

REPORT BY BOARD OF DIRECTORS OF OJSC POLYUS GOLD
Presenting Reasoned Stance of the Board of Directors on the Issues on Agenda of
Extraordinary General Meeting of Shareholders
of OJSC Polyus Gold on April 07, 2008

1. Re Issue: "On Amending the Charter of OJSC Polyus Gold"

Recommendation:

The Board of Directors recommends that the Shareholders vote FOR the introduction of amendments into the Charter of OJSC Polyus Gold.

Stance of the Board of Directors:

OJSC Polyus Gold was established in the year of 2006 as a result of the split-off from OJSC GMK Norilsk Nickel, and the Company's charter had virtually reproduced in full the provisions of the Charter of OJSC GMK Norilsk Nickel, in keeping with the high standards of corporate management.

The proposed amendments in the Charter of OJSC Polyus Gold would allow for enhancing significantly the role of the Board of Directors in arriving at strategically prominent decisions, as well as in conclusion of transactions of substance for the Company while not falling formally under the criteria of either major transactions or transactions of interest.

Moreover, the proposed amendments would enable the Company's Board of Directors to step up the monitoring of the activities of the companies making up the Polyus Group, by way of taking part in the forming of the companies' managerial bodies, as well as in the Group companies' adopting decisions which could affect, either directly or indirectly, the worth of the OJSC Polyus Gold stock.

The Board of Directors of OJSC Polyus Gold hereby proclaims that the proposed amendments conform to the Russian and international norms of corporate management.

2. Re Issue: "On Early Termination of the Powers of Members of the Board of Directors of OJSC Polyus Gold"

Recommendation

The Board of Directors recommends that the Shareholders vote AGAINST on the issue of early termination of the powers of Members of the Board of Directors of OJSC Polyus Gold.

Stance of the Board of Directors:

The acting membership of the Board of Directors was elected at the annual General Meeting of Shareholders of OJSC Polyus Gold in June 2007. Over the period that has passed since, the Board of Directors held 15 Sessions with deliberations on 80 plus issues as part of overall management of the Company's business.

This recommendation is based on the high appreciation of both the collective performance of the current Board of Directors and of the sizeable contribution to this performance by each member of the Board, and of the representativity of this Board.

The majority of Members of the current Board of Directors of OJSC Polyus Gold were in its composition since the very moment of establishment of the Company in the year of 2006.

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. All assurances pledged to the Shareholders of OJSC GMK Norilsk Nickel when the split-off decision was adopted have been fulfilled.

The Board of Directors has worked out and approved the Long-Term Development Program Till the Year of 2015 – one of the most ambitious in the entire sector, and substantial landmarks in its implementation have been already accomplished. The project of construction of the Russia's largest ore processing mill in the 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 JORC International Classification have been quadrupled, and the Company has risen to the 4th place in the world by its volume of reserves.

The current composition of the Board of Directors is balanced and represents the interests of both the

main owners of the Company and of its minority Shareholders. The interests of the latter are represented in the Board of Directors by independent Directors, which is in keeping with the best international practices.

The following persons are currently on the Board of Directors of OJSC Polyus Gold:

Sergey L. Batekhin,
Valery N. Braiko,
Eugeniy .I. Ivanov,
Lord Patrick Gillford,
Kirill Yu. Parinov,
Mikhail D. Prokhorov,
Valery V. Rudakov,
Ekaterina M. Salnikova,
Pavel G. Skitovich

V.N. Braiko and **Lord Patrick James Gillford** are independent Directors in accordance with LSE requirements.

The great professional experience and in-depth knowledge of the sector by V.N. Braiko, Chairman of Union of Gold Miners of Russia, his objective and unbiased attitude towards the strategic decisions made by the Company are reinforced by the highly regarded expertise of Lord Patrick Guilford as concerns the best international practices of corporate management, his being also in possession of both experience and knowledge in the matters of building up relationships with investors.

M.D. Prokhorov, Chairman of the Board of Directors of OJSC Polyus Gold, is one of the Company's major Shareholders.

For six years running, 2001 through 2007, M.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 interest of minority Shareholders.

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

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

E.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 accomplishment of the strategic tasks formulated by the Board of Directors.

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

S.L. Batekhin, **P.G. Skitovich** and **K.Yu. Parinov**, representatives of CJSC INTERROS Holding Company, are in possession of ample experience of successful managerial work, each one of them having behind him the implementation of several business projects that have been recognized as standards of responsible business management in the economy in transition environment.

Termination of the powers of the current composition of the Board of Directors of OJSC Polyus Gold and election of a Board of Directors with a new membership just TWO months before the annual General Meeting of Shareholders would affect adversely the activities of the Company and might have negative consequences given the instability of the world's financial markets.

The new membership of the Board of Directors would need time to get versed in the Company's business and performance, to form the Committees of the Board of Directors, to approve a new Plan of

Operations. Addressing of the issues included in the current Plan of Operations of the Board of Directors might be delayed, which would bring about complications in the Company's performance and could become an impediment in its progressive advancement.

As it has been already stated, irrespective of the decision adopted on this matter by the Extraordinary General Meeting of Shareholders of OJSC Polyus Gold on April 7, 2008, election of a new membership of the Board of Directors of OJSC Polyus Gold will take place at the Annual General Meeting of Shareholders of OJSC Polyus Gold to be convened in June 2008. The Shareholders in possession of more than 2% of the voting stock of OJSC Polyus Gold already came up in January 2008 with their proposals on candidacies for election to the Board of Directors of OJSC Polyus Gold at the Annual General Meeting of Shareholders.

Proceeding from the above, the Board of Directors of OJSC Polyus Gold holds it ill-advisable to terminate the powers of the current membership of Board of Directors.

3. Re Issue: "On Election of Members of the Board of Directors of OJSC Polyus Gold"

Recommendation

In the event that a positive decision is adopted on the second issue on the Agenda of the Extraordinary General Meeting of Shareholders of OJSC Polyus Gold "On Termination of Powers of the Board of Directors of OJSC Polyus Gold," this Board of Directors recommends to reaffirm the powers of the current members of the Board of Directors by re-electing to the Board of Directors the current members being on the nominee list.