

DIRECTORS' RESPONSIBILITY STATEMENT

Mr Evgueni I. Ivanov, General Director of OJSC Polyus Gold confirms on behalf of the Board of Directors that:

(a) the consolidated financial statements for 2009, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, give a true and fair view of the assets, liabilities, financial position and profit or loss of OJSC Polyus Gold and its consolidated subsidiaries (hereinafter referred to as the "Group"); and

(b) the management report for the year 2009 includes a fair review of the development and performance of the business and the position of the Polyus Group, together with a description of the principal risks and uncertainties that it faces.

Neither OJSC Polyus Gold nor the directors accept any liability to any person in relation to the management report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with Section 90A of the Financial Services and Markets Act 2000.

EVGUENI I. IVANOV

General Director

29 April 2010

Management report

Management's discussion and analysis of financial condition and results of operations for 2009

The following Management report (Management discussion and analysis of the Polyus Group's financial condition and results of operations) should be read in conjunction with the Polyus Group's consolidated financial statements and the related notes.

The Polyus Group is an international mining company, the largest gold producer in the Russian Federation and among the largest gold mining companies in the world, based on mineral resources and production volumes.

Polyus Gold Shares are traded on the leading Russian stock exchanges, MICEX and RTS. Polyus Gold's ADRs are listed on the main market of the London Stock Exchange and are traded on the over-the-counter markets in the United States and off the listing at the Frankfurt Stock Exchange. Polyus Gold Shares are included in the key Russian stock exchange indices of MICEX and RTS, and international stock exchange indices such as FTSE Gold Mines, FTSE Russia, MSCI Russia, MSCI Emerging Markets, Dow Jones Global and Dow Jones Russia. The Polyus Group produced 1.3 million troy ounces of gold in 2009.

The Partial Offer made by Jenington International Inc., an indirect wholly-owned subsidiary of Polyus Gold, to acquire a 50.15% stake in KazakhGold Group Limited ("KazakhGold Group") was completed at 30, July 2009¹. KazakhGold Groups's results of operations are consolidated into Polyus Gold from August 2009 to December 2009. On 14 April 2010 KazakhGold Group announced, in response to press comments concerning a possible transaction involving KazakhGold Group and Polyus Gold, that it had applied for approval from the Government Commission on Monitoring Foreign Investment in the Russian Federation for the acquisition of control over Polyus Gold by KazakhGold Group. It noted that its consideration of a possible transaction remained at a preliminary stage, no decision had been made regarding any possible transaction, and any transaction would remain subject to a number of approvals and pre-conditions, including various corporate and government approvals. Consequently, there can be no certainty that any transaction will be forthcoming.

The following discussion and analysis represents management's opinion in relation to the Polyus Group's operating and financial results, including discussions of:

- key performance indicators;
- financial position as at 31 December 2009, 31 December 2008 and 31 December 2007;

¹ On 30 July 2009, the Partial Offer had become unconditional as to acceptances and, on 14 August 2009 became unconditional in all respects.

- results of operations for the years ended 31 December 2009, 31 December 2008 and 31 December 2007;
- the Polyus Group's liquidity, solvency and capital sources;
- significant events affecting the Polyus Group's operating performance for these periods;
- description of principal risks; and
- description of the key features of internal control and risk management system in relation to the financial reporting process.

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1. The Polyus Group's operating results

1.1 External market factors affecting the Polyus Group's financial results

The results of the Polyus Group are significantly affected by movements in the national currency exchange rates, and the price of commodities, such as gold, oil and steel.

The market price of gold is one of the most significant factors in determining the profitability of the Polyus Gold Group. During 2009, the global gold price experienced high volatility, reaching its lowest level of USD 810 per troy ounce (London p.m. fixing) in January and the highest of USD 1,212.5 per ounce in December. In 2009 the average gold p.m. fixing price in London was USD 972.4 per ounce, compared to USD 872 per ounce in the previous year. For the whole year, the global price of gold increased by 24% from USD 874.5 on January, 2 to USD 1087.5 per ounce on 30 December, the first and the last business days in 2009, respectively.

Currency exchange rates can have a material impact on the Polyus Group's results. Polyus Group's revenue from gold sales is denominated in USD, whereas most of the Polyus Group's operating expenses and capital expenditures are denominated in the national currencies of Russia and Kazakhstan. In late 2008, the RUB depreciated significantly. The depreciation continued in early 2009, reaching 36.43 RUB per USD. In 2009, the RUB traded in the wide range of RUB 28.67 per USD to RUB 36.43 per USD and closed the year at RUB 30.24 per USD. The average exchange rate for 2009 was 31.72 (2008: 24.86), which led to lower costs in USD for salaries and other operating costs. Since its acquisition of a controlling stake in KazakhGold Group, in August 2009 the Polyus Group has also been exposed to USD/KZT exchange rate movements. In February 2009, in response to deterioration of global macroeconomic conditions the National Bank of the Republic of Kazakhstan devaluated the KZT. The exchange rate band for the KZT changed, which lead to immediate increase in the KZT exchange rate from KZT 120 per USD to the level of KZT 150 per USD.

A significant portion of costs included in the Polyus Group's cost of sales are also directly or indirectly impacted by the prices of oil and steel. Changes in oil prices impact the prices of heating oil, diesel fuel, gasoline and lubricants for mining and construction equipment. Steel forms the basis for the price of all rolled metal products, pipes, machinery and vehicles. Global prices for oil and steel had been increasing through the second half of 2008, when, following the deterioration of global markets in the second half of 2008, prices for oil and steel declined substantially. Average rates for key external market factors are:

Average price/ rate	2009	2008	2007
Average London p.m. gold fixing price (USD per troy ounce) ⁽¹⁾	972.4	872.0	695.4
Oil (Brent brand) (USD per barrel) ⁽²⁾	62.4	98.7	72.5
Steel (hot rolled) (USD per tonne) ⁽³⁾	582	955	682
Average USD/RUB rate ⁽⁴⁾	31.72	24.86	25.58
Period end USD/RUB rate	30.24	29.38	24.55
Average USD/KZT rate ⁽⁵⁾	147.50	n/a	n/a
Period end USD/KZT rate	148.36	n/a	n/a

1. Source: London Bullion Market Association.

2. Source: Bloomberg.

3. Source: Steel Business Briefing.

4. Source: The Central Bank of Russia.

5. Source: The National Bank of Kazakhstan.

Summary of performance results

The following table shows the summary of performance results of the Polyus Group's operations in 2009, 2008 and 2007 related to financial statements:

USD'000	Years ended 31 December			2009	2008
	2009	2008	2007	against	against
			(restated) ⁽²⁾	2008	2007
				%	%
Gold sales	1,199,088	1,062,331	849,023	12.9	25.1
Other sales	26,136	24,987	18,096	4.6	38.1
Cost of gold sales	(575,122)	(558,118)	(449,216)	3.0	24.2
Cost of other sales	(25,541)	(25,061)	(25,866)	1.9	(3.1)
Gross profit, including	624,561	504,139	392,037	23.9	28.6
Gross profit on gold sales	623,966	504,213	399,807	23.8	26.1
Gross profit margin	51.0%	46.4%	45.2%	–	–
Selling, general and administrative expenses	(155,012)	(134,960)	(261,776)	14.9	(48.4)
Profit before income tax	432,020	122,471	177,107	252.8	(30.8)
Pre-tax margin	35.3%	11.3%	20.4%	–	–
Income tax expense	(108,837)	(62,110)	(85,299)	75.2	(27.2)
Profit for the year	323,183	60,361	91,808	435.4	(34.3)
Net profit/(loss) attributable to minority interest	1,579	8,854	5,999	(82.2)	47.6
Net profit attributable to shareholders of the parent company	321,604	51,507	85,809	524.4	(40.0)
Net profit margin	26.4%	5.6%	10.6%	–	–
Earnings per share – basic and diluted (USD)	1.80	0.29	0.49	520.7	(40.8)

The following table shows the summary of performance results of the Polyus Group's operations in 2009, 2008 and 2007 related to non-GAAP financial measures:

USD'000	Years ended 31 December			2009	2008
	2009	2008	2007	against	against
			(restated) ⁽¹⁾	2008	2007
				%	%
Operating profit ⁽²⁾	435,239	347,164	113,715	24.5	205.3
Operating profit margin	35.50%	31.90%	13.10%	–	–
EBITDA ⁽³⁾	548,579	436,470	331,154	25.7	31.8
EBITDA margin	44.8%	40.1%	38.2%	–	–

1. Refer to Note 5 of consolidated financial statements for the year ended 31 December 2007 included in the 2008 Annual Report.

2. Operating profit is calculated as Gross profit, less Selling, general and administrative expenses, Research and exploration expenses and Other expenses, net.

3. For details of the calculation EBITDA refer to section 2.1 of this document.

2. Refer to Note 5 of consolidated financial statements for the year ended 31 December 2007 included in the 2008 Annual Report.

1.2 Gold sales

The following table shows the results and breakdown of the Polyus Group's gold sales for the years ended 2009, 2008 and 2007:

USD'000	Years ended 31 December			2009	2008
	2009	2008	2007 (restated)	against 2008	against 2007
				%	%
Gold sales (USD thousands)	1,199,088	1,062,331	849,023	12.9	25.1
Gold sales (thousand troy ounces) ⁽¹⁾	1,238	1,226	1,210	1.0	1.3
In the domestic market (thousand troy ounces)	1,207	1,226	1,050	-1.6	16.8
In the domestic market (%)	97	100	87	–	–
For export (thousand troy ounces)	31	–	160	–	–
Weighted-average gold selling price (USD per troy ounce)	968.7	867.3	701.7	11.7	23.6
Average p.m. gold fixing price in London (USD per troy ounce) ⁽²⁾	972.4	872	695.4	11.5	25.4
Excess/(deficit) of average selling price over/(under) average p.m. fixing price (USD per troy ounce)	-3.7	-4.7	6.3	–	–

- 1,207 thousand troy ounces of refined gold sold by business units in Russia and 31 thousand troy ounces of gold in semi-products sold by KazakhGold Group.
- Source: London Bullion Market Association.

In 2009, the Polyus Group's revenue from gold sales reached a record of USD 1,199,088 thousand, an increase of 12.9% as compared to 2008.

The increase in gold sales revenue was largely driven by higher realized gold prices, and a nominal increase in sales volumes. The sales volumes for the Polyus Group in 2009 were 1,238 thousand troy ounces, including 31 thousand ounces sold by the recently acquired by the Kazakhstan business unit. The comparable sales volume in 2008 was 1,226 thousand troy ounces. Sales volumes in Russia declined slightly in 2009 as a result of technical difficulties late in the year at Olimpiada, which delayed conversion of some production into final product.

In 2009, the Polyus Group produced 1,261 thousand troy ounces (39.2 tonnes) of refined gold, showing a 2.9% growth over 2008 levels when it produced 1,222 thousand troy ounces (38.0 tonnes). The growth in production is primarily a result of the launch of the Titimukhta project in the Krasnoyarsk region, and the acquisition in the third quarter of 2009 of a controlling stake in KazakhGold Group, one of the leading gold producers in the Republic of Kazakhstan. Enhanced production at alluvial business unit also contributed to production growth.

In 2009, the weighted-average gold selling price was USD 968.7 per troy ounce, reflecting a 12% growth as compared to 2008. The Group has a policy to sell gold at spot market prices. The weighted-average gold selling price for the Group was USD 3.7 per troy ounce lower than the average p.m. gold fixing price on the London market. The slight deficit is attributable to the Kazakhstan business unit which sells gold in a form of semi-products at a considerable discount to the London fixing price.

1.3 Cost of gold sales

The following table shows the results of the Polyus Group's cost of gold sales for the years ended 2009, 2008 and 2007:

USD '000	Years ended 31 December			2009	2008
	2009	2008	2007 (restated)	against 2008	against 2007
				%	%
Cash operating costs⁽¹⁾	573,870	587,332	442,224	(2.3)	32.8
Labour	175,080	207,403	144,008	(15.6)	44
Consumables and spares, out of which:	248,143	239,522	200,601	3.6	19.4
<i>Materials and spares</i>	<i>168,885</i>	<i>150,503</i>	<i>137,956</i>	<i>12.2</i>	<i>9.1</i>
<i>Fuel</i>	<i>79,258</i>	<i>89,019</i>	<i>62,645</i>	<i>(11.0)</i>	<i>42.1</i>
Utilities, out of which:	25,386	26,646	23,340	(4.7)	14.2
<i>Power</i>	<i>24,572</i>	<i>25,753</i>	<i>19,494</i>	<i>(4.6)</i>	<i>32.1</i>
<i>Other</i>	<i>814</i>	<i>893</i>	<i>3,846</i>	<i>(8.8)</i>	<i>(76.8)</i>
Tax on mining	90,080	72,588	51,138	24.1	41.9
Outsourced mining services	8,258	15,105	8,826	(45.3)	71.1
Refining costs	4,332	5,383	3,569	(19.5)	50.8
Sundry costs	22,591	20,685	10,742	9.2	92.6
Amortisation and depreciation of operating assets	95,023	98,999	87,196	(4.0)	13.5
Change in deferred stripping costs	50,736	(112,804)	(68,065)	(145.0)	65.7
Change in gold-in-process and refined gold	(151,886)	(6,879)	(12,621)	2108.0	(45.5)
Change in provision for land restoration	7,379	(8,530)	482	–	–
Cost of gold sales	575,122	558,118	449,216	3.0	24.2

1. The presentation of cash operating costs is more detailed than that presented in the financial statements. The amounts are derived from the management accounts, and agree in total with the amounts presented in the financial statements.

In 2009, cost of gold sales increased by 3% or USD 17,004 thousand, to USD 575,122 thousand. The change is a result of several factors, and combines the effects of the addition of KazakhGold in the amount of USD 24,848 thousand, enhanced mining works, increase in local currency costs offset by decreased exchange rates, the amortisation of previously deferred stripping costs, and an increase in gold-in-process/finished goods.

Cash operating costs

Cash operating costs make up the major part of cost of gold sales. During 2009, cash operating costs were USD 573,870 thousand compared to USD 587,332 thousand in the previous year. The decrease in cash operating costs in USD reflects strong depreciation of the RUB in 2009 compared to 2008. Cash operating costs of business units in Russia calculated in RUB increased by 21%, which reflects enhanced mining and processing works.

In 2009, expenses for consumables and spares were the largest component of cash operating costs (43% of cash operating costs). These included materials and spares (spare parts for trucks, excavators and for construction machinery, expenses on rolled metal products and cables, technological materials for plants and other materials and spare parts used during the mining, concentration and smelting) and fuel.

The cost of materials and spare parts consumed in the reporting period represented 29% of the Polyus Group's cash operating costs and amounted to USD 168,885 thousand as compared to USD 150,503 thousand in 2008. The primary reason for the changes were increased chemical and materials consumption due to modifications to processes at Olimpiada facilities and commencement of ore treatment at Titimukhta, and also includes purchases of the Kazakhstan business unit since its acquisition by the Polyus Group.

A significant portion of consumables and spares is mainly fuel, diesel oil and lubricants for trucks and excavators and fuel for oil-fired power plant operating at the Nezhdaninskoye deposit and the diesel power plant at the Olimpiada mine. In the period under review expenses on fuel accounted for 14% of the Polyus Group's cash operating costs. These expenses decreased by 11% from USD 89,019 thousand in 2008 to USD 79,258 thousand in 2009, consistent with the decline in global prices for oil products.

The cost of gold sales for the Krasnoyarsk business unit accounted for 57% of the Polyus Group's total cost of gold sales. The following sets forth the principal consumables and spares procured by the Krasnoyarsk business unit in 2009, 2008 and 2007, to illustrate the Group's cost components:

Item	Years ended 31 December					
	2009		2008		2007	
	Volume, tonnes	Cost, USD'000	Volume, tonnes	Cost, USD'000	Volume, tonnes	Cost, USD'000
Spare parts for tipper trucks and digging machines		15,185		10,371		12,958
Grinding balls	17,876	16,633	11,020	13,511	6,580	5,505
Pipes for current operations		1,042		1,212		1,198
Spare parts for road-building machines		2,619		3,428		1,787
Rolled metal products for current operations		1,224		1,859		784
Summer diesel fuel	46,353	25,050	45,600	31,954	50,075	29,588
Winter diesel fuel	35,515	23,915	30,400	24,182	33,952	22,740
Ai-80 gasoline	351	235	360	316	360	289
Ai-92 gasoline	508	377	420	417	300	285
Explosives		7,999		15,575		17,202
Cyanides	16,950	47,108	19,565	62,232	8,639	18,377
Total		141,387		165,057		110,713

The following table shows costs per unit of consumables and spare parts procured by the Krasnoyarsk business unit in 2009 and 2008:

USD per tonne	Years ended 31 December		2009 against 2008
	2009	2008	%
Grinding balls	930	1,226	(24.1)
Summer diesel fuel	540	701	(22.9)
Winter diesel fuel	673	795	(15.3)
Ai-80 gasoline	670	877	(23.7)
Ai-92 gasoline	743	994	(25.2)
Cyanides	2,779	3,181	(12.6)

The amount of purchases of consumables and spare parts by the Krasnoyarsk business unit in monetary terms reduced by 14% from USD 165,057 in 2008 to USD 141,387 thousand in 2009. This decrease relates primarily to a substantial decline in the purchase prices for materials, spares and fuel, which resulted partly from the RUB depreciation and partly from the decreased global market prices of underlying commodities, such as hot rolled steel and oil.

The volume of purchases in physical terms increased primarily due to additional purchases of grinding balls as a result of processing of more refractory ores at the Olimpiada mine in comparison to the previous periods and the start-up of operations at Titimukhta, and purchases of gasoline and diesel fuel for the construction works carried out at the Titimukhta, and Blagodatnoye mines. Enhanced ore mining at the Olimpiada deposit (in 2008 most part of the ore was supplied to the mills for processing from the stockpile), commencement of ore mining and on-going construction activities at the Titimukhta and Blagodatnoye deposits required additional purchases of spare parts for tipper trucks and digging machines. While cost of purchases of spare parts for road-building machines, rolled metal products and pipes declined under the influence of the exchange rate factor. In 2008, an explosive workshop was constructed at the Olimpiada mine, which allowed to reduce purchases of explosives from third parties.

The second largest item included in cash operating costs in 2009 was labour expenses (31% of cash operating costs). Labour expenses for production personnel were USD 175,080 thousand in 2009, representing a 16% decrease in comparison to 2008 levels, largely driven by the exchange rate movements. The Polyus Group managed to restrain growth of payroll costs denominated in the RUB and KZT even despite an increase in the average number of operating personnel by 3,190 employees following integration of Kazakhstan business unit into the Polyus Group.

Expenses on power represent 4% of the Polyus Group's cash operating costs. In the reporting period power costs declined by 5%, to USD 24,572 thousand reflecting growth in the electricity rates throughout Russia and

consolidation of the Kazakh business unit results for the final five months of the year (which, however, has lower power tariffs than other business units), which were more than offset by the impact of the exchange rate factor.

In 2009, the Polyus Group paid USD 90,080 thousand in mining tax, which was USD 17,492 thousand more than in the previous year due to increased production volumes and higher gold selling price. In accordance with Chapter 26 of the Tax Code of the Russian Federation, the tax on mining base includes concentrate or any other semi-product containing precious metal obtained by extraction of this metal from ore, alluvial or industrial deposits, including gold produced by the Polyus Group. Concentrates and other semi-products containing gold are subject to the tax at the rate equal to 6% of the cost of these semi-products. The cost is determined based on selling prices for the relevant tax period. The tax is accruable on gold, which the ore under processing contains, and thus is payable not only on gold sold, but also on gold lost during processing. Additionally the Group recorded unsettled mining tax for the previous periods.

Mining tax in the Republic of Kazakhstan is calculated with reference to the value of the reserves of commercially useful minerals which are contained in mineral raw materials, which are extracted. The value of the reserves of commercially useful minerals contained in mineral raw materials is determined on the basis of the average exchange price for such commercial minerals for the tax period. The average exchange price is the arithmetic mean of the daily average quotations for each commercial mineral recorded on the London Metal Exchange. The mining tax rate for gold, silver, platinum and palladium from 1 January 2009 is 5%.

Amortisation and depreciation of operating assets

Amortisation and depreciation of operating assets included in cost of sales decreased by 4% from USD 98,999 thousand in 2008 to USD 95,023 thousand in 2009. This decrease primarily resulted from the changes in the currency exchange rates, more than offsetting the effect of asset base enlargement on Olimpiada, Blagodatnoye and Titimukhta and addition of the Kazakhstan business unit's assets. The sum of amortisation and depreciation amount included amortisation of the mineral rights in the amount of USD 14,943 thousand.

Deferred stripping costs expensed/(capitalised)

In 2008, the Polyus Group capitalized excessive stripping works relating to the extension of the Vostochny pit of Olimpiada (Krasnoyarsk business unit) in the transition of production from oxide to sulfide ores. The amount of deferred stripping costs capitalized during 2008 amounted to USD 112,804 thousand. In 2009, the Polyus Group started to amortise previously capitalized stripping costs from Olimpiada. The Polyus Group's accounting policy stipulates that stripping costs incurred in the period are deferred to the extent that the current period stripping ratio exceeds the expected life-of-mine ratio. In case the current stripping ratio falls below the average life-of-mine stripping ratio, the stripping costs are charged to operating costs. Deferred stripping costs expensed for the reporting period amounted to USD 50,736 thousand.

Change in gold-in-process and refined gold

In the reporting year the Polyus Group's metal inventories substantially increased, mainly due to the fact that in 2009, some stock of ore from the Olimpiada and Titimukhta mines had been mined, but not processed during 2009 and have been recorded at net production cost. In addition, as at 31 December 2009 some stock of refined gold in the amount of 30 thousand troy ounces (including gold contained in semi-products produced by KazakhGold Group), remained. Total gold-in-process and refined gold of USD 151,886 thousand were recorded to inventory from cost of gold sales.

1.4 Selling, general and administrative expenses

The following table sets forth the selling, general and administrative expenses of the Polyus Group for the years ended 2009, 2008 and 2007:

USD '000	Years ended 31 December			2009 against 2008	2008 against 2007
	2009	2008	2007 (restated)	%	%
Salaries	76,918	73,742	76,291	4.3	(3.3)
Taxes other than mining and income taxes	16,105	18,318	20,724	(12.1)	(11.6)
Professional services	21,738	13,321	8,288	63.2	60.7
Depreciation	3,775	3,782	3,969	(0.2)	(4.7)
Administrative overheads	36,476	25,797	19,956	41.4	29.3
Share option plan	–	–	132,548	–	–
Total	155,012	134,960	261,776	14.9	(48.4)

In 2009, the Polyus Group's selling, general and administrative expenses increased by 15% from USD 134,960 thousand in 2008 to USD 155,012 thousand in 2009. This increase resulted mainly from the consolidation of the Kazakhstan business unit's selling, general and administrative expenses, for the last 5 months of 2009.

Salaries

In the reporting period, the Polyus Group's administrative labour costs increased from USD 73,742 thousand in 2008 to USD 76,918 thousand in 2009, resulting primarily from an increased number of administrative staff by approximately 890 people, mainly relating to acquisition of the controlling stake in KazakhGold Group. However, the increase in labour expenses denominated in the national currencies of Russia and Republic of Kazakhstan was significantly offset by depreciation of the RUB and KZT during 2009, resulting in a modest payroll cost increase of 4%.

Taxes, other than mining and income taxes

In addition to tax on mining and income taxes, the Polyus Group pays property tax, VAT (which for the purpose of this item includes only non-recoverable VAT), unified social tax and other taxes. In 2009, the Polyus Group accrued USD 16,105 thousand in federal and regional taxes other than tax on mining and income tax, which was 12% less than in 2008, primarily due to the RUB depreciation.

The amount of property tax denominated in the national currencies increased substantially as a result of commissioning of property related to the new projects development (relating to Titimukhta, Blagodatnoye and Natalka projects) and the modernization of existing production facilities (Zapadnoye mine, alluvial enterprises), and tax payments by KazakGold Group for the relevant period.

The following table shows the components of taxes, other than mining and income taxes, for 2009, 2008 and 2007:

USD '000	Years ended 31 December			2009 against 2008	2008 against 2007
	2009	2008	2007 (restated)	%	%
Taxes, other than mining and income taxes	16,105	18,318	20,724	(12.1)	(11.6)
VAT	2,648	3,100	10,092	(14.6)	(69.3)
Property tax	11,478	11,561	8,231	(0.7)	40.5
Other taxes	1,979	3,657	2,401	(45.9)	52.3

Professional services

In 2009, professional services expenses increased by 63%, from USD 13,321 thousand in 2008 to USD 21,738 thousand in 2009. The increase in professional services expenses was mainly due to legal and consulting services provided on the acquisition of the controlling stake in KazakhGold Group.

Administrative overheads

Administrative overheads represent rent expenses, communication services, bank charges, repair and maintenance costs and other expenses. In the reporting period rent expenses, repair and maintenance and expenses on

communication services declined from 2008 levels primarily reflecting the effect of changes in exchange rates. The following table shows the components of administrative overheads for 2009, 2008 and 2007:

USD '000	Years ended 31 December			2009	2008
	2009	2008	2007	against	against
			(restated)	2008	2007
				%	%
Administrative overheads	36,476	25,797	19,956	41.4	29.3
Rent expenses	3,587	4,609	1,799	(22.2)	156.2
Repair and maintenance	1,030	1,541	1,734	(33.2)	(11.1)
Communication services	1,420	1,749	1,278	(18.8)	36.9
Other	30,439	17,898	15,145	70.1	18.2

1.5 Research expenses

In 2009, research costs decreased by USD 3,694 thousand, or 74%, from USD 4,959 thousand in 2008 to USD 1,265 thousand in 2009. The volume of initial research works within greenfield projects was substantially reduced due to cost reduction measures undertaken in response to deterioration of global market conditions in the second half of 2008.

1.6 Other expenses, net

In the reporting period, other operating expenses almost doubled from USD 17,056 thousand in 2008 to USD 32,955 thousand in 2009. This increase is attributable to increased impairment charges (USD 10,859 thousand as compared to USD 1,831 thousand in 2008) at the Krasnoyarsk business unit and losses on disposal of property, plant and equipment (USD 3,875 thousand as compared to USD 548 thousand in 2008) mainly relating to the Krasnoyarsk, Kazakhstan and Irkutsk hard rock business units. Change in allowance for obsolescence of inventory also contributed to increased expenses (USD 3,639 thousand as compared to USD 1,489 thousand in 2008). In 2009, charity contributions decreased by 3% in the USD terms, but amounts denominated in the RUB and KZT increased.

In 2008, the Polyus Group realized other operating income totaling USD 5,569 thousand, which comprised deferred consideration in the sum of USD 3,152 thousand and other operating income in the sum of USD 2,417 thousand. In 2008, other operating expenses totaled USD 22,625 thousand. This included charity contributions in the amount of USD 7,135 thousand, changes in the allowance for reimbursable VAT totaling USD 7,078 thousand, impairment charges and loss on disposal of property, plant and equipment (in the sum of 2,379 thousand), change in allowance for obsolescence of inventories and inventories written off (in the sum of USD 2,243 thousand) and other operating expenses (USD 3,790 thousand).

1.7 Finance costs, income/(loss) from investments and foreign exchange gain/(loss)

The following table sets forth the components of financial and investment activity in 2009, 2008 and 2007:

USD' 000	Years ended 31 December			2009	2008
	2009	2008	2007	against	against
			(restated)	2008	2007
				%	%
Finance costs	(18,870)	(4,417)	(6,629)	327.2	(33.4)
Income/(loss) from investments	14,197	(217,591)	61,537	(106.5)	–
Foreign exchange gain/(loss)	1,364	(2,685)	8,484	(150.8)	–

Finance costs

In the period under review, the Polyus Group's finance expenses increased substantially from USD 4,417 thousand in 2008 to USD 18,870 thousand. This increase reflects primarily interest charged on KazakhGold Group's USD 200 million 9.375% senior notes due November 2013 ("Senior Notes") and other bank loans held at KazakhGold.

Income/(loss) from investments

In 2009, the Polyus Group recognized net income from investments totaling USD 14,197 thousand.

Following acquisition of a 50.15% stake in KazakhGold, the Polyus Group obtained call options to acquire all rights and obligations under convertible loan agreements between KazakhGold and its previous major shareholder Gold Lion Holdings Limited (“Gold Lion”). At the date of acquisition the fair value of the call options for convertible loans was recognized at USD 89,872 thousand. These derivatives were classified as held for trading investments carried at fair value through profit and loss. At the end of the reporting year, the fair value of call options amounted to USD 109,911 thousand. The increase in fair value of the instrument in the amount of **USD 20,039 thousand** was recognized in the consolidated income statement, and arises from increases in the trading price of KazakhGold shares.

In the reporting period, the Polyus Group received income from investments in securities held for trading. These investments are carried at fair value through profit and loss. As a result of financial markets recovery during 2009, the value of these investments, increased by **USD 13,702 thousand**.

In addition, the Polyus Group holds an investment share in the Management Company Rosfund which is accounted for as available-for-sale investments carried at fair value. For the reporting year, the Polyus Group disposed of USD 23,500 thousand of these investments, which resulted in a gain on disposal of investments in the amount of **USD 696 thousand** recognized in its income statement. The fair value of the remaining available-for-sale investments grew by USD 17,505 thousand. This increase, net of gain on disposal of available-for-sale investments, was recognized directly in equity within the investment revaluation reserve.

In 2009, the Polyus Group sold all the promissory notes, which led to a loss of **USD 34,928 thousand**. Although these notes were not previously impaired, as a result of declining markets early in the year, the Group decided to dispose of the notes, and realized amounts significantly less than the carrying value.

In 2009 the Polyus Group received interest income on bank deposits in the amount of **USD 14,688 thousand** (USD 31,646 thousand in 2008), the decrease is reflective of reduced cash balances.

Foreign exchange gain/(loss)

During 2009, although there was significant volatility in the RUB/USD and KZT/USD, the change between opening and closing rates in RUB/USD was relatively small. As a result, the Polyus Group recognized a net foreign exchange gain of USD 1,364 thousand, compared to a net loss of USD 2,685 thousand in the previous period.

1.8 Income tax

During 2009, the Polyus Group accrued USD 108,837 thousand in income tax, which was 75% more than in 2008. The increase in income tax expense was mainly driven by higher income before taxation. The effective income tax rate (ratio of current and deferred tax expense to IFRS income before tax) in 2009 was 25% (50% in 2008), whereas the statutory income tax rate in Russia established during 2009 was 20% (compared with 24% on 31 December 2008). The difference between the statutory and the effective tax rates was mainly because of a significant amount of non-deductible items for tax purposes and other permanent differences.

1.9 Other sales and cost of other sales

Revenue received by the Polyus Group from the sale of products other than gold and services grew by 5% in 2009 and amounted to USD 26,136 thousand compared to USD 24,987 thousand in the previous period. This revenue includes sales of electricity, rent services sales, revenue from transportation, handling and storage services, and other sales. The growth in RUB terms was more significant and resulted primarily from increased sales of electricity. Sale of electricity to third parties accounts for the largest part of other revenues – USD 10,993 thousand. These sales relate to CJSC Vitimenergobyt, the Polyus Group’s subsidiary located in the Bodaibo district of the Irkutsk region

Cost of other sales was USD 25,541 thousand, which is almost the same as in 2008. Cost of other sales included, in addition to electricity costs, depreciation, expenses on materials and fuel, and payroll costs related to non-mining activities. In 2009, revenue from other sales exceeded cost of their sales which resulted in a net gain from other sales in the amount of USD 595 thousand, compared to a net loss of USD 74 thousand in 2008.

2. Non-GAAP financial measures

In its analysis of the Polyus Group's results, Polyus Gold uses key performance indicators which are not measures determined in accordance with IFRS.

2.1 EBITDA

"EBITDA" is defined by Polyus Gold as profit before finance costs, income tax, income (losses) from investments, depreciation, amortisation and interest, and is further adjusted by certain items included in the table below. As these line items are not of a recurring nature, Polyus Gold has made these adjustments in calculating EBITDA to provide a clearer view of the performance of its underlying business operations and to generate a metric that it believes will give greater comparability over time with peers in its industry. Polyus Gold believes that EBITDA is a meaningful indicator of its profitability and performance. This measure should not be considered as an alternative to profit for the year and operating cash flows based on IFRS and should not necessarily be construed as a comprehensive indicator of the Polyus Group's measure of profitability or liquidity.

The following table sets forth the Polyus Group's EBITDA for the years ended 31 December 2009, 2008 and 2007:

USD'000	Years ended 31 December		
	2009	2008	2007 (restated)
Profit for the year	323,183	60,361	91,808
+ Income tax charged	108,837	62,110	85,299
+ Depreciation and amortisation for the year	98,516	86,927	82,066
+ Interest expense	18,870	4,417	6,629
– Interest payable written off	–	–	(4,055)
– Interest income	(14,688)	(47,106)	(51,493)
– Gain on disposal of investments	34,232	(13,770)	–
+ Loss/(gain) from investments in listed companies held for trading	(13,702)	178,377	(9,898)
+ Impairment of available-for-sale investments	–	100,090	–
– Foreign exchange (gain)/loss	(1,364)	2,685	(8,484)
+ Loss from disposal of property, plant and equipment and work-in-progress	3,875	548	6,421
+ Impairment of property, plant and equipment	10,859	1,831	313
+ Charge from share option plan obligations	–	–	132,548
– Change in fair value of derivative	(20,039)	–	–
EBITDA	548,579	436,470	331,154

The Polyus Group's EBITDA in 2009 was USD 548,579 thousand, which was USD 108,883 thousand or 26% more than in 2008 as a result of growth in gold selling prices and slightly higher sales volumes.

2.2 Total Cash Costs

The Polyus Group presents the financial items "total cash costs" ("TCC") and "total cash costs per troy ounce" which have been calculated and presented by management as TCC presentation is common industry practice, although its calculations of these items may differ from those of its industry peers. These items are not IFRS measures. An investor should not consider these items in isolation or as alternatives to cost of sales, profit for the year attributable to shareholders of the parent company, net cash generated from operating activities or any other measure of financial performance presented in accordance with IFRS. The calculation of total cash costs may vary significantly among gold mining companies, and by themselves do not necessarily provide a basis for comparison with other gold mining companies.

Total cash costs are defined by the Polyus Group as cost of sales reduced by property, plant and equipment depreciation, provision for annual vacation payment, provision for land rehabilitation and adjusted by non-monetary changes in inventories and non-monetary changes in deferred stripping works. Total cash costs per troy ounce are the attributable total cash costs divided by the attributable troy ounce of gold sold.

The following table shows the Polyus Group's TCC for the years ended 31 December 2009, 2008 and 2007:

USD'000, unless otherwise indicated	Years ended 31 December			2009 against 2008	2008 against 2007
	2009	2008	2007 (restated)	%	%
Cost of gold sales	575,122	558,118	449,216	3.0	24.2
– property, plant and equipment depreciation	(95,023)	(98,999)	(87,196)	(4.0)	13.5
– provision for annual vacation payment	(3,062)	(6,124)	(4,190)	(50.0)	46.2
– provision for land rehabilitation	(7,379)	8,530	(482)	(186.5)	–
+ non-monetary changes in inventories ⁽¹⁾	22,939	1,140	2,383	–	(52.2)
+ non-monetary changes in deferred stripping works ⁽²⁾	(8,528)	17,490	10,429	(148.8)	67.7
TCC	484,068	480,155	370,160	0.8	29.7
Gold sales, thousand troy ounces	1,238	1,226	1,210	1.0	1.3
TCC (USD/oz)	391	392	306	(0.3)	28.0
TCC (RUB/oz)	12,404	9,737	7,825	27.4	24.4

1. “Non-monetary changes in inventories” is a calculation to estimate the non-cash portion of costs included in the change in the amount of inventory, primarily representing depreciation and amortisation.
2. “Non-monetary changes in deferred stripping works” is a calculation to estimate the non-cash portion of costs included in the change in the amount of deferred stripping costs, primarily representing depreciation and amortisation.

In 2009, TCC per troy ounce grew by 27% on a RUB basis and remained approximately at 2008 levels on a USD basis.

The increase in TCC resulted from the increase in cost of gold sales due to the initiated expense of previously capitalized stripping costs, enhanced mining works at the Polyus Group’s mines under construction and operating mines in Russia and consolidation of production results of KazakhGold for the last 5 months of 2009, strongly offset by depreciation of the RUB in 2009 compared to 2008. See paragraph 1.3 above (“Cost of gold sales”).

2.3 Analysis of profitability indicators

Adjusted net profit is defined as net profit attributable to shareholders of the parent company adjusted for the charge from stock option plan obligations in 2007 and investment losses/gains and impairment of investments in 2008 and 2009. Adjusted return on assets is calculated as the adjusted net profit divided by the average assets for the year. Adjusted return on equity is calculated as the adjusted net profit divided by the average equity attributable to shareholders of the parent for the year. Adjusted return on invested capital is calculated as the adjusted net profit divided by the sum of the average equity attributable to shareholders of the parent and average non-current and current loans and borrowings for the year.

We have made these adjustments as these items are not of a recurring nature, to provide a clearer view of the performance of our underlying business operations and to generate a metric that we believe will give greater comparability over time with peers in our industry. Polyus Group believes that adjusted net profit, adjusted return on assets, adjusted return on equity and adjusted return on invested capital are meaningful indicators of its profitability and performance. These measures should not be considered alternatives to profit for the year and operating cash flows based on IFRS and should not necessarily be construed as a comprehensive indicator of Polyus Group’s measure of profitability or as a measure of liquidity. The following table shows the Polyus Group’s calculation of adjusted net profit, adjusted return on assets, adjusted return on equity and adjusted return on invested capital for the years ended 31 December 2009, 2008 and 2007:

USD'000, unless otherwise indicated	Years ended 31 December			2009	2008
	2009	2008	2007 (restated)	against 2008	against 2007
				%	%
Net profit attributable to shareholders of the parent company	321,604	51,507	85,809	524.4	(40.0)
+ Charge from share option plan obligations	–	–	132,548	–	–
+ Loss/(gain) on disposal of investments	34,232	(13,770)	–	–	–
+ Loss/(gain) from investments in listed companies held for trading	(13,702)	178,377	(9,898)	–	–
+ Impairment of available-for-sale investments	–	100,090	–	–	–
– Income on derivatives classified as held for trading	(20,039)	–	–	–	–
Adjusted net profit	322,095	316,204	208,459	1.9	51.7
Assets (average for the year)	3,434,871	3,426,156	3,527,817	0.3	(2.9)
Equity attributable to shareholders of the parent (average for the year)	2,916,417	3,009,254	3,043,901	(3.1)	(1.1)
Non-current and current loans and borrowings (average for the year)	99,916	10,455	17,955	855.7	(41.8)
Adjusted return on assets	9.38%	9.23%	5.91%	–	–
Adjusted return on equity	11.04%	10.51%	6.85%	–	–
Adjusted return on invested capital	10.68%	10.47%	6.81%	–	–

In 2009, the Polyus Group's profitability indicators increased. This was due to a multiple increase in net profit adjusted for net gain from investments. In the reporting period the asset base remained approximately at the levels of 2008. Retained loss of KazakhGold Group resulted in the decreased amounts of equity attributable to shareholders of the parent and invested capital, which contributed to the increase of adjusted return on equity and invested capital.

3. Summary table of performance results by business units

The following table shows the Polyus Group's performance results by business units for the years ended 31 December 2009, 2008 and 2007:

	Years ended 31 December								
	2009			2008			2007		
	Revenue USD '000	Production 000 oz	Sales 000 oz	Revenue USD '000	Production 000 oz	Sales 000 oz	Revenue USD '000	Production 000 oz	Sales 000 oz
Krasnoyarsk business unit	833,466	878	854	761,318	873	877	603,649	861	856
Irkutsk alluvial business unit	185,237	194	194	154,907	181	181	124,111	179	179
Yakutsk Kuranakh business unit	129,789	135	135	124,640	144	144	98,032	142	142
Irkutsk ore business unit	23,678	24	24	21,466	25	25	23,231	32	33
Kazakhstan business unit(1)	26,918	30	31	–	–	–	–	–	–
Group total⁽²⁾	1,199,088	1,261	1,238	1,062,331	1,222	1,226	849,023	1,214	1,210

1. Operating results of the Kazakhstan business unit include amounts of gold produced and sold in August – December 2009 in the form of sludge, flotation and gravitation concentrates and other semi-products.
2. Totals may not add due to the rounding error.

3.1 Krasnoyarsk business unit (Olimpiada and Titimukhta deposits)

USD'000, unless otherwise indicated	2009
Gold sales revenue	833,466
Cost of gold sales	(324,287)
Gross profit on gold sales	509,179
Gross profit margin	61%
TCC (USD/oz)	322

The Krasnoyarsk business unit is the Polyus Group's largest mining operation. The Krasnoyarsk business unit also acts as a distributing agent and sells its own gold and that of its subsidiaries-

Refined gold output at the Mills No.2 and 3 of the Olimpiada mine (which process the ores of the Olimpiada and Olenye deposits) totaled 839 thousand ounces and refined gold output at the Mill No.1 of the Olimpiada mine (which process the ores of the Titimukhta deposit) equalled 40 thousand ounces from the ores of Titimukhta, compared to 873 thousand ounces in the previous year. The successful modernization of the Plant No 1 and commissioning of Titimukhta deposit, helped to stabilize and increase the production of the Olimpiada mine.

In 2009, gold sales of the Krasnoyarsk business unit were USD 833,466 thousand, as compared to USD 761,318 thousand in 2008. The sales volumes were 854 thousand troy ounces.

Despite full conversion to the processing of sulfide ores in 2009, the Krasnoyarsk business unit TCC indicator remains one of the lowest in the world gold industry. The gross profit margin in 2009 was 61%.

3.2 Irkutsk alluvial business unit (Alluvial deposits)

USD'000, unless otherwise indicated	2009
Gold sales revenue	185,237
Cost of gold sales	(125,003)
Gross profit on gold sales	60,234
Gross profit margin	33%
TCC (USD/oz)	554

In 2009, gold production at the alluvial deposits in the Irkutsk region totaled 194 thousand troy ounces, while in 2008 the alluvial deposits produced 181 thousand troy ounces. The increase of quantity of gold sold in the Irkutsk alluvial business unit was caused by the increase of average gold grade and acquisition of a new alluvial enterprise in 2009.

During the reporting period all of the gold produced by the Irkutsk alluvial business unit was sold. The positive gold price movements resulted in a 14% increase in revenues over the 2008 levels to USD 185,237 thousand in 2009. The gross profit margin was 33%.

Alluvial deposits' TCC amounted to USD 554 per troy ounce in the reporting year, compared to USD 633 per troy ounce in 2008. This decrease reflects the impact of the exchange rate factor, while in RUB terms TCC increased due to increased salaries, electricity, repair and maintenance costs and mining tax expense resulting from increased sales volumes and realized gold price.

3.3 Yakutsk Kuranakh business unit (Kuranakh mine)

<u>USD'000, unless otherwise indicated</u>	<u>2009</u>
Gold sales revenue	129,789
Cost of gold sales	(86,226)
Gross profit on gold sales	<u>43,563</u>
Gross profit margin	34%
TCC (USD/oz)	551

In 2009, the Kuranakh mine in the Sakha Republic (Yakutia) produced 135 thousand troy ounces of refined gold, compared to 144 thousand troy ounces in 2008. A slight decrease in production was due to implementation of a modernization works aimed at raising the mine's processing capacity.

In 2009, the gold sales revenue of the Yakutia business unit totaled USD 129,789 thousand compared to USD 124,640 thousand in 2008. The revenue growth resulted from the increased gold selling price. The gross profit margin equalled 34%.

The Kuranakh mine's TCC decreased from USD 681 per troy ounce in 2008, to USD 551 per troy ounce in 2009 primarily under the influence of the RUB depreciation. RUB-denominated TCC increased by 3% as a result of slight growth in materials and spares costs, expenses on electricity and increased salaries.

The Kuranakh mill was commissioned in 1965 and is one of the oldest in the Russian gold mining industry. Obsolescence of its production facilities have resulted in a gradual reduction of profitability. The Polyus Group is in the process of modernizing the mill in order to increase its capacity from 3.6 mtpa to 4.5 mtpa.

3.4 Irkutsk ore business unit (Zapadnoye mine)

<u>USD'000, unless otherwise indicated</u>	<u>2009</u>
Gold sales revenue	23,678
Cost of gold sales	(33,072)
Gross profit on gold sales	<u>(9,394)</u>
Gross profit margin	-
TCC (USD/oz)	709

In 2009, refined gold production of the Zapadnoye mine was 24 thousand troy ounces, which is approximately the same as in the previous year.

Gold sales revenue increased from USD 21,466 thousand in 2008 to USD 23,678 thousand in 2009. A substantial part of cost of gold sales was high amortization and depreciation charges, including amortization of mineral rights.

The Zapadnoye mine's TCC amounted to USD 709 per troy ounce in 2009, compared to USD 895 per troy ounce in 2008. The decrease resulted from the USD/RUB exchange rate movements. The RUB-denominated TCC remained at the levels of 2008.

The Zapadnoye deposit is a western flank of the Sukhoi Log ore field, the largest gold deposit in Russia, which is a perspective area of a potential interest for the Polyus Group. The Zapadnoye mill was commissioned in 2004 and cannot be considered as a rigorous producing business unit, but as a pilot plant for modelling of industrial technologies for processing of ores similar to the ores of Sukhoi Log. The mine's production volumes and TCC contributed only 2% and 4% to the total Group's output and TCC, respectively, in 2009.

3.5 Kazakhstan business unit (Aksu, Bestobe and Zholymbet mines)

<u>USD'000, unless otherwise indicated</u>	<u>2009</u>
Gold sales revenue	26,918
Cost of gold sales	(24,848)
Gross profit on gold sales	<u>2,070</u>
Gross profit margin	8%
TCC (USD/oz)	542

From August to December 2009 the Kazakhstan business unit, KazakhGold Group, produced 30 thousand troy ounces and sold 31 thousand ounces of gold in the form of sludge, flotation and gravitation concentrates and other semi-products.

Gold sales revenue for the appropriate period was USD 26,918 thousand. Poor condition of production facilities at all the three producing mines of the Kazakhstan business unit (Aksu, Bestobe and Zholymbet located in Stepnogorsk area of Akmola region of the Republic of Kazakhstan) led to a high cost of sales, and, as a result, high TCC and low profitability levels. A large part of cost of gold sales was amortization and depreciation of operating assets. High amortization and depreciation charges resulted from revaluation of fixed assets by an independent appraiser and, consequently, change in book value, useful life and depreciation methods of some operating assets. The gross profit margin for the period under review was 8%.

Following the acquisition of a controlling stake in KazakhGold by the Polyus Group, efforts to arrest the deterioration in production levels and stabilise the KazakhGold Group's financial situation were undertaken. An immediate injection of working capital was made, and urgent maintenance and repair works were performed at the mines. In the third quarter of 2009, measures aimed at streamlining the KazakhGold Group's structure, improving control systems and upgrading production assets were taken. During the final five months of 2009, an upgrading programme of underground mine equipment was initiated at all mines. As a result of the ongoing production upgrades, improved gold production results are expected in 2010 and annual gold production is targeted at approximately 130 thousand ounces.

4. Review of financial sustainability and solvency

4.1 Analysis of statement of financial position items

The table below offsets forth key items from the Polyus Group's consolidated statement of financial position as at 31 December 2009, 2008 and 2007:

USD '000	As at 31 December		
	2009	2008	2007 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	2,299,071	1,772,319	1,783,432
Goodwill	132,906		
Investments in securities and other financial assets	114,792	4,095	2,147
Deferred stripping costs	106,088	163,988	82,061
Other non-current assets ⁽¹⁾	46,631	50,415	11,824
Total non-current assets	2,699,488	1,990,817	1,879,464
Current assets			
Inventories	415,238	233,001	224,209
Investments in securities and other financial assets	312,733	285,236	1,270,918
Cash and cash equivalents	173,360	398,826	226,174
Other current assets ⁽²⁾	190,060	170,982	172,685
Total current assets	1,091,391	1,088,045	1,893,986
TOTAL ASSETS	3,790,879	3,078,862	3,773,450
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company	3,076,100	2,756,733	3,261,774
Non-controlling interest	64,871	37,808	47,187
TOTAL EQUITY	3,140,971	2,794,541	3,308,961
Total non-current liabilities	313,427	182,623	281,950
Current liabilities			
Short-term borrowings	173,437	-	20,909
Trade and other payables and accrued expenses	116,812	83,527	105,583
Other current liabilities ⁽³⁾	46,232	18,171	56,047
Total current liabilities	336,481	101,698	182,539
TOTAL LIABILITIES	649,908	284,321	464,489
TOTAL EQUITY AND LIABILITIES	3,790,879	3,078,862	3,773,450

1. Other non-current assets consist of the long-term portion of reimbursable value added tax and other non-current assets.
2. Other current assets consist of reimbursable value added tax, accounts receivable, advances paid to suppliers, income tax receivable and other current assets.
3. Other current liabilities consist of contingent consideration on acquisition of subsidiaries, income tax payable and other taxes payable.

4.1.1 Assets

Non-current assets

Property, plant and equipment

The table below sets forth the components of the Polyus Group's property, plant and equipment at 31 December 2009, 2008 and 2007:

USD '000	Years ended 31 December		
	2009	2008	2007 (restated)
Exploration and evaluation assets	240,900	214,920	301,238
Mining assets	1,567,117	1,218,349	1,253,565
Non-mining assets	36,816	39,814	41,084
Capital construction-in-progress	454,238	299,236	187,545
Total property, plant and equipment	2,299,071	1,772,319	1,783,432

In 2009 the Polyus Group continued its construction and mine development works. As a result, the value of capital construction-in-progress showed a substantial increase from USD 299,236 thousand in 2008 to USD 454,238 thousand in 2009. In the reporting year, the value of mining assets, which represent the largest group of assets in the Polyus Group, grew by 29% from USD 1,218,349 thousand as at 31 December 2008 to USD 1,567,117 thousand as at 31 December in 2009. This growth resulted primarily from substantial additions and transfers from capital construction-in-progress, and consolidation of the Kazakhstan business unit's assets as at the year end. At the end of the reporting year, mining assets included mineral rights of USD 547,961 thousand. Exploration and evaluation assets increased by 12% and amounted to USD 240,900 thousand as at 31 December 2009. This growth was primarily the result of the reduction in exploration works throughout the Polyus Group as most of its large exploration projects reached their final stages. The decrease in the value of non-mining assets by 8% resulted from translation to presentation currency more than offsetting additions during the year. The closing balance of the Polyus Group's property, plant and equipment was USD 2,299,071 thousand as at 31 December 2009, compared to USD 1,772,319 thousand as at 31 December 2008.

Deferred stripping costs

Pursuant to the Polyus Group's accounting policy, in 2009 the Polyus Group started to expense previously capitalized deferred stripping costs, related to excessive stripping works implemented at the Krasnoyarsk business unit in order to access the sulfide ore body after the depletion of the oxide ores of Olimpiada. As a result, this item declined from USD 163,988 thousand as at 31 December 2008 to USD 106,088 thousand at the same date of 2009. In 2008, these stripping costs were capitalised, resulting in a twofold growth of deferred stripping costs as compared to 2007.

Derivative

Following its acquisition of a 50.15% stake in KazakhGold Group, the Polyus Group obtained call options to acquire all rights and obligations under convertible loan agreements between KazakhGold and its previous major shareholder Gold Lion. Under the loan agreements the Lender may convert the principal amounts of USD 31,025 thousand together with accrued interest into ordinary shares of KazakhGold at the price of USD 1.5 per share. At acquisition date the fair value of the call options for convertible loans was determined in the amount of USD 89,872 thousand. The fair value of the call options is determined by financial modeling, with reference to the difference between the market price of KazakhGold share at the date of acquisition less conversion price. As at 31 December 2009 the fair value of call options for convertible loans amounted to USD 109,911 thousand and increase in fair value of the instrument in the amount of USD 20,039 thousand was recognized in the consolidated income statement.

Goodwill

As a result of acquisition of a controlling stake in KazakhGold Group, the Polyus Group recognized goodwill in the amount of USD 132,906 thousand. During 12 months following the date of acquisition the Polyus Group will be required to finalize the provisional acquisition accounting and this amount may either be classified as mineral rights within property, plant and equipment or written off as an impairment on acquisition.

Current assets

In 2009, the value of the Polyus Group's current assets did not change materially, but the asset structure changed, mostly due to a USD 225,466 thousand decrease in cash and cash equivalents and a USD 182,237 thousand increase in inventories

Cash and cash equivalents

During the year, cash was partly used for financing of working capital, acquisition of the controlling stake in Kazakhgold Group in July 2009, an extensive capital expenditure program at the mines located in Russia and Kazakhstan and payment of dividends, and partly placed on bank deposits. As a result, at 31 December 2009, cash and cash equivalents amounted to USD 173,360 thousand, showing a 57% year-on-year decrease.

InventoriesIn the reporting year, inventories increased by 78% to USD 415,238 thousand. The major contributor to growth of inventories was a multiple increase in gold-in-process, which amounted to USD 202,647 thousand as at the end of 2009. The principal reason for the increase was the fact that some stock of ore from the Olimpiada and Titimukhta mines that had been mined, but not processed during 2009, was recorded in the Polyus Gold's accounts at net production cost. At 31 December 2009, the residual balance of refined gold produced, but not sold during the year, amounted to 30 thousand troy ounces (including gold contained in semi-products produced by KazakhGold Group), while at the end of 2009 there was no gold left at the refinery. This led to a USD 12,760 thousand increase in metal inventories. The value of stores and materials at cost, net of allowance for obsolescence, increased by 9%. This was primarily related to the growing cost of grinding balls and spare parts procured for mining equipment as a result of processing of more refractory ores at the Olimpiada mine and the start-up of operations at Titimukhta, as well as increased fuel stocks for the needs of construction at the Titimukhta and Blagodatnoye mines.

Investments in securities and other financial assets

As at 31 December 2009, the short-term investments in securities and other financial assets totalled USD 312,733 thousand, compared to USD 285,236 thousand as at 31 December 2008, showing a 10% year-on-year increase. At the end of the reporting year, these were presented by available for sale equity investments, bank deposits and equity investments in listed company held for trading.

Movements in investments and other financial assets during the year ended 31 December 2009 are presented in the table below:

USD '000	Years ended 31 December		Movements
	2009	2008	
Available-for-sale investments	203,376	206,680	The Groups's available-for-sale investments include a share in Rosfund which declined by USD 5,304 thousand and amounted to USD 203,376 thousand as at 31 December 2009. During the reporting year, the Polyus Group disposed of USD 22,804 thousand of these investments at a realized price of USD 23,500 thousand which resulted in a gain on disposal of investments in the amount of USD 696 thousand, reflected in the income statement. For the reporting year, the fair value of the remaining available-for-sale investments grew by USD 18,201 thousand. This increase, net of gain on disposal of available-for-sale investments, was recognized in equity through an increase in the investment revaluation reserve.
Equity investments in listed companies held for trading	39,199	40,628	Investments in listed companies held for trading are represented by financial assets carried at fair value through profit and loss. During the year 2009, the Polyus Group disposed of USD 14,173 thousand of these investments. By the end 2009, the value of held for trading investments increased by USD 13,702 thousand, which was recognized as an investment income. As at 31 December 2009, the investments in listed companies held for trading amounted to USD 39,199 thousand, compared to USD 40,628 thousand at 31 December 2008.
Bank deposits	70,158	–	In the reporting period, the Polyus Group deposited cash on bank accounts in the total amount of USD 70,158 thousand. These RUB-denominated funds are deposited in VTB, Rosbank and Gazprombank and bear annual interest rates of 7.5-10.5%.
Promissory notes	–	35,928	In 2009, the Polyus Group disposed of all the promissory notes, which amounted to USD 35,928 thousand in the beginning of the year.
Total investments in securities and other financial	312,733	285,236	

assets:

4.1.2 Capital and liabilities

Share capital and reserves

As at 31 December 2009, share capital and reserves were USD 3,140,971 thousand compared to USD 2,794,541 thousand as at 31 December 2008. This increase comes mainly from growth in retained earnings and a decrease in treasury shares and related additional paid-in capital.

During the period, the Polyus Group' retained earnings increased by USD 285,278 thousand, reflecting a net profit attributable to the parent company of USD 321,604 thousand less dividends paid of USD 38,378 thousand (in respect of the first half of 2009 results) and proceeds from issuance of treasury shares in the amount of USD 2,052 thousand.

In August 2009, the Polyus Group issued shares from treasury shares as a part of consideration for acquisition of the controlling stake in KazakhGold Group. This led to a USD 98,614 decrease in the value of treasury shares and a USD 35,029 thousand decrease in additional paid-in capital.

As a result of currency exchange rate movements, translation reserve decreased by USD 47,001 thousand and amounted to USD 90,407 thousand as at 31 December 2009. The investment revaluation reserve equalled USD 17,505 thousand due to the increase in fair value of available-for-sale investments.

Non-controlling interest increased by USD 27,063 thousand and was USD 64,871 thousand as at the end of 2009, reflecting acquisition of non-controlling interest of KazakhGold Group of USD 30,545 thousand less profit for the year and other comprehensive income attributable to minorities for the sum of USD 1,514 thousand, and dividends paid to shareholders of non-controlling interest of USD 4,996 thousand.

Non-current liabilities

Following consolidation of the Kazakhstan business unit's liabilities, the Polyus Group recorded long-term borrowings of USD 26,394 thousand, primarily representing loans payable to Gold Lion, previously its major shareholder.

At 31 December 2009, environmental obligations of USD 90,518 thousand were almost three times higher than at the same date of 2008. This was mainly due to a substantial re-estimation of decommissioning assets and provision for land restoration as a result of decrease in the applied discount rate from 15% to the range 6.6-10.2%. Additional obligations also related to the Kazakhstan business unit.

In 2009, deferred tax liabilities totalled USD 180,989 thousand which is 22% more than in the previous year (USD 148,244 thousand) resulting primarily from an increase in income tax liabilities in respect of valuation of inventory and amortised deferred stripping costs. The increase in the liability was recognized through the income statement for the period in the amount of USD 14,936 thousand.

Other non-current liabilities included liabilities for bank guarantees and for historical costs liability assumed upon the acquisition of KazakhGold Group and its consolidation with the Polyus Gold financial statements. The bank guarantee liability was incurred by a KazakhGold Group's subsidiary JSC "MMC KazakhAltyn" in 2006 in respect of finance lease agreements. At 31 December 2009 the Polyus Group fully provided for potential losses related to the bank guarantee liability in the amount of USD 11,014 thousand (full amount of USD 13,249 thousand less USD 2,235 thousand representing the current portion of this amount). The historical costs liability relates to amounts owing for geological studies due to the Government of Kazakhstan, which were reflected in the statement of financial position as at 31 December 2009 at a net present value of USD 4,512 thousand.

Current liabilities

Current liabilities increased from USD 101,698 as at 31 December 2008 thousand to USD 336,481 thousand, mostly related to short-term borrowings at KazakhGold Group, which were consolidated within the Polyus Gold Group financial statements following the acquisition.

At 31 December 2009, the statement of financial position reflected KazakhGold Senior Notes at fair value and bank loans obtained by KazakhGold Group's principal subsidiary, JSC "MMC KazakhAltyn" redeemable within three months, while at 31 December the Polyus Group had no short-term borrowings. In connection with the acquisition of KazakhGold, Polyus Gold has become a limited liability guarantor of the outstanding USD 200 million Senior Notes issued by KazakhGold. At 31 December 2009, the liability under the Senior Notes was reflected in the Polyus Group's statement of financial position at fair value at acquisition and carried at amortized cost and was classified as a current liability, as a result of KazakhGold Group's default under certain terms of the Senior Notes.

Trade payables increased by USD 6,414 thousand primarily as a result of addition of the Kazakhstan business unit liabilities and abandon from advances for purchasing and moves to increase payables due to unstable financial situation on the market. There was a tendency to renegotiate terms of contracts with existing suppliers and negotiate after-delivery payments with new suppliers. . Other payables grew by 41% mainly due to accrual of dividends payable

to minority shareholders of OJSC Lenzoloto (Irkutsk alluvial business unit) and some payables of KazakhGold Group. Wages and salaries payable increased from USD 37,159 thousand to USD 43,212 thousand, mainly on account of the consolidation of the Kazakhstan business unit. The latter also accrued interest on a loan from Jenington and interest on the Senior Notes for the total amount of USD 2,821 thousand. Accrued annual leave payments totalled USD 27,530 thousand at the end of the reporting period, compared to USD 18,542 thousand at the end of the previous period. The 48% increase mainly comes from the Krasnoyarsk and the consolidation of the Kazakhstan business unit.

At an extraordinary General Shareholders' meeting which took place on 14 September 2009, the decision was made to pay dividends based on the first half of 2009 results. During 2009 the Polyus Group paid USD 40,387 thousand as dividends to Polyus Gold shareholders. As at the end of the reporting year, there was no dividends payable liability relating to shareholders of Polyus Gold.

At the end of 2009, income tax payable amounted to USD 2,609 thousand. Other taxes payable grew substantially from USD 16,827 thousand to USD 43,623 thousand with the addition of KazakhGold, as there are VAT obligations at KazakhGold which were not part of the Group in the previous year. In 2009, the Polyus Group's mining tax payable increased by 79% as a result of additional charges for the previous periods.

4.2 Cash flow analysis

The following table sets forth the main components of the Polyus Group's consolidated cash flow statement for the years ended 31 December 2009, 2008 and 2007:

USD '000	Years ended 31 December		
	2009	2008	2007 (restated)
Operating activities			
Profit before income tax	432,020	122,471	177,107
Adjustments ⁽¹⁾	194,413	308,564	159,594
Operating profit before working capital changes	626,433	431,035	336,701
Changes in working capital	(172,706)	(145,947)	(40,197)
Cash flows from operations	453,727	285,088	296,504
Interest paid	(10,795)	(2,434)	(1,671)
Income tax paid	(99,832)	(90,421)	(50,187)
Net cash generated from operating activities	343,100	192,233	244,646
Investing activities			
Capital expenditures, acquisition of subsidiaries and deferred stripping costs ⁽²⁾	(495,990)	(629,842)	(459,394)
Other investments spendings/proceeds ⁽³⁾	(20,075)	700,728	90,648
Net cash (used in)/generated from investing activities	(516,065)	70,886	(368,746)
Net cash generated from/(used in) financing activities	(56,698)	(43,588)	42,337
Effect of translation to presentation currency	4,197	(46,879)	13,740
Net (decrease)/increase in cash and cash equivalents	(225,466)	172,652	(68,023)
Cash and cash equivalents at beginning of the year	398,826	226,174	294,197
Cash and cash equivalents at end of the year	173,360	398,826	226,174

- Adjustments for non-cash items include: the share option plan, amortisation and depreciation, expensed stripping costs, finance costs, loss on disposal of property, plant and equipment, change in allowance for obsolescence of inventory, change in provision for land restoration, impairment of property, plant and equipment, change in allowance for reimbursable value added tax, income/(loss) from investments, change in fair value of derivative, foreign exchange (gain)/loss, net and other items.
- Capital expenditures, acquisition of subsidiaries and deferred stripping costs include purchases of property, plant and equipment, acquisition of shares in subsidiaries, deferred stripping costs capitalised, proceeds from sale of property, plant and equipment and proceeds from sale of shares in subsidiaries.
- Other investments spendings/proceeds include repayment of contingent consideration, dividends received, interest received, purchase of promissory notes and other financial assets and proceeds from sale of promissory notes and other financial assets.

In 2009, the Polyus Group generated income before tax in the amount of USD 432,020 thousand. Operating profit before working capital changes amounted to USD 626,433 thousand, which was 45% higher than in the previous year. In 2009 working capital changes were 18% higher than in 2008 and were affected mainly by growth in metal

inventories. In the reporting period, net cash generated from operating activities increased by USD 150,867 thousand to USD 343,100 thousand.

In the reporting year, capital expenditures and acquisition of subsidiaries totalled USD 495,990 thousand, compared to USD 629,842 thousand in the previous period. Deferred stripping costs were capitalized in 2009 but were charged to operating costs in accordance with the Polyus Group's accounting policy. In addition, in the period under review the Polyus Group deposited cash on bank accounts, which resulted in a USD 170,811 thousand cash outflow. This was partly offset by proceeds from disposal of deposits, available-for-sale investments and investments in securities held for trading for a total consideration of USD 137,702 thousand. As a result, in 2009 the Polyus Group used USD 516,065 thousand in investment activities, while in 2008 it received USD 70,886 thousand in investment activities.

Cash outflow from financing activities in the year ended 31 December 2009 totalled USD 56,698 thousand, as compared to USD 43,588 in the year ended 31 December 2008. The major cash outflows during the reporting year were payment of dividends in respect of the first half 2009 results and repayment of borrowings by KazakhGold Group during the final 5 months of 2009.

4.3 Capital expenditures, acquisitions of subsidiaries and deferred stripping costs

Capital expenditures represent the Polyus Group's purchase of property, plant and equipment adjusted for the proceeds from the sale of property, plant and equipment. The Polyus Group also presents capitalised deferred stripping costs and the acquisition of subsidiaries adjusted for the repayment of contingent consideration and proceeds from the disposal of such subsidiaries.

The following table shows the Polyus Group's capital expenditures, acquisition of subsidiaries and deferred stripping costs for the years ended 31 December 2009, 2008 and 2007:

USD'000	Years ended 31 December		
	2009	2008	2007 (restated)
+ Purchase of property, plant and equipment	302,405	481,504	382,802
– Proceeds from sale of property, plant and equipment	(1,270)	(5,747)	(17,952)
Net capital expenditures	301,135	475,757	364,850
Acquisition of subsidiaries, net of cash acquired, and increase of ownership in subsidiaries	182,247	39,156	–
+ Repayment of contingent consideration on acquisition of subsidiaries	–	19,616	38,228
– Proceeds from disposal of subsidiary, net of cash disposed of	–	–	(1,320)
Acquisition of subsidiaries, net of adjustments above	182,247	58,772	36,908
+ Deferred stripping costs capitalised	12,608	95,313	57,636
Total capital expenditures, acquisition of subsidiaries and deferred stripping costs	495,990	629,842	459,394

In 2009, total capital expenditures, acquisition of subsidiaries and deferred stripping costs equalled USD 495,990 thousand, which was 21% less than in 2008. In the reporting period, the Polyus Group implemented its capital expenditures programme and expended USD 301,135 thousand on property, plant and equipment, including equipment for mills under construction, mining and construction equipment and rolled metal products. The largest amounts were spent on the construction of the Blagodatnoye mine, modernization program at Olimpiada aimed at raising the mine's operating efficiency after complete transition to refractory sulfide ores processing, and development of key growth projects: Natalka, Titimukhta and Verninskoye.

In 2009, the Polyus Group expended USD 182,247 thousand on acquisition of subsidiaries, reflecting cash consideration of acquisition of a 50.15% stake in KazakhGold Group.

In the reporting period the Polyus Group capitalised stripping costs in the amount of USD 12,608 thousand.

5. Description of principal risks

The activities of the Polyus Group (hereinafter the Company) are associated with a number of risks that may affect the Company's production and financial results. The current global financial crisis has exacerbated the risks facing the mining industry, though the Company believes that gold mining companies, in general, are in a better position to weather such additional risks than producers of other metals.

The Company is committed to achieving successful development, including through ensuring an effective risk management system designed to achieve optimal results, an efficient distribution of resources, and a strengthening of the Company's competitiveness. Successful risk management requires, amongst other things, the identification and assessment of potential threat parameters, and the development of measures aimed at the mitigating potential risks. The Company has developed internal procedures governing the process through which risks are managed. Such procedures require that each business unit has a designated risk manager, identifies risks facing the unit, and takes measures aimed at lowering its risk levels.

5.1 Risks connected with the financial and economic crisis

Risks associated with failures to perform under existing agreements and of securing new equipment and material supply agreements

One of the consequences of the global financial crisis is a material drop in the financial status or credit ratings of a number of enterprises in Russia and internationally that manufacture and supply spare parts and equipment. Any possible suspension of their activities would increase the risk of them failing to perform their contractual obligations, possibly resulting in the late delivery of equipment and materials. Further failures to observe the Company's logistic schedules may affect the launch time of new production capacities and the fulfilment of the Company's production plans.

To attempt to mitigate the risk of late delivery, the Company monitors the financial status of its major counterparties on a regular basis and takes measures to increase the number of actual, and potential, counterparties with which it conducts business.

Risks associated with insufficient credit resources

The Company currently has no significant debts payable and is currently facing high prices and demand for gold. Coupled with ample liquidity reserves in the form of the Company's own cash resources, the Company believes it has a sufficient level of capital to continue the current activities of the Company's enterprises and to fulfil currently approved plans aimed at the expansion of production capacities and production volumes. However, the global financial crisis has resulted in little, if any, access to the capital markets and increased the costs associated with securing credit lines. If the Company is unable to access credit, or if this credit is more costly to it, the implementation of a number of major projects may need to be adjusted.

Risk of the government's rejection to take part in the implementation of projects

As a result of various economic and political factors, including current economic recession, it is likely that the Government of the Russian Federation will have to revisit the priorities of the Investment Fund of the Russian Federation project with due regard for its social consequences and regional effects.

The absence of accurate forecasts of economic growth and uncertain macroeconomic trends may lead to a reduction in the Government's investment budget, which could impact the Government's ability to co-finance a number of the Company's projects, leading to such projects being indefinitely postponed.

5.2 Risks characteristic of mining industry enterprises

Operational risks

Ore and mineral reserves are difficult to quantify, actual volumes may be inaccurate and are therefore subject to significant correction

The Company's activities are heavily reliant upon its available stocks and resources. The evaluation of ore and mineral reserves depends to a certain extent on statistical conclusions made on the basis of the results of limited volumes of drilling and other analyses that may turn out to be incorrect. The evaluation and classification of ore and mineral reserves may also be affected by the changes in the prices of gold. If the quantity and quality of the explored reserves are not confirmed, the production efficiency may deteriorate as a result of labor consuming mining operations.

The Company engages independent experts to conduct audits on prospective and existing deposits and to provide reports on the results of the exploration activity, mineral and ore resources and reserves. The Company's reserves were audited by Micon International from 2006 to 2008.

Risks connected with mining and production activity

The Company's production activities are carried out in remote regions, which are subject to severe climatic conditions. As a result, the delivery of equipment, technological materials and spare parts is more difficult, thus affecting production costs. Mining machinery, transport and new technologies, including those developed by the Company, are used for operations in areas which have complicated geological and climatic conditions.

There are increased risks of flooding, pit slope and rim slide, accidents caused by the use of the mining transport equipment and preparation and performance of explosion works in the pit, reduction of gold production due to adverse weather conditions and problems in the power supply facilities and recovery plants. These risks could result in suspended ore production and recovery, increased costs, health, safety and environmental issues and affect the Company's production activities.

The Company aims to mitigate the risks associated with unplanned production interruptions through various processes, including probability analysis and effective risk management. Such risk management includes the identification of potential threat parameters, the identification of defined risk categories and the adoption of measures designed to prevent accidents and emergencies. A risk reduction programme is also currently in the process of being developed.

Risks associated with the implementation of investment projects

The implementation of the Company's investment projects is subject to market, technical, production and operational risks.

Market risks induced by the changes in the price of gold, exchange rates and inflation may affect the implementation of the Polyus Group's projects. Technical, production and operational risks include construction delays, and malfunction due to errors in the design, construction or installation, which may lead to higher costs and affect the Company's results.

To reduce these project risks the Company has developed a procedure for a careful and comprehensive study, selection and analysis of investment projects proposed for implementation. Each project is subject to approval by the Company's Investment Committee, which is constituted by members with expertise in economics, production and law. Control over investment projects is exercised at all the stages of implementation.

Risks connected with acquisition and merger transactions

The Company actively looks for opportunities to invest in the gold mining industry both in Russia and abroad. Such acquisitions and mergers inevitably entail a variety of risks. To reduce the risks connected with any acquisition and merger transaction, the Company conducts a comprehensive analysis of the pending transactions and an assessment of the consequences with due regard for the political, economic, ecological and social factors.

5.3 Financial Risks

Inflation and market risks

Increased inflation induced by the current economic climate may have an adverse impact on the Company's financial results. Costs which are subject to inflationary changes are denominated in Russian rubles and the Kazakhstan tenge and, in particular, include materials and utilities, wages and services. Furthermore, increasing tariff rates of the natural monopolies may result in increased costs.

In order to reduce the impact of increasing tariff rates, the Company seeks to develop and modernize its own energy-generating facilities and to purchase and consume energy resources based on long – term fixed-price contracts. Prospective inflationary changes are also considered as a part of the analysis when planning budget and costs of implementing investment projects.

The Company's income is sourced from gold sales, which are generally effected at spot prices. Gold prices are quoted in international markets in US dollars. Accordingly, the economic results of the Company depend, to a considerable extent, on the fluctuations in gold prices. The gold market is cyclical and sensitive to any economic changes. The price of gold is subject to substantial fluctuations and are affected by a number of factors which are beyond control of the Company. A substantial continued price reduction may result in a reduction in profitability of gold exploration and extraction activities. In the current economic climate, gold is used to hedge potential losses in

currency and capital markets. Therefore currently the level of demand for gold remains stable and maintains high price levels.

Liquidity Risk

Management of liquidity risk is intended to maintain a sufficient level of monetary resources to fund production-, management-, and investment-related needs, to ensure stability of compliance with the financial obligations of the Company and to develop the appropriate capital structure. The Company monitors on a regular basis the following risks: production levels, operational expenditures, prices of raw materials, volumes of floating assets and capital expenditure. The enterprises of the Company implement a co-ordinated and automatic program of cash asset record-keeping. The measures taken to regulate liquidity risk enable the Company to maintain its competitiveness and long-term financial solvency.

5.4 Regulatory Risks

The activities of the Company may be adversely impacted by the failure to obtain, or the termination or non-renewal of its licenses.

The ability of the Company to carry out its activities depends on its licenses, in particular those licenses relating to the use of mineral resources, and on being able to obtain new licenses and complying with their terms. The terms of the license agreements require the Company to comply with a number of industrial standards, employ qualified personnel, ensure that the necessary equipment and operation quality control systems are available, maintain relevant documentation and provide information to the licensing authorities when requested. Failure to comply with such terms may result in the termination of the licenses critical to the operations of the Company or confer obligations on the Company, which may decrease its profitability.

The Company is focused on improving the system control over compliance with license agreements and industrial standards requirements. These control activities include the analysis and response to comments or reports made by state regulatory and supervisory authorities in connection with inspections of the Polyus Group's business activities.

Tax Risks

As with all Russian mining companies, the Company pays a significant amount of taxes. The tax obligations of the Company can result in uncertainties due to the ambiguity of certain tax legislation. The risks include: ambiguous interpretation of law, inconsistent application of legislation, amendments to tax legislation or change in application. Such risks may result in fines, penalties and other sanctions. One of tasks of managing the risks of the Company is to promptly identify, assess and eliminate the risks.

Changes of Environmental Legislation

The Company's activities are subject to environmental control and regulation as a result of the use of environmentally hazardous substances, and the disposal of operational waste and hazardous substances into the environment, soil disturbance, potential harm to wildlife and other factors.

The Company seeks to comply with its environmental obligations and follows the requirements of Russian and international standards, agreements, conventions and protocols applicable to it. The task of enhancing efficiency of Company performance is intended, among other things, to reduce emissions of hazardous substances and develop waste disposal sites. The changes in environmental legislation and introduction of stricter licensing requirements may result in additional expenditures to modify industrial process and an increase in environmental charges.

6. Key features of internal control and risk management system in relation to the financial reporting process

The Company has internal control and risk management system in place, primarily aimed at insuring fairness and reliability of the Company's financial statements.

Given below are the key elements of the system:

1. Internal financial and economic control act approved by the Board of directors. The following procedures are regulated by the document:
 - Activity allocation and delegations of powers on key functions, ensuring best interaction between departments.
 - Organization of data collection, processing and transmission, which includes formation of reports and messages containing operational, financial and other kinds of information about the Company's activities, creating efficient data channels and communication tools supporting both vertical and horizontal corporate interactions.
 - Communicating to all the Company's employees of their obligations in respect of internal control.
 - Choosing appropriate methods of accounting of events, operations and transactions.
 - Ensuring that all activities are carried out by authorized people.
 - Segregation of key duties between people, including duties relating to approval and confirmation of certain operations, accounting of operations, access to resources, analyses and verification of operations.
 - Regular assessments of internal control systems.
2. Audit Committee, responsible for:
 - Review of financial statements, review of financial statements audit results, discussions with external auditor and management, before the financial statements and financial statements audit results are submitted to the Board;
 - Consideration of significant accounting and auditing issues, such as amendments and changes in the accounting policy, that may affect the financial results of the Company;
 - Preparation of auditor's report assessment, which is included into the list of materials for the annual general shareholders meeting (refer to Corporate governance report for more information about Audit Committee).
3. Internal audit Group, one of the key responsibilities of which being monitoring of existing procedures of risk management and internal control in relation to the financial reporting process.
4. Audit commission, responsible for ensuring fairness and reliability of the Company's annual report, balance sheet and income statement prepared in accordance with Russian accounting standards.

While preparing and improving its internal control and risk management systems, the Company relies, among others, on recommendations of Codex of corporate conduct, approved by the Government of the Russian Federation on November 28th, 2001.

Accounting policy

The Company's accounting policy is approved by its management and is used for the preparation of audited annual financial statements in accordance with IFRS. The accounting policy is revised annually to adopt of new and revised Standards, Interpretations and changes in IFRS and to ensure more reliable and relevant presentation of information about the Company's assets, liabilities and financial results.

External Audit

The Audit committee manages the relationship with the External Auditor on behalf on the Board. It considers the remuneration and other terms of the engagement of the External Auditor and makes recommendations in connection therewith to the Board.

The Audit committee reviews the integrity, independence and objectivity of the External Audit through the regular meetings with auditors. The External Auditor also certifies its independence to the Audit committee.

Approximately once every two to three years the management considers proposals from leading auditing companies to become its external auditor, and makes a decision whether to keep the existing auditor or change to another. The last competitive audit tender was in 2009 when ZAO "Deloitte and Touche CIS" was appointed by the Board on the recommendation of Audit committee.

Although the External Auditor does provide some non-audit services, the objectivity and independence of the External Auditor is safeguarded through restrictions on the provision of these services.

Based on the review by the Audit committee, the Board confirms that the External Auditor is independent.

7. Corporate governance report

The Company is continuously working to improve its corporate governance standards, investment appeal and management efficiency, in accordance with recognized Russian and international standards.

The Company strives to protect statutory shareholder rights by maintaining transparent processes, efficient executive governance and oversight, ensuring that information about the Company's operations is reliable and up-to-date.

Information disclosure

Given that the amount and quality of information disclosed is one of the most important elements of corporate governance, the Company regularly and fully discloses information on all of the most significant issues, including information about its financial position, performance and ownership structure, along with lists of the affiliated individual, securities-related data, and so on

The disclosure principles adopted by the Company are specified in the Policy of Public Relations and Relations with Investors of OJSC Polyus Gold, effective since November 2006.

As regards statutory disclosures, OJSC Polyus Gold meets the requirements set out by the respective regulatory documents, including the Federal Law "On Joint Stock Companies", the recommendations of the Corporate Behavior Code, the requirements of the Federal Service for Financial Markets of the Russian Federation, the requirements of the British Financial Services Regulatory Authority, and the listing requirements of the Russian and foreign stock exchanges, including OJSC Stock Exchange Russian Trade System, CJSC MMVB Stock Exchange and London Stock Exchange.

The Company also regularly issues a social report, which is prepared in accordance with Global Reporting Initiative standards.

Board of Directors

The corporate governance system of OJSC Polyus Gold provides the Board of directors with appropriate mechanisms to oversee management of the Company. The primary goal of the Board of Directors is to stimulate the capitalization and profitability growth of the Company, while protecting the interests of both majority and minority shareholders.

The Board of Directors determines the development strategy of the Company, assesses possible risks, and designates, motivates and controls its management.

The Board of Directors of OJSC Polyus Gold operates in accordance with the Federal Law "On Joint Stock Companies", the Rules of the Company and the Regulations regarding the Board of Directors.

The Board of Directors is elected by the General Meeting of the shareholders, in accordance with the Federal Law "On Joint Stock Companies". The Board consists of nine members and its structure and composition fully corresponds with the tasks the Company faces.

Composition of the Board of Directors

The Annual General Meeting of the shareholders of OJSC Polyus Gold, held on 15 May 2009, elected the following people to the Board of Directors:

- Mikhail Dmitrievich Prokhorov, Chairman of the Board of Directors
- Pavel Sergeevich Grachev
- Evgeniy Ivanovich Ivanov
- Lord Patrick James Gillford
- Alexander Ilyich Mossionzhik
- Andrey Mikhailovich Rodionov
- Zumrud Khandadashevna Rustamova
- Ekaterina Mikhailovna Salnikova
- Maxim Valeriyevich Finskiy

Four members of the Board were re-elected from 2008, and the General Meeting also elected five new members: P.S. Grachev, A.I. Mossionzhik, A.M. Rodionov, Z.Kh. Rustamova and M.V. Finskiy Accordingly, Robert Buchan, A.A. Klishas, Ye.V. Yarovikov, V.N. Braiko and V.V. Rudakov were not re-elected.

The meeting, held on 27 May 2009, re-elected Mikhail D. Prokhorov, the President of ONEXIM Group, as Chairman of the Board of Directors.

Election date and composition of the Board of Directors of OJSC Polyus Gold:

26 June 2008	15 May 2009
M.D. Prokhorov, Chairman	M.D. Prokhorov, Chairman
Robert Buchan	P.S. Grachev
V.N. Braiko	E.I. Ivanov
E.I. Ivanov	Lord Patrick D. Gillford
Lord Patrick D. Gillford	A.I. Mossionzhik
A.A. Klishas	A.M. Rodionov
Rudakov V.V.	Rustamova Z.Kh.
E.M. Salnikova	E.M. Salnikova
E.V. Yarovikov	M.V. Finskiy

Composition of the Board of Directors of OJSC Polyus Gold

Mikhail Dmitrievich Prokhorov

Chairman of the Board of Directors

Holding of shares in OJSC Polyus Gold: 9,531,387 ordinary registered shares of OJSC Polyus Gold, as of 31 December 2009 (4.999% of the total share capital)

Date of birth: 3 May 1965

Education: Moscow Financial Institute (State Finance Academy), specializing in International Economic Relations; holder of a cum laude diploma

- 2001-2007: Director General of OJSC MMC Norilsk Nickel
- 2003-2007, and from June-December 2008: Member of the Board of Directors of OJSC MMC Norilsk Nickel
- 2005-2007: Chairman of the Board of Directors of OJSC FK Moskva
- 2006-2008: Chairman of the Board of Directors of OJSC UK Sportivnyie Proyecky (Sports Projects Management Company)
- 2006-present: Chairman of the Board of Directors of OJSC Polyus Gold.
- 2007-2008: Member of the Board of Directors of CJSC KM Invest
- 2007-present: President of LLC ONEXIM Group
- 2007-present: Member of the Supervisory Board of the State Corporation Russian Nanotechnology Corporation
- 2009-present: Member of the RF Presidential Committee for the Modernization and Technological Development of the Russian Economy
- 2009-present: Member of the Management Bureau of the Russian Union of Industrialists and Entrepreneurs
- 2009-present: Member of the Board of Directors of OJSC Sheremetyevo International Airport

Pavel Sergeevich Grachev

Does not own shares in OJSC Polyus Gold

Date of birth: 21 January 1973

Education: University of Trieste (Italy), Law; St. Petersburg State University, Law

- 2000-2006: Director of LLC Pavia & Ansaldo
- 2006-2008: Head of the Legal Department of LLC Nafta Moscow
- 2006-2008: Member of the Board of Directors of OJSC Polymetal
- 2008-present: Managing Director of the Moscow Representative Office of Nafta Moscow (Cyprus) Limited (the Republic of Cyprus)
- 2009-present: Member of the Board of Directors of OJSC Polyus Gold

Evgeniy Ivanovich Ivanov

General Director

Does not own shares in OJSC Polyus Gold

Date of birth: 29 September 1966

Education: Moscow Financial Institute (State Finance Academy), specializing in International Economic Relations

- 2000-2003: Chairman of the Board of OJSC AKB Rosbank
- 2003-2004, and 2005-2007: Member of the Board of Directors of OJSC AKB Rosbank
- 2004-June 2007, and February-October 2008: President of CJSC Polyus
- December 2007-February 2008, and October 2008-present: Director General of CJSC Polyus
- 2004-present: Member of the Board of Directors of CJSC Polyus
- 2005-September 2007, and June 2008-present: Member of the Board of Directors of OJSC Matrosov Mine
- 2005-present: Member of the Board of Directors of OJSC Lenzoloto
- 2005-August 2007: Member of the Board of Directors of OJSC Aldanzoloto GRK
- 2005-August 2007: Member of the Board of Directors of OJSC SVMC
- 2005-February 2008: Chairman of the Board of Directors of OJSC YaGK
- 2005-October 2008: Deputy Chairman of the Board of Directors of Rosbank (Switzerland) S.A.
- 2006-present: Chairman of the Board of Directors of CJSC ZDK Lenzoloto
- May 2006-May 2007, and October 2007-present: General Director of OJSC Polyus Gold
- March 2006-present: Member of the Board of Directors of OJSC Polyus Gold
- 2007-May 2009: General Director, Member of the Board of Directors of OJSC Polyus Geologorazvedka
- 2008-present: Chairman of the Board of Directors of OJSC Eastern Yakutia Development Corporation
- December 2008-present: Member of the Board of Directors of the LLC LZRK
- August 2009-present: Chairman of the Board of Directors and Chief Executive Officer of KazakhGold Group Ltd.

In accordance with Clause 6.3.3.10 of the Articles of Association of OJSC Polyus Gold, the amount of compensation and bonuses paid out to the Director General is determined by the Board of Directors.

Lord Patrick James Gillford

Does not own shares in OJSC Polyus Gold

Date of birth: 28 December 1960

Education: Eton College (UK); Royal Military Academy Sandhurst

- 2000-2004: Chairman of the Board of Directors of the Cleveland Bridge UK Ltd, without executive responsibilities
- 2005-present: Director and Member of the Advisory Council of the Ukrainian British City Club
- 2006-present: Member of the Board of Directors of OJSC Polyus Gold
- 2007-present: Chairman of the Board of the Eurasia Drilling Company

Alexander Ilyich Mossionzhik

Does not own the shares in OJSC Polyus Gold

Date of birth: 14 November 1961

Education: Tula Polytechnical Institute of Engineering and Mathematics, Candidate of Science

- 2001-2006: General Director of LLC Nafta Moscow
- 2005-2008: Member of the Board of Directors of OJSC Polymetal
- 2006-present: Chairman of Board of Directors of LLC Nafta Moscow
- 2009-present: Member of the Board of Directors of PIK Group
- 2009-present: Member of the Board of Directors and Deputy Chairman of the Board of Directors of OJSC Polyus Gold

Andrey Mikhailovich Rodionov

Does not own shares in OJSC Polyus Gold

Date of birth: 23 June 1968

Education: Yaroslavl Higher Military Finance School, specializing in Economics

- 2003-2005: Head of the Finance department of OJSC GNK Nafta Moscow
- 2006-2008: Head of the Financial department of LLC Nafta Moscow
- 2008-present: Managing Director of LLC Nafta Moscow
- 2009-present: Member of the Board of Directors of OJSC Polyus Gold

Zumrud Khandadashevna Rustamova

Does not own shares in OJSC Polyus Gold

Date of birth: 21 September 1970

Education: *Moscow Economics and Statistics Institute, specializing in Economics*

- 2004-2006: General Director Deputy, Vice- President CJSC SUEK
- 2006-present: Deputy Chairperson and Member of the Board of OJSC Russian Bank for Development
- 2006-2008: Director of Corporate Development (joint appointment) of LLC Nafta Moscow
- 2006-2009: Head of the Moscow Representative Office and Deputy General Director of OJSC Polymetal
- 2006-present: Member of the Board of Directors of OJSC Magnitogorsk Iron and Steel Works
- 2008-2009: Managing Director (joint appointment) of the Moscow representative office of Nafta Moscow (Cyprus) Limited (the Republic of Cyprus)
- 2008-present: Member of the Board of Directors of OJSC Sheremetyevo International Airport
- 2009-present: General Director Deputy of OJSC Polymetal Management Company
- 2009-present: Member of the Board of Directors of OJSC Khanty-Mansiysk Bank
- 2009-present: Member of the Board of Directors of OJSC Polyus Gold

Ekaterina Mikhailovna Salnikova

Does not own shares in OJSC Polyus Gold

Date of birth: 14 July 1957

Education: Moscow Management Institute, Diploma in Engineering/Economics (specializing in Management Planning); RF Presidential Russian Academy of Public Administration, specializing in Law; Ph.D in economics

- 1999-2000, and 2004-2006: Member of the Board of Directors of OJSC AKB Rosbank
- 2000-2004: Member of the Board of Directors of CJSC Publishing House Profmedia
- 2000-2005, and 2006-2007: Member of the Board of Directors of Silovye Mashiny
- 2001-2003: Member of the Board of OJSC Interros Holding Company
- 2001-2003, and 2004-June 2008: Member of the Board of Directors of OJSC MMC Norilsk Nickel
- 2003-2007, and December 2008-present: Member of the Board of Directors of OJSC Open Investments
- 2004-2005: Member of the Board of Directors of CJSC Agro-Industrial Complex Agros
- 2006-present: Member of the Board of Directors of OJSC Polyus Gold
- 2007-present: Deputy Financial Director of LLC ONEXIM Group
- 2008-present: Member of the Board of Directors of LLC Soglasiye Insurance
- 2008-present: Member of the Board of Directors of OJSC TGK-4
- 2008-present: Member of the Board of Directors of OJSC JSCB International Financial Club

Maxim Valeriyevich Finskiy

Does not own shares in OJSC Polyus Gold

Date of birth: 25 March 1966

Education: Moscow Financial Institute, Ph.D in law; Saint Petersburg University of the Ministry of Internal Affairs of Russia

- 2001-2008: Deputy General Director and Deputy Chairman of OJSC MMC Norilsk Nickel
- 2008-present: General Director of LLC Intergeo Management Company
- 2009-present: Member of the Board of Directors of OJSC Polyus Gold

Independent members of the Board of Directors

International practices suggest that independent directors are an important element of the system of corporate governance. The potential and advantages of independent directors are actively used to strengthen the trust of investors, increase business value and attract capital. Independent directors are an important indicator of the investment appeal of companies.

The Board of Directors of OJSC Polyus Gold has included independent directors since the company was founded. In determining the independence of members of the Board of Directors, the Company employs criteria that are based on the recommendations of the Corporate Behavior Code produced by the RF Service for Federal Financial Markets and specified by the Articles of Association of OJSC Polyus Gold.

The independent members of the Board of Directors of OJSC Polyus Gold serve to enhance the Board's efficiency and ensure that it can form a reasonable opinion of the issues at hand. The independent directors facilitate greater efficiency with regard to the performance of the Board of the Directors, which has a positive impact on the Company's overall performance.

The Board of Directors that was operative until 15 May 2009 (the date of the annual General Meeting of shareholders), selected Mr. V.N. Braiko and Mr. Robert Buchan as independent directors. The current Board of Directors, elected by the Annual General Meeting of shareholders on 15 May 2009, has selected Mr. V.N. Braiko and Lord Patrick Gillford.

Remuneration of members of the Board of Directors

Between 26 June 2008 and 14 May 2009, V.N. Braiko, Robert Buchan and Lord Patrick Gillford, members of the previous Board, were paid RUB 4,940,000 each for their services as Board Members. Lord Patrick Gillford and Robert Buchan were each paid a compensation of RUB 2 million for the expenses they incurred while serving on the Board of OJSC Polyus Gold, including transportation, accommodation, meals, and translation services.

These compensation amounts were approved by the Annual General Meeting of the shareholders of OJSC Polyus Gold on 15 May 2009. The Annual General Meeting established the individual quarterly remuneration for Lord Patrick Gillford and Zumerud Rustamova, the independent members of the newly elected Board of Directors, at RUB 937,500, plus individual annual compensation of RUB 2 million (excluding VAT) to reimburse any expenses they incurred in the course of serving on the Board of OJSC Polyus Gold. Moreover, as independent directors, Lord Patrick Gillford, who was elected Chairman of the Board's Audit Committee, and Zumerud Rustamova, who was elected Chairman of the Board's Personnel and Remuneration Committee, are eligible for additional remuneration of RUB 468,750.

In 2009, the other members of the Board of Directors were paid no remuneration, as a result of holding this position.

Activities of the Board of Directors in 2009

In 2009, the Board of Directors of OJSC Polyus Gold held 11 meetings, seven of which were held face-to-face.

The meetings of the Board of the Directors considered both the performance results of OJSC Polyus Gold over previous periods, and strategically important issues with regard to the Company's development, including:

- Approval of the Company's business plan and budget for 2009
- Reviewing the results of the Company's operations
- Discussions on the "Nezhdaninskoye" investment project
- New conditions to be used in scenario analysis of the Company's investment projects
- Implementation of a project to develop the Natalka deposit
- Progress of the Verninskoye deposit project
- Modernization of the Kurakhan mill
- External technological audit of the Olimpiada mine
- Progress of the "Blagodatnoye" investment project
- The Company's international projects
- Approval of attractive deals

Committees of the Board of Directors of OJSC Polyus Gold

The Board of Directors of OJSC Polyus Gold contains the following three specialized committees, whose task it is to provide an in-depth preliminary analysis of the most important issues facing the Board:

- Audit Committee of the Board of the Directors of OJSC Polyus Gold
- Strategy Committee of the Board of the Directors of OJSC Polyus Gold
- Personnel and Remuneration Committee of the Board of the Directors of OJSC Polyus Gold

The Committees are regulated by the corresponding regulations, approved by the Board of the Directors.

Audit Committee of the Board of Directors

The main assignment of the Audit Committee is to assist the Board of Directors in overseeing the financial and economic performance of the Company by considering and preparing recommendations for the Board of Directors on these issues in advance. These issues include interactions with external auditors, revising financial reports and assessing the efficiency of the Company's internal controls.

The Committee ensures that the members of the Board of Directors participate in the control process, and also helps to keep them informed regarding the Company's performance.

In 2009, the Audit Committee held six meetings, three of which were held face-to-face and the other three, in absentia. The meetings considered the following issues: preparing recommendations for the Board of Directors regarding the completeness and accuracy of the data to be included in the financial statements and the Company's annual report, as well as considering the independent auditor's opinion issued by LLC RosExpertiza for 2008, and the candidature of an auditor for the financial statements for 2009. The meetings also involved a preliminary review of the consolidated financial statements of OJSC Polyus Gold for 2008, along with the unaudited financial statements for the first six months of 2009, in accordance with IFRS.

The Committee active until 15 May 2009

V.N. Braiko – Chairman of the Committee, Independent Director
E.M. Salnikova
E.V. Yarovikov

The Committee elected on 27 May 2009 (Minutes of the Meeting of the Board of Directors of the Company No. 06-09/SD)

Lord Patrick D. Gillford – Chairman of the Committee, Independent Director
A.M. Rodionov
E.M. Salnikova

Personnel and Remuneration Committee of the Board of Directors

The Personnel and Remuneration Committee is responsible for comprehensively studying issues related to the selection of personnel for employment in the Company's management bodies, for creating the main provisions of contracts with these individuals, and for preparing recommendations on personnel and remuneration for the Board of Directors.

In 2009, there were no meetings of the Personnel and Remuneration Committee.

The Committee active until 15 May 2009

Robert Buchan – Chairman of the Committee, Independent Director
Lord Patrick D. Gillford
V.V. Rudakov

The Committee elected on 27 May 2009 (Minutes of the Meeting of the Board of Directors of the Company No. 06-09/SD)

Z.Kh. Rustamova – Chairman of the Committee, Independent Director
P.S. Grachev
E.M. Salnikova

Strategy Committee of the Board of Directors

The Strategy Committee is responsible for considering, analyzing and developing recommendations for the Board of Directors with respect to making and implementing strategic decisions, related to the development of OJSC Polyus Gold.

The Committee active until 15 May 2009

M.D. Prokhorov – Chairman of the Committee
E.I. Ivanov
Robert Buchan – Independent Director

The Committee elected on 27 May 2009 (Minutes of the Meeting of the Board of Directors of the Company No. 06-09/SD)

M.D. Prokhorov – Chairman of the Committee
E.I. Ivanov
A.I. Mossionzhik

In 2009, The Strategy Committee held a single meeting to consider recommendations to be prepared for the Board of Directors regarding plans for the Company's strategic development.

Corporate Secretary

The main task of the Secretary of OJSC Polyus Gold is to ensure that the Company's management bodies comply with legal requirements and the Company's internal regulatory documents, in order to guarantee that its shareholders' rights are observed and their interests pursued.

Along with the items specified in the Articles of Association, the regulatory basis for the Secretary to execute his/her functions consists of the Regulations on the Secretary of OJSC Polyus Gold, approved by the Board of Directors in March 2006.

In 2009, the powers of the Secretary of OJSC Polyus Gold and the Secretary of the Board of Directors were vested in Anna Olegovna Solotova.

Management of OJSC Polyus Gold

The Group is managed by a management team headed by E.I. Ivanov, the General Director of Polyus Gold. The managers responsible for the Company's main service lines at the Moscow corporate center report to the General Director, along with the heads of the Group's business units. The management team of Polyus Gold includes the following managers:

Evgeniy Ivanovich Ivanov

General Director of OJSC Polyus Gold

Mr. Ivanov's CV is presented in the "Board of Directors" section.

German Rudolfovich Pikhoya

Deputy General Director for Strategy and Corporate Development

Does not own shares in OJSC Polyus Gold

Date of birth: 9 April 1970

Education: Ural State University, Degree in history; Bowdoin College (Brunswick, Maine, USA), Contemporary History; RF Presidential Russian Academy of Public Administration, Diploma in Economics

- 1994-1995: Head of the CJSC MOSEXPO project
- 1995-1997: General Director of CJSC Palamos
- 1994-1998: Director General of OJSC Central Company of the Evrozoloto Financial and Industrial Group
- 1998-2002: Deputy Head of the Representative Office and Business Development Manager at LLC Placer Dome International
- 2002-2004: Deputy General Director for Corporate Development of CJSC Polyus
- 2002-2007: Vice-President for Corporate Development of CJSC ZDK Polyus
- 2007-present: Deputy General Director for Strategy and Corporate Development of CJSC Polyus Gold
- August 2009-present: Member of the Board of Directors of KazakhGold Group Ltd.

Oleg Valeryevich Ignatov

Deputy General Director for Economy and Finance

Does not own shares in OJSC Polyus Gold

Date of birth: 2 November 1969

Education: Moscow Machine-Instrument Institute (STANKIN), Electrical Engineering; Russian Federation Government Finance Academy, specializing in Finance and Credit

- 1998-2003: Head of the Regional Relationship Development department, Deputy Head of Client Relationships, Vice-President and Senior Vice-President of OJSC AKB Rosbank
- 2002-present: Deputy General Director of Finance of OJSC ChelyabEnergO
- 2003-2005: First Deputy Mayor of Norilsk
- 2005-2008: Deputy Director for Economics and Finance of the Polar Region Branch of OJSC MMC Norilsk Nickel
- 2008-present: Deputy General Director for Economics and Finance of OJSC Polyus Gold
- August 2009-present: Member of the Board of Directors of KazakhGold Group Ltd.

Boris Alekseevich Zakharov

Deputy General Director of Production

Does not own shares in OJSC Polyus Gold

Date of birth: 18 November 1954

Education: Moscow Institute of Steel and Alloys, specializing in Mineral Dressing, Candidate of science

- 1977-1985, and 1992-1999: Norilsk Processing Plant: Mill Operator, Foreman, Senior Foreman of the crushing and flotation workshop at the main production site; Deputy Head, and later Head of the crushing and flotation workshop
- 1985-1992: Chief Engineer of the Erdenet Mine (Mongolian People's Republic)
- 1999-2003: Chief Engineer of the Production Association of Processing Plants of OJSC MMC Norilsk Nickel
- 2003-2008: Head of the Directorate for Planning and Coordination of Research and Engineering Development of OJSC MMC Norilsk Nickel
- 2008-present: Deputy General Director of Production of CJSC ZDK Polyus
- August 2009-present: Member of the Board of Directors of KazakhGold Group Ltd.

Nikolay Vladimirovich Morozov

Deputy General Director of Internal Control and Risk Management

Does not own shares in OJSC Polyus Gold

Date of birth: 3 August 1967

Education: Moscow State Institute of International Affairs, cum laude Diploma in International Economic Affairs

- 1994-1997: Leading expert, Deputy Head of Department in the Credit Resource Directorate; Head of the Finance and Economic Analysis department
- 1997-1998: Deputy Head of the Planning and Operational Income and Expenses Control division of the Finance department of ONEXIM Bank
- 1998-2003: Member of the Board and Head of Internal Controls of OJSC AKB Rosbank
- 2003-2008: Head of the Control and Audit department and Director of the Internal Control department of OJSC MMC Norilsk Nickel
- 2008-present: Deputy General Director for Internal Control and Risk Management of OJSC Polyus Gold

Yury Nikolayevich Ryndin

Deputy General Director of Procurement

Does not own shares in OJSC Polyus Gold

Date of birth: 6 December 1965

Education: Moscow State Engineering Construction Institute, Degree in Industrial and Civil Construction

- 1992-1993: Leading Expert, Deputy Head of the Social Service and Transport Department of the International Financial Company
- 1993-1998: Deputy Head of the Social Service department, Head of the General Service department of the Social Procurement Service, Head of the Procurement Division of the Administration department, Head of the Commercial Division of the Administration department of ONEXIM Bank
- 1998-2002: Head of the Commercial Division, Director of the Administration department of OJSC AKB Rosbank
- 2002-2008: Deputy General Director of Supply and Procurement of OJSC MMC Norilsk Nickel
- 2008-present: Deputy General Director of Procurement of OJSC Polyus Gold

Vladimir Kushukovich Sovmen

President of CJSC Polyus, Head of the Siberian Business Unit

Does not own shares in OJSC Polyus Gold

Date of birth: 22 April 1957

Education: Khabarovsk Polytechnic Institute, Degree in Industrial and Civil Construction; Krasnoyarsk State University of Non-ferrous Metals and Gold, Degree in Open Cast Mining, Candidate of Science

- 1983-1995: Head of the Construction Site for Polyus Prospecting Team
- 1995-1996: Vice-president for the Krasnoyarsk AOZT AS Polyus
- 1996-2002: General Director, and First Vice-President of AOZT AS Polyus
- 2002-2004: General Director of CJSC Polyus
- 2002-2007: First Vice-President and Executive Director of CJSC ZDK Polyus
- 2008-present: President of CJSC ZDK Polyus, and Head of the Siberian Business Unit

Mikhail Pavlovich Kazimirov

General Director of OJSC Matrosov Mine

Holding of shares in OJSC Polyus Gold: 50 ordinary registered shares of OJSC Polyus Gold, as of 31 December 2009 (0.00000026% of the total ordinary registered shares)

Date of birth: 24 June 1951

Education: Moscow Mining Institute, specializing in Mining Construction Engineering, Doctor of Engineering

- 1975-1981: Matrosov Mine (the SeveroVostokZoloto Association): Mine Foreman, Section Head
- 1981-1985: Dukat Mine Building Directorate: Chief Engineer, Head of the Directorate
- 1985-1986: Dukat Mine: Chief Engineer, Head of the Mine
- 1986-1989: General Director of the Iultinsk Mine (Chukotka)
- 1990-1994: General Director of the Soviet-American Joint Venture Severovostokzoloto Alaska (Magadan)
- 1994-1995: General Director of TOO Razvitie Mestorozhdeniy (Deposit Development)
- 1995-2002: General Director of CJSC Razvitie Mestorozhdeniy Invest and Director for Mining Processing Technologies and Investments for Astron Minerals Incorporated (USA)
- 2002-2004: Deputy General Director of CJSC ZDK Polyus
- 2003-present: General Director of OJSC Matrosov Mine

Valery Fedorovich Konstantinov

General Director of OJSC Lenzoloto

Does not own shares in OJSC Polyus Gold

Date of birth: 17 December 1954

Education: Irkutsk Polytechnic Institution, Mining Engineer

- 1977-1988: Marakan Goldmine of the Lenzoloto Production Association: Head of the Mining Preparatory Workshop, Chief Engineer, Mine Director
- 1988-1990: Chairman of the Executive Committee of the Bodaibo City Soviet of People's Deputies
- 1990-1998: Deputy General Director for Mining Production of the Lenzoloto Production Association; Mining Production Director of AOZT Lenzoloto
- 1998-2006: Executive Director, and Director of CJSC Marakan
- 2006-present: General Director of CJSC ZDK Lenzoloto
- 2007-present: General Director of OJSC Lenzoloto

Igor Yuryevich Sukhobaevskiy

General Director of OJSC Aldanzoloto GRK

Does not own shares in OJSC Polyus Gold

Date of birth: 5 January 1972

Education: Norilsk Industrial Institute, Metallurgy and Economics, Ph.D. in Economics

- 1992-1999: A.P. Zavenyagin NGMK: Furnace Operator, Deputy Head of Production for the Smelting Shop
- 1999-2001: Deputy Head of the Smelting Shop of the Polar Region Branch of OJSC Norilsk Mining Company
- 2001-2007: Head of the Smelting Shop, Nickel Plant Chief Engineer (Polar Region Branch of MMC Norilsk Nickel)
- 2007-2008: Chief Engineer of the B.I. Kolesnikov Nadezhdinsky Metallurgical Plant (Polar Region Branch of MMC Norilsk Nickel)
- 2008-present: General Director of OJSC Aldanzoloto GRK