September 30, 2010 Crew Gold contributed revenue of US$22.9 million and loss of US$8.2 million.

The acquiree's profit from the beginning of the period to the date of acquisition comprised US$ 10.8 million. The acquiree's revenue from the beginning of the period to the date of acquisition comprised US$ 140.6 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2010.

If the acquisition had occurred on January 1, 2010 the Group's revenue for the nine month ended September 30, 2010 would have been US$625.9 million and the Group's profit for the period would have been US$113.3 million.

Acquisitions of non-controlling interests

In June 2009, the old Parent Company's subsidiary acquired all newly issued shares in High River Gold Mines Ltd. for a total consideration of US$ 9.5 million resulting in a 3.5% increase of Company's stake to the total ownership of 57.27%.

In August 2009, the old Parent Company's subsidiary acquired a 4.5% stake in High River Gold Mines Ltd. from a third party for a total consideration of US$8 million resulting in increase of its ownership to the 61.77%.

In May 2010, the Group acquired a 18.76% stake in High River Gold Mines Ltd. from a third party for a total consideration of US$ 107.3 million resulting in increase of its ownership to the 68.88%.

In August 2010, the Group acquired additional stake in High River Gold Mines Ltd. upon exercise of warrants held by the Group for a total consideration of US$ 25.1 million resulted in increase of Company's ownership in High River Gold Mines Ltd. to 70.38%.

In September 2010, the Group acquired additional 43.21% stake in Crew Gold Corporation for a total consideration of US$ 215 million resulted in increase of the Company's ownership in Crew Gold Corporation to 93.38%.

In October 2010, the Group acquired a 2.26% stake in High River Gold Mines Ltd. for a total consideration of US$19.6 million resulted in increase of Company's ownership in High River Gold Mines Ltd. to 72.64% (Note 27).

25. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market 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 interim 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.

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 26f), 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. In relation to loans issued to related parties the Group does not expect them to fail meeting their obligations.

Cash and cash equivalents are placed in highly reputable banks that have a credit rating of at least B from Moody's.

The maximum exposure to credit risk for financial instruments including accounts receivable from related parties was:

	September 30, 2010	December 31, 2009
Cash and cash equivalents	162,245	90,623
Restricted cash	5,450	944
Trade and other receivables	41,344	4,106
Loans	41,547	64,941
Deposits and other investments held-to-maturity	2,702	1,918
Investments available-for-sale	112,763	64,889
Total	366,051	227,421

The maximum exposure to credit risk for trade and other receivables by regions:

	September 30, 2010	December 31, 2009
Europe	37,489	364
Russia	3,298	2,924
Africa	309	297
Central Asia	201	483
Other	47	38
Total	41,344	4,106

The maximum exposure to credit risk for trade and other receivables (including receivables from related parties) by type of contracting party:

	September 30, 2010	December 31, 2009
Related parties	37,436	334
Others	3,841	3,691
Gold buyers (banks and refiners)	67	81
Total	41,344	4,106

Other parties include third parties, employees and other debtors.

Impairment losses

The aging of trade and other receivables was:

	September 30, 2010		December 31, 2009	
	Gross	Impairment	Gross	Impairment
Not past due	38,025	—	—	—
Past due 0-90 days	3,317	(412)	3,582	(33)
Past due 91-180 days	74	—	129	(9)
Past due 181-365 days	98	(2)	521	(357)
More than one year	1,201	(957)	932	(659)
Total	42,715	(1,371)	5,164	(1,058)

In October 2010, account receivable from the new Parent Company in amount of US$ 37.3 million was fully paid by the new Parent Company (Note 27).

No impairment allowance was recognized in respect of trade and other receivables from related parties at September 30, 2010 and December 31, 2009.

The movement in the allowance for impairment in respect of trade receivables during the years was as follows:

	Nine months ended September 30,	
	2010	2009
Opening balance	(1,058)	(633)
Allowance recognized	(500)	(310)
Allowance used	183	—
Foreign exchange difference	4	(10)
Closing balance	(1,371)	(953)

The allowance account in respect of trade receivables 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 other financial assets were past due at the reporting date. In addition, no impairment allowance was recognized by the Group during nine months ended September 30, 2010 and 2009 in respect of those financial assets.

Concentration of credit risk

The Group has a concentration of cash and bank deposits with NOMOS bank, HSBC, Citibank and Vneshtorgbank-Severozapad that at September 30, 2010 represented US$ 61.7 million, US$ 34.9 million, US$ 12.3 million and US$ 43.0 million, respectively. The Group had a concentration of cash with TD Canada Trust bank, Citibank, NOMOS bank, Sberbank, HSBC that at December 31, 2009 represented US$ 29.0 million, US$ 19.0 million, US$ 17.2 million, US$ 12.5 million, US$ 9.1 million, respectively.

The Group has a concentration of short-term loans with a related party CJSC Severstal-Resource that at September 30, 2010 represented US$ 11.1 million (December 31, 2009: US$ 15.1 million).

The Group has a concentration of long-term loans with a related party OJSC Olkon that at September 30, 2010 represented US$ 27.1 million (December 31, 2009: US$ 47.4 million).

The Group has a concentration of investments available-for sale with Detour Gold Corporation that at September 30, 2010 represented US$ 89.2 million (December 31, 2009: US$ 52.5 million).

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.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

Balance at September 30, 2010	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years
Non-derivative financial liabilities					
Bank overdrafts	1,325	(1,325)	(1,325)	—	—
Notes and bonds issued	116,496	(133,585)	(58,573)	(75,012)	—
Bank and other credit organizations financing	17,481	(21,198)	(21,198)	—	—
Loans	289,798	(295,279)	(295,279)	—	—
Lease liabilities	831	(888)	(761)	(127)	—
Trade and other payables	120,684	(121,358)	(120,256)	(362)	(740)
	546,615	(573,633)	(497,392)	(75,501)	(740)

Balance at December 31, 2009	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years
Non-derivative financial liabilities					
Bank overdrafts	1	(1)	(1)	—	—
Notes and bonds issued	11,058	(13,285)	(916)	(12,369)	—
Bank and other credit organizations financing	72,098	(81,294)	(69,158)	(12,136)	—
Loans	146,373	(171,268)	(125,684)	—	(45,584)
Lease liabilities	2,485	(2,656)	(1,958)	(698)	—
Trade and other payables	45,544	(45,544)	(45,036)	—	(508)
	277,559	(314,048)	(242,753)	(25,203)	(46,092)

Concentration of liquidity risk

The Group has a concentration of short-term loans with related party JSC Severstal that at September 30, 2010 represented US$ 132.0 million. The Group has a concentration of short-term loans with related parties OJSC Olkon and LLC Mining Holding Company that at September 30, 2010 represented US$ 104.1 million and US$ 53.7 million accordingly (December 31, 2009: US$ 59.4 million and US$ 56.4 million accordingly).

The Group had a concentration of long-term loans with related party OJSC Olkon that at December 31, 2009 represented US$ 45.6 million.

The Group has a concentration of short-term bank and other credit organizations financing with Royal Gold, Inc. that at September 30, 2010 represented US$ 17.5 million (December 31, 2009: US$ 41.3 million).

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 at a reporting date would have decreased profit for the nine months ended September 30, 2010 by US$ 43.4 million (nine months ended September 30, 2009: US$ 30.5 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 September 30, 2010	USD	RUB	KZT	CAD	NOK	GBP	Other
Cash and cash equivalents	58,880	—	—	4	73	198	220
Trade and other receivables	18,587	—	—	—	—	—	—
Financial investments	351,112	38,213	53,367	—	283	17,448	—
Deposits and other investments held-to-maturity	—	—	—	765	—	—	—
Notes and bonds issued	—	—	—	—	(22,254)	—	—
Bank and other credit organizations financing	(17,481)	—	—	—	—	—	—
Loans	(441,377)	—	—	(45,700)	(61,034)	(3,340)	—
Lease liabilities	(831)	—	—	—	—	—	—
Trade and other payables	(19,480)	(580)	—	—	—	(471)	(5,855)
Net exposure	(50,589)	37,633	53,367	(44,931)	(82,932)	13,835	(5,635)

Balance at December 31, 2009	USD	RUB	KZT	CAD	NOK	GBP	Other
Cash and cash equivalents	47,869	1,682	—	—	—	—	—
Trade and other receivables	4,700	—	—	—	—	—	—
Financial investments	303,280	62,844	48,461	—	—	—	—
Bank and other credit organizations financing	(71,808)	—	—	—	—	—	—
Loans	(382,221)	—	—	(38,037)	—	—	—
Lease liabilities	(2,204)	—	—	—	—	—	—
Trade and other payables	(21,711)	(271)	—	—	—	(500)	(1,500)
Net exposure	(122,095)	64,255	48,461	(38,037)	—	(500)	(1,500)

Sensitivity analysis

A 10 percent strengthening of the following currencies against the functional currency at September 30, 2010 and 2009 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.

	September 30, 2010	December 31, 2009
USD	(2,454)	(8,222)
RUB	3,122	5,294
KZT	4,017	3,629
CAD	(4,515)	(3,804)
NOK	(5,971)	—
GBP	996	(40)
Other	(397)	(121)
Total	(5,202)	(3,264)

A 10 percent weakening of these currencies against the functional currency at September 30 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Interest rates on the Group's debt finance are either fixed, variable at a fixed spread over LIBOR 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 it believes that a fixed or variable rate would be more favourable to the over the expected period until maturity.

The Group's interest-bearing financial instruments at variable rates were:

	September 30, 2010	December 31, 2009
	'000 USD	'000 USD
Financial liabilities (Interest with fixed spread over Libor)	(37,932)	(1,010)
Financial liabilities (Interest with fixed spread over Nibor)	(11,024)	—
Financial liabilities (Interest dependant on gold price and production volumes)	(17,481)	(41,336)

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 interest rates and 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	
	100 BP increase	100 BP decrease
Balance at September 30, 2010		
Cash flow sensitivity for financial liabilities	(352)	352
Balance at December 31, 2009		
Cash flow sensitivity for financial liabilities	(8)	8

	Net profit	
	10% price increase	10% price decrease
Balance at September 30, 2010		
Cash flow sensitivity for financial liabilities	(835)	835
Balance at December 31, 2009		
Cash flow sensitivity for financial liabilities	(1,677)	1,677

	Net profit	
	10% increase of production volumes	10% decrease of production volumes
Balance at September 30, 2010		
Cash flow sensitivity for financial liabilities	(872)	872
Balance at December 31, 2009		
Cash flow sensitivity for financial liabilities	(969)	969

Fair values versus carrying amounts

Management believes that the fair value of its financial assets and liabilities approximates their carrying amounts.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, except financial instruments measured at amortised cost, by valuation method. The different levels have been defined as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities;
- *Level 2:* inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Balance at September 30, 2010				
Available-for-sale financial assets	111,694	—	—	111,694
Derivative financial liabilities	(1,627)	—	—	(1,627)
Balance at December 31, 2009				
Available-for-sale financial assets	64,889	—	—	64,889
Derivative financial liabilities	(1,761)	(3,300)	—	(5,061)

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.

26. Commitments and contingencies

a. Taxation systems 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 characterized 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 interim financial statements, if the authorities were successful in enforcing their interpretation, the additional tax assessment could amount to US$15.5 million.

The tax legislation of Burkina Faso is not explicitly clear regarding the treatment of certain interest payments and application of related income tax withholding rules. If the tax authorities reclassify the loan and interest paid by Somita to Royal Gold under a loan agreement into royalties which are subject to the withholding tax, the additional withholding tax assessment could amount to US$1.9 - 3.7 million.

The VAT regulation of Burkina Faso imposes complicated compliance requirements to the recovery of input VAT. In case of noncompliance 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 interim financial statements, if the authorities were successful in challenging the Group's VAT position, the additional tax assessment could amount to US$2.4 million.

By virtue of being incorporated in Canada, Crew Gold Corporation is considered to be a Canadian tax resident. With its place of effective management in the UK the company is also considered to be a UK tax resident. Crew Gold Corporation has taken the tax filling and financial statements position that it is a UK resident for tax purposes. Depending on when the Canadian tax authority deem Crew Gold Corporation have left Canada for tax purposes, it may be liable for the payment of the Canadian departure tax and secondary exit tax in the total amount of US$ 23.8 million. Moreover, a Group company, Guinor, is also considered to be a Canadian tax resident. Due to replacement of the Guinor's board of directors with the 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$ 24.2 million. Depending on whether Guinor is deemed to be tax resident of UK or Canada it could be exposed to various tax risks, the maximum potential tax exposure could amount to US$ 24 million.

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

The actual volume of gold ore extracted by FIC Alel JSC in 2008-2009 exceeded the planned volume of extraction established by the Annual Working Program. While the Group has violated certain provisions of certain licenses and has been subject to inspections carried out by governmental authorities with respect to such violations, the Group is not aware of any decisions or sanctions on the revocation or termination of the licenses from governmental authorities applied as a result of such violations. In August 2010, the regional financial police in Kazakhstan brought a criminal case against officials of FIC Alel JSC, for allegedly violating the terms of its annual extraction programme by extracting ore in excess of permitted volumes. The maximum fee which could be imposed on FIC Alel JSC is US$32.9 million. At this time, the outcome of the case cannot be ascertained and no provision has been made.

Political instability and regime change in Guinea has resulted in uncertainty as to the resolution of issues raised by former Guinean government officials regarding the Guinean Mining Code, the persons authorised to negotiate the terms of mining concessions on behalf of the government, the existing mining concessions of Crew Gold Corporation and other mining companies and the government's policy of encouraging mining companies to have participation in their share capital. Current government officials also have made statements indicating that a review of the Guinean Mining Code and re-negotiation of some existing mining concessions may be appropriate.

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 per cent. interest in Crew Gold Corporation's subsidiary Société Minière de Dinguiraye ("SMD"), which holds the LEFA mining concession. These discussions resulted in the former minister of mines proposing an agreement in which 7.5 per cent. 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.

In the correspondence regarding the above proposal, the former Minister of Mines also had indicated that he believed that Crew Gold Corporation 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 contacted the Company reiterating these proposals and stating its intention to renew negotiation on this subject. Management believes that this provision does not apply to its acquisition of Crew Gold Corporation and has received legal advice confirming this position.

Given the uncertain political environment and issues raised, there can be no assurance that the new government of Guinea will not seek payments or equity interests from Crew Gold Corporation or modify its mining concessions whether based on the claims raised by the previous government, Article 62, amendments to or repeal of the Guinean Mining Code or other relevant legislation, import duty provisions or a re-negotiation of existing mining concessions.

c. Litigations

In April 2010, JSC FIC Alel received a resolution from the Semey City tax authorities for taxes and penalties in the amount of US$4.0 million. In May 2010, JSC FIC filed a claim in the Special Economic Court of the East-Kazakhstan Region to nullify the resolution in the amount of US$3.5 million. In July 2010, the court ruled in favour of JSC FIC Alel.

In April 2010, ZAO Mine Aprelkovo received a resolution from the Zabaykalsky Region tax authorities for taxes and penalties in the amount of US$2.8 million, mostly related to mineral extraction tax. In July 2010, ZAO Mine Aprelkovo filed a claim in the Arbitration Court of Zabaykalsky Region to nullify the resolution in the full amount. At this time, the outcome of the claim cannot be ascertained and no provision has been made.

In June 2010, Buryatzoloto applied to Moscow Arbitration Court for official bankruptcy procedures for Prognoz Silver LLC which resulted in outstanding debt under the contract for exploration work on the Prognoz silver project becoming due. Currently the application is under the retrial of the court. Management believes that the Group's investment in Prognoz Silver LLC will be recovered upon bankruptcy procedures completion.

At the reporting date Somita withheld the final payment due to a contractor Senet CC for a processing plant of approximately US$1.6 million and has made a claim against the contractor for repairs and losses. The contractor has commenced arbitration proceedings in South Africa as provided for under the construction contract seeking a payment of the withheld amounts and damages for an aggregate amount of US$3.7 million. Somita has filed a statement of defence and counter claim against Senet CC for damages, the amount of which is proportionate to the amount of Senet CC claim. The arbitration proceedings are still pending. The ultimate resolution of the arbitration cannot be ascertained at this time, and no provision has been made for the amount claimed.

In November 2010, TOO Semgeo received a resolution from the Kazakhstan tax authorities for taxes and penalties in the amount of US$0.5 million, mostly related to mineral extraction tax. The company is filing a claim to nullify

the resolution in the full amount. At this time, the outcome of the claim cannot be ascertained and no provision has been made.

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. Crew Gold filed an application to challenge the jurisdiction of the Yukon courts over this claim in December 2010 and plans to defend the action, which it believes to be without merit.

Management of the Group believes that it has made adequate provisions for other possible claims.

d. Capital commitments

At the reporting date the Group had contractual capital commitments of US$34.6 million (December 31, 2009: US$8.6 million).

e. Other commitments

In September 2010, the Group and Sacre-Coeur Minerals Ltd. entered into a binding agreement for the Company to purchase all of the outstanding common shares of Sacre-Coeur Minerals Ltd. not currently owned by the Group for cash consideration of CAD$1.60 per share and also purchase all of the outstanding warrants and all of the outstanding options (vested and not yet vested) of Sacre-Coeur Minerals Ltd. for a cash payment equal to the difference between CAD$1.60 and the exercise price of the respective warrant or option. Sacre-Coeur Minerals Ltd. is a company engaged in the acquisition, exploration and development of properties for the potential mining of gold, metals and diamonds in South America, initially focusing on exploration for gold on its properties in Guyana. The Board of Directors of Sacre-Coeur Minerals Ltd. approved the transaction. The transaction is also subject to the approval of not less than 66⅔% of the votes at a special meeting of the shareholders of Sacre-Coeur Minerals Ltd. to be called to approve the transaction. If the transaction will be not completed, Sacre-Coeur Minerals Ltd. agreed to pay to the Company a termination fee of CAD$2.75 million.

f. Insurance

The Group has insured its property and equipment to compensate for losses arising from accidents. The Group has also insurance in respect of environmental damages. However, the Group does not have full insurance coverage.

g. Guarantees

At the reporting date the Group had US$0.2 million (December 31, 2009: US$0.7 million) of guarantees issued to third parties.

27. Events after the reporting period

In October 2010, account receivable from the new Parent Company in amount of US$37.3 million was fully paid by the new Parent Company (Note 11).

In October 2010, account payable to Bluecone Ltd for acquisition of the stake in Crew Gold Corporation (Notes 11, 24) in the amount of US$39.2 million was fully paid by the Company.

In October 2010, the Group received a short-term loan from the related party OJSC Olkon in the amount of US$20.0 million.

In October 2010, Somita made final production payments under the loan agreement with Royal Gold, Inc. and payments for tailing fee commenced.

In October 2010, the Group acquired a 2.26% stake in High River Gold Mines Ltd. for a total consideration of US$19.6 million resulted in increase of Group's ownership in High River Gold Mines Ltd. to 72.64% (Note 24).

In October 2010, the Crew Gold Corporation's Board of Directors agreed to proceed with a transaction in which a Group's subsidiary would acquire all of the outstanding common shares in the capital of Crew Gold Corporation that the Group does not already own for US $4.65 per common share payable by cash. In January 2011, the previously announced transaction was completed. Following the transaction the Group acquired a 6.62% stake in

Crew Gold Corporation for a total consideration of US$ 32.9 million resulting in obtaining control over 100% of its issued outstanding common shares.

In December 2010, the binding agreement between the Group and Sacre-Coeur Minerals Ltd. to purchase all of the outstanding common shares of Sacre-Coeur Minerals Ltd. was amended and the parties agreed to complete their due diligence review by January 31, 2011 and to use their best efforts to complete the transaction by April 1, 2011, which date may be extended to no later than May 31, 2011 if the parties are prevented from closing the transaction by reason of any court proceeding or in certain other circumstances (see Note 26 e).

In December 2010, the Group received a short-term loan from a related party, OJSC Severstal, in the amount of US$33.0 million.

On 17 January 2011 the Group announced its intention to proceed with an initial public offering and listing of its ordinary shares ("Shares"). The global offer by the Group will consist of newly issued Shares and existing Shares. Nord Gold intends to apply to the UK Financial Services Authority for its Shares to be admitted to the premium segment of the Official List on the London Stock Exchange and for all its Shares to be admitted for trading on the London Stock Exchange. Nord Gold has published its announcement on the Intention to Proceed with a Global Offering and Listing of Shares on the London Stock Exchange.

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 financial statements.

ZAO KPMG
10 Presnenskaya Naberezhnaya
Moscow, Russia 123317

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

SECTION C — PRO FORMA FINANCIAL INFORMATION OF NORD GOLD N.V.

(A) ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION FOR NORD GOLD N.V.

The Directors
Nord Gold N.V.

Dear Sirs,

We report on the pro forma financial information (the 'Pro forma financial information') set out in Part B of Section C in Appendix I of the Prospectus dated 27 January 2011, which has been prepared on the basis described in the Basis of preparation section on page A1-C3, for illustrative purposes only, to provide information about how the Offering and the acquisition of control over Crew Gold (the 'transactions') might have affected the financial information presented on the basis of the accounting policies adopted by Nord Gold N.V. in preparing the financial statements for the period ended 30 September 2010. This report is required by paragraph 20.2 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the directors of Nord Gold N.V. to prepare the Pro forma financial information in accordance with paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of Nord Gold N.V.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Nord Gold N.V.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a subsidiary of KPMG Europe LLP, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Opinion

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Nord Gold N.V.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

ZAO KPMG

27 January 2011

Naberezhnaya Tower Complex, Block C
10 Presnenskaya Naberezhnaya
Moscow 123317
Russia

ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a subsidiary of KPMG Europe LLP, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION

Basis of preparation

In July 2010 the Group completed the acquisition of 50.17% of Crew Gold Corporation ("Crew Gold") for a total consideration of USD 279 million. In September 2010 the Group acquired an additional 43% of Crew Gold shares for a total consideration of USD 215 million and in January 2011 the Group acquired all of the outstanding common shares in the capital of Crew Gold for a total consideration of USD 32.9 million and thus increased its ownership of Crew Gold to 100%.

The following unaudited pro forma financial information of the Group has been prepared to illustrate the effect of the Offering and the acquisition of control over Crew on the Group's net assets and profit/loss as if these events had taken place on 1 January 2009, based on the following assumptions:

- The carrying amounts of the assets and liabilities deemed to have been acquired at 1 January 2009 are determined based on the provisional fair values of the identifiable assets acquired and liabilities assumed as at the actual acquisition date and rolled back as described in notes 6, 7, 10 and 11 on page A1-C7. The excess of the sum of the consideration transferred and the amount of non-controlling interest over the net recognised amount of the acquired assets and liabilities assumed was included in intangible assets (including goodwill of USD 43 million) in the pro forma financial information.
- The carrying amounts of Nord Gold N.V.'s assets and liabilities are presented based on their IFRS amounts as reported in the consolidated financial statements of Nord Gold N.V.

The accounting policies of Nord Gold N.V. have been applied in compiling this pro forma Group financial information.

This pro forma Group financial information is prepared in accordance with the requirements of Annex II of the Commission Regulation (EC) No 809/2004/paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the Group's actual financial position or results had the transaction occurred on 1 January 2009. The unaudited pro forma financial information is compiled on the basis set out in the notes below.

Unaudited pro forma statement of net assets as at 31 December 2009

As at 31 December 2009	Nord Gold N.V. (IFRS)	Crew Gold (Canadian GAAP)	Fair value adj.		Presen-tation adj.	Reclassific-ation of discon-tinued operations	Other adj		Pro forma Group before the Offering	Net pro-ceeds of the Offering	Pro forma Group after the Offering
	Note 1	Note 2	Note 6	Note 7	Note 8	Note 9	Note 10	Note 11		Note 13,14,15	
						USD '000					
Assets											
Current assets											
Cash and cash equivalents	90 623	24 813	—	—	2 115	364	—	—	117 915	579 016	696 931
Restricted cash	—	2 115	—	—	(2 115)	—	—	—	—	—	—
Accounts receivable and advances	19 409	15 459	—	—	—	215	—	—	35 083	—	35 083
Inventories	153 802	54 510	—	—	—	266	—	—	208 578	—	208 578
VAT recoverable	26 106	—	—	—	—	—	—	—	26 106	—	26 106
Short-term financial investments	17 480	—	—	—	—	—	—	—	17 480	—	17 480
Income tax receivable	4 562	—	—	—	—	—	—	—	4 562	—	4 562
Current assets of discontinued operations	—	845	—	—	—	(845)	—	—	—	—	—
Total current assets	**311 982**	**97 742**	**—**	**—**	**—**	**—**	**—**	**—**	**409 724**	**579 016**	**988 740**
Non-current assets											
Property, plant and equipment	340 372	176 673	—	—	—	—	5 633	—	522 678	—	522 678
Intangible assets	599 877	143 499	379 619	21 289	—	—	—	—	1 144 283	—	1 144 283
Long-term financial investments	114 268	—	—	—	—	—	—	—	114 268	—	114 268
Investment in joint venture	6 572	—	—	—	—	—	—	—	6 572	—	6 572
Restricted cash	944	749	—	—	—	—	—	—	1 693	—	1 693
Deferred tax assets	12 495	—	—	—	—	—	—	—	12 495	—	12 495
Other non-current assets	1 308	5 083	—	—	—	—	—	(1 426)	4 965	—	4 965
Total non-current assets	**1 075 836**	**326 004**	**379 619**	**21 289**	**—**	**—**	**5 633**	**(1426)**	**1 806 954**	**—**	**1 806 954**
Total assets	**1 387 818**	**423 746**	**379 619**	**21 289**	**—**	**—**	**5 633**	**(1426)**	**2 216 678**	**579 016**	**2 795 694**
Liabilities											
Current liabilities											
Short-term debt finance	177 307	—	—	—	3 003	—	—	—	180 310	—	180 310
Accounts payable	81 267	74 260	—	—	(3 303)	854	—	—	153 078	—	153 078
Income tax payable	615	—	—	—	—	—	—	—	615	—	615
Provisions	3 992	—	—	—	300	1 295	—	—	5 587	—	5 587
Current liabilities of discontinued operations	—	2 149	—	—	—	(2 149)	—	—	—	—	—
Total current liabilities	**263 181**	**76 409**	**—**	**—**	**—**	**—**	**—**	**—**	**339 590**	**—**	**339 590**
Non-current liabilities											
Long-term debt finance	56 469	105 474	—	—	—	—	—	—	161 943	—	161 943
Provisions	34 147	3 518	—	—	—	—	5 633	—	43 298	—	43 298
Deferred tax liabilities	71 160	—	93 637	6 387	—	—	—	—	171 184	—	171 184
Other non-current liabilities	508	—	—	—	—	—	—	—	508	—	508
Total non-current liabilities	**162 284**	**108 992**	**93 637**	**6 387**	**—**	**—**	**5 633**	**—**	**376 933**	**—**	**376 933**
Total liabilities	**425 465**	**185 401**	**93 637**	**6 387**	**—**	**—**	**5 633**	**—**	**716 523**	**—**	**716 523**
Net assets	**962 353**	**238 345**	**285 982**	**14 902**	**—**	**—**	**—**	**(1 426)**	**1 500 155**	**579 016**	**2 079 171**

Unaudited pro forma income statement for the year ended 31 December 2009

For the year ended 31 December 2009	Nord Gold N.V (IFRS)	Crew Gold (Canadian GAAP)	Fair value adj.	Presen-tation adj.	Reclassific-ation of discon-tinued operations	Other adj	Pro forma Group before the Offering	Net pro-ceeds of the Offering	Pro forma Group after the Offering
	Note 1	Note 2	Note 7	Note 8	Note 9	Note 11		Note 13,14,15	
					USD '000				
Sales	517 572	184 596	—	—	57 931	—	760 099	—	760 099
Cost of sales	(309 404)	(203 314)	(28 327)	14 891	(35 024)	—	(561 178)	—	(561 178)
Gross profit/(loss)	**208 168**	**(18 718)**	**(28 327)**	**14 891**	**22 907**	**—**	**198 921**	**—**	**198 921**
General and administrative expenses	(26 515)	(12 542)]	—	(4 736)	(678)	—	(44 471)	—	(44 471)
Taxes other than income tax	(36 361)	—	—	(10 155)	(647)	—	(47 163)	—	(47 163)
Other operating (expenses)/income, net	(6 676)	(7 848)	—	—	52	—	(14 472)	(8 898)	(23 370)
Profit / (loss) from operations	**138 616**	**(39 108)**	**(28 327)**	**—**	**21 634**	**—**	**92 815**	**(8 898)**	**83 917**
Financial income	4 894	—	—	—	—	—	4 894	—	4 894
Financial expenses	(144 143)	(35 933)	—	—	—	(1 426)	(181 502)	—	(181 502)
(Loss)/profit before income tax	**(633)**	**(75 041)**	**(28 327)**	**—**	**21 634**	**(1 426)**	**(83 793)**	**(8 898)**	**(92 691)**
Income tax (expense)/benefit	(20 910)	4 325	8 498	—	—	—	(8 087)	—	(8 087)
(Loss)/ profit for the year from continuing operations	**(21 543)**	**(70 716)**	**(19 829)**	**—**	**21 634**	**(1 426)**	**(91 880)**	**(8 898)**	**(100 778)**
Net income from discontinued operations	—	21 634	—	—	(21 634)	—	—	—	—
Loss for the year	**(21 543)**	**(49 082)**	**(19 829)**	**—**	**—**	**(1 426)**	**(91 881)**	**(8 898)**	**(100 778)**

Unaudited pro forma statement of net assets as at 30 September 2010

As at 30 September 2010	Nord Gold N.V. (IFRS): Group before the Offering	Net proceeds of the Offering	Pro forma Group after the Offering
	Note 3	Note 13,14,15 USD '000	
Assets			
Current assets			
Cash and cash equivalents	162 245	579 016	741 261
Restricted cash		—	
Accounts receivable	62 257	—	62 257
Inventories	260 709	—	260 709
VAT recoverable	38 029	—	38 029
Short-term financial investments	16 383	—	16 383
Income tax receivable	1 069	—	1 069
Total current assets	**540 692**	579 016	**1 119 708**
Non-current assets			
Property, plant and equipment	537 517	—	537 517
Intangible assets	1 133 900	—	1 133 900
Long-term financial investments	140 629	—	140 629
Investment in joint venture	5 690	—	5 690
Restricted cash	5 448	—	5 448
Deferred tax assets	9 234	—	9 234
Other non-current assets	4 355	—	4 355
Total non-current assets	**1 836 773**	—	**1 836 773**
Total assets	**2 377 465**	579 016	**2 956 481**
Liabilities			
Current liabilities			
Short-term debt finance	359 905	—	359 905
Accounts payable	160 947	—	160 947
Income tax payable	8 991	—	8 991
Provisions	6 495	—	6 495
Total current liabilities	**536 338**	—	**536 338**
Non-current liabilities			
Long-term debt finance	67 653	—	67 653
Provisions	46 568	—	46 568
Deferred tax liabilities	183 860	—	183 860
Other non-current liabilities	1 650	—	1 650
Total non-current liabilities	**299 731**	—	**299 731**
Total liabilities	**836 069**	—	**836 069**
Net assets	**1 541 396**	579 016	**2 120 412**

Unaudited pro forma income statement for the nine months ended 30 September 2010

For the nine months ended 30 September 2010	Nord Gold N.V (IFRS)	Crew Gold (Canadian GAAP)	Elimination of Crew Gold consol-idation	Crew Gold (Canadian GAAP)	Fair value adj.	Presen-tation adj.	Reclassific-ation of discon-tinued operations	Other adj.	Pro forma Group before the Offering	Net pro-ceeds of the Offering	Pro forma Group after the Offering
	Note 3	Note 4	Note 5	Note 5	Note 7	Note 8	Note 9	Note 12		Note 13,14, 15	
					USD '000						
Sales	485 333	163 336	(22 901)	163 336	—	—	277	—	626 046	—	626 046
Cost of sales	(257 503)	(131 042)	20 906	(131 042)	(27 871)	13 297	(563)	—	(382 776)	—	(382 776)
Gross profit	**227 830**	**32 294**	**(1 994)**	**32 294**	**(27 871)**	**13 297**	**(286)**	**—**	**243 270**	**—**	**243 270**
General and administrative expenses	(29 622)	(9 675)	5 874	(9 675)	—	(3 949)	33	—	(37 339)	—	(37 339)
Taxes other then income tax	(29 067)	—	1 379	—	—	(9 348)	—	—	(37 036)	—	(37 036)
Other operating (expenses)/income, net	12 648	2 110	(804)	2 110	—	—	1 295	(16 084)	(836)	—	(836)
Profit / (loss) from operations	**181 789**	**24 729**	**4 455**	**24 729**	**(27 871)**	**—**	**1 042**	**(16 084)**	**168 059**	**—**	**168 059**
Financial income	5 351		—		—	—	—	—	5 351	—	5 351
Financial expenses	(48 044)	(6 649)	3 288	(6 649)	—	—	292	—	(51 114)	—	(51 114)
Profit/(loss) before income tax	**139 096**	**18 080**	**7 742**	**18 080**	**(27 871)**	**—**	**1 334**	**(16 084)**	**122 296**	**—**	**122 296**
Income tax (expense) / benefit	(39 210)	—	465	—	8 361	—	—	—	(30 383)	—	(30 383)
Profit/(loss) for the period from continuing operations	**99 886**	**18 080**	**8 208**	**18 080**	**(19 510)**	**—**	**1 334**	**(16 084)**	**91 913**	**—**	**91 913**
Net profit from discontinued operations	—	1 334	—	1 334	—	—	(1 334)	—	—	—	—
Profit/(loss) for the period	**99 886**	**19 414**	**8 208**	**19 414**	**(19 510)**	**—**	**—**	**(16 084)**	**91 913**	**—**	**91 913**

Notes:

(1) The information in this column has been extracted without material adjustment from the historical financial information of the Group for the year ended 31 December 2009 prepared in accordance with IFRS presented in Section A of Appendix 1 of this Prospectus

(2) The information in this column has been extracted without material adjustment from the financial information of Crew Gold for the year ended 31 December 2009 as prepared in accordance with generally accepted accounting principles in Canada (Canadian GAAP) presented in Section D of Appendix 1 of this Prospectus

(3) The information in this column has been extracted without material adjustment from the historical financial information of the Group for the nine months ended 30 September 2010 prepared in accordance with IFRS presented in Section B of Appendix 1 of this Prospectus

(4) The information in this column has been extracted without material adjustment from the financial information of Crew Gold for the 9 months ended 30 September 2010 as prepared in accordance with generally accepted accounting principles in Canada (Canadian GAAP) presented in Section D of Appendix 1 of this Prospectus

(5) The adjustment represents the elimination of the Crew Gold's results of operations for the period from the acquisition till 30 September 2010 from the consolidated financial information of the Group for the nine months ended 30 September 2010

(6) The adjustment represents the increase in intangible assets attributable to the goodwill and the fair value adjustment to the Mineral rights recognised at the acquisition date, as well as the deferred income tax effect of the fair value adjustment to the Mineral rights

(7) The adjustment represents the incremental amortisation of the fair value adjustment to the Mineral rights (as described in Note 6) and the effect of the change in amortisation method from depletion to the straight line method in accordance with the Group's accounting policies, as well as the deferred income tax effect of the above changes in the amortisation charge

(8) Presentation adjustments are made to comply with the Group accounting policies for the classification of balance sheet and income statement captions

(9) The adjustment represents the reclassification of items relating to discontinued operations as disclosed under Canadian GAAP into the appropriate captions of the balance sheet and income statements under IFRS as the disposed businesses do not constitute discontinued operations for the Group under IFRS

(10) The adjustment represents the reclamation and closure cost obligations of Crew Gold recalculated using the real discount rate applied in accordance with the Group's accounting policies

(11) The adjustment represents the amortised cost of the long term non-interest bearing deposit for Crew Gold's closure costs, accounted for unamortised under Crew Gold accounting policies

(12) The adjustment represents the elimination of the gain from remeasurement to fair value of the previously held equity interest in Crew Gold before its acquisition

(13) Net proceeds of the Offering are calculated as follows:

	USD '000
Gross proceeds from the Offering	614 869
Expenses associated with the Offering	(35 853)
Cash and cash equivalents from the offering (Net Proceeds)	579 016

Proceeds of the Offering have been calculated based on an Offer Price at the mid-point of the Offer Price Range

Expenses associated with the Offering are allocated to equity and expenses in proportion to numbers of listed existing shares and issued new shares

(14) No assumptions were made regarding any interest which would have been earned by the Group had the Group placed the proceeds of the Offering on deposit on 1 January 2009

(15) The proforma information does not take into account any intended repayment of the net amount of loans outstanding to the Severstal Group in the amount of approximately US$288 million following the Offering as disclosed in the "Use of Proceeds" section of Part 13 of the Prospectus. Net proceeds do not include adjustments for the trading activity or other transactions of the Group for the period since 30 September 2010

SECTION D — CONSOLIDATED FINANCIAL INFORMATION OF CREW GOLD CORPORATION

This information is being provided in conjunction with the pro forma financial information contained in Section C of this Appendix 1 to provide further detail regarding the information from which the pro forma financial information is derived.

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Crew Gold Corporation
Interim Consolidated Financial Statements

Quarter and Nine months ended September 30, 2010
(Unaudited)

CREW GOLD CORPORATION
Consolidated Balance Sheets
(Expressed in thousands of United States dollars - Unaudited)

	As at, September 30, 2010	As at, December 31, 2009
ASSETS		
CURRENT		
Cash and cash equivalents	**20,237**	24,813
Restricted cash	**801**	2,115
Accounts receivable	**231**	5,790
Prepaid expenses and deposits	**8,790**	9,669
Inventories and stockpiled ore (Note 6)	**64,268**	54,510
Current assets of discontinued operations (Note 5)	**30**	845
	94,357	97,742
MINING INTERESTS (Note 7(a))	**139,917**	143,499
PROPERTY, PLANT AND EQUIPMENT (Note 7(b))	**184,509**	176,673
OTHER ASSETS	**17**	83
RESTRICTED DEPOSITS ON CLOSURE COSTS	**5,000**	5,000
RESTRICTED CASH	**765**	749
	424,565	423,746
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**55,941**	74,260
Short-term portion of long-term debt (Note 8)	**48,956**	-
Current liabilities of discontinued operations (Note 5)	**-**	2,149
	104,897	76,409
RECLAMATION AND CLOSURE COST OBLIGATIONS	**3,848**	3,518
LONG-TERM DEBT AND OTHER LIABILITIES (Note 8)	**58,062**	105,474
	166,807	185,401
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	**241,893**	241,893
Retained earnings (accumulated deficit)	**15,865**	(3,548)
	257,758	238,345
	424,565	423,746

See Note 1 for Nature of Operations

See Note 3 for Basis of Presentation and Liquidity Risk and Note 5 for Discontinued Operations

See Note 11 for Subsequent Events

ON BEHALF OF THE BOARD:

"Vladimir N. Kozlov"	*"Cameron G. Belsher"*
Vladimir N. Kozlov, Director	Cameron G. Belsher, Chairman

CREWGOLD CORPORATION

Consolidated Statements of (Loss) Profit, Comprehensive (Loss) Gain and Earnings (Deficit)

(Expressed in thousands of United States dollars, except per share amounts - Unaudited)

	Post-reorganization	Pre-reorganization	**Post-reorganization**	Pre-reorganization
	Three months ended	Three months ended	**Nine months ended**	Nine months ended
	September 30, 2010	September 30, 2009	**September 30, 2010**	September 30, 2009
MINERAL SALES	**49,944**	34,216	**163,336**	119,720
DIRECT COSTS OF MINERAL SALES	**(36,327)**	(27,840)	**(98,219)**	(81,237)
MINE SITE ADMINISTRATION COSTS	**(5,736)**	(6,813)	**(17,753)**	(19,085)
DEPLETION AND DEPRECIATION	**(4,363)**	(5,126)	**(15,070)**	(27,236)
	3,518	(5,563)	**32,294**	(7,838)
EXPENSES				
Administration, office and general	**(3,916)**	(2,779)	**(8,556)**	(7,492)
Professional fees	**(17)**	(532)	**(1,119)**	(1,399)
Stock compensation expense	**-**	(209)	**-**	(694)
	(3,933)	(3,520)	**(9,675)**	(9,585)
OTHER (EXPENSES) INCOME				
Gain on disposal of Mico property (Note 5)	**-**	-	**1,062**	-
Gain on repurchase of long-term debt	**-**	-	**-**	1,916
Interest - long-term debt (Note 7)	**(1,925)**	(4,711)	**(5,681)**	(14,803)
Other finance charges - long-term debt (Note 7)	**(576)**	(1,354)	**(1,690)**	(4,055)
Foreign exchange gain (loss)	**(2,104)**	(4,740)	**721**	(5,882)
Other expenses and income	**1,148**	(1,114)	**1,048**	(1,877)
	(3,457)	(11,919)	**(4,540)**	(24,701)
NET (LOSS) PROFIT FROM CONTINUING OPERATIONS BEFORE RECOVERY OF INCOME TAXES	**(3,872)**	(21,002)	**18,079**	(42,124)
INCOME TAXES RECOVERY	**-**	709	**-**	2,261
NET (LOSS) PROFIT FROM CONTINUING OPERATIONS	**(3,872)**	(20,293)	**18,079**	(39,863)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 5)	**1,735**	(2,821)	**1,334**	8,919
NET (LOSS) PROFIT AND COMPREHENSIVE (LOSS) GAIN	**(2,137)**	(23,114)	**19,413**	(30,944)
EARNINGS (DEFICIT), BEGINNING OF PERIOD	**18,002**	(474,527)	**(3,548)**	(466,697)
EARNINGS (DEFICIT), END OF PERIOD	**15,865**	(497,641)	**15,865**	(497,641)
NET (LOSS) PROFIT PER SHARE - CONTINUING OPERATIONS - BASIC & DILUTED	**$ (0.04)**	$ (3.80)	**$ 0.17**	$ (7.46)
NET PROFIT (LOSS) PER SHARE - DISCONTINUED OPERATIONS - BASIC & DILUTED	**$ 0.02**	$ (0.53)	**$ 0.01**	$ 1.67
NET (LOSS) PROFIT PER SHARE - BASIC & DILUTED	**$ (0.02)**	$ (4.32)	**$ 0.18**	$ (5.79)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC & DILUTED	**106,922,322**	5,346,119	**106,922,322**	5,346,119

See Note 3 for Basis of Presentation and Fresh Start Accounting and Note 5 for Discontinued Operations

See notes to Interim Consolidated Financial Statements

CREW GOLD CORPORATION
Consolidated Statements of Cash Flows
(Expressed in thousands of United States dollars - Unaudited)

	Post-reorganization	Pre-reorganization	**Post-reorganization**	Pre-reorganization
	Three months ended	Three months ended	**Nine months ended**	Nine months ended
	September 30, 2010	September 30, 2009	**September 30, 2010**	September 30, 2009
OPERATING ACTIVITIES				
Net (loss) profit from continuing operations	**$ (3,872)**	$ (20,293)	**$ 18,079**	$ (39,863)
Add (deduct) items not affecting cash:				
Depletion and depreciation	**4,363**	5,126	**15,070**	27,236
Other finance charges - long-term debt	**576**	1,354	**1,690**	4,055
Gain on disposal of Maco property (Note 5)	**-**	-	**(1,062)**	-
Gain on repurchase of long-term debt	**-**	-	**-**	(1,916)
Unrealized foreign exchange loss (gain)	**2,493**	(1,554)	**(146)**	6,632
Recovery of income taxes	**-**	(709)	**-**	(2,261)
Stock compensation expense	**-**	209	**-**	694
Increase in other long-term liabilities	**330**	-	**330**	-
Change in non-cash operating working capital items	**(2,728)**	8,143	**(21,639)**	(1,810)
	1,162	(7,724)	**12,322**	(7,233)
FINANCING ACTIVITIES				
Costs of issuance of common shares	**-**	-	**-**	(25)
Repurchase of other long-term debt	**-**	-	**-**	(2,699)
	-	-	**-**	(2,724)
INVESTING ACTIVITIES				
Proceeds on disposal of Maco property (Note 5)	**-**	1,000	**1,062**	1,000
Expenditures on LEFA mineral property, plant and equipment	**(10,869)**	(5,187)	**(19,324)**	(14,119)
Proceeds on disposal of Nalunaq assets	**-**	1,000	**-**	1,000
Increase in long-term restricted cash	**(15)**	(2,564)	**(16)**	(5,005)
Decrease (increase) in restricted cash	**1,048**	370	**1,314**	(362)
Decrease (increase) in other assets	**2**	(2)	**66**	7
	(9,834)	(5,383)	**(16,898)**	(17,479)
NET CASH OUTFLOW	**(8,672)**	(13,107)	**(4,576)**	(27,436)
CASH FLOWS FROM DISCONTINUED OPERATIONS, see below	**(103)**	5,361	**(342)**	21,050
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**29,034**	18,528	**25,177**	17,168
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 20,259**	$ 10,782	**$ 20,259**	$ 10,782
Change in non-cash operating working capital items				
(Increase) decrease in				
Accounts receivable	**(222)**	(2,301)	**5,559**	(5,980)
Prepaid Expenses and deposits	**242**	2,926	**879**	(1,864)
Inventories	**1,521**	(1,082)	**(9,758)**	(8,076)
(Decrease) increase in				
Accounts payable	**(4,269)**	8,600	**(18,319)**	14,110
	$ (2,728)	$ 8,143	**$ (21,639)**	$ (1,810)
Cash flows from discontinued operations				
Operating activities	**(103)**	2,249	**(342)**	20,372
Investing activities	**-**	3,112	**-**	678
	$ (103)	$ 5,361	**$ (342)**	$ 21,050
Cash and cash equivalents at the end of the period relate to;				
Continuing operations	**20,237**	8,754	**20,237**	8,754
Discontinued operations (Note 5)	**22**	2,028	**22**	2,028
	$ 20,259	$ 10,782	**$ 20,259**	$ 10,782

See notes to Interim Consolidated Financial Statements

1. Nature of Operations

Crew Gold Corporation ("Crew" or the "Company") is a mining company currently focused on maximizing the performance of its gold mining operations and exploration projects in Guinea.

2. Debt-to-Equity Restructuring

On December 11, 2009, the Company completed a debt-to-equity restructuring (the "Restructuring") following an agreement reached between the Company and its debt holders.

Prior to the Restructuring, the Company had outstanding approximately (i) $100.9 million principal amount of senior secured bonds due March 30, 2011 (the "March 2006 Bonds"), (ii) $194.5 million principal amount of unsecured convertible bonds due December 1, 2010 (the "Convertible Bonds"), (iii) $21.2 million principal amount of senior unsecured bonds (the "9.5% Bonds") which were due for repayment on October 27, 2009, and (iv) $9.8 million principal amount of a loan from Intex Resources ASA (the "Intex loan"). The 9.5% bonds had been called into default by the loan trustee of those bonds and the interest payable on the Convertible Bonds and the 9.5% bonds had not been paid. The Restructuring involved the conversion of 50% of the outstanding principal of the March 2006 Bonds ($50.5 million) and the conversion of 80% of the principal amount of the Convertible Bonds, 9.5% Bonds and the Intex loan all into 2,031,528,184 common shares of the Company.

The March 2006 Bonds agreement was amended to take account of this adjustment to the principal amount of the bonds. Furthermore, the maturity date was extended to September 30, 2011 and the Company agreed to provide on-demand guarantees in favour of the loan trustee, from certain of Crew's subsidiaries in support of the Company's obligations under the March 2006 Bonds. All other terms and conditions of the March 2006 Bonds remained the same. The accrued and unpaid interest ($1.2 million) related to the March 2006 Bonds which were being converted into common shares was paid on the next scheduled payment date, December 29, 2009.

The remaining 20% principal balances of the Convertible Bonds ($38.9 million), the 9.5% Bonds ($4.2 million) and the Intex loan ($1.9 million), and all accrued, penalty (as applicable) and unpaid interest (Convertible Bonds - $10.9 million; 9.5% Bonds - $2.3 million; Intex loan - $0.6 million) were extinguished and replaced by a new bond loan (the "Dec 2009 Bonds") which: (i) has a maturity date of September 30, 2012, (ii) a US dollar tranche (the "USD tranche") of $46.9 million and a NOK denominated tranche (the "NOK tranche") of NOK68.7 million ($12.0 million) so that each bondholder could hold bonds in the same currency post-Restructuring as before, (iii) an interest rate of 9.5% for the NOK tranche and 7.3% for the USD tranche payable quarterly in arrears, (iv) the same security package as the March 2006 Bonds on a second priority basis after the March 2006 Bonds, and (v) otherwise the same terms and conditions as the March 2006 Bonds.

3. Basis of presentation and liquidity risk

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements using the same policies set out in the Company's annual consolidated financial statements. They do not conform in all respects with the Canadian GAAP disclosure requirements for annual financial statements and should be read in conjunction with the Company's Audited Consolidated Financial Statements for the year ended December 31, 2009 and the related notes thereto.

3. Basis of presentation and liquidity risk (continued)

In accordance with Section 1625 of the Canadian Institute of Chartered Accountants ("CICA") Handbook, Comprehensive Revaluation of Assets and Liabilities ("CICA 1625"), the Company reflected new costs established by the "financial reorganization" on December 11, 2009. References to "pre-reorganization" in these unaudited consolidated financial statements and notes thereto refer to the Company and its subsidiaries prior to and on December 11, 2009. References to "post-reorganization" refer to the Company and its subsidiaries after December 11, 2009. In accordance with CICA 1625, pre-reorganization financial information has not been restated to reflect the impact of the value adjustments and accordingly certain amounts in the pre-reorganization Company are not directly comparable.

The unaudited consolidated balance sheets as at September 30, 2010 and December 31, 2009 include the accounts of the post-reorganization Company. The unaudited consolidated statements of profit (loss), comprehensive gain (loss) and earnings (deficit) and the unaudited consolidated statements of cash flows for the quarter and nine months ended September 30, 2010 reflect the results of operations and cash flows of the post-reorganization Company; the unaudited consolidated statements of profit (loss), comprehensive gain (loss) and earnings (deficit) and the consolidated statements of cash flows for the quarter and nine months ended September 30, 2009 reflect the results of operations and cash flows of the pre-reorganization Company.

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. Liquidity risk is the risk that the Company may not be able to meet its financial obligations as they fall due. The March 2006 Bonds ($49.0 million) fall due September 2011 and accordingly have been classified as a current liability in the current quarter. The Company believes that the operations will generate sufficient cash flow to repay its obligations as they fall due during 2010 and 2011, however, this cannot be assured as the cash flows are dependent on significant factors outside the control of management such as changes in the gold price, foreign exchange rates, political uncertainty and the increasing costs of inputs. In the event that additional funding is required, there can be no assurances that such funds will be available and/or on terms acceptable by the Company.

4. New Accounting Pronouncements

In January 2009, The CICA issued CICA Handbook Section 1582, Business Combinations ("CICA 1582"), Section 1601, Consolidations ("CICA 1601"), and Section 1602, Non-controlling Interests ("CICA 1602"). These sections replace the former CICA Handbook Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA 1601 establishes standards for the preparation of consolidated financial statements. CICA 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. CICA 1601 and CICA 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently.

5. Discontinued operations

The Company has also applied the disclosure requirements of CICA Handbook Section 3475, Disposal of Long-lived Assets and Discontinued Operations to the current and comparative periods due to the sale of the Nalunaq Gold Mine ("Nalunaq") assets, the sale of its interest in Apex Mining Company, Inc. and all other related assets and liabilities in the Philippines ("Maco property") and the sale of the Nugget Pond processing facility (Nugget Pond").

The following tables present the amounts included in the unaudited consolidated statements of operations, and unaudited consolidated balance sheets for the Company in respect of discontinued operations:

	Post-reorganization	Pre-reorganization	**Post-reorganization**	Pre-reorganization
	Three months ended	Three months ended	**Nine months ended**	Nine months ended
	September 30, 2010	September 30, 2009	**September 30, 2010**	September 30, 2009
Mineral sales	**$ -**	$ 12,005	**$ 124**	$ 51,007
Net profit (loss) before recovery of income taxes	**1,735**	(2,821)	**1,334**	8,919
Net profit (loss) from discontinued operations	**1,735**	(2,821)	**1,334**	8,919
Net profit (loss) per share from discontinued operations - basic and diluted	**0.02**	(0.53)	**0.01**	1.67

	September 30, 2010	December 31, 2009
Cash and cash equivalents	**$ 22**	$ 364
Accounts receivable	**8**	172
Prepaid expenses and deposits	-	43
Inventories and stockpiled ore	-	266
Current assets of discontinued operations	**$ 30**	$ 845
Accounts payable and accrued liabilities	**$ -**	$ 854
Reclamation and closure cost obligations	-	1,295
Current liabilities of discontinued operations	**$ -**	$ 2,149

Sale of Maco property

During the pre-reorganization period, the Company signed an agreement to sell Maco for a total estimated cash consideration of $7 million; the first two payments of $1 million and $5 million were received by the Company during the pre-reorganization period and the Company recorded a loss on disposal of the Maco property of $8.3 million. The final contingent instalment, which amounted to $1.1 million was received on January 28, 2010 and the Company recorded a gain on disposal of the Maco property of $1.1 million for the nine months ended September 30, 2010.

6. Inventories and stockpiled ore

	September 30, 2010	December 31, 2009
Stockpiled ore	**$ 7,954**	$ 10,202
Gold in process	**2,317**	4,060
Gold dore	**2,481**	1,459
Materials and consumable supplies	**51,516**	38,789
	$ 64,268	$ 54,510

7. Mining Interests, Property, Plant and Equipment

(a) Mining Interests

	LEFA - Producing Mineral Property		
	Cost	Accumulated depletion	Net book value
At September 30, 2010	**$ 146,453**	**$ (6,536)**	**$ 139,917**
At December 31, 2009	$ 144,182	$ (683)	$ 143,499

In accordance with the application of CICA 1625 (see Note 3), the book value of the mineral property value was adjusted to reflect the new cost established in the financial reorganization on December 11, 2009.

(b) Property, Plant and Equipment

	LEFA - Plant and Equipment		
	Cost	Accumulated depreciation	Net book value
At September 30, 2010	**$ 195,080**	**$ (10,571)**	**$ 184,509**
At December 31, 2009	$ 178,027	$ (1,354)	$ 176,673

In accordance with the application of CICA 1625 (see Note 3), the book value of the property, plant and equipment was adjusted to reflect the new cost established in the financial reorganization on December 11, 2009. The Company operates the LEFA Project through ownership of its subsidiary SMD. The mining lease expires in 2024 and is renewable for an additional five years. The Company's operations in Guinea are governed by the Convention de Base agreement with the Government of Guinea.

8. Long-term debt and other liabilities

	September 30, 2010	December 31, 2009
December 2009 Bonds (a)	$ 56,174	$ 55,434
March 2006 Bonds (b)	48,956	48,152
Other long term obligations	1,888	1,888
	$ 107,018	$ 105,474
Less Short-term portion	(48,956)	-
	$ 58,062	$ 105,474

(a) December 2009 Bonds

The December 2009 bonds were issued as a result of the Restructuring referenced in Note 2.

Following the implementation of fresh start accounting, the USD tranche of $46.9 million was recorded at an estimated fair value of $44.2 million and the NOK tranche of NOK68.7 million ($11.7 million) at an estimated fair value of NOK64.7 million ($11.1 million) using a 10% discount rate.

Over the term of the December 2009 bonds obligation, the difference is accreted to the face value of the instrument by recording an additional financing charge. This amounted to $0.2 million for the quarter ended September 30, 2010 (quarter ended September 30, 2009 - $nil) and $0.7 million for the nine months ended September 30, 2010 (nine months ended September 30, 2009 – $nil).

Interest expense of $1.2 million on the December 2009 bonds has been recorded for the three months ended September 30, 2010 (three months ended September 30, 2009 - $nil) and $3.4 million for the nine months ended September 30, 2010 (nine months ended September 30, 2009 - $nil).

b) March 2006 Bonds

On March 30, 2006 the Company received subscriptions for a new issue of secured bonds in the aggregate principal amount of approximately $101.6 million, comprising a USD tranche of $50 million and a NOK tranche of NOK325 million, approximately $51.6 million. After deducting financing costs of $2.8 million, net proceeds were $98.8 million.

The terms and face values of the March 2006 bonds were amended as a result of the Restructuring as detailed in Note 2.

Following the implementation of fresh start accounting, the USD tranche of $39.0 million has been recorded at an estimated fair value of $37.1 million and the NOK tranche of NOK65.5 million ($11.2 million) at an estimated fair value of NOK63.8 million ($10.9 million) using a 10% discount rate.

Over the amended term of the March 2006 bonds obligation, the difference is accreted to the face value of the instrument by recording an additional financing charge. This amounted to $0.2 million for the quarter ended September 30, 2010 (quarter ended September 30, 2009 - $nil) and $0.8 million for the nine months ended September 30, 2010 (nine months ended September 30, 2009 – $nil).

Interest expense of $0.8 million on the March 2006 bonds has been recorded for the quarter ended September 30, 2010 (quarter ended September 30, 2009 - $1.5 million) and $2.3 million for the nine months ended September 30, 2010 (nine months ended September 30, 2009 - $5.0 million).

9. Share Capital

(a) Share capital

At December 31, 2009, there were 2,138,450,563 common shares without par value issued and outstanding. On June 29, 2010, the Company's shareholders approved a consolidation of its issued and outstanding common shares on the basis of a ratio of twenty (20) pre-consolidation shares for every one post-consolidation share. The consolidation reduced the number of issued and outstanding common shares to 106,922,322. These unaudited interim consolidated financial statements have been adjusted retrospectively to effect this change.

The common shares are a single class, and are entitled to one vote per share on all matters put to shareholders of the Company, dividends, as and when declared by the Board of Directors of the Company, and participation in assets upon dissolution or winding-up.

(b) Share options

Share options outstanding at September 30, 2010 as adjusted for the common share consolidation are as follows:

Options outstanding	Options exercisable	Expiry date	Weighted average exercise price (CDN$)	Remaining contractual life (years)
6,250	6,250	March 14, 2014	15.00	3.45
25,625	25,625	November 14, 2013	16.00	3.13
1,250	1,250	March 14, 2013	275.20	2.45
3,563	3,563	March 9, 2011	278.40	0.44
3,750	3,750	June 29, 2011	278.40	0.75
1,250	1,250	June 7, 2012	352.00	1.69
24,214	24,214	December 12, 2011	387.20	1.20
2,188	2,188	May 1, 2012	424.00	1.59
68,090	68,090		$ 200.13	2.11

No share options were granted in the nine months ended September 30, 2010 (nine months ended September 30, 2009 – fair value $0.1 million). The total compensation expense for the quarter and nine months ended September 30, 2010 is $nil (quarter and nine months ended September 30, 2009 – $0.2 million and $0.7 million respectively).

(c) Capital Disclosures

The Company considers capital to be long-term debt and shareholders' equity attributable, comprised of issued share capital. It is the Company's objective to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to meet external capital requirements on its debt and credit facilities. The company manages the capital structure and makes adjustments to it based on changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain and manage its capital structure, the Company may change the timing of its planned capital asset spending, attempt to issue new shares, seek debt financing and sell assets.

9. Share Capital (continued)

To determine the funds necessary to ensure it has the liquidity to meet its operating and capital asset acquisition requirements, annual budgets are prepared and updated as necessary based on various factors, many of which are beyond the Company's control. In assessing liquidity, the Company takes into account its expected cash flows from operations, including capital asset expenditures, and its cash and cash equivalent holdings. The Board of Directors reviews the annual and updated budgets.

The Company's investment policy is to invest its cash in highly liquid investments, and occasionally low risk short-term interest bearing investments, selected with regards to the expected timing of expenditures from operations.

The Company completed a Restructuring on December 11, 2009, further details of which can be found in Note 2 to these unaudited consolidated financial statements.

The Company does not have a dividend policy.

The Company's future mine closure obligations require funds to be set aside from time to time. Estimated future costs of reclamation and closure are accrued as an asset retirement obligation and security deposits and cash amounts held in trust are recorded as restricted deposits on closure costs.

10. Segmented Information

The Company currently operates in one reportable operating segment, being the gold production and sale of gold from its LEFA project in Guinea. Following the disposal of the Greenlandic and Philippines components of the business during the pre-reorganization period (Note 5), mineral properties, plant and equipment are located only in Guinea. Working capital balances are primarily located in Guinea. Corporate administrative expenses and bond financing are primarily located in the United Kingdom.

11. Subsequent events

(a) Going private transaction

On October 18, 2010 the Company announced that the Board of Directors had approved proceeding with a transaction in which an indirect wholly owned subsidiary of OAO Severstal ("Severstal") would effectively acquire all of the outstanding common shares in the Capital of the Company that Severstal does not already own or control thus taking the Company private.

(b) PMC action

On October 29, 2010, Piscedda Mining Corporation ("PMC") served the Company with a statement of claim in the Yukon Territory, Canada, alleging damages for $127 million relating to Crew's assumption of the mining operations from PMC at its Guinean subsidiary, Societe Miniere de Dinguiraye, in 2008. The Company believes the claim is frivolous, vexatious and entirely without merit and will defend it vigorously.

Auditors' Report

PricewaterhouseCoopers LLP
Chartered Accountants
PricewaterhouseCoopers Place
250 Howe Street, Suite 700
Vancouver, British Columbia
Canada V6C 3S7
Telephone +1604 806 7000
Facsimile +1604 806 7806

To the Shareholders of Crew Gold Corporation

We have audited the consolidated balance sheets of Crew Gold Corporation as at December 31, 2009 (Post-reorganization) and December 31, 2008 (Pre-reorganization), and the consolidated statements of loss, comprehensive loss and deficit, and cash flows for the 20 day period ended December 31, 2009 (Post-reorganization), and for the 345 day period ended December 11, 2009 (Pre-reorganization) and the year ended December 31, 2008 (Pre-reorganization). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 (Post-reorganization) and December 31, 2008 (Pre-reorganization) and the results of its operations and its cash flows for the 20 day period ended December 31, 2009 (Post-reorganization), and for the 345 day period ended December 11, 2009 (Pre-reorganization) and the year ended December 31, 2008 (Pre-reorganization) in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia
March 30, 2010

"Pricewaterhouse Coopers" refers to PricewaterhouseCooper LLP, an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.

Consolidated Balance Sheets

(Expressed in thousands of United States dollars)

	Post-reorganization December 31, 2009	Pre-reorganization December 31, 2008
ASSETS		
CURRENT		
Cash and cash equivalents (Note 16(c))	24,813	14,575
Restricted cash (Note 19)	2,115	246
Accounts receivable	5,790	12,212
Prepaid expenses and deposits	9,669	2,128
Inventories and stockpiled ore (Note 6)	54,510	48,787
Current assets of discontinued operations (Note 5)	845	29,850
	97,742	107,798
Mining interests (Note 7(a))	143,499	315,914
Property, plant and equipment (Note 7(b))	176,673	204,281
Other assets	83	673
Restricted deposits on closure costs (Note 19)	5,000	1,294
Restricted cash (Note 19)	749	614
Non-current assets of discontinued operations (Note 5)	–	6,024
	423,746	636,598
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	74,260	55,265
Short term portion of other long-term debt (Note 10)	–	24,151
Current liabilities of discontinued operations (Note 5)	2,149	8,664
	76,409	88,080
Reclamation and closure cost obligations (Note 8)	3,518	3,289
Convertible bonds (Note 9)	–	178,548
Other long-term debt and liabilities (Note 10)	105,474	105,464
Long-term liabilities of discontinued operations (Note 5)	–	2,974
Future income taxes (Note 11)	–	51,807
	185,401	430,162
SHAREHOLDERS' EQUITY		
Share capital (Note 12)	241,893	645,415
Equity component of convertible bonds (Note 9)	–	15,607
Contributed surplus	–	11,573
Accumulated other comprehensive income (Note 13)	–	538
Deficit	(3,548)	(466,697)
	238,345	206,436
	423,746	636,598

See Note 1 for Nature of Operations

See Note 3 for Basis of Presentation and Fresh Start Accounting and Note 5 for Discontinued Operations

See Note 14 for Commitments and Note 15 for Contingencies

On behalf of the board:

"Simon J. Russell"	*"Cameron G. Belsher"*
Simon J. Russell, Director	Cameron G. Belsher, Chairman

See accompanying notes to the consolidated financial statements

Consolidated Statements of Loss, Comprehensive Loss and Deficit

(Expressed in thousands of United States dollars, except per share amounts)

Mineral sales
Direct costs of mineral sales
Mine site administration costs
Depletion and depreciation
EXPENSES
Administration, office and general
Exploration costs expensed
Professional fees
Stock compensation expense (Note 12(c))
OTHER (EXPENSES) INCOME
Loss on disposal of Maco property (Note 5)
Loss on disposal of Nalunaq assets (Note 5)
Gain on disposal of Nugget Pond processing facility (Note 5)
Gain on debt extinguishment (Note 10(c))
Gain on disposal of investment in Intex Resources ASA
Realized loss on future / forward obligation contracts
Goodwill impairment charge
Interest - Convertible bonds and other long-term debt
Other finance charges - Convertible bonds and other long-term debt
Foreign exchange gain (loss)
Other expenses and income
Net loss from continuing operations before recovery of income taxes
Income taxes recovery
Net loss from continuing operations
Net (loss) income from discontinued operations (note 5)
Net loss and comprehensive loss
Deficit, beginning of period
Deficit, end of period
Net loss per share - continuing operations - basic & diluted
Net (loss) income per share - discontinued operations - basic & diluted
Net loss per share - basic & diluted
Weighted average number of shares outstanding - basic & diluted

See Note 3 for Basis of Presentation and Fresh Start Accounting and Note 5 for Discontinued Operations

See accompanying notes to the consolidated financial statements

Post-reorganization	Pre-reorganization	
20 day period ended December 31, 2009	345 day period ended December 11, 2009	Year ended December 31, 2008
14,852	169,744	165,624
(13,044)	(117,378)	(130,182)
(1,808)	(27,049)	(25,777)
(2,037)	(41,998)	(33,624)
(2,037)	**(16,681)**	**(23,959)**
(680)	(9,438)	(17,553)
–	–	(3,447)
(50)	(1,539)	(1,600)
–	(835)	(97)
(730)	**(11,812)**	**(22,697)**
–	(8,335)	–
–	(1,063)	–
–	3,407	–
–	1,916	–
–	–	2,587
–	–	(537)
–	–	(104,592)
(452)	(18,173)	(27,743)
(181)	(5,102)	(5,423)
36	(13,977)	66,549
(49)	(1,808)	3,440
(646)	**(43,136)**	**(65,719)**
(3,413)	(71,629)	(112,375)
–	4,325	20,198
(3,413)	**(67,304)**	**(92,177)**
(135)	21,769	(111,324)
(3,548)	**(45,535)**	**(203,501)**
–	(466,697)	(263,196)
(3,548)	**(512,232)**	**(466,697)**
$(0.00)	$(0.63)	$(1.46)
$(0.00)	$0.20	$(1.76)
$(0.00)	$(0.43)	$(3.21)
2,138,450,563	106,922,379	63,330,994

Consolidated Statements of Cash Flows

(Expressed in thousands of United States dollars)

OPERATING ACTIVITIES
Net loss from continuing operations
Add (deduct) items not affecting cash:
Depletion and depreciation
Other finance charges - amortisation and accretion
Exploration costs expensed and written off
Loss on disposal of Maco property (Note 5)
Loss on disposal of Nalunaq assets (Note 5)
Gain on disposal of Nugget Pond property (Note 5)
Gain on debt extinguishment (Note 10(c))
Gain on disposal of investment in Intex Resources ASA
Goodwill impairment charges
Unrealized foreign exchange (gain) loss
Recovery of income taxes
Stock compensation expense (Note 12(c))
Write off of other assets
Accretion of asset retirement obligations
Increase in other long-term obligations
Change in non-cash operating working capital items (Note 16(a))
FINANCING ACTIVITIES
Gross proceeds from common shares issued
Costs of issuance of common shares
Expenditure on debt extinguishment (Note 10(c))
Repayment of other long-term obligations
INVESTING ACTIVITIES
Proceeds on disposal of Maco property, net of cash disposed of (Note 5)
Proceeds on disposal of Nalunaq assets (Note 5)
Proceeds on disposal of Nugget Pond property (Note 5)
Proceeds on disposal of investment in Intex Resources ASA
Expenditures on LEFA mineral property, plant and equipment
Expenditures on other mineral property interests
Increase in restricted deposits for closure costs (Note 8)
(Increase) decrease in long-term restricted cash balances
Decrease (increase) in restricted cash
Increase in other assets
NET CASH INFLOW (OUTFLOW)
CASH FLOWS FROM DISCONTINUED OPERATIONS, SEE BELOW
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD
CASH AND CASH EQUIVALENTS, END OF PERIOD
Cash flows from discontinued operations
Operating activities
Financing activities
Investing activities
Cash and cash equivalents at the end of the period relate to;
Continuing operations
Discontinued operations (Note 5)

See Note 16 for Cash flow statement information

See accompanying notes to the consolidated financial statements

	Post-reorganization	Pre-reorganization	
	20 day period ended December 31, 2009	345 day period ended December 11, 2009	Year ended December 31, 2008
	$ (3,413)	$ (67,304)	$ (92,177)
	2,037	41,998	33,624
	181	5,102	5,423
	–	–	2,225
	–	8,335	–
	–	1,063	–
	–	(3,407)	–
	–	(1,916)	–
	–	–	(2,587)
	–	–	104,592
	(252)	15,273	(73,111)
	–	(4,325)	(20,198)
	–	835	97
	–	590	–
	–	378	–
	39	679	–
	2,728	1,962	(10,615)
	1,320	**(736)**	**(52,727)**
	–	–	78,170
	–	(25)	(4,504)
	–	(2,699)	–
	–	(3,027)	–
	–	**(5,751)**	**73,666**
	–	4,088	–
	–	1,500	–
	–	3,407	–
	–	–	13,564
	(31)	(20,037)	(25,685)
	–	–	(1,354)
	–	(5,000)	–
	(3)	(132)	4,106
	5,373	(5,948)	(215)
	–	–	(161)
	5,339	**(22,122)**	**(9,745)**
	6,659	(28,609)	11,194
	260	29,699	(14,087)
	18,258	17,168	20,061
	$ 25,177	**$ 18,258**	**$ 17,168**
	260	29,660	(11,868)
	–	–	(3,808)
	–	39	1,589
	$ 260	**$ 29,699**	**$ (14,087)**
	24,813	18,165	14,575
	364	93	2,593
	$ 25,177	**$ 18,258**	**$ 17,168**

1. NATURE OF OPERATIONS

Crew Gold Corporation ("Crew" or the "Company") is a mining company currently focused on maximizing the performance of its gold mining operations and exploration projects in Guinea.

2. DEBT-TO-EQUITY RESTRUCTURING

On December 11, 2009, the Company completed a debt-to-equity restructuring (the "Restructuring") following an agreement reached between the Company and its debt holders.

Prior to the Restructuring, the Company had outstanding approximately (i) $100.9 million principal amount of senior secured bonds due March 30, 2011 (the "March 2006 Bonds"), (ii) $194.5 million principal amount of unsecured convertible bonds due December 1, 2010 (the "Convertible Bonds"), (iii) $21.2 million principal amount of senior unsecured bonds (the "9.5% Bonds") which were due for repayment on October 27, 2009, and (iv) $9.8 million principal amount of a loan from Intex Resources ASA (the "Intex loan"). The 9.5% bonds had been called into default by the loan trustee of those bonds and the interest payable on the Convertible Bonds and the 9.5% bonds had not been paid. The Restructuring involved the conversion of 50% of the outstanding principal of the March 2006 Bonds ($50.5 million) and the conversion of 80% of the principal amount of the Convertible Bonds, 9.5% Bonds and the Intex loan all into 2,031,528,184 common shares of the Company.

The March 2006 Bonds agreement was amended to take account of this adjustment to the principal amount of the bonds. Furthermore, the maturity date was extended to September 30, 2011 and the Company agreed to provide on-demand guarantees in favour of the loan trustee, from certain of Crew's subsidiaries in support of the Company's obligations under the March 2006 Bonds. All other terms and conditions of the March 2006 Bonds remained the same. The accrued and unpaid interest ($1.2 million) related to the March 2006 Bonds which were being converted into common shares was paid on the next scheduled payment date, December 29, 2009.

The remaining 20% principal balances of the Convertible Bonds ($38.9 million), the 9.5% Bonds ($4.2 million) and the Intex loan ($1.9 million), and all accrued, penalty (as applicable) and unpaid interest (Convertible Bonds - $10.9 million; 9.5% Bonds - $2.3 million; Intex loan - $0.6 million) were extinguished and replaced by a new bond loan (the "Dec 2009 Bonds") which: (i) has a maturity date of September 30, 2012, (ii) a US dollar tranche (the "USD tranche") of $46.9 million and a NOK denominated tranche (the "NOK tranche") of NOK68.7 million ($12.0 million) so that each bondholder could hold bonds in the same currency post-Restructuring as before, (iii) an interest rate of 9.5% for the NOK tranche and 7.3% for the USD tranche payable quarterly in arrears, (iv) the same security package as the March 2006 Bonds on a second priority basis after the March 2006 Bonds, and (v) otherwise the same terms and conditions as the March 2006 Bonds.

3. BASIS OF PRESENTATION AND FRESH START ACCOUNTING

In accordance with Section 1625 of the CICA Handbook, Comprehensive Revaluation of Assets and Liabilities ("CICA 1625"), the Company reflected new costs established by the "financial reorganization" on December 11, 2009. References to "pre-reorganization" in these consolidated financial statements and notes thereto refer to the Company and its subsidiaries prior to and on December 11, 2009. References to "post-reorganization" refer to the Company and its subsidiaries after December 11, 2009. In accordance with CICA 1625, prior period financial information has not been restated to reflect the impact of the value adjustments and accordingly certain amounts in the pre-reorganization Company are not directly comparable.

The consolidated balance sheet as at December 31, 2009 includes the accounts of the post-reorganization Company. The consolidated balance sheet as at December 31, 2008 includes the accounts of the pre-reorganization Company. The consolidated statement of loss and deficit and the consolidated statement of cash flows for the 20 day period ended December 31, 2009 reflects the results of operations and cash flows of the post-reorganization Company; the consolidated statement of loss and deficit and the consolidated statement of cash flows for the 345 day period ended December 11, 2009 and the year ended December 31, 2008 reflect the results of operations and cash flows of the pre-reorganization Company.

3. BASIS OF PRESENTATION AND FRESH START ACCOUNTING (continued)

The following table summarizes the adjustments recorded on December 11, 2009 to implement the financial reorganization and to reflect the fresh start basis of accounting:

Assets	
Current	
Cash and cash equivalents	
Restricted cash	
Accounts receivable	
Prepaid expenses and deposits	
Inventories and stockpiled ore	
Current assets of discontinued operations	
Mining interests	
Property, plant and equipment	
Other assets	
Restricted cash	
Restricted deposits on closure costs	
Liabilities	
Current	
Accounts payable and accrued liabilities	
Convertible bonds and other long-term debt	
Current liabilities of discontinued operations	
Reclamation and closure cost obligations	
Other long-term debt	
Future income taxes	
Shareholders' equity	
Share capital	
Equity component of convertible bonds	
Contributed surplus	
Accumulated other comprehensive income	
Deficit	

	As at December 11, 2009 Pre-reorganization	Reorganization Adjustments		As at December 12, 2009 Post-reorganization
	18,165	–		18,165
	7,488	–		7,488
	4,146	–		4,146
	10,145	(4,206)	(a)	5,939
	50,019	8,513	(b)	58,532
	712	–		712
	90,675	**4,307**		**94,982**
	321,978	(177,938)	(b)	144,040
	201,141	(23,214)	(b)	177,927
	83	–		83
	746	–		746
	5,000	–		5,000
	619,623	**(196,845)**		**422,778**
	83,205	(13,236)	(a)	69,969
	309,616	(309,616)	(a)	–
	1,892	–		1,892
	394,713	**(322,852)**		**71,861**
	3,518	–		3,518
	12,199	98,995	(a)	105,506
	–	(5,688)	(b)	–
	47,482	(47,482)	(b)	–
	457,912	**(277,027)**		**180,885**
	645,390	225,592	(a)	241,893
		(629,089)	(b)	–
	15,607	(15,607)	(b)	–
	12,408	(12,408)	(b)	–
	538	(538)	(b)	–
	(512,232)	(5,941)	(a)	–
	–	518,173	(b)	–
	161,711	**80,182**		**241,893**
	619,623	**(196,845)**		**422,778**

Summary of adjustments

(a) Please see Note 2 for a summary of the Restructuring.

(b) All assets and liabilities were adjusted to reflect new costs established in the financial reorganization and reflect the values established in the negotiation of claims among the bondholders and shareholders. Working capital and monetary items were recorded at their estimated fair values. See also Notes 7(a) and 7(b). The reclassification of equity and deficit to share capital reflects fresh start accounting as of the date of the reorganization.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP") using the following significant accounting policies:

(a) Principles of consolidation

The financial statements of entities which are controlled by the Company through voting equity interests, referred to as subsidiaries, are consolidated. Variable interest entities ("VIE's"), which include, but are not limited to, special purpose entities, trusts, partnerships and other legal structures, as defined by the Accounting Standards Board in Accounting Guideline 15, "Consolidation of Variable Interest Entities", are entities in which equity investors do not have the characteristics of a "controlling financial interest" or there is not sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIE's are subject to consolidation by the primary beneficiary, the party who absorbs the majority of the entities' expected losses and residual returns.

The principal subsidiaries and investees of the Company as at December 31, 2009 which have been consolidated are as follows:

Subsidiary and investee	% interest
Societe Miniere de Dinguiraye (Guinea) ("SMD")	100%
Delta Gold Mining Limited (Jersey) ("DGM")	100%
Guinor Gold Corporation (Canada)	100%
Apex Mining Company, Inc (Philippines)	29%

All intercompany transactions and balances have been eliminated.

(b) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian GAAP requires the Company's management to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Actual results may differ from those estimates.

Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to, the recoverability of accounts receivable and investments, the proven and probable ore reserves and resources and the related depletion and depreciation, the estimated recoverable tonnes of ore from each mining property, the estimated net realizable value of inventories, the calculation of stock based compensation, the provision for income taxes and composition of future income tax liabilities, the valuation of derivative instruments, the expected economic lives of and the estimated future operating results and net cash flows from mining interests and expenditures on exploration, the anticipated costs of reclamation and closure cost obligations, the carrying value of goodwill and the new costs established following the financial reorganization.

(c) Adoption of New Accounting Standards

Credit Risk and fair value of financial assets and financial liabilities

On January 20, 2009, the Emerging Issues Committee ("EIC") of the Canadian Accounting Standards Board (AcSB) issued EIC Abstract 173, Credit Risk and Fair Value of Financial Assets and Financial Liabilities ("EIC 173"), which establishes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC 173 should be applied retrospectively without restatement of prior years to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009.

(d) Discontinued Operations

The Company has also applied the disclosure requirements of CICA Handbook Section 3475, Disposal of Long-lived Assets and Discontinued Operations to the current and comparative periods due to the sale of the Nalunaq Gold Mine ("Nalunaq") assets, the sale of its controlling interests in the Philippines ("Maco") and the sale of the Nugget Pond processing facility ("Nugget Pond") (See Note 5).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The impact of adopting this section, on a retrospective basis, is summarized below as at and for the year ended December 31, 2008 (See Note 5):

Consolidated Balance Sheet as at December 31, 2008

Cash and cash equivalents
Accounts receivable
Prepaid expenses and deposits
Inventories and stockpiled ore
Current assets of discontinued operations
Mining interests
Propery, plant and equipment
Other assets
Restricted deposits on closure costs
Non-current assets of discontinued operations
Accounts payable and accrued liabilities
Current liabilities of discontinued operations
Reclamation and closure cost obligations
Non-current liabilities of discontinued operations

Consolidated Statement of Loss and Deficit for the year ended December 31, 2008

Mineral sales
Direct costs of mineral sales
Mine site administration costs
Depletion and depreciation
Administration, office and general
Professional fees
Impairment charges - property, plant and equipment
Other income and expenses
Loss before recovery of income taxes
Income taxes recovery
Net loss from discontinued operations
Basic and diluted net loss per share - continuing operations
Basic and diluted net loss per share - discontinued operations

	Previously reported	Reclassification of Discontinued operations	Restated
	17,168	(2,593)	14,575
	20,609	(8,397)	12,212
	4,863	(2,735)	2,128
	64,912	(16,125)	48,787
	–	29,850	29,850
	316,788	(874)	315,914
	207,924	(3,643)	204,281
	844	(171)	673
	3,244	(1,336)	1,908
	–	6,024	6,024
	63,929	(8,664)	55,265
	–	8,664	8,664
	6,263	(2,974)	3,289
	–	2,974	2,974

	Previously reported	Reclassification of Discontinued operations	Restated
	224,646	(59,022)	165,624
	(182,392)	52,210	(130,182)
	(39,249)	13,472	(25,777)
	(46,748)	13,124	(33,624)
	(17,822)	269	(17,553)
	(1,764)	164	(1,600)
	(90,249)	90,249	–
	2,510	930	3,440
	(223,771)	111,396	(112,375)
	20,270	(72)	20,198
	–	111,324	111,324
	(3.21)	1.76	(1.46)
	–	(1.76)	(1.76)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition

Revenue from mineral sales is based on the value of minerals sold and is recognized at the time that mineral ore is delivered to the customer, title and risks of ownership have passed, collection is reasonably assured and the price is determinable.

(f) Foreign currency translation

For operations considered financially and operationally integrated with the Company, foreign currency monetary assets and liabilities are translated into U.S. dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets, liabilities, revenues and expenses are translated into U.S. dollars at the rate of exchange prevailing on the respective dates of the transactions. Exchange gains and losses are included in earnings. For operations considered self-sustaining, monetary assets and liabilities are translated into U.S. dollars at the exchange rate in effect at the balance sheet date. Exchange gains and losses are included in accumulated other comprehensive income. Revenues and expenses are translated at the average rate for the fiscal period.

(g) Cash and cash equivalents and restricted cash

Cash and cash equivalents represents balances which are cash or are readily convertible to known amounts of cash within 90 days. Restricted cash represents balances deposited as security for short and long-term payables.

(h) Inventories

Work-in-process inventories, stockpiled ore, ore in transit and gold dore are stated at the lower of production cost (which includes the cost of raw materials, direct labour, mine-site overhead expenses and depreciation and depletion) and net realizable value.

Materials and consumable supplies are recorded at the lower of average cost and net realizable value.

(i) Investments

Investments where the Company has the ability to exercise significant influence, generally 20% to 50% owned by the Company, are accounted for using the equity method. Under this method, the Company's share of the investment's earnings or losses is included in operations and its investment therein is adjusted by a like amount. Dividends received from these investments are credited to the investment accounts.

Marketable securities are classified as available-for-sale and recorded at fair value on the balance sheet. Fair values are determined directly by reference to the published price quotations in an active market. Changes in the fair value of these instruments are reflected in other comprehensive income and included in shareholders' equity on the balance sheet.

(j) Mining and Mineral Property Interests

Mining interests represent capitalized expenditures, including related value added taxes, related to the acquisition, exploration and development of mining properties and related plant and equipment. Refunds of value added taxes are applied to reduce the carrying value of the related assets. Capitalized costs are depreciated and depleted using a unit of production method on the reserves of the mine to which they relate. Items of buildings, plant and equipment are recorded at cost and are depreciated on a straight-line or diminishing balance basis over their estimated useful lives as follows:

Building	straight line basis over periods from 3-20 years
Plant and equipment	straight line basis over periods from 3-20 years
Vehicles	straight line basis over 5 years
Office equipment, furniture and fixtures	diminishing balance basis at annual rates of between 20% and 30%

The Company reviews and evaluates its mining properties for impairment at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Impairment is considered to exist if the total estimated future undiscounted net cash flows are less than the carrying amount of the assets. Estimated undiscounted future net cash flows for properties in which a mineral resource has been identified are calculated using estimated future production, commodity prices, operating and capital costs and reclamation and closure costs. Undiscounted future cash flows for exploration stage mineral properties are estimated by reference to the timing of exploration and / or development work, work programs proposed, the exploration results achieved to date and the likely proceeds receivable if the Company sold specific properties to third parties.

If it is determined that the future net cash flows from a property are less than the carrying value, then an impairment loss is recorded with a charge to operations, to the extent the carrying value exceeds fair value, determined with reference to discounted estimated future cash flows.

For the 20 day period ended December 31, 2009, the Company recorded gross impairment losses of $nil (345 day period ended December 11, 2009 - $nil; year ended December 31, 2008 - $90.2 million) in respect of its Nalunaq, Nugget Pond and Maco discontinued operations.

(k) Goodwill

Acquisitions are accounted for using the purchase method whereby assets and liabilities acquired are recorded at their fair values as of the date of acquisition and any excess of the purchase price over such fair value is recorded as goodwill. Goodwill is identified and allocated to reporting units by preparing estimates of the fair value of each reporting unit and comparing this amount to the fair value of assets and liabilities in the reporting units. Goodwill is not amortized.

The Company evaluates the carrying amount of goodwill for impairment on an annual basis or when events or changes in circumstances indicate that such carrying amount may no longer be recoverable. To accomplish this, the Company compares the fair value of its reporting units to their carrying amounts. If the carrying value of a reporting unit exceeds its fair value, the Company compares the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying value over the implied fair value is charged to operations. Assumptions underlying fair value estimates are subject to significant risks and uncertainties.

For the 20 day period ended December 31, 2009, the Company wrote down goodwill of $nil (345 day period ended December 11, 2009 - $nil; year ended December 31, 2008 - $104.6 million) related to its LEFA operation reporting unit.

(l) Reclamation and closure costs

The Company recognizes the estimated fair value of liabilities for asset retirement obligations including reclamation and closure costs in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The amount of the liability is subject to re-measurement at each reporting period and is accreted over time to the estimated fair value of the asset retirement obligation through charges to operations.

The estimates are based principally on legal and regulatory requirements. It is possible that Crew's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, changes in technology and the means and cost of reclamation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Convertible bonds

The proceeds received upon the issue of convertible bonds are segregated into their debt and equity components on the basis of their respective fair values at the date of issue. The financial liability component, representing the value allocated to the liability at the time of inception, is recorded as a liability. The remaining component, representing the value ascribed to the holders' options to convert the principal amount into common shares, is classified in shareholders' equity as "Equity component of convertible bonds".

The finance costs associated with the issue of the convertible bonds are deferred and offset against the carrying value of the debt on the balance sheet. These financing costs are amortized over the term of the liabilities using the effective interest rate method. Over the term of the debt obligation, the debt component was accreted using the effective interest rate method to the face value of the instrument by recording an additional accretion expense.

(n) Income taxes

Future income tax assets and liabilities are computed based on differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. Upon business acquisitions, the liability method may result in future income tax assets and liabilities being recorded to reflect the difference between the fair value recorded and the tax value of net assets acquired.

The carrying amount of future income tax assets is adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount. The determination of the provision for income taxes requires significant judgement, the use of estimates, and the interpretation and application of complex tax laws. In the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. The Company believes that it has appropriate support for all the positions taken on its tax returns. Future income tax assets are only recognized when it is more likely than not that a benefit will be realized.

Although management believes that the Company's recorded tax assets and liabilities are reasonable, tax laws and regulations are subject to interpretation and inherent uncertainty; therefore the assessments involve both a series of complex judgements about future events and rely on estimates and assumptions. Although management believes that these estimates and assumptions are reasonable, the final determination could be different than that which is reflected in the provision for income taxes and recorded assets and liabilities.

(o) Stock-based compensation

The Company uses the fair value method for accounting for all stock-based awards or grants to non-employees and employees, including those that are direct awards of stock, call for the settlement in shares, cash or other assets. Under the fair value method, compensation expense attributed to direct awards of stock is measured at the fair value of the award at the grant date for awards to employees and is recognized over the vesting period of the award using the Black-Scholes option-pricing model. If the stock option awards are forfeited, the amount recorded in contributed surplus relating to the unvested portion of the option awards is reversed and no further compensation expense is recognized. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are credited to share capital.

(p) Income (loss) per share

Basic income (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is computed using the treasury stock method for outstanding stock options and warrants and the "if-converted" method for outstanding convertible bonds. Under the treasury stock method, common equivalent shares consist of the incremental common shares issuable upon the exercise of stock options, and are

excluded from the computation if their effect is anti-dilutive. Under the "if-converted" method, the cost of convertible debt instruments is added to the numerator in the calculation, the debt is assumed to have been converted at the beginning of the period and the resulting increase in common shares is added to the denominator. When a loss is incurred, basic and diluted loss per share are the same because the inclusion of common share equivalents would be dilutive.

(q) Financial Instruments

Financial instruments are classified into one of four categories; held-for-trading, available-for-sale financial assets, loans and receivables or other financial liabilities. Held-for-trading financial instruments are measured at fair value with all gains and losses recognized in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in accumulated other comprehensive income until the instruments are de-recognized or impaired. Loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method.

Effective January 1, 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862"), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. See Note 20.

(r) Comprehensive Loss

Comprehensive loss includes both net loss and other comprehensive income (loss). Other comprehensive income (loss) includes holding gains and losses on available for sale investments, which is not included in the calculation of net earnings until realised.

5. DISCONTINUED OPERATIONS

Sale of Nalunaq Assets

For the six months ended June 30, 2009, Nalunaq was not operating and was under care and maintenance. On July 1, 2009, the Company signed an Asset Purchase Agreement to dispose of the assets, infrastructure and inventories of Nalunaq for a total cash consideration of $1.5 million. $1.0 million was received on July 3, 2009 and the remaining $0.5 million was received on October 19, 2009 after receiving the authorization of the Greenlandic Bureau of Minerals and Petroleum for the transfer of the Mining License and corporate environmental guarantee to the purchaser. The Company recorded a loss on disposal of the Nalunaq assets of $1.1 million.

Sale of Maco project

On September 17, 2009, the Company signed an agreement to sell Maco for a total cash consideration of $7 million; of this, $1 million was to be paid on signing of the agreement, $5 million upon closing of the legal diligence process by the buyer, and a final $1 million contingent on the necessary Philippine regulatory approvals being obtained. The first two payments of $1 million and $5 million were received by the Company on September 17, 2009 and October 29, 2009, respectively. The Company's investment in Maco was accounted for on the equity basis of accounting from October 29, 2009 upon closing of the deal. The Company recorded a loss on disposal of the Maco property of $8.3 million. The Philippine regulatory approvals were obtained in January 2010 and the final instalment of $1 million was received on January 28, 2010.

Sale of Nugget Pond

On September 9, 2009, the Company signed a sale and purchase agreement to sell Nugget Pond and all corresponding licenses and permits for a total cash consideration of CAD$3.5 million (US$3.4 million). The full payment was received on October 28, 2009. The Company recorded a gain on disposal of Nugget Pond of $3.4 million, before income taxes.

5. DISCONTINUED OPERATIONS (continued)

The following tables present the amounts included in the consolidated balance sheets, and consolidated statements of operations for the Company in respect of discontinued operations:

Mineral sales
Net (loss) income before recovery of income taxes
Income tax recovery
Net (loss) income from discontinued operations
Net (loss) income per share from discontinued operations - basic and diluted

Cash and cash equivalents
Accounts receivable
Prepaid expenses and deposits
Inventories and stockpiled ore
Current assets of discontinued operations
Mining interests
Property, plant and equipment
Other assets
Restricted Cash
Non-current assets of discontinued operations
Accounts payable and accrued liabilities
Reclamation and closure cost obligations
Current liabilities of discontinued operations
Reclamation and closure cost obligations
Long-term liabilities of discontinued operations

	Post-reorganization	Pre-reorganization	
	20 day period ended December 31, 2009	345 day period ended December 11, 2009	Year ended December 31, 2008
	$	$ 57,931	$ 59,022
	(135)	21,769	(111,396)
	–	–	72
	(135)	**21,769**	**(111,324)**
	(0.00)	0.20	(1.76)

	Post-reorganization	Pre-reorganization
	December 31, 2009	December 31, 2008
	$ 364	$ 2,593
	172	8,397
	43	2,735
	266	16,125
	$ 845	**$ 29,850**
	$ –	$ 874
	–	3,643
	–	171
	–	1,336
	$ –	**$ 6,024**
	$ 854	$ 8,664
	1,295	–
	$ 2,149	**$ 8,664**
	$ –	$ 2,974
	$ –	**$ 2,974**

December 31, 2009

(Expressed in United States dollars; all tabular amounts expressed in thousands)

5. DISCONTINUED OPERATIONS (continued)

Assets disposed of;
Cash and cash equivalents
Accounts receivable
Prepaid expenses and deposits
Inventories and stockpiled ore
Mining interests
Property, plant and equipment
Other assets
Restricted Cash
Liabilities disposed of;
Accounts payable and accrued liabilities
Reclamation and closure cost obligations
Consideration received
(Loss) gain on disposal of assets / property

6. INVENTORIES AND STOCKPILED ORE

The gains and losses as discussed above were calculated as follows:

Stockpiled ore
Gold in process
Gold dore
Materials and consumable supplies

	Nalunaq	Nugget Pond	Maco
	$ –	$ –	$ (1,912)
	–	–	(8,069)
	–	–	(1,980)
	(2,113)	–	(3,974)
	–	–	(1,107)
	–	–	(1,287)
	–	–	(102)
	(2,981)	–	–
	$ (5,094)	$ –	$ (18,431)
	$ –	$ –	$ 4,065
	2,531	–	31
	$ 2,531	$ –	$ 4,096
	$ 1,500	$ 3,407	$ 6,000
	$ (1,063)	$ 3,407	$ (8,335)

	Post-reorganization	Pre-reorganization
	December 31, 2009	December 31, 2008
	$ 10,202	$ 9,968
	4,060	11,884
	1,459	–
	38,789	26,935
	$ 54,510	$ 48,787

In accordance with the application of CICA 1625, the cost of the stockpiled ore was adjusted to reflect the new cost established in the financial reorganization at December 11, 2009.

7. MINING INTERESTS, PROPERTY, PLANT AND EQUIPMENT

(a) Mining Interests

LEFA - Producing Mineral Property	
At December 31, 2009 - post-reorganization	
At December 31, 2008 - pre-reorganization	

(b) Property, Plant and Equipment

LEFA - Plant and Equipment	
At December 31, 2009 - post-reorganization	
At December 31, 2008 - pre-reorganization	

8. RECLAMATION AND CLOSURE COST OBLIGATION

The Company's asset retirement obligation consists of reclamation and closure costs for its LEFA property. The present value of the estimated obligation relating to this property is $3,817,000 (December 31, 2008 - $3,402,000) at December 31, 2009 using discount rates at which cash flows have been discounted of between 8 and 18%. Significant reclamation and closure cost activities include land rehabilitation and reforestation, demolition of buildings and mine facilities, fencing, ongoing care and maintenance and other costs.

Balance, beginning of year	
Accretion	
Addition to LEFA future site reclamation costs	
Balance, end of year	
Current portion, included in current liabilities	
Long-term portion	
Balance, end of year	

	Cost		Accumulated depletion		Net book value
$	144,182	$	(683)	$	143,499
$	344,321	$	(28,407)	$	315,914

In accordance with the application of CICA 1625 (see Notes 2, 3 and 4), the cost of the mineral property value was adjusted to reflect the new cost established in the financial reorganization on December 11, 2009.

	Cost		Accumulated depreciation		Net book value
$	178,027	$	(1,354)	$	176,673
$	233,749	$	(29,468)	$	204,281

In accordance with the application of CICA 1625 (see Notes 2, 3 and 4), the cost of the property, plant and equipment was adjusted to reflect the new cost established in the financial reorganization on December 11, 2009. The Company operates the LEFA Project through ownership of its subsidiary SMD. The mining lease expires in 2024 and is renewable for an additional five years. The Company's operations in Guinea are governed by the Convention de Base agreement with the Government of Guinea.

The undiscounted inflated reclamation and closure cost obligation at December 31, 2009 is $9,681,000 (December 31, 2008 - $7,487,000) and the cash outflows are projected to occur between the years 2010 and 2020. An accretion expense component of $378,000 (year ended December 31, 2008 - $173,000) has been charged to operations in the full year ended December 31, 2009 to reflect an increase in the carrying amount of the asset retirement obligation.

Movements in the reclamation and closure cost balance are as follows:

	Post-reorganization		Pre-reorganization
	December 31, 2009		December 31, 2008
	$ 3,402	$	2,162
	378		173
	37		1,067
	$ 3,817	$	3,402
	$ 299	$	113
	3,518		3,289
	$ 3,817	$	3,402

The reclamation and closure cost balance reflects the cost established in the financial reorganization. The Nugget Pond reclamation provision at December 31, 2009 of $1,295,000 is included within the current liabilities from discontinued operations section on the balance sheet (December 31, 2008 - $851,000 – included within the long term liabilities from discontinued operations).

The Company has deposited an amount of $5 million with the Government of Guinea to cover future estimated mine closure costs and site rehabilitation (Note 19).

9. CONVERTIBLE BONDS

On December 15, 2005 the Company issued through a private placement directed towards institutional investors, Norwegian Kroner ("NOK") 1,320 million ($194.5 million) five-year senior convertible bonds. The bonds were issued in denominations of NOK500,000 and ranked pari passu among themselves. After deducting financing costs of NOK53.3 million ($7.8 million) net proceeds were NOK1,266.7 million ($186.7 million).

These convertible bonds originally bore a 6% coupon, payable annually in arrears. The principal portion of these bonds was convertible, at the option of the holder, into common shares of the Company at a conversion price of NOK88.00 per share. The maximum number of shares that would have been issued on conversion was 15 million. In the period since issue, 5,682 shares were issued following the conversion of bonds. As a result of this conversion, the face value of the convertible bonds was NOK 1,319.5 million. If the bonds were not converted, the principal portion would have been fully repayable in NOK on December 15, 2010.

On February 18, 2009, certain bondholders of the NOK 1,319.5 million 6% convertible bonds outstanding at that time agreed to exchange their bonds to $ denominated bonds.

Equity component	
Debt component	

10. OTHER LONG TERM DEBT AND LIABILITIES

December 2009 Bonds (a)	
March 2006 Bonds (b)	
9.5% Bonds (c)	
Intex Resources ASA loan (d)	
Other long term obligations	
Short term portion of other long-term debt	
Balance, end of year	

NOK 1,200.5 million of the NOK 1,319.5 million 6% convertible bonds were converted to US dollar denominated bonds, using an agreed exchange rate of 6.9079, resulting in a replacement issuance of $173,784,380 convertible bonds (of $72,380 each) at a new fixed interest rate of 5.4060% p.a. All other terms and conditions of the convertible bonds remained the same.

Interest expense on the convertible bonds totalling $10.0 million has been charged to profit and loss for the 345 day period ended December 11, 2009 (year ended December 31, 2008 - $14.1 million). Interest payments of $nil have been made during the 345 day period ended December 11, 2009 (year ended December 31, 2008 - $11.3 million). The finance costs associated with the issue of the convertible bonds were recorded as a reduction in the carrying value of the convertible bond and the portion allocated to the liability component was amortized over the term to maturity of the liability.

The convertible bonds have been segregated into their debt and equity components as follows:

	Post-reorganization	Pre-reorganization
	December 31, 2009	December 31, 2008
	$ –	$ 15,607
	–	178,548

Over the term of the debt obligation, the debt component was accreted to the face value of the instrument by recording an additional interest expense.

Refer to Note 2 for details of the Restructuring, which resulted in the extinguishment of the convertible bonds on December 11, 2009.

	Post-reorganization	Pre-reorganization
	December 31, 2009	December 31, 2008
	$ 55,434	$ –
	48,152	94,785
	–	21,124
	–	12,536
	1,888	1,170
	$ 105,474	$ 129,615
	–	(24,151)
	$ 105,474	$ 105,464

10. OTHER LONG TERM DEBT AND LIABILTIES (Continued)

(a) December 2009 Bonds

The December 2009 bonds were issued as a result of the Restructuring as detailed in Note 2. Following the implementation of fresh start accounting, the USD tranche of $46.9 million was recorded at an estimated fair value of $44.2 million and the NOK tranche of NOK68.7 million ($12.0 million) at an estimated fair value of NOK64.7 million ($11.3 million) using a 10% discount rate. Over the term of the December 2009 bond obligation, the difference is accreted to the face value of the instrument by recording an additional interest expense. This amounted to $0.1 million for the 20 day period ended December 31, 2009.

Interest expense of $0.3 million has been recorded for the 20 day period ended December 31, 2009.

(b) March 2006 Bonds

On March 30, 2006 the Company received subscriptions for a new issue of secured bonds in the aggregate principal amount of approximately $101.6 million, comprising a USD tranche of $50 million and a NOK tranche of NOK325 million, approximately $51.6 million. After deducting financing costs of $2.8 million, net proceeds were $98.8 million.

The USD tranche of the bonds had a floating interest rate of 3 month LIBOR + 5.0% per annum, whereas the NOK tranche had a floating interest of 3 month NIBOR + 5.0% per annum. Interest on these bonds is payable quarterly, they had a 5 year term, and Crew could redeem the bonds (wholly or in part) at the third anniversary of the issuance at a price of 105.0% and at the fourth anniversary of issuance at a price of 102.5%.

On February 18, 2009, certain bondholders of the NOK325 million tranche of the March 2006 bonds agreed to exchange their bonds to US dollar denominated bonds. NOK 194 million of the NOK325 million tranche was converted to US dollar denominated bonds, using an agreed exchange rate of 6.9079, resulting in a replacement bond issuance of $28,083,789, consisting of floating rate bonds of $1 each. Following the conversion, the NOK tranche of the March 2006 bonds decreased to NOK131 million and the USD tranche of the March 2006 bonds increased to $78,083,789 and the interest rate on the USD tranche increased to LIBOR + 5.5%. All other terms and conditions of the March 2006 bonds remained the same.

The terms and face values of the March 2006 bonds were further amended as a result of the Restructuring as detailed in Note 2.

Following the implementation of fresh start accounting, the USD tranche of $39.0 million was recorded at an estimated fair value of $37.1 million and the NOK tranche of NOK65.5 million ($11.4 million) at an estimated fair value of NOK63.8 million ($11.1 million) using a 10% discount rate. Over the amended term of the March bond obligation, the difference is accreted to the face value of the instrument by recording an additional interest expense. This amounted to $0.1 million for the 20 day period ended December 31, 2009.

Interest expense on the bonds totalling $0.2 million has been charged to the profit and loss for the 20 day period ended December 31, 2009 (345 day period ended December 11, 2009 - $6.3 million; year ended December 31, 2008 - $11.0 million). Interest payments of $1.5 million have been made during the 20 day period ended December 31, 2009 (345 day period ended December 11, 2009 - $5.1 million; year ended December 31, 2008 - $11.0 million).

(c) 9.5% Bonds

On October 27, 2004, the Company issued through a private placement a $23.4 million (NOK150 million) five-year Senior Unsecured Bond Issue. The bonds were issued in denominations of NOK500,000 and ranked pari passu. After deducting financing costs of $748,000, net proceeds were $22.7 million.

The bonds had a fixed interest rate of 9.5% with interest payable annually in arrears. The loan was drawn down on October 27, 2004 and matured on October 27, 2009.

During May 2009, the Company repurchased bonds with a face value of NOK28 million ($4.6 million) for NOK15.8 million ($2.7 million) and recorded a gain on debt extinguishment of $1.9 million, before income taxes.

The remaining 9.5% bonds were extinguished as a result of the Restructuring as detailed in Note 2.

Interest expense on the 9.5% bonds totalling $1.9 million was charged to the profit and loss for the 345 day period ended December 11, 2009 (year ended December 31, 2008 - $2.6 million). Interest payments of $nil million have been made for the 345 day period ended December 11, 2009 (year ended December 31, 2008 - $2.0 million).

(d) Intex Resources ASA loan

During September 2008, the Company entered into an agreement with Intex regarding full and final settlement of all former intragroup balances, which originated from the time Intex was a subsidiary of Crew. The agreement formalised payment terms on pre-existing balance sheet liabilities of the Company to Intex for all outstanding amounts totaling $12.2 million.

The outstanding amount of $12.2 million plus accrued interest at a fixed rate of 8% was to be repaid in 5 equal annual instalments of $3.0 million. The first instalment was paid on July 8, 2009.

The Intex loan was extinguished as a result of the Restructuring as detailed in Note 2.

Interest expense on the Intex loan totalling $0.8 million has been charged to the profit and loss account for the 345 day period ended December 11, 2009 (year ended December 31, 2008 - $0.3 million).

11. INCOME TAXES

Future income tax assets and liabilities arise at December 31, 2009 and December 31, 2008 from the following:

Future income tax assets	
Loss carry-forwards	
Financing / Share issue expenses	
Mineral property, plant and equipment	
Valuation allowance	
Future income tax assets	
Future income tax liabilities	
Mineral property plant and equipment	
Future income tax liabilities	
Future income tax liabilities, net	

A reconciliation of the recovery of income taxes is as follows:

Recovery of income taxes based on statutory	
tax rate of 30% (December 31, 2007 - 30%)	
Add (deduct)	
Different tax rates in foreign jurisdictions	
Gains offset against losses brought forward	
Gain on disposal of Intex Resources ASA	
Increase) decrease in valuation allowance	
Goodwill	
Non-deductible expenses and other	
Recovery of income taxes	

	Post-reorganization December 31, 2009	Pre-reorganization December 31, 2008
	$ 89,947	$ 67,956
	54	2,674
	6,351	3,759
	96,352	**74,389**
	(96,352)	(74,389)
	–	–
	–	(51,807)
	–	**(51,807)**
	$ –	**$ (51,807)**

	Post-reorganization	Pre-reorganization	
	20 day period ended December 31, 2009	345 day period ended December 11, 2009	Year ended December 31, 2008
	$ 1,024	$ 21,487	$ 33,713
	25	101	(59)
	126	503	–
	–	–	776
	(995)	(14,618)	19,003
	–	–	(31,378)
	(180)	(3,148)	(1,857)
	$ –	**$ 4,325**	**$ 20,198**

As at December 31, 2009 and December 31, 2008, the Company was a deemed resident of the United Kingdom for U.K. tax purposes and the Company has provided for income taxes on this basis. Future income tax assets and liabilities are computed based on using the enacted U.K. and local country tax rates expected to be in effect when the temporary differences reverse. The Company has established reserves and accruals for tax liabilities that reflect the probable outcome of all material tax matters.

As at December 31, 2009, the Company and its subsidiaries have trading losses carried forward for income tax purposes as outlined in the table below that may be applied to reduce future taxes payable.

	December 31, 2009	Expiring
United Kingdom	$ 174,959	2015
Norway	9,467	Unlimited
Denmark	4,954	Unlimited
Guinea	111,268	2010 - 2015
Total	**$ 300,648**	

12. SHARE CAPITAL

(a) On January 30, 2009, the Company's shareholders approved a consolidation of its issued and outstanding common shares on the basis of a ratio of eight pre-consolidation shares for every one post-consolidation share. The consolidation reduced the number of issued and outstanding common shares from 855,380,288 to 106,922,379.

Prior to the Restructuring as detailed in Note 2, there were 106,922,379 common shares without par value issued and outstanding. Following the restructuring, 2,031,528,184 common shares without par value were issued through the conversion of previous debt to equity. At December 31, 2009, there were 2,138,450,563 common shares without par value issued and outstanding.

The common shares are a single class, and are entitled to one vote per share on all matters put to shareholders of the Company, dividends, as and when declared by the Board of Directors of the Company, and participation in assets upon dissolution or winding-up.

(b) During the year ended December 31, 2009, no stock options were exercised. During the year ended December 31, 2008, 62,500 shares were issued on exercise of stock options.

Date of issue	Number of shares	Issue price (CDN$)	Amount (CDN$)
Stock options			
July 9, 2008	31,250	$ 3.36	$ 105
July 17, 2008	31,250	$ 3.36	$ 105
Total exercised in year ended December 31, 2008	62,500	$ 3.36	$ 210

(c) The Company has a share option plan which authorized the Company's directors to grant up to 4,375,000 options to directors, officers and employees of Crew and any of its subsidiaries, to acquire common shares of the Company at a price which is greater than or equal to the fair market value of each common share on the date the option is granted. The options are generally exercisable for up to five years from the date of grant and vest over 18 months. At December 31, 2009, there were 1,738,542 options available for grant under the plan (December 31, 2008 – 997,917 options available for grant).

A summary of the Company's options and changes in options at and for the years ended December 31, 2009 and December 31, 2008 is presented below:

	Options outstanding	
	Number of shares	Weighted average exercise price (CDN$)
Balance, December 31, 2007	2,412,813	$ 16.64
Granted	687,500	3.60
Forfeited/Expired	(736,667)	16.80
Exercised	(62,500)	3.36
Balance, December 31, 2008	2,301,146	$ 13.07
Granted	218,750	0.75
Expired	(959,375)	15.85
Balance, December 31, 2009	1,560,521	$ 9.63

The following table summarizes outstanding and exercisable share options at December 31, 2009:

Options outstanding	Options exercisable	Expiry date	average exercise price (CDN$)	Weighted Remaining contractual life (years)
218,750	218,750	March 14, 2014	0.75	4.20
537,500	358,333	November 14, 2013	0.80	3.87
25,000	25,000	March 14, 2013	13.76	3.20
83,750	83,750	March 9, 2011	13.92	1.19
75,000	75,000	June 29, 2011	13.92	1.49
36,250	36,250	August 2, 2010	14.80	0.59
25,000	25,000	June 7, 2012	17.60	2.44
515,521	515,521	December 12, 2011	19.36	1.95
43,750	43,750	May 1, 2012	21.20	2.33
1,560,521	1,381,354		9.63	2.87

Share purchase options with a fair value of $nil were granted in the 20 day period ended December 31, 2009 (345 day period ended December 11, 2009 - $0.1 million; year ended December 31, 2008 - $1.0 million) and the related stock-based compensation is charged to operations over the vesting period. The total compensation expense for the 20 day period ended December 31, 2009 is $nil (345 day period ended December 11, 2009 - $0.8 million; year ended December 31, 2008 - $0.1 million). Stock-based compensation fair value is determined using an option pricing model assuming no dividends are to be paid, a weighted average volatility of the Company's share price of 95% (year ended December 31, 2008 - 65%), an annual risk free interest rate of 1.7% (year ended December 31, 2008 – 3.2%) and expected lives of four years (year ended December 31, 2008 - four years).

(d) Capital Disclosures

The Company considers capital to be long-term debt and shareholders' equity attributable, comprised of issued share capital. It is the Company's objective to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to meet external capital requirements on its debt and credit facilities. The company manages the capital structure and makes adjustments to it based on changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain and manage its capital structure, the Company may change the timing of its planned capital asset spending, attempt to issue new shares, seek debt financing and sell assets.

To determine the funds necessary to ensure it has the liquidity to meet its operating and capital asset acquisition requirements, annual budgets are prepared and updated as necessary based on various factors, many of which are beyond the Company's control. In assessing liquidity, the Company takes into account its expected cash flows from operations, including capital asset expenditures, and its cash and cash equivalent holdings. The Board of Directors reviews the annual and updated budgets.

The Company's investment policy is to invest its cash in highly liquid investments, and occasionally low risk short-term interest bearing investments, selected with regards to the expected timing of expenditures from operations.

The Company performed a Restructuring on December 11, 2009, further details of which can be found in Note 2 to these financial statements, including details of the loan covenants, securities and guarantees.

The Company does not have a dividend policy.

The Company's future mine closure obligations require funds to be set aside from time to time. Estimated future costs of reclamation and closure are accrued as an asset retirement obligation and security deposits and cash amounts held in trust are recorded as restricted deposits on closure costs. Further details of these can be found in Note 8 to these financial statements.

13. ACCUMULATED OTHER COMPREHENSIVE INCOME

The accumulated other comprehensive income comprises:

Currency translation adjustment	

14. COMMITMENTS

The Company is committed to the following payments:

December 31, 2009	
Within;	
One year	
Two years	
Three years	
Four years	
Five years	

December 31, 2008	
Within ;	
One year	
Two years	
Three years	
Four years	
Five years	

15. CONTINGENCIES

(a) In November 2006, the Company completed the acquisition of the Nugget Pond processing facility in Newfoundland, Canada. As a condition for obtaining the Minerals Lands Lease for Nugget Pond, the Company issued a Letter of Credit for CAD$844,000 ($859,000) in favour of the Department of Natural Resources of the Government of Newfoundland and Labrador on October 27, 2006. This Letter of Credit was increased to CAD$1,364,000 during the year ended December 31, 2008 and remained at that level during the year ended December 31, 2009. The Letter of Credit has been accepted as temporary financial assurance on the finalised Rehabilitation & Closure Plan.

Post-reorganization	Pre-reorganization
December 31, 2009	December 31, 2008
$ –	$ 538

	Post-reorganization		
	Operating commitments	Debt and Interest repayments	Capital commitments
	$7,587	$7,615	$4,121
	4,281	56,810	–
	3,924	61,131	–
	–	–	–
	–	–	–
	$ 15,792	$ 125,556	$4,121

	Pre-reorganization		
	Operating commitments	Debt and Interest repayments	Capital commitments
	$1,281	$23,695	$5,013
	–	193,090	–
	–	99,088	–
	–	2,446	–
	–	2,446	–
	$ 1,281	$ 320,765	$ 5,013

(b) The Company has been named as a defendant in an action brought by the former Chief Executive Officer for an alleged breach of his separation agreement. Management believes that the claim has no merit and will not result in a material impact on the results of operations or financial position. There are no amounts accrued for this action.

(c) The Company has been named as a defendant in certain other actions incurred in the normal course of business, none of which management believes will result in a material impact on the results of operations or financial position.

16. CASH FLOW STATEMENT INFORMATION

(a) Change in non-cash operating working capital items

(Increase) decrease in
Accounts receivable
Inventories
Prepaid expenses and deposits
Increase in
Accounts payable and accrued liabilities

(b) Supplemental disclosure of cash flow information

Cash payments for interest

(c) Cash and cash equivalents

Cash and cash equivalents at December 31, 2009 and December 31, 2008 comprise balances invested with banks.

	Post-reorganization	Pre-reorganization	
	20 day period ended December 31, 2009	345 day period ended December 11, 2009	Year ended December 31, 2008
	$ (1,855)	$ (11,949)	$ 7,863
	(3,730)	(1,232)	(28,821)
	4,022	(8,017)	(660)
	4,291	23,160	11,003
	$ 2,728	**$ 1,962**	**$ (10,615)**

	Post-reorganization	Pre-reorganization	
	20 day period ended December 31, 2009	345 day period ended December 11, 2009	Year ended December 31, 2008
	$ 1,504	$ 5,068	$ 24,324

17. RELATED PARTY TRANSACTIONS

During the 20 day period ended December 31, 2009, a law firm of which a director is a partner received legal fees of $118,000 from the Company (345 day period ended December 11, 2009 - $785,000; year ended December 31, 2008 - $574,000). During the year ended December 31, 2008, a recruitment firm controlled by a previous director of the Company received fees of $77,000).

Accounts payable at the end of December 31, 2008 included $1,071,000 due to Umoe Invest AS, a major shareholder of the Company, under a Share Loan Agreement and $788,000 due to Umoe Industri AS, a company controlled by a director of the Company, under an Underwriting Agreement; both agreements were entered into in relation to the private placement of the Company's shares in June 2008 and were repaid in 2009. There were no related party amounts in accounts payable at the end of December 31, 2009.

All transactions noted above are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed between the related parties.

18. SEGMENTED INFORMATION

The Company currently operates in one reportable operating segment, being the gold production and sale of gold from its LEFA project in Guinea. Following the disposal of the Greenlandic and Philippines components of the business during the 345 day period ended December 11, 2009, (Note 5), mineral properties, plant and equipment are located only in Guinea. Working capital balances are primarily located in Guinea. Corporate administrative expenses and bond financing are primarily located in the United Kingdom.

19. RESTRICTED CASH

	Post-reorganization	Pre-reorganization
	December 31, 2009	December 31, 2008
Short-term balances	2,115	246
Long-term balances	749	614
Restricted deposits on closure costs	5,000	1,294
	$ 7,864	$ 2,154

Restricted cash represents cash to secure letters of credit with financial institutions to cover current purchases, cash to secure a letter of credit in respect of a Minerals Land Lease to cover site reclamation costs (Note 15(a)), restricted deposits to cover site closure costs (Note 8), and other cash amounts held on trust.

20. FINANCIAL INSTRUMENTS

(a) Classification

The Company's cash and cash equivalents and restricted cash are classified as held-for-trading, accounts receivable have been classified as loans and receivables and accounts payable and accrued liabilities have been classified as other financial liabilities. Convertible bonds and other long-term debt have been classified as loans and receivables. They are initially measured at fair value and subsequently at amortized cost.

(b) Credit risk

The Company's credit risk is primarily attributable to receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Company's

management based on the current economic environment. The credit risk on liquid funds is limited because the counter-parties are banks with high credit ratings. The Company does not own any asset-backed commercial paper.

(c) Foreign currency and commodity risk

The Company has foreign currency assets and liabilities and, as a result, the Company is subject to foreign exchange risk from fluctuations in foreign exchange rates. In addition, the Company is exposed to risk due to changes in the gold price. The Company is not currently using derivative instruments to manage these risks.

At December 31, 2009, Crew held cash balances of $25.2 million. Of the cash held, $21.9 million was held in US dollars, $0.1 million was held in Canadian dollars, $0.3 million was held in Danish kroner, and $2.9 million was held in British pounds sterling. At December 31, 2009 the Company had total long-term debt of $23.1 million denominated in Norwegian kroner and $86.0 million denominated in US dollars. A 10% strengthening in the Norwegian kroner over the US dollar would result in additional interest and debt repayments of approximately $2.3 million.

(d) Interest rate risk

The Company has long term bond financing subject to floating interest rates and, as a result, the Company is subject to interest rate risk from fluctuations in interest rates. The Company does not use derivative instruments to manage this risk. At December 31, 2009 the Company had total long-term debt of $23.1 million denominated in Norwegian kroner and $86.0 million denominated in US dollars. These liabilities are held either at fixed interest terms ($58.8 million) or at floating rates ($50.3 million) linked to LIBOR or NIBOR interest rates. A 1% increase in the interest rates pertaining to the floating rate liabilities would result in an additional annualized interest expense of approximately $0.5 million.

At December 31, 2009, the Company held a total of $25.2 million of cash on deposit. Of this, $24.8 million was held in the United Kingdom and the balance of $0.4 million was held in Canada.

These deposits are held in the multiple local currency accounts at floating interest rates. Interest rates are commercial rates, which are fixed by reference to LIBOR for sterling and dollar assets, or the applicable inter-bank interest rates for financial assets held in other currencies.

(e) Fair value hierarchy

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862"), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Cash and cash equivalents and restricted cash are classified in Level 1 of the fair value hierarchy. Other long-term debt is classified as Level 3.

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APPENDIX 2

MINERAL EXPERT REPORT