

APPROVED BY
The Board of Directors
of OJSC Polyus Gold
Minutes No. 1,
dated March 30, 2006

REGULATIONS
on the Internal Financial and Economic Audit
of OJSC Polyus Gold

2006

1. GENERAL

- 1.1. The present Regulations on Internal Financial and Economic Audit (hereinafter referred to as the "Regulations") of the Open Joint-Stock Company Polyus Gold (hereinafter referred to as the "Company") are approved in accordance with the current legislation, the Charter of the Company (hereinafter referred to as the "Charter") and the Regulations on the Company's Board of Directors.
- 1.2. These Regulations determine the definition, purposes, guidelines, and procedures of the Company's internal audit (hereinafter referred to as the "Internal Audit"), the functions of the Company's Auditing Service (hereinafter referred to as the "Audit Service") to control the observance of the Internal Audit procedures.

2. DEFINITION, MAIN PURPOSES, GUIDELINES AND PROCEDURES OF INTERNAL AUDIT.

- 2.1. Internal Audit is a process carried out by the Board of Directors, executive and control authorities, officers and other staff members of the Company aimed at securing reasonable guarantees that the Company shall achieve the goals set by it.
- 2.2. The main purposes of the Internal Audit are:
 - o economic productivity and efficiency of the Company;
 - o reliability and authenticity of all Company's reports;
 - o observance of laws and the internal regulations of the Company.
- 2.2. The purposes of conducting the Internal Audit:
 - 2.2.1. early identification and analysis of risks in the Company's activities;
 - 2.2.2. securing the authenticity of the Company's financial and administrative information and reports;
 - 2.2.3. fulfillment of the Company's financial and economic plans;
 - 2.2.4. securing the safety of the Company's assets and the effective use of its resources;
 - 2.2.5. assistance in achieving the optimal organization of the Company;
 - 2.2.6. observance of the existing standards and internal procedures set by the Company.
- 2.3. Guidelines of the Internal Audit:
 - 2.3.1. evaluation of the efficiency of the Company's organizational structure;
 - 2.3.2. control over the Company's key financial and economic activities and the analysis of the results thereof;
 - 2.3.3. control over the observance of the Company's financial discipline and the execution of the Company's managerial and official decisions;
 - 2.3.4. providing sufficient confidence in the authenticity of the Company's financial statements and the observance of their preparation procedures, as well as the Company's book-keeping requirements;
 - 2.3.5. control over the execution of the Company's and its subdivisions' budgets;
 - 2.3.6. ensuring that the Company's agreements with third parties serve the Company's financial and economic interests;
 - 2.3.7. ensuring that the Company's Internal documents and managerial draft decisions meet the financial and economic interests of the Company.
- 2.4. The Internal Audit procedures:
 - 2.4.1. the formulation of interconnected and consistent goals and objectives at various levels of the Company management;
 - 2.4.2. the distribution and delegation of key powers and responsibilities within the Company, the provision of effective interaction of the Company's subdivisions and staff;

- 2.4.3. the detection and analysis of the Company's potential risks, which may prevent the Company from achieving its goals;
 - 2.4.4. the organization of the system of information collection, handling and transmission, including the formation of reports and statements on the Company's operating, financial and other activities, as well as the establishment of high-performance communication channels and resources providing vertical and horizontal ties inside the Company;
 - 2.4.5. informing all the Company's personnel of their responsibilities regarding Internal Audit;
 - 2.4.6. defining the criteria and evaluating the operational efficiency of the Company's structural subdivisions, senior officers, and other employees;
 - 2.4.7. the use of adequate ways of registering events, operations, and transactions;
 - 2.4.8. checking the safety of assets;
 - 2.4.9. the approval and execution of operations only by authorized personnel;
 - 2.4.10. the appropriate documenting of the Internal Audit procedures;
 - 2.4.11. sharing the key responsibilities between the Company officers, including the acceptance, approval, logging, analysis, and check of operations and the delivery, storage, and receipt of resources;
 - 2.4.12. delimiting the access of the Company's managers and auditors, as well as other Company employees, to certain resources and data and assigning liabilities for unauthorized access;
 - 2.4.13. regular assessments of the quality of the Internal Audit system.
- 2.5. The responsibility for the organization of the Company's Internal Audit rests with the person that functions as the Company's sole executive body.
The heads of the Company's structural subdivisions and other employees are responsible for the Internal Audit design, documentation, implementation, monitoring, and development in compliance with their functions and spheres of incumbency.
For the execution of Internal Audit in certain spheres of the Company's activities, special executives may be assigned and specialized subdivisions formed.

3. INTERNAL AUDIT SYSTEM STATUS AND FUNCTION EVALUATION

- 3.1. The Company's Board of Directors' Audit Committee evaluates the efficiency of the Company's Internal Audit system.
- 3.2. The direct evaluation of the Internal Audit system's adequacy, sufficiency and effectiveness, as well as control over the observance of the Internal Audit procedures, are carried out by a specific subdivision of the Company - the Audit Service.
- 3.3. For the above purposes and to supervise the adherence to the Internal Audit procedures, the Audit Service shall act as follows:
 - 3.3.1. organize and conduct inspections and official investigations of the main financial and economic activities of the Company, as well as engage the staff of other structural subunits of the Company;
 - 3.3.2. analyze and generalize inspection and investigation results (including those conducted by other Company's subdivisions) of the Company's main financial and economic lines;
 - 3.3.3. coordinate the Company subdivisions' work during Internal Audit events;
 - 3.3.4. keep records of the breaches revealed during Internal Audit and provide the information on such breaches to the Company's Board of Directors' Auditing Committee and executive offices;
 - 3.3.5. supervise the elimination of infringements revealed during inspections and investigations;
 - 3.3.6. analyze the results of the Company's audit inspections, control the development and

- fulfillment of measures to eliminate the breaches revealed during Internal Audits;
- 3.3.7. prepare proposals to improve the Internal Audit procedures;
- 3.3.8. develop documents regulating the Audit Service's activities.

4. AUDIT SERVICE ORGANIZATION

- 4.1. The Audit Service and its officers act under the current legislation, the Charter, these Regulations, the Audit Service Statute, other Internal instruments of the Company, and the Audit Service staff duty regulations.
- 4.2. The Head of the Audit Service is appointed (dismissed) by the Company Board of Directors' relevant decision. The Contract with the Head of the Audit Service is concluded on behalf of the Company by the General Director of the Company.
- 4.3. The Audit Service Head's remuneration rate is determined by the Company Board of Directors on the advice of the Auditing Committee of the Company Board of Directors.
- 4.4. The appointment procedure and qualifications of contenders for the Audit Service positions are approved by the Auditing Committee of the Board of Directors of the Company.
- 4.5. The Audit Service officers shall use the information disclosed on duty only in the interests of the Company and following the Company's Internal documentation.
- 4.6. The Head of the Audit Service is empowered to:
 - 4.6.1. allocate duties among the personnel and organize work of the Audit Service;
 - 4.6.2. call and hold meetings and sessions on the subjects within the Audit Service terms of reference;
 - 4.6.3. request the necessary documents and information from the Company's bodies and subdivisions;
 - 4.6.4. request the Company's officers to produce explanations and comments necessary to control the adherence to the Internal Audit procedures;
 - 4.6.5. request the Company's personnel to provide information on the execution of the Company's management and other officials' decisions adopted following the results of checks and official investigations of the Company's financial and economic activities;
 - 4.6.6. in coordination with the Company's sole executive body or its deputy, involve other employees of the Company's subdivisions in examinations and investigations;
 - 4.6.7. propose incentives for the Company staff members;
 - 4.6.8. make suggestions on bringing to responsibility the Company officers in fault;
 - 4.6.9. report to the Board of Directors' Auditing Committee and the Company's sole executive body on infringements of the Internal Audit procedures;
 - 4.6.10. perform other functions subject to the Company's Audit Service Statute.
- 4.7. Rendering its duties, the Audit Service prepares newsletters, opinions, reports, recommendations, and other documents to be signed by the Head of the Audit Service. The above documents are submitted to the Auditing Committee of the Board of Directors and to the sole executive body of the Company.
- 4.8. The Audit Service shall prepare the Annual Report on its activities and submit it for consideration to the Auditing Committee of the Company's Board of Directors and sole executive body.
- 4.9. While monitoring the observance of the Internal Audit procedures, the Audit Service interacts with the Company's management and subdivisions, acquiring documents and information necessary for its duty according to the established procedure.