



**REPORT**  
**by the OJSC Polyus Gold Board of Directors**  
**presenting Reasoned Stance of the Board of Directors**  
**on Issues on the Agenda of the Annual General Meeting of the**  
**OJSC Polyus Gold Shareholders**  
**Following the Results of 2008**

**1. Re Issue: "Approval of the 2008 Annual report of OJSC Polyus Gold, the 2008 RAS financial statements of OJSC Polyus Gold, including Profit and Loss statement"**

The Board of Directors recommends that the shareholders approve the OJSC Polyus Gold Annual Report, the annual bookkeeping reporting including the Profit and Loss Statement of OJSC Polyus Gold following the results of 2008.

Stance of the Board of Directors

The OJSC Polyus Gold Board of Directors at its session on April 13, 2009, considered the OJSC Polyus Gold Annual Report for the year of 2008 and passed a decision on having it provisionally approved. This decision has been made proceeding from the recommendation furnished by the Audit Committee under the Board of Directors, the conclusion by the Company's independent auditor – Rosexpertiza LLC, and the conclusion by the Auditing Commission of the Company.

The Audit Commission of OJSC Polyus Gold has confirmed the reliability of data in the annual bookkeeping reporting and in the OJSC Polyus Gold Annual Report.

In its recommendation, the Audit Committee under the Board of Directors has confirmed the absence of any criticism as to the audit report by Rosexpertiza LLC and has recommended that the Board of Directors presents the annual bookkeeping reporting of OJSC Polyus Gold for the year of 2008 for approval by the annual General Meeting of OJSC Polyus Gold Shareholders.

The OJSC Polyus Gold Board of Directors, placing reliance upon the conclusions by the independent auditor and by the Company's Audit Commission, holds that the financial reporting of the Company for the year of 2008, prepared in compliance with the Russia's Standards of Accounting and Bookkeeping Reporting (RSABR), meets the requirements to the drafting of reporting and presents faithfully the Company's financial condition in the year of 2008.

The annual report has been drafted in conformity with the Federal Law "On Joint-Stock Companies" and accounts for the recommendations of the Resolution by the Federal Commission for the Securities Market (FCSM) of May 31, 2002, No. 17/ps, concerning the contents of an annual report, for the recommendations of the Corporate Conduct Code, and for the Instruction by the FCSM of April 30, 2003, No. 03-849/p, concerning the contents of the report in adherence to the Corporate Conduct Code.

**2. Re Issue: "Distribution of profits and losses of OJSC Polyus Gold for 2008, including dividend payment on shares in OJSC Polyus Gold for 2008"**

Recommendation

The OJSC Polyus Gold Board of Directors, proceeding from the decision adopted at its session on April 13, 2009 (Minutes # 04-09/CD of April 13, 2009), recommends not to declare dividend on shares in OJSC Polyus Gold upon the 2008 Company's financial results.

Stance of the Board of Directors

Given the fact that the annual bookkeeping reporting of OJSC Polyus Gold does not show any profit for the year of 2008, the Board of directors resolved to recommend the Company's shareholders not to declare dividend on shares in OJSC Polyus Gold upon the 2008 Company's financial results.

**3. Re Issue: "Election of the members of the Board of Directors of OJSC Polyus Gold"**

Recommendation

The Board of Directors recommends that the Shareholders support the election to the Company's Board of Directors of the following nominees:

Robert Buchan  
Braiko, Valery Nikolaevich  
Lord Patrick James Gillford  
Ivanov, Evgeny Ivanovich  
Prokhorov, Mikhail Dmitrievich  
Rudakov, Valeri Vladimirovich  
Salnikova, Ekaterina Mikhailovna

#### Stance of the Board of Directors

The Company's Shareholders have proposed 21 persons as nominees for election to the Board of Directors. The list of nominees was approved by the Board of Directors (Minutes 02-09/CD dated February 27, 2009).

The recommended composition of the Company's Board of Directors, in the first place, satisfies the requirements of continuity. Most of the Members of the OJSC Polyus Gold Board of Directors recommended for election have been on the Board of Directors from the very moment of establishment of the Company or have been staying on the Board for quite a long period of time. The Board of Directors in this composition has been able to assure stable development of the Company and successive achievement of all of the set strategic goals. Owing to the efficient performance of the Board of Directors, the Company has ascended during this time to its well-deserved place among the world's leading gold-mining companies. Among all, the project of construction of the Russia's largest ore processing mill in Krasnoyarsk Krai has been successfully implemented. It has become possible to achieve impressive results in the area of expansion of the mineral base - the reserves according to the JORC International Classification have amounted to 74,1 mln. oz., significant progress was achieved in construction of new gold mining plants in several Russian regions.

The Board of Directors highly appreciates the great professional experience and in-depth knowledge of the sector by **Valery N. Braiko**, Chairman of the Union of Gold Miners of Russia, his objective and unbiased attitude towards the strategic decisions made by the Company. The highly regarded expertise of **Lord Patrick Gillford** as concerns the best international practices of corporate management and his being also in possession of both experience and knowledge in the matters of building up relationships with investors deserve deepest respect and will make a base for further improvement of the Company's activity in capital markets.

The Board of Directors also recommends to vote for **Robert Buchan**, being on the Board in 2008. He started his career with a mining equipment manufacturer. Later Mr. Buchan was engaged in mining related analysis, research and financing. In 1993 he initiated the creation of Kinross Gold Corporation and held a position of Chairman and CEO in Kinross from 1993 to 2005. Mr. Robert Buchan also participated in the creation of Katanga Copper, one of Africa's new leading copper and cobalt producers. Currently he is Chairman of Allied Nevada, an emerging gold producer in the U.S., Chairman of Phoenix Coal, a U.S. coal producer, and also Chairman of Extract Resources, a uranium development company in Namibia. Polyus Gold highly appreciates the profound international experience of Mr. Buchan in gold mining and his deep professional knowledge of the Company's business.

**Mikhail D. Prokhorov**, Chairman of the OJSC Polyus Gold Board of Directors, is one of the Company's major shareholders.

For six years running, 2001 through 2007, Mikhail D. Prokhorov was heading OJSC GMK Norilsk Nickel which became under his successful guidance the leading Russia's entity in the mining sector, the acknowledged leader from the viewpoint of high corporate standards and adherence to the interests of minority shareholders.

The very fact that Mr. Prokhorov is the largest beneficiary of OJSC Polyus Gold is a warranty of well-weighed and responsible adoption of any and all decisions of strategic importance for the Company.

**Valery V. Rudakov**, the sector's merited professional, is Chairman of the CJSC Polyus Board of Directors, the Group's basic gold mining entity. He held the positions of Deputy Minister of Non-Ferrous Metallurgy of the USSR, headed the Chief Directorate of Precious Metals and Diamonds under the Council of Ministers of the USSR – *Glavalmazoloto SSSR* – covering all the nation's enterprises winning gold and diamonds, precious metal working factories and diamond faceting enterprises, and also jewelry factories. He headed a series of major companies engaged in the winning and processing of precious metals and stones, held the

positions of Deputy Minister of Finances of the Russian Federation, of Head of *Gokhran* (State Depository for Precious Metals) of Russia. V.V. Rudakov is Chairman of the Committee for Support of Entrepreneurship in the Domain of Extraction, Production, Processing of and Trade in Noble Metals and Precious Stones and Articles Made of Them of the Chamber of Trade and Commerce of the Russian Federation.

**Evgeny I. Ivanov** has been heading the Company virtually continuously from the very moment of its establishment. The Company owes a great deal to his expert leadership and appropriate managerial decisions in its rapid rate of evolution and precise achievement of the strategic tasks formulated by the Board of Directors.

**Ekaterina M. Salnikova**, a representative of the ONEXIM Group LLC, has been fruitfully active in the membership of the Boards of Directors of major Russian companies for already a number of years.

#### **4. Re Issue: "Election of the members of the Audit Commission of OJSC Polyus Gold"**

##### Recommendation

The Board of Directors recommends that the Shareholders vote FOR election to the Auditing Committee of OJSC Polyus Gold of the following nominees:

Andrey A. Zaitsev  
Mikhail Yu. Zatsepin  
Olga Yu. Rompel  
Oleg E. Cherney  
Alexey S. Shaimardanov

##### Stance of the Board of Directors

The list of nominees was approved by the Board of Directors (Minutes 02-09/CD dated February 27, 2009).

The proposed nominees for election to the Auditing Committee of OJSC Polyus Gold have great experience in the financial domain, in internal control and auditing activities, and are in possession of in-depth knowledge of the specifics of operations of the Company and of the Group as a whole.

#### **5. Re Issue: "Approval of the auditor of OJSC Polyus Gold"**

##### Recommendation

The Board of Directors recommends that the Shareholders approve Rosexpertiza LLC for the year 2009 as the Auditor of the bookkeeping reporting of OJSC Polyus Gold in accordance with Russia's Standards of Accounting and Bookkeeping Reporting (RSABR).

##### Stance of the Board of Directors

Rosexpertiza LLC is one of the nation's leading companies providing services in the areas of audit, bookkeeping and accounting, managerial, financial, legal and tax consulting, of the information technologies and evaluation of property complexes.

Rosexpertiza LLC was the Auditor of OJSC Polyus Gold in 2006 - 2008, and also has been auditing the bookkeeping reporting by RSABR of CJSC Polyus and its affiliated and dependent companies for already a number of years, so that Rosexpertiza LLC has gained substantial experience and good knowledge of the specifics of operations of the Company and of the Group as a whole.

#### **6. Re Issue: "Determination of the value of Directors' and Officers' liability insurance for members of the Board of Directors of OJSC Polyus Gold"**

##### Recommendation

The Board of Directors recommends to define the cost of services (the insurance premium) of liability insurance of the Members of the OJSC Polyus Gold Board of Directors with the total limit of liability not in excess of US\$ 50,000,000, in an amount not exceeding US\$ 300,000.

##### Stance of the Board of Directors

This issue has been addressed proceeding from Item 3 of Article 83 of the Federal Law "On Joint-Stock

Companies".

The amount of the insurance premium up to US\$ 300,000 with the total limit of liability up to US\$ 50,000,000 is in compliance with the current market terms set out by the major international insurance companies for Russian issuing companies whose securities are traded on the stock exchanges of Great Britain and the United States.

**7. Re Issue: "Approval of the related party transaction on Directors' and Officers' liability insurance for members of the Board of Directors of OJSC Polyus Gold"**

Recommendation

The Board of Directors recommends to have approved the conclusion of the transaction of liability insurance of the Members of the OJSC Polyus Gold Board of Directors with a Russian insurance company, for a term of one year, with the total limit of liability not in excess of US\$ 50,000,000 and with the payment of the insurance premium in an amount not exceeding US\$ 300,000.

Stance of the Board of Directors

This issue has been addressed proceeding from Item 3 of Article 83 of the Federal Law "On Joint-Stock Companies".

In accordance with the Corporate Conduct Code approved by the Resolution of the RF Federal Commission for the Securities Market (FCSM) of April 4, 2002, No 421/p, a joint-stock company is advised, at its own cost, to have insured the members of the Board of Directors against their liability, so that if any losses are suffered by the Company or by any third party on account of actions of the Board of Directors, such losses could be reimbursed at the cost of the insurance company.

As per the standpoint of the RF Federal Financial Markets Service (FFMS) and in compliance with the established international practices, having liability insurance of the Members of the Board of Directors would not only enhance the efficacy of the civil-law liability proceedings, but would also be instrumental in attracting competent professionals to the membership in the Board of Directors.

The Company's Meeting of Shareholders earlier made similar decisions on the issue of liability insurance of Members of the Board of Directors.

The amount of the insurance premium for the years 2009-2010 would not exceed US\$ 300,000.

**8. Re Issue: "Remuneration and reimbursement of expenses of the members of the Board of Directors of OJSC Polyus Gold"**

Recommendation

The Board of Directors recommends the Company's shareholders to determine that Velery N. Braiko, Lord Patrick Gillford and Robert Buchan, who were on the Board of Directors of OJSC Polyus Gold from June 26, 2008 to May 14, 2009, are entitled to remuneration in the amount of 4 940 000 (Four million nine hundred and forty thousand) rubles each for performing the duties of the Company's Board members and to reimbursement of expenses incurred by them due to the discharge of their duties as OJSC Polyus Gold Board of Directors members in the net amount of up to 2,000,000 (Two million) Russian rubles to each.

The Board also recommends to determine that members of OJSC Polyus Gold Board of Directors who will be recognized as independent by the Company's Board of Directors in accordance with the requirements of paragraph 6.2.8. of the Company's Charter and international corporate governance standards from the date of their election to OJSC Polyus Gold Board of Directors till the date of termination of their powers shall be entitled to remuneration in the amount of 937,500 (Nine hundred thirty seven thousand five hundred) Russian rubles per quarter each, and that the document supported expenses incurred by them due to the discharge of their duties as OJSC Polyus Gold Board of Directors members shall be reimbursed in the net amount of up to 2,000,000 (Two million) Russian rubles per year to each of such directors.

Besides, the Board of Directors recommends to resolve that should an "Independent Director" be elected Chairman of the Audit Committee or Staff and Remuneration Committee of the Board of Directors of OJSC Polyus Gold he is entitled to the additional remuneration of RUR 468,750 (Four hundred sixty eight thousand seven hundred and fifty) per quarter during his term of office as the Committee Chairman.

#### Stance of the Board of Directors

In accordance with paragraph 2, art. 64 of the Federal Law "On Joint-Stock Companies", approval of Board of Directors members' remuneration and of expenses due to discharge by them of the functions of Board of Directors members is within the competence of General Meeting of Shareholders.

World practice shows that decision on payment of remuneration and expenses reimbursement to Board of Directors members provides for most active participation in the work of the Board of competent specialists with extensive professional experience and profound knowledge of the branch and specificity of the work of leading world mining companies, which makes it possible to most objectively assess proposed strategic solutions and to fully secure the protection of interests of the Company's minority shareholders.

The Meeting of Shareholders of the Company previously made similar decisions on payment of remunerations and expenses reimbursement to members of the Company's Board of Directors.

The Board of Directors of OJSC Polyus Gold finds it reasonable to recommend the Company's shareholders to vote for remuneration payment to the mentioned Board members for the previous period.

According to the data of a study by Independent Directors Association, the proposed remuneration amount is fully in line with modern practice of efficient material incentives and lies within the range of medium-sized remunerations to directors of large public companies.

The amount of expenses due to discharge by directors of the functions of OJSC Polyus Gold Board of Directors members is calculated taking into account the following factors: holding 8-10 Board of Directors meetings in person per year, cost of accommodation in Moscow, cost of business-class air tickets and ground transport, meals, services of interpreter, telecommunications services and participation in conferences.

#### **9. Re Issue: "Participation of OJSC Polyus Gold in the non-profit organization – All-Russia Intersectoral Association of Employers Producers of Nickel and Precious Metals"**

##### Recommendation

OJSC Polyus Gold Board of Directors recommends the shareholders to vote in favor of OJSC Polyus Gold participation in the non-profit organization – All-Russia Intersectoral Association of Employers Producers of Nickel and Precious Metals by joining it as a member.

##### Board of Directors stand:

The All-Russia Intersectoral Association of Employers Producers of Nickel and Precious Metals is a non-profit organization set up by legal entities (employers) on a voluntary basis.

The main purposes of the Association are representing the legitimate interests and protection of the rights of employers who are members of the Association, in the sphere of social and labor relations and incidental to them economic relations with representative bodies and associations of employees, bodies of state power and local authorities.

The Association provides for the solution of the following issues:

- articulating and implementing coordinated policy of employers members of the Association in the sector of employment, wages, labor protection, social security, providing social guarantees for the employees and solving other issues of social and economic nature;
- consolidation of positions of employers members of the Association on issues of state and municipal social and economic policy for conducting negotiations with bodies of state power and local authorities;
- improvement and development of the legal base of issues of regulating social, labor and economic relations, including those incidental to the implementation of norms and rules focused on attaining social compliance and cooperation of employers and employees for securing economic and social progress;
- development of cooperation with other Russian, international and foreign associations of employers.

The Association is a member of the Russian Union of Industrialists and Entrepreneurs (RUIE).

The Board of Directors of OJSC Polyus Gold considers that the Company's participation in the non-profit organization – Intersectoral Association of Employers Producers of Nickel and Precious Metals will benefit the development of the Company's social policy and the regulation system of the social and labour relationship.