

**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 Stockholders**  
**Following the Results of 2007**

**1. Re Issue: "On Approval of the OJSC Polyus Gold Annual Report, of Annual Bookkeeping Reporting Including the Profit and Loss Statement of OJSC Polyus Gold Following the Results of 2007"**

The Board of Directors recommends that the stockholders 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 2007.

Stance of the Board of Directors

The OJSC Polyus Gold Board of Directors at its session on May 21, 2008, considered the OJSC Polyus Gold Annual Report for the year of 2007 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 – Rosekspertiza LLC, and the conclusion by the Auditing Committee of the Company.

The Audit Committee 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 Rosekspertiza LLC and has recommended that the Board of Directors presents the annual bookkeeping reporting of OJSC Polyus Gold for the year of 2007 for approval by the annual General Meeting of OJSC Polyus Gold Stockholders.

The OJSC Polyus Gold Board of Directors, placing reliance upon the conclusions by the independent auditor and by the Company's Audit Committee, holds that the financial reporting of the Company for the year of 2007, 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 2007.

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: "On Distribution of the Profit and Losses of OJSC Polyus Gold Following the Results of Year 2007, Including the Payment of Dividends on the OJSC Polyus Gold Stock for 2007"**

Recommendation

The OJSC Polyus Gold Board of Directors, proceeding from the decision adopted at its session on May 21, 2008 (Minutes #08-08/CD of May 21, 2008), recommends:

1. To have the net profit of OJSC Polyus Gold following the results of 2007 distributed as follows: To allocate 562,351,853.65 rubles for the payment of dividends, and to retain the amount of 680,214.04 rubles at the Company's disposal.
2. To declare the dividends on the outcome of activities of OJSC Polyus Gold in 2007 in the amount of 2.95 rubles per 1 common share of stock of OJSC Polyus Gold, and to set out that the dividends shall be paid within the period until August 29, 2008, inclusive.
3. To define the following ways of payment of the dividends: by postal orders and by bank transfers.

#### Stance of the Board of Directors

As per the Regulations on Dividend Policy approved by the OJSC Polyus Gold Board of Directors, the Company strives to have the dividends paid in the amount of up to 25% of the net profit calculated in accordance with the international financial reporting standards (IFRS).

In coming up with recommendations on the size of the dividends, the Board of Directors takes due account of all of the needs of financing the Company's production and investment activities, of the debt management and of the requirements of the tax laws of the Russian Federation, and also of the amount of the OJSC Polyus Gold net profit as per the RSABR.

Given the fact that OJSC Polyus Gold per se is not currently engaged in production activities and is not encumbered as of now by any significant debt obligations, the Board of Directors holds it feasible to allocate the net profit (RSABR) of OJSC Polyus Gold following the results of the year 2007 for payment of dividends.

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

#### Recommendation

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

Batekhin, Sergey Leonidovich  
Braiko, Valery Nikolaevich  
Charlier, Christophe Francois  
Ivanov, Evgeny Ivanovich  
Parinov, Kirill Yurievich  
Prokhorov, Mikhail Dmitrievich  
Rudakov, Valeri Vladimirovich  
Salnikova, Ekaterina Mikhailovna  
Skitovich, Pavel Gennadievich

#### Stance of the Board of Directors

The total membership of the Board of Directors is 9 persons, and the Company's Stockholders have proposed 20 persons as nominees for election to the Board of Directors.

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. The Board of Directors in this composition have been able to assure stable development of the Company and successive achievement of all of the set strategic goals. The Board of Directors have proved itself a close-knit team, where not only the collective performance of the Board but also the sizeable contribution to this performance by each one of its Members are worthy of high appreciation.

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 the assurances pledged to the stockholders 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 2015 – one of the most ambitious in the sector, and substantial steps in its implementation have been already taken. 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 been quadrupled, and the Company has risen to the 4<sup>th</sup> place in the world by its volume of reserves.

The recommended composition of the Board of Directors is well-balanced and represents the interests of both the main owners of the Company and of its minority stockholders. The latter's interests in the recommended composition of the Board of Directors are represented by the independent nominees, which is in keeping with the world's best practices.

**V.N. Braiko** and **Christophe Francois Charlier** are recognized as independent Directors as per the LSE requirements.

The great professional experience and in-depth knowledge of the sector by V.N. Braiko, Chairman of the Union of Gold Miners of Russia, his objective and unbiased attitude towards the strategic decisions made by the Company is highly appreciated by the Board of Directors.

The Board of Directors recommends Christophe Francois Charlier as an independent director. His financial background and huge experience in working for mining and smelting companies will definitely contribute to the Company's further efficient management and its step-by step strategic development. Besides, in 2004 Mr. Charlier was engaged in the first steps of setting up OJSC Polyus Gold and has a good knowledge of both the mining industry and the Company's activity.

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

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 interests of minority stockholders.

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 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.

**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 achievement of the strategic tasks formulated by the Board of Directors.

**E.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.

**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 the standards of responsible business management in the transitional economy environment.

#### 4. Re Issue: "On Election of Members of the Auditing Committee of OJSC Polyus Gold"

##### Recommendation

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

Andrey A. Zaitsev  
Mikhail Yu. Zatsepin  
Dmitry A. Mayorov  
Oleg E. Cherney  
Alexey S. Shaimardanov

##### Stance of the Board of Directors

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: "On Approval of Auditor of OJSC Polyus Gold"**

### Recommendation

The Board of Directors recommends that the Stockholders approve Rosexpertiza LLC for the year 2008 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 2007, 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. On Determining the Cost of Services of Liability Insurance of the Members of the OJSC Polyus Gold Board of Directors**

### 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\$ 20,000,000, 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\$ 20,000,000 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. On Approval of Transaction of Liability Insurance of the Members of the OJSC Polyus Gold Board of Directors, in Which There Is an Interest**

### 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\$ 20,000,000 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 Stockholders has already made twice (in 2006 and in 2007) a similar decision on the issue of liability insurance of Members of the Board of Directors.

The amount of the insurance premium for the year 2008 would not exceed US\$ 300,000.

#### **8. Re Issue: "On Amending the Charter of OJSC Polyus Gold"**

##### Recommendation

The Board of Directors recommends that the Stockholders vote FOR on each Item of the draft decision on the introduction of amendments into the Charter of OJSC Polyus Gold.

##### Stance of the Board of Directors

These amendments in the Charter of OJSC Polyus Gold are proposed with the purpose of perfecting the system of corporate management of the Company along the lines of closer adherence to the recommendations of the Corporate Conduct Code of the FFMS.

Furthermore, the proposed amendments would allow enhancing significantly the role of the Board of Directors in arriving at strategically prominent decisions, as well as in the conclusion of transactions that are of substance for the Company though do not fall formally under the criteria of either major transactions or transactions of interest.

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