ZAO POLYUS RESOURCE AND RESERVE AUDIT: KURANAKH GOLD PROJECT

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1 INTRODUCTION

In January 2006, ZAO Polyus (Polyus) approached SRK Consulting (UK) Ltd (SRK) to undertake an audit of the resource and reserve estimates for a suite of its assets. The overall objective of the work was to produce audited resource and reserve statements suitable for publication in the public domain and classified according to an internationally recognised resource and reserve reporting code, in this case the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code).

This report presents SRK's audited Mineral Resource and Ore Reserve statement for the Kuranakh Gold Mine (Kuranakh) which is located in the Aldan Province of Yakutia in Eastern Russia and which is operated by OAO Aldanzoloto GRK (Aldanzoloto).

2 STATEMENT OF QUALIFICATION

SRK is part of an international group (the SRK Group), which comprises over 500 professional staff offering expertise in a wide range of engineering and scientific disciplines. The SRK Group's independence is ensured by the fact that it holds no equity in any project and that its ownership rests solely with its staff. SRK has offices in the UK, South Africa, North and South America, Canada, China and Australia.

This particular commission has been undertaken by Dr John Arthur, Principal Mining Geologist with SRK and Brian Connolly, a Principal Mining Engineer with SRK's North American practice and has been reviewed by Dr Mike Armitage, a Principal Mining Geologist and Managing Director of SRK. All are full time consultants with SRK with experience in undertaking and auditing resource and reserve estimates throughout the world and particularly in Russia and other CIS countries.

3 SCOPE OF WORK

SRK has reviewed all of the key information on which the most recently reported resource and reserve statements for Kuranakh are based, including the results of drilling and resource and reserve estimation carried out by minesite technical staff. Specifically, SRK has reviewed the:

- geological setting and nature of the deposit especially with regard to the resource estimation methodology;
- nature of the gold mineralisation;
- historical and current sampling and assaying methodology and coverage;
- resource estimation methodology and classification;
- results of detailed reconciliation studies completed to date to demonstrate that the reported resource has been accurately estimated; and the
- pit designs and other technical and financial data to demonstrate that the resource can be technically and economically exploited.

In undertaking the above work, SRK has visited the Kuranakh mine site to hold discussions with the production team based there. SRK has also observed the mining operation first hand including the ore and waste handling procedures in pit.

4 PROJECT DESCRIPTION

The Kuranakh operation is located in the Aldan District of the Yakutia Region in Eastern Siberia, some 400 km south of the city of Yakutsk and 40 km north of Aldan. The orebodies have been evaluated over a strike distance of 30 km and form as a series of elongate bodies within a fault bounded graben structure. The mineralisation is hosted by sandstones which vary in composition from coarse well sorted sands to poorly sorted clay sands. The Mineral Resource estimates presented in this report are exclusively within oxide material and all mining is by open pit methods.

The existing plant has been operating since 1965, but the processing technology has been changed since the plant was initially installed and now incorporates SAG milling, sand slime separation, slime dewatering, sand milling and resin in pulp (RIP). The capacity of the plant has also been gradually increased following the installation of additional processing streams and equipment such that it is now capable of treating up to 4 Mtpa.

In addition to the current in-situ Mineral Resource, there is a considerable amount of material which was previously stockpiled as either waste or low grade/marginal/Off balance ore. The average grade of the mined material and the cut off grade are now considerably lower than when mining first started and, as a result, some of this low grade and waste material can now be considered as ore grade and suitable for processing. The most recent

change in cut-off grade was in 1986 when this changed from 1.5 g/t to1.0 g/t. The current GKZ approved reserves are based on this 1986 re-estimation.

5 GEOLOGY

5.1 Regional Geology

The Kuranakh deposit consists of 11 separate orebodies, each of which comprises a series of mineralised zones. The orebodies are hosted by a sequence of Proterozoic and Mesozoic arenaceous and argillaceous sediments up to 600 m thick which cover the south eastern edge of the Siberian Platform which, in turn, is made up of highly deformed and altered Archaean gneisses, granulites and granites. The Proterozoic sediments are generally thought to have been thrust over the Archaean basement from the east during the Late Jurassic.

The Cambrian sediments are considered to have been laid down in a series of shallow ocean basins characterised by the extensive development of carbonate reef facies and shallow basinal sediments and typified by, often carbonaceous, siltstones and fine sandstones. Regional uplift and volcanism during the Devonian resulted in the development of a series of deep crustal structures which now form a series of north and north-east trending linear features, and horst and graben structures in the underlying basement. Later volcanism associated with a continental collision, which occurred towards the end of the Jurassic, resulted in the development of a magmatic arc setting in the south of the Aldan Shield and associated volcanism throughout the region.

5.2 Orebody Geology

The Kuranakh orebodies occur within a broad linear graben, are hosted by a sequence of Yuhtinskaya Formation Jurassic sandstones, and are located immediately above the contact between these and the underlying Cambrian Limestone sequence. The sandstones vary between 40 m and 70 m in thickness and, at the contact, are intermixed with limestone rubble and breccia. In a number of areas, well developed karstic sinkholes have also developed in the upper surface of the limestone.

The largest tonnage of ore is concentrated in the central area where there appear to be a number of intersecting structures around the Yakokutskoye, Tshentralnoye and Porfirovoye orebodies. South of this, the orefield appears to split with a south-west and south-east limb each consisting of some of the smaller orebodies. To the north, the orefield thins. The Severnoye orebody is the most northerly of the currently defined deposits.

The orebodies occur as a series of elongated, lenticular in cross section, zones of metasomatism with a preferred orientation to the north-northwest. The orebodies are aligned parallel to the main structures and are only occasionally disrupted by cross cutting faults. Echo Bay Mines Limited (Echo Bay) carried out a detailed geological study of the various

orebodies during 1996 as part of a wider study of the deposit as a whole. No major structures, other than the north-south faulting and dykes already mentioned, were found.

The thickness of the orebodies varies from less than 1 m to tens of metres and generally, but not exclusively, occurs towards the base of the sandstone sequence near the upper contact with the weathered limestone. The clay content of the orebodies varies from less than 1% to over 40% and their extensive weathering means that no sulphides remain. The major mineral present is quartz which makes up between 40% (Tshentralnoye) and 85% (Porphirovoye) of the total. The clay content is inversely proportional to the quartz content. Iron hydroxides are present in varying amounts, but average 13%.

Gold is fine grained, occurs as free particles generally less than 3 μm in diameter and is associated with iron oxides (goethite) suggesting it was deposited along with pyrite prior to weathering.

6 MINERAL RESOURCES

6.1 Introduction

SRK has not independently re-calculated a Mineral Resource estimate for Kuranakh, but has rather reviewed and commented upon the quantity and quality of the underlying data and the methodologies used to derive the estimates as reported by Polyus/Aldanzoloto and then re-reported these using the terminology and guidelines of the JORC Code.

6.2 Quantity and Quality of Data

Current drilling at Kuranakh totals over 1 million metres of churn drilling from some 38,000 holes. In addition, 1,400 test pits and 1,500 diamond drill holes have also been drilled and sampled. The churn drilling is the principal source of data upon which the current resource estimate is based. Churn drilling has been carried out at fourteen sites within the mining licence area but diamond drilling and test pits have only been carried out on the eleven principal deposits.

The churn drilling method utilises cable percussion and is used extensively for the evaluation of unconsolidated materials such as gravel and sand, but is not appropriate for deposits where a large amount of lithified or relatively unaltered material is encountered. Reconciliations between the tonnage and grade estimates derived from the initial drilling and the grade control drilling respectively show a large variation in tonnage which may be down to the inability of churn drilling to penetrate the full depth of the orebody if, for example, it encounters boulders of the basement limestone or partially oxidised ore.

Drilling is undertaken on drill lines spaced either 100 or 50 m apart and at a 20 m spacing along the lines for C1 category ore. Any blocks defined from drill lines spaced greater than

100 m is classified as C2. Grade control is carried out from sampling of the 6 x 6 m spaced blast holes following which the orebody outlines are then re-defined ahead of mining. Any depletions or additions to the Mineral Resource base due to this re-modelling are noted in the annual 5GR reports.

All samples are assayed where there is visible evidence of mineralisation. If samples appear barren then only every second sample is assayed although the unassayed sample is retained. If the apparently barren samples are subsequently found to contain grade, then the intervening samples are also assayed. Samples from areas drilled in the 1960s and 1970s are no longer available and this has led to an incomplete database available for some deposits.

Assaying is by fire assay with a gravimetric finish. Standards and blanks are included by the laboratory as part of their standard assaying protocol. The geology/production department routinely re-number sample pulps and send them for re-assay, however, they do not send in standards and blanks. External control is carried out at Aldan Geology laboratories in Aldan, which is the local government facility.

While recent work carried out by Echo Bay Minerals and Hatch focussed on assessing the potential for heap leach, the results of their work does add some comfort regarding the quality of the information available at Kuranakh. Echo Bay carried out an extensive check assaying and twin drilling campaign using coring methods. The results of this showed that churn drilling provides comparable grade values to those obtained from core drilling though the core recovery obtained by Echo Bay during this exercise was generally less than 80%.

Figure 6.1 highlights the results of the internal check assaying for the period between 2000 and 2005 inclusive. While the results show a relatively good correlation with no apparent bias, there is a considerable spread of results of +/- 0.5g/t throughout the range. This has particular relevance given the low grade of several of the orebodies.

Specific gravity determination was first carried out in the 1950s, following which an average of 1.85 t/m^3 was assumed for all orebodies. Recent work by Polyus/Aldanzoloto and Echo Bay Mines using diamond core methods has resulted in recalculation of values for individual pits ranging from 1.7 t/m^3 to 1.97 t/m^3 for ore.

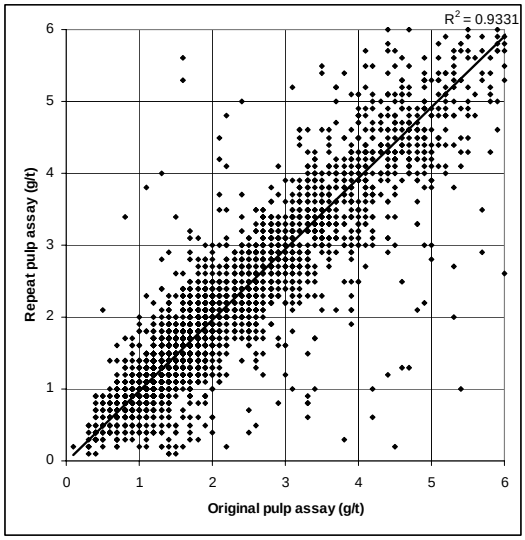


Figure 6-1: Graph showing the results of internal check assaying carried out by re-numbering and re-assaying sample pulps (2000-2005)

6.3 Resource Estimation Methodology

Mineral Resources are estimated using a manual polygonal method as prescribed by GKZ. Polyus/Aldanzoloto digitised the majority of the orebodies in AutoCAD format and the area and volume calculations are carried out on the computer. A commercial mining software package will be installed in the near future and used for both Mineral Resource and Ore Reserve estimation.

Grades are assigned to polygons by calculating the average grade of all intersections within each polygon weighted by length. The grade is then applied to a 3D volume extending half way to the adjacent polygon sections. The Kogan method is used for any high grades encountered which may skew the block value, but it was reported to SRK that such grades do not occur at Kuranakh. The current method of interpolation is approved by the GKZ and C1 and C2 resources defined in this manner make up the current official resource statement.

6.4 Polyus Mineral Resource Statement

Table 6.1 is a summary of the Mineral Resource Statements provided to SRK by the staff at Kuranakh. The primary source of data is from the 5GR statements which are produced annually by the operation for submission to the State Committee. These documents provide the official disclosure of mining operations to the government and include details of Off Balance material and any additions or unexpected depletions to the Mineral Resource base.

Stockpile information was summarised from a separate sheet as stockpile data is not reported to GKZ. The stockpiles quoted here only consist of those stockpiles which Polyus/Aldanzoloto currently has access to and the right to mine. There are an additional 97 Mt of material with an average grade of 0.7 g/t, of which 12 Mt at 1.14 g/t are classified

as On-Balance (but not approved by GKZ) which are currently held under licence by the previous mine operators. These dumps are arranged around the various pits throughout the mine and have been extensively tested by drilling. Should the licence for these dumps become available to Polyus, they would represent a significant low grade, and possibly heap leachable, resource.

Table 6-1: Polyus Resource Estimates, 1 January 2006

	Balance				Off Balance			
	Tonnes (Mt)	Grade (g/t)	Gold (kg)	Gold (koz)	Tonnes (Mt)	Grade (g/t)	Gold (kg)	Gold (koz)
B	0.62	3.41	2,100	67	0.20	2.58	500	16
C1	54.80	1.93	105,700	3,397	105.63	0.90	94,900	3,050
Stockpile C1					0.95	0.75	700	23
Sub Total B+C1	***55.42***	***1.94***	***107,800***	***3,465***	***106.78***	***0.90***	***96,100***	***3,089***
C2	4.26	1.77	7,500	242	3.08	1.05	3,200	104
Total	**59.68**	**1.93**	**115,300**	**3,707**	**109.85**	**0.90**	**99,300**	**3,193**

Figure 6.2 highlights the results of reconciliation studies carried out comparing the actual tonnes and grade mined with that predicted from the original GKZ approved Reserve model. This is a reconciliation between two sets of sample studies carried out using exploration drilling (GKZ study) and blast hole sampling (Grade Control), and is only for the three production pits between 2000 and 2004. Direct reconciliation with the plant is not possible due to the stockpiling and blending which is carried out at the plant.

Tonnage reconciliation was poor for 2002 and 2003, with more ore tonnes being identified through grade control drilling than was planned for. The reason for this appears to be that, in many cases, the full thickness of the orebody was not intersected by the churn drilling. The grade profile is relatively flat indicating a consistent overestimation of grade by the exploration drilling relative to the grade control drilling and the gold content profile is thus largely influenced by the variations in the tonnage comparisons.

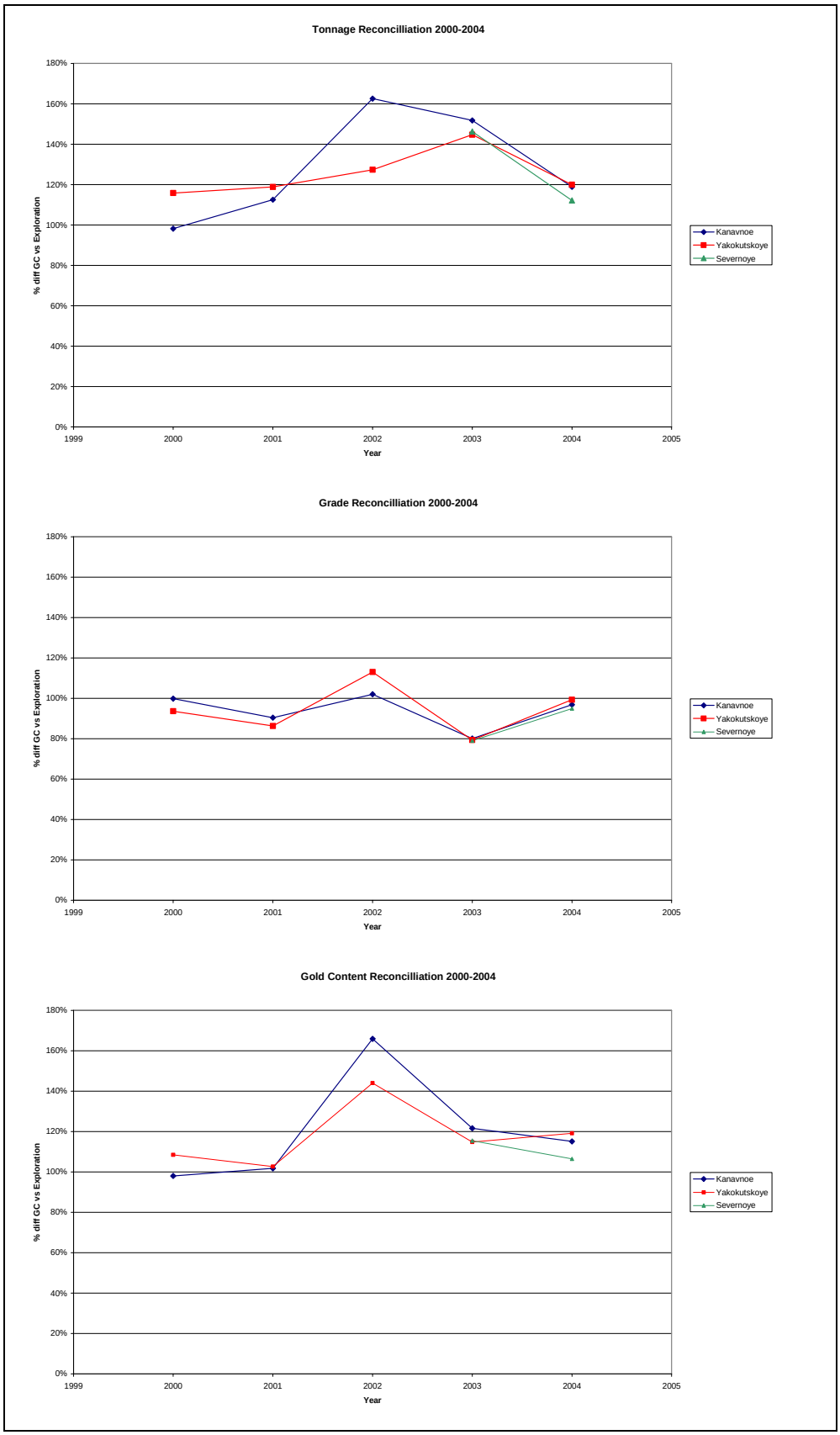


Figure 6-2: Reconciliation graphs for the three principal production pits for the period 2000-2004

6.5 SRK Audited Mineral Resource Statement

Table 6.2 below gives SRK's audited Mineral Resource statement for Kuranakh as of 1 January 2006, in this case classified using the terms and guidelines of the JORC Code and inclusive of any material which will subsequently be classified as an Ore Reserve.

The resource estimation methodology employed is familiar to SRK and has been shown to be reliable in many operations. However, the irregular shape and large size of individual blocks, coupled with the use of a simple average grade may lead to significant differences between what is planned to be mined and what is actually produced on a local (mining block) scale. For this reason, SRK would only consider a block to be classified as Measured if it had been sampled by grade control drilling.

Essentially, the B material has been classed as Measured, the C1 material as Indicated and the C2 material as Inferred. Finally, the 1 Mt of available stockpiled material has been classified as Measured given that is has been mined and sampled and that the tonnage estimates are considered to be reliable.

Table 6-2: SRK Audited Mineral Resource Statement, 1 January 2006

Category	Tonnes (millions)	Gold Grade (g/t)	Gold Content (Moz)
Measured	1.75	1.88	0.1
Indicated	160.43	1.25	6.4
Sub-Total	**162.2**	**1.26**	**6.5**
Inferred	7.34	1.47	0.4
TOTAL	**169.5**	**1.27**	**6.9**

6.6 SRK Comments

While SRK considers the current sample assay procedure to be appropriate, the reliance on churn drilling is a concern given the poor penetration capability of this method in semi-consolidated or partially oxidised ore. There also appears to be a slight overestimation of grade resulting from the method. The internal check assay protocol is appropriate, but could be improved with inclusion of standards and blanks along with the repeats sent in by the geology department. The results of the check assaying do not indicate any bias, but the wide range of re-assay results at low grades is an issue which need to be addressed, particularly should it be necessary to identify potential heap leach Resources.

SRK's resource statement given above is different to that produced by SRK for the asset previously, higher in terms of tonnes and gold content but lower in grade, reflecting the inclusion of lower grade, off-balance, material which SRK considers has potential to be processed by heap leaching.

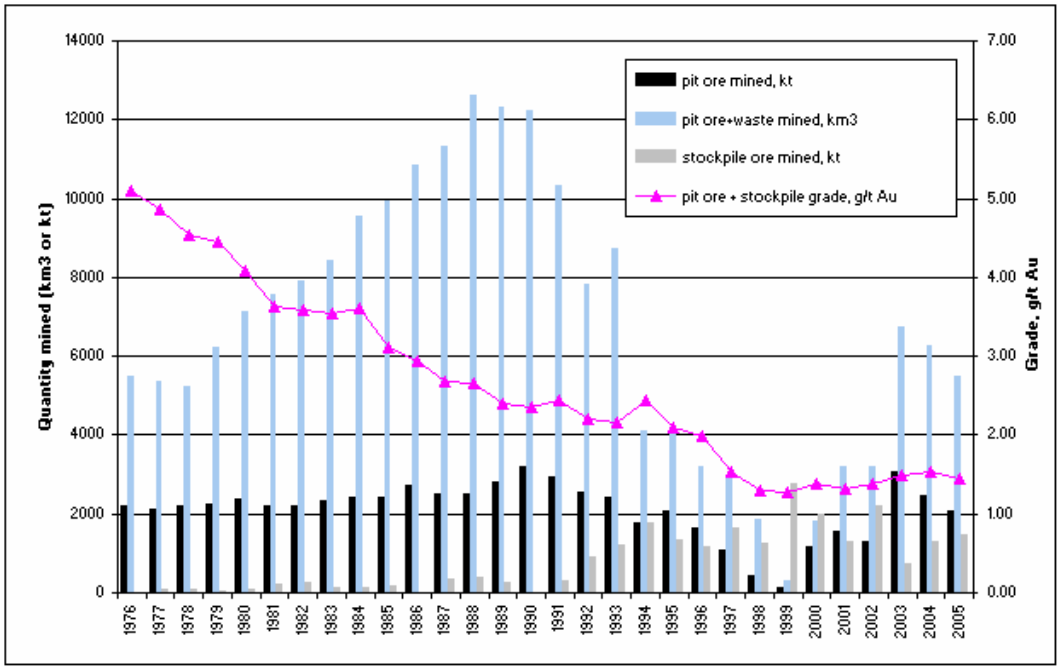
7 KURANAKH MINE PLAN

7.1 History

The Kuranakh Mine has been in production for more than 40 years during which some 65 Mt of ore have been processed. A large inventory of principally low grade mineralisation has also been accumulated in numerous stockpiles near the operated pits, but these stockpiles are, for the most part, owned by another company. Pit ore production has originated from eleven orebodies, all of which continue to contain resources and none are considered by mine staff to be fully depleted of mineable quantities.

The production profile over the past 30 years is illustrated graphically in Figure 7.1. The grade of the pit and stockpile ore mined generally declined until 1997, after which it stabilized at about 1.5 g/t Au. Since 1992, rehandle from pit rim stockpiles has been quite significant, representing approximately 47% of total pit and stockpile ore mined.

Figure 7.1 – Historical mining rates



While the plant is now capable of treating between 3 and 4 Mtpa, constraints to the supply of suitable grade feed material and plant availability have generally limited annual treatment rates to around 3 Mtpa and gold production in the region of 4 tpa.

The Kuranakh ore has variable physical characteristics and the gold is reportedly fine, between 10 and 50 microns. Notwithstanding this, the ore is relatively easy to process and is highly amenable to cyanidation with fast leaching characteristics, providing current gold recoveries of over 85%. The clay content of the ore is variable, but is generally high with analyses of the RoM ore indicating the fines (< 0.1 mm) fraction to be generally between 25

and 50%, which can cause processing problems and may limit the opportunity for introducing alternative low cost treatment process.

A small heap leach operation is also in production as a demonstration plant for possible future application of this technology.

Processing statistics for the past six years are shown in Table 7.1. Gold production has averaged approximately 129,000 oz annually since 2000.

Table 7.1: Ore and gold production history

	2000	2001	2002	2003	2004	2005	Total
Gold Mill Feed							
Pit Feed, kt	1,124	1,454	1,191	2,909	2,376	1,902	10,956
Head grade, g/t Au	1.63	1.36	1.60	1.62	1.69	1.75	1.62
Stockpile* Feed, kt	1,912	1,261	1,952	664	1,153	1,260	8,200
Head grade, g/t Au	1.29	1.28	1.30	1.12	1.31	1.06	1.24
Total Mill Feed kt	3,036	2,715	3,143	3,572	3,528	3,162	19,156
Head grade, g/t Au	1.41	1.33	1.41	1.53	1.56	1.47	1.46
Contained gold, kg	4,294	3,599	4,443	5,462	5,517	4,658	27,973
Mill recovery	85.7%	83.9%	86.1%	85.9%	87.7%	86.9%	86.2%
Recovered gold, kg	3,680	3,021	3,824	4,694	4,836	4,050	24,106
Recovered gold, koz	118	97	123	151	155	130	775
Heap Leaching							
Leached quantity, kt	76	32	114	200	201	129	752
Head grade	1.33	1.30	1.29	1.30	1.13	1.14	1.23
Contained gold, kg	100	41	147	260	227	147	922
HL recovery	56%	52%	73%	64%	64%	62%	64%
Recovered gold, kg	56	22	108	166	146	91	589
Recovered gold, kg	1.8	0.7	3.5	5.3	4.7	2.9	19
Total quantity mined, km3	2,927	3,932	4,431	7,136	6,983	6,302	31,711

* Note: stockpiles are not owned by Polyus

7.2 Current Mine Status

The pits are operated utilising 10 m high working benches with 65° face angles and 7 m wide safety berms, yielding an average inter-ramp pit slope of 41°. Pit haulage road travel surfaces are designed 18 m wide, suitable for the mine's haulage fleet. The ore is drilled on a closely spaced pattern for grade control purposes. The pit ore and waste mined is generally quite soft and can usually be excavated without blasting during the summer months. During the winter, the ore and waste is blasted. The Yakokutskoye, Severnoye, and Kanovnoe orebodies are currently being exploited. Ore haulage distances from these pits to the RoM stockpile range up to 22 km, and average approximately 16 km.

Major mine production equipment acquired between 1995 and 2002 includes two 250-mm drills, four 6-10 m^3 shovels/excavators, four 4-8 m^3 loaders, 7 bulldozers, 11 120-t trucks, five 80-t trucks, 14 55-t trucks, and 18 30-t trucks. In addition, several older, fully depreciated units acquired between 1987 and 1995 are located on site, including four 5-10 m^3 shovels and three 250-mm drills.

Kuranakh's current workforce is high by western standards, totalling about 2100 personnel, including approximately 200 in management and administration, 700 in the mining, transportation and maintenance departments, 500 in the processing group, and 860 support staff. Staff turnover was 22% in 2004 and in 2005.

7.3 Kuranakh Production Plan

A Kuranakh life-of-mine (LoM) plan was not available for review. Many of the original pit designs prepared at the time of GKZ approval are not fully documented in terms of stripping quantities and were based on 52° inter-ramp pit slope angles, which have since proved too steep from a geotechnical standpoint, so are not adequate for LoM planning.

Between 1998 and 2002, mine staff revised the pit designs for several of the major mining areas utilising the current 41° inter-ramp slope geotechnical criteria, and re-calculated contained quantities in the redesigned pits. These revised pit quantity estimates for the selected pits have provided sufficient mine planning information for Kuranakh technical staff to prepare short term mine plans. The current Kuranakh 5-year production schedule covering the period 2006-2010 is summarized in Table 7.2.

Kuranakh management are optimistic that large scale heap leaching low grade mineralisation will prove feasible. The 5-year plan summarized in Table 7.2 includes two alternative production scenarios for 2006, depending on the heap leach strategy and implementation schedule adopted by the company. Beyond 2006, the 5-year plan includes increasing quantities processed by heap leach, reaching 3.5 Mtpa by 2009.

Table 7.2: Kuranakh 5-Year Plan

	2006a	2006b	2007	2008	2009	2010	2006b-2010
Mill Feed, Kt	3,600	4,000	4,000	4,000	4,000	4,000	20,000
Grade, g/t Au	1.59	1.55	1.77	1.83	1.86	1.86	1.77
Contained Au, kg	5,728	6,220	7,066	7,300	7,450	7,450	35,486
Mill Recovery	83%	83%	84%	85%	85%	85%	84%
Recovered Gold, kg	4,752	5,135	5,936	6,190	6,340	6,340	29,941
Recovered Gold, '000 oz	153	165	191	199	204	204	963
Heap Leach, kt		250	2,000	3,000	3,500	3,500	12,250
Grade, g/t Au		1.10	1.00	1.00	1.00	1.00	1.00
Contained Au, kg		275	2,000	3,000	3,500	3,500	12,275
HL Recovery		80%	76%	76%	76%	76%	76%
Recovered Gold, kg	0	220	1,518	2,269	2,654	2,654	9,315
Recovered Gold, '000 oz	0	7	49	73	85	85	299
Total Processed, kg	3,600	4,250	6,000	7,000	7,500	7,500	32,250
Grade, g/t Au	1.59	1.53	1.51	1.47	1.46	1.46	1.48
Contained Au, kg	5,728	6,495	9,066	10,300	10,950	10,950	47,761
Recovered Gold, kg	4,752	5,355	7,454	8,459	8,994	8,994	39,256
Recovered Gold, '000 oz	153	172	240	272	289	289	1,262
Waste Mined, kt	19,544	17,893	26,889	31,461	34,932	34,932	146,106
Waste Mined, m3	8,924	8,170	12,278	14,366	15,951	15,951	66,715
Total Mined, kt	23,144	22,143	32,889	38,461	42,432	42,432	178,356
Total Mined, km3	10,983	10,585	15,687	18,343	20,212	20,212	85,039
Strip Ratio, t:t	5.4	4.2	4.5	4.5	4.7	4.7	4.5
Strip Ratio, m3/t	2.5	1.9	2.0	2.1	2.1	2.1	2.1

Modifications to the milling and clay separation circuits in the gold processing plant to increase plant throughput are planned for 2006. Gold plant feed in 2006 ranges from 3.6 Mt to 4 Mt depending on the implementation scenario. The total processing rate (mill + heap leach) reaches 7.5 Mtpa by 2009.

Total material mined in the 5-year schedule ranges from 10 to 20 Mm^3pa, and averages 17 Mm^3pa. This compares to an average of 6.8 Mm^3 mined annually over the past three years as shown in Table 7.1. The 5 year-plan summarised in Table 7.2 therefore represents a major increase in Kuranakh mining and processing capacity.

Kuranakh is planning equipment upgrades and additions to modernise the mining and transport fleet so that the higher mining rates can be achieved. Documentation provided to SRK with the 5-year plan includes a capital forecast of some $58 million, principally for mining and transport equipment. This capital estimate does not include the capital costs required to develop the heap leach facilities. Mine closure estimates were not available for review.

7.4 SRK Comments

The mine plan quantities for 2006 have been estimated by individual pit and bench in considerable detail, and are understood by SRK to be the basis for the mine's 2006 operating budget. The mine plan quantities for 2007 to 2010, however, are based on average orebody grades and preliminary estimates of average orebody stripping ratios, without supporting documentation and as such could not be verified by SRK. In addition, the source of the 1 g/t Au feed grade of the heap leach material after 2006 is not documented and appears to be based on a general assumption that such will be available. It is possible that achieving this grade may require further mining of pit rim stockpiles that are not currently owned by Polyus/Aldanzoloto.

SRK is of the opinion that the heap leach processing option requires further feasibility-level analysis before being implemented. SRK has been provided with the results of a certain amount of quite technical investigation, but there is, as yet, little detail available regarding the capital and operating costs for this option, which is important to determine its economic viability. SRK understands that Polyus/Aldanzoloto is planning to commission such work. In the interim, SRK considers that a large scale heap leaching be considered as "upside potential" and not used as the basis of determining reserves.

The lack of suitable pit designs and quantity estimates for all orebodies prevents preparation of a LoM plan that optimises the mining and processing of the resource. SRK therefore recommends that, in conjunction with completing the outstanding aspects of a heap leach feasibility study, the total resource be re-optimised and pits re-designed as appropriate to permit preparation of an optimum LoM plan. This exercise would be greatly facilitated by preparation of a computerised 3D geological resource block model.

8 ORE RESERVES

8.1 SRK Analysis of Pit Quantities

As part of this commission, SRK has conducted a provisional review and analysis of Kuranakh's redesigned pits and quantities calculations in order to determine the remaining mineral resources and mineable quantities contained within engineered pits. Actual and budget Kuranakh mining, process and G&A costs were analysed to determine whether it will be profitable to mine the contained Measured and Indicated Mineral Resource using the methods planned.

SRK analysed Kuranakh's quantity estimates for pits that the mine's technical staff redesigned to satisfy current geotechnical requirements. These redesigns were all completed since 1998 (since 2002 utilizing CAD software). SRK has adjusted the pit quantity estimates generated at the date of the redesign by subtracting reported ore and waste mining that occurred to the end of 2005, in order to determine remaining quantities. Further adjustments

were made where necessary to match 1 January 2006 resource estimates. For its analysis of mineable quantities, SRK excluded material classed by SRK as Inferred Mineral Resources, in accordance with the JORC code requirements for Ore Reserve estimates. Further, SRK classed low (Off-Balance) grade mineralisation as waste pending the results of the heap leach feasibility study.

SRK has conducted indicative economic analyses of each redesigned pit. Unit operating costs were estimated based on an analysis of 2004 and 2005 actual costs and 2006 budget costs.

Pit mining costs are estimated at approximately US$1.30/t rock mined and ore transportation to the RoM stockpile is estimated to average $0.12/t-km (or approximately $1.85-2.00/t hauled based on a 15-17 km average haul distance). Future mining costs may be lower due to economies of scale at higher stripping rates and due to proposed equipment upgrading, so sensitivity analysis was conducted utilising a 20% reduced mining costs.

Gold plant processing and G&A costs are estimated to average US$6.40/t processed, including an allowance for site restoration. An allowance of $0.05/t material mined and $0.10/t feed is estimated for mine and plant sustaining capital, respectively, in lieu of amortisation and depreciation.

SRK applied gold plant process recoveries of 88%, which are higher than the historical recovery of 86% (Table 7.1) and the Kuranakh 5-year schedule recovery of 84% (Table 7.2), but lower than Kuranakh management expectations of over 90% once the proposed 2006 plant modifications are competed. Pit revenue estimates are based on a gold price of US$440/oz minus the state royalty of 6% and refining costs of 1.1%.

The results of this analysis indicated that five of the 15 redesigned pits are marginal or sub-economic in terms of contribution to the Kuranakh pre-tax cash flow, due to a high stripping ratio (averaging approximately 11 t waste per tonne feed) and low feed grade (approximately 1.45 g/t Au). A summary of contained quantity estimates in the marginal and potentially economic pits is presented in Table 8.1.

Table 8.1: Summary of Quantity Estimates in Redesigned Pits

	Mineralization >1.0 g/t Au			Mineralization, 0.6-1.0 g/t Au			Other	Total	Total	SR
	Quantity Mt	Grade g/t Au	Contained gold, t	Quantity Mt	Grade g/t Au	Contained gold, t	Waste Mt	Waste Mt	Mined* Mt	Ratio t:t
Mineral Resources										
Total Measured+Indicated Resources	55.6	1.95	108.3	106.6	0.90	95.6	n/a	n/a	n/a	n/a
M+I Resources NOT in designed pits	(22.6)	2.07	(46.7)	(72.1)	0.92	(66.6)	n/a	n/a	n/a	n/a
M+I Resources within designed pits	33.1	1.86	61.6	34.5	0.84	29.0	n/a	n/a	n/a	n/a
Mineable Quantities*										
Total within redesigned pits	37.7	1.62	61.0	38.9	0.75	29.3	231	270	307	7.2
Subeconomic pits	(13.8)	1.46	(20.2)	(17.8)	0.72	(12.7)	(141)	(158)	(172)	11.4
Potentially economic pits	23.9	1.71	40.8	21.1	0.78	16.5	90	111	135	4.7

* including dilution, mining losses, and 5% total quantity allowance for out-of-pit mining & rehandle

SRK has excluded the marginal pits from the audited Ore Reserve statement presented in Section 8.2, pending further study and analysis by mine staff. In SRK's opinion, the Measured and Indicated Mineral Resources in the other redesigned pits can be economically exploited and therefore form the basis of SRK's audited Ore Reserve statement.

8.2 Ore Reserve Statement

SRK's audited Ore Reserve Statement is founded on the Measured and Indicated Mineral Resource as summarised in Table 6.3 with appropriate modifying factors such as mining losses, dilution and economic considerations applied.

SRK's Ore Reserve statement, based on US$440/oz gold and the other parameters described in this report is presented in Table 8.2 below. In summary, the Probable Ore Reserve as of 1 January 2006 derived in this manner is estimated to total 23.9 Mt at an average grade of 1.7 g/t Au.

Table 8.2: SRK Audited Ore Reserve Statement as of 1 January 2006

Category	Tonnes (millions)	Gold Grade (g/t)	Contained Gold (Moz)
Probable	**23.9**	**1.7**	**1.3**

Mining losses and dilution for the major mining areas have been assessed by mine staff on a pit-by-pit basis considering the thickness of the mineralisation. Dilution contained within the above ore reserve statement includes an average of 2.7% mining losses and 14.3% dilution at 0.2 g/t Au.

The Ore Reserve given above is based on an in-situ cut-off grade of 1.0 g/t Au, which after the addition of dilution equates to a mining cut-off grade approximately 0.9 g/t Au. SRK considers this cut-off grade appropriate, based on an analysis of 2006 budget transportation, gold plant processing and G&A unit costs, estimated process recovery, and a $440/oz gold price. Lower grade mineralisation from 0.6 to 1.0 g/t contained within the designed pits is not included in the ore reserve statement, but has historically been stockpiled separately from other waste in pit rim stockpiles. Kuranakh is investigating the feasibility of heap leaching this low grade material. Depending on the resulting estimates of heap leach recovery, capital and operating costs, and haulage costs to the heap leach location(s), the 0.6 g/t lower limit of the low grade mineralization may warrant adjustment. A resource block model would greatly facilitate such cut-off grade optimisation.

The average stripping ratio of the Ore Reserves contained within the pits is approximately 2.2 m^3 of waste per tonne of ore, or 4.7 t waste per tonne of ore. These waste quantities, however, include 21 Mt of low grade mineralisation with a diluted grade of 0.7 to 0.8 g/t Au, which may be stockpiled pending potential heap leach assessment. Waste haulage distances to dumps and stockpiles located adjacent to the pits are estimated at 1.5 km. Ore haulage

distances to the RoM stockpile located near the gold processing plant are relatively long, averaging 16 to 17 km.

The Measured Mineral Resource with modifying factors has been included within the Probable Ore category due to its high clay content (>50%), which may possibly cause processing difficulties.

Based on a gold plant processing capacity of 3.6 to 4.0 Mtpa, the Ore Reserve presented in Table 8.1 could support the Kuranakh operation until approximately 2012. Pit designs for a large portion of the significant mineral resource have not yet been updated to reflect current geotechnical criteria and cost structure. SRK recommends this exercise be undertaken since it has the potential to increase Kuranakh's ore reserves. In addition, SRK supports the ongoing assessment of heap leaching to determine whether or not a portion of the considerable low grade resource may be economical exploited. To facilitate this engineering work, it is recommended that a computerised geological block model of the deposit be generated, since this will permit pit designs to be optimised and reflect the two potential processing methods.

9 CONCLUDING REMARKS

SRK considers Kuranakh to be a significant asset to Polyus/Aldanzoloto with a large Mineral Resource, albeit of relatively low grade.

The Ore Reserves are founded on only a portion of this resource, at least partially because the entire resource base has not been the subject of a LoM feasibility-level engineering analysis.

SRK has made certain recommendations relating to resource modelling and pit optimisation, mine planning and operations work which it recommends should be carried out to ensure that the operation is appropriately optimised. This work has the potential to increase the audited Ore Reserve statements given here.

10 WARRANTY

The observations, comments and conclusions presented in this report represent SRK's opinion as of February 2006 and are based on discussions with Polyus/Aldanzoloto staff, SRK's review of reports and information provided by Polyus, a visit to the project site and check analyses and verifications as deemed to be required.

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